IN 2001, THE COMMITTEE FOCUSED ITS ATTENTION ON ENHANCING
the ability of the marketplace to operate safely and responsibly in difficult
times. After examining historical market disruptions, the Committee recog-
nized the need to offer additional recommendations for sound planning and
practices during market disturbances and periods of high volatility. Many of
these recommendations, which are reprinted in this annual report, were highly
useful on September 11 and afterwards. In addition, the Committee will con-
tinue to work on several long-term issues.

UPDATING OPERATIONAL GUIDANCE
As the foreign exchange industry evolves, the Committee acknowledges the
importance of keeping its guidance current and applicable. Consequently, the
Operations Managers Working Group, in association with the Committee, will
update the Committee’s guidance on operational practices, Management of
Operational Risks in Foreign Exchange, first published in 1996. Many industry
developments, such as the introduction of electronic dealing and prime broker-
age, will be incorporated in the revision.

CLS BANK
As the start-up of CLS Bank approaches, the Committee will continue to focus
on specialized issues involving the set-up of CLS and its integration into the
marketplace. In 2002, the Committee will invite CLS to update the Committee
on its structure and the progress of testing. In addition, the Committee’s
Operations Managers Working Group will continue its interaction with CLS
Bank’s operations-related policy group—the North American User Group—to
maintain a high level of expertise in continuous linked settlements.

E-COMMERCE
The Committee understands the important role e-commerce plays in the growth
of the foreign exchange industry. With this in mind, the Committee will work
with the Chief Dealers Working Group to monitor the development of electronic
dealing in the customer-to-dealer arena. In addition, the Committee intends to
offer a public forum on electronic dealing aimed at educating market participants
on the functions of electronic dealing and resulting changes in the industry.

**NONDELIBERABLE FORWARDS**

The Committee will continue to support the efforts of the EMTA to improve the documentation of nondeliverable forwards. In particular, the Committee will continue to coordinate with EMTA on its effort to generate alternatives for settling nondeliverable forwards contracts when local markets close unexpectedly.

**“T+1”**

The Committee, along with representatives from the Operations Managers Working Group, will continue to work with the Securities Industry Association (SIA) to offer a foreign exchange perspective on the SIA’s effort to shorten securities settlement from three days to one day. The group will examine the means by which market participants can enhance the automation and efficiency of cross-border securities trade. The Committee will work with other industry groups, including the Tokyo Foreign Exchange Market Committee, the Hong Kong Foreign Exchange, and the Money Market Practices Committee on these efforts.

\(^1\)Following a number of delays in technology development, CLS Bank will begin testing in the spring of 2002 and is projected to begin operation in the fall of 2002.