The Committee ended 2003 facing many new challenges while continuing efforts on ongoing projects. At the start of every year, the Committee’s initiatives are reevaluated as market conditions evolve, members leave the Committee, new members add their input, and the Committee’s chairmanship is rotated. In January 2004, as the Committee welcomed a new Chairman and five new members, new and old projects received particularly strong scrutiny and reassessment. The following summary covers the major items of importance for the Committee at the start of 2004.

ETHICS AND E-COMMERCE
Of central interest to the Committee is a response to the so-called Wooden Nickel arrests in November 2003 by the Federal Bureau of Investigation of forty-seven people on charges of foreign exchange fraud. It is alleged that these individuals conspired to rig trades to the detriment of their institutions and their clients. Because some of the allegations assert that the use of “points” facilitated the frauds, the Committee is reviewing its market and best practice recommendations related to the use of points. The Committee is also reviewing other guidance to determine whether there is a need to reemphasize and republish related best practices. In addition, the Committee continues to study the impact of e-commerce on the traditional market structure.

The Committee also plans to study whether the traditional distinctions between the wholesale and retail markets are becoming blurred. If so, the Committee may need to provide guidance to its constituency—the wholesale market participants—so that the interests of all parties involved are protected. Any new or updated guidelines will be published in the Committee’s Guidelines to Foreign Exchange Trading Activities, which was last revised in 2002.

FINISHING 2003 PROJECTS
The Committee is wrapping up its activities on the following projects:

- **Mandate or authorization letters.** Throughout 2003, members noted the increasing receipt of mandate and authorization limitation letters. The Committee has published a recommendation indicating that attempts to shift the burden of compliance with internal guidelines to dealing counterparties is not consistent with best practice.

- **Unnamed Counterparties.** The Committee continues to encourage the disclosure of names to institutions’ non-trading divisions and is monitoring...
the efforts of the London Foreign Exchange Joint Standing Committee as it recommends the use of its confidentiality provisions.

Asian Non-Deliverable Forwards (NDFs). The Committee, the Financial Markets Lawyers Group, the Singapore Foreign Exchange Market Committee, the Tokyo Foreign Exchange Market Practices Committee, the Hong Kong Foreign Exchange and Money Market Practices Committee, and the Emerging Markets Traders Association will be documenting the agreements reached during recent months on Asian non-deliverable forwards.

EFFORTS OF THE WORKING GROUPS

The Chief Dealers Working Group will continue its efforts to set up a semi-annual foreign exchange turnover survey and will coordinate its efforts with the Operations Managers Working Group as well as the London Foreign Exchange Joint Standing Committee.

The plans of the Operations Managers Working Group include:

- undertaking efforts to improve the compliance of nonfinancial corporate clients in trading activities. This might include updating the 1998 document Twenty Best Practices for Nonfinancial Corporates and the sponsorship of a seminar for corporate clients, including treasurers and hedge fund managers,
- understanding the impact of the new SWIFTNET system on operations divisions,
- continuing efforts to address widespread industry problems when matching and exchanging trade documentation for barrier options and other exotics,
- monitoring the progress on the Bank for International Settlements’ New Capital Accord, or Basel II, on foreign exchange operations divisions,
- participating in and supporting the Second Global Operations Managers meeting, tentatively scheduled to be held in London with the London Foreign Exchange Joint Standing Committee as host, and