

COMMITTEE LETTER

REAFFIRMING THE COMMITTEE'S Y2K RECOMMENDATIONS

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Dear Foreign Exchange Professional:

Y2K preparation has been an important focus of the Foreign Exchange Committee over the past year. Last November, at a joint meeting of the Committee and the Singapore Foreign Exchange Market Committee, the members endorsed a proposal advocating a reduction in discretionary transactions in the first days of 2000. Members agreed that with less activity, institutions might be afforded extra time, staff, and other resources to respond to possible systems and operational problems stemming from Y2K. A letter was later circulated to the foreign exchange community that included the following suggestions:

- Traders and other market makers might recommend that counterparties, if appropriate, settle transactions on days other than Monday, January 3, through Friday, January 7, 2000.
- Market makers might explain this option to all counterparties, including both interbank and corporate customers in the process of negotiating forward contracts settling in early January.
- Financial institutions might want to take steps to limit their discretionary interbank trades in the first week of 2000.

These recommendations were specifically made to the institutions, market makers, and other participants that have flexibility in scheduling their transactions. The Committee recognizes that the foreign exchange market facilitates international business operations and that for many businesses, trade-based transactions cannot and should not be postponed or delayed.

Over recent months, the Committee has continued to monitor the industry's Y2K preparations and contingency planning. With only about six months remaining until the start of the

new year, the Committee wishes to remind the community of its Y2K recommendations and to encourage their implementation. Making plans now to reduce transactions with settlements that fall in the first week of January 2000 might prove to be particularly beneficial because a number of countries are in the process of planning holidays for the period from late December through early January. Even if transaction volume were appreciably reduced in response to Y2K concerns, business days following these holidays might still be particularly active.

If you have any questions or comments regarding this proposal, please feel free to contact me or the executive assistant of the Foreign Exchange Committee. Copies of this letter are also available on-line at www.ny.frb.org/fxc.

Sincerely yours,

Paul Kimball
Chairman
The Foreign Exchange Committee