

Advisory Role of the Committee

A CORE FUNCTION OF THE FOREIGN EXCHANGE COMMITTEE IS TO ADVISE its sponsor, the Federal Reserve Bank of New York, on issues related to the foreign exchange market. Committee meetings provide a forum for members to identify changing conditions in the marketplace and highlight industry developments that warrant attention. In these discussions, representatives from various types of institutions have an opportunity to voice their assessment of recent market developments and trading conditions. These discussions cover a broad range of topics, including currency trends, trading practices, market structure, operations, and risk management.

Throughout 2001, much of the discussion on market developments concerned the outlook for major global currencies, including the U.S. dollar, the Japanese yen and the euro. Many of the discussions centered on volume and volatility trends before and after the events of September 11. Also, members discussed changing conditions in several emerging market currencies, including the Indonesian rupiah, the Turkish lira, and the Argentine peso.

In addition to commenting on market developments, many discussions highlighted industry developments and issues that may warrant the attention of the Committee.

- Electronic trading platforms and the potential impact of electronic dealing on current best practices,
- CLS Bank and best practices associated with processing trades through it,
- Proposed T+1 settlement for U.S. securities and its potential impact on foreign exchange markets,
- Possible measures to minimize confusion and miscommunication among market participants regarding stop-loss orders,
- Ways to improve communication between market participants during market disruptions, and
- Lessons learned from the events of September 11 for improving contingency planning.