User's Guide:

2004 Asian Currency Non-Deliverable FX Documentation

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Singapore Foreign Exchange Market Committee
EMTA, Inc.
Foreign Exchange Committee

Introduction

The Singapore Foreign Exchange Market Committee (SFEMC), EMTA, Inc. (EMTA), and the Foreign Exchange Committee (FXC) have cosponsored the publication of updated template terms for non-deliverable foreign exchange transactions for six Asian currencies (the "2004 Templates"). The Tokyo Foreign Exchange Market Committee and the Treasury Markets Forum of Hong Kong support the cosponsors in their publication of the updated documentation for the benefit of market participants.

The 2004 Templates are intended to be used with the *1998 FX and Currency Option Definitions* (including Annex A thereto) published by the International Swaps and Derivatives Association, Inc., EMTA, and the FXC (the "*1998 Definitions*"). The six Asian currencies that the 2004 Templates address are the Chinese Renminbi (CNY), the Indonesian Rupiah (IDR), the Indian Rupee (INR), the Korean Won (KRW), the Philippine Peso (PHP), and the Taiwanese Dollar (TWD). In conjunction with the 2004 Templates, the cosponsors have published related survey methodologies (the "Methodologies") and amendments to the rate source definitions in Annex A of the *1998 Definitions*.

The 2004 Templates provide suggested contract terms to which market participants may agree on a bilateral basis in order to reduce documentation and settlement risk, generally promote sound market practice, and contribute to overall efficiency of the non-deliverable FX marketplace. Notwithstanding, the SFEMC, EMTA, and FXC recognize each market participant's need to develop standards for contractual relationships that reflect its own policies, procedures, and tolerance for risk. Each market participant is encouraged to use the 2004 Templates in their entirety or in part, in light of individual considerations.

In 2001, EMTA introduced to the industry standardized terms for the above currencies (the "2001 Templates") (excluding the Indonesian Rupiah, for which final template terms were never published) that reflected then-current market practice and helped to promote market efficiencies and reduce documentation risk. Since 2001, significant developments have taken place in the non-deliverable FX markets, and in particular in several of the Latin American markets. Substantial efforts have been made to improve the documentation architecture for these markets to better address concerns regarding the

possibility of an extended closure of a local market and to improve valuation options and procedures in the event of such an occurrence. In large part, this effort has involved a move away from reliance on Calculation Agent Determination and the introduction of intermediate, market-based valuation alternatives.

The 2004 Templates extend the documentation improvements made in the Latin American markets into the Asian non-deliverable FX markets, modified as appropriate to take account of regional differences in market practices and conventions. Among other differences, while the templates for Latin American currencies are tailored to each market, a single standard for all six of the Asian currencies was deemed appropriate. As a result, all of the 2004 Templates and the six related Methodologies are substantially the same, with only very minor differences among them. These differences include the currency addressed by the template terms, the Settlement Rate Option, the Valuation City for Valuation Date purposes, and, in the case of one of the Methodologies, the start time for the fallback survey. Accordingly, it is possible to discuss the 2004 Templates and the Methodologies generically in this User's Guide, while noting these minor differences, where relevant.

Capitalized terms in this User's Guide have the meanings ascribed to them in the *1998 Definitions*, the 2004 Templates, and the Methodologies.

The complete document can be found at <http://www.newyorkfed .org/fxc/2006/fxc061025b.pdf>.