

REPORT OF WORKS-IN-PROGRESS

The Committee initiated a series of projects that will continue throughout 1998. The most prominent of these efforts relates to the Committee's ongoing interest in settlement risk issues, as described in the "Chairman's Report." The Committee will also continue its work on a number of other initiatives, including:

- A set of guidelines establishing best practices for confirmation of currency options, drafted by the Operations Managers Working Group. Given the rapid growth in foreign exchange options trading over the past five years, this initiative will establish guidelines to promote standardized processing of options transactions, similar to the straight-through processing that has already become standard practice in conventional spot trading.
- A set of guidelines, drafted by the Operations Managers Working Group, establishing trading practices for dealing with nonfinancial institutions. The guidelines will summarize market conventions related to trade execution, confirmation, and settlement in an effort to encourage corporate customers and other nonfinancial institutions to adopt standard industry practices.
- Consideration of the implications of European Economic and Monetary Union for U.S. market participants, an effort that is being led by the Operations Managers Working Group. The Committee intends to host a seminar on the subject in 1998.
- A cross-product master agreement that nets amounts due at settlement under separate master agreements. As part of the Committee's ongoing efforts to help market participants reduce foreign exchange settlement risk, the Financial Markets Lawyers Group has advanced this issue jointly with the British Bankers' Association.

In addition to these endeavors, the Committee will continue to monitor market and industry developments to identify and pursue prospective issues in the areas of trading practices, market structure, and risk management. Two items that appear particularly worthwhile are the establishment of standard market conventions for electronic trading and the growing interest of dealers in consolidating global booking arrangements and trading in one name.