

Document of Organization

A feasibility study recommending the creation of the Foreign Exchange Committee was first conducted in June 1978. The resulting document of organization represents the study's conclusions and has periodically been updated (most recently in January 1997) to reflect the Committee's evolution.

It was generally agreed that any new forum for discussing matters of mutual concern in the foreign exchange market (and, where appropriate, offshore deposit markets) should be organized as an independent body under the sponsorship of the Federal Reserve Bank of New York. Such a Committee should:

- be representative of institutions, rather than individuals, participating in the market;
- be composed of individuals with a broad knowledge of the foreign exchange market and in a position to speak for their respective institutions;
- have sufficient stature in the market to engender respect for its views, even though the Committee would have no enforcement authority;
- be constituted in such a manner as to ensure fair presentation and consideration of all points of view and interests in the market at all times; and
- notwithstanding the need for representation of all interests, be small enough to deal effectively with issues that come before this group.

The Committee Objectives Are

- to provide a forum for discussing technical issues in the foreign exchange and related international financial markets;
- to serve as a channel of communication between these markets and the Federal Reserve System and, where appropriate, to other official institutions within the United States and abroad;

- to enhance knowledge and understanding of the foreign exchange and related international financial markets, in practice and in theory;
- to foster improvements in the quality of risk management in these markets;
- to develop recommendations and prepare issue papers on specific market-related topics for circulation to market participants and their management; and
- to work closely with the Financial Markets Association–USA and other formally established organizations representing relevant financial markets.

The Committee

In response to the results of the study, the Federal Reserve Bank of New York agreed to sponsor the establishment of a Foreign Exchange Committee. It was agreed that:

- The Committee should consist of no more than thirty members.
- Institutions participating in the Committee should be chosen in consideration of: a) their participation in the foreign exchange market here and b) the size and general importance of the institution. Selection of participants should remain flexible to reflect changes as they occur in the foreign exchange market.
- Responsibility for choosing member institutions rests with the Federal Reserve Bank of New York. The Membership Subcommittee, chaired by a Federal Reserve Bank official, advises the Federal Reserve on membership issues.
- The membership term is four calendar years. A member may be renominated for additional terms; however, an effort will be made to maximize participation in the Committee by institutions eligible for membership.
- Members are chosen with regard to the firm for which they work, their job responsibilities within that firm, their market stature, and their ongoing role in the market.

The composition of the Committee should include New York banks, other U.S. banks, foreign banks, investment banks and other dealers, foreign exchange brokerage firms (preferably to represent both foreign exchange and Eurodeposit markets), and the Federal Reserve Bank of New York (ex officio).

Committee Procedures

The Committee will meet at least eight times per year (that is, monthly, with the exception of April, July, August, and December). The meetings will follow a specified agenda; however, the format of the discussion will be informal.

Members are expected to attend all meetings.

Any recommendation the Committee wishes to make on market-related topics will be discussed and decided upon only at its meetings. Any recommendation or issue paper agreed to by the Committee will be distributed not only to member institutions, but also to institutions that participate in the foreign exchange market.

The Membership Subcommittee will be the Committee's one standing subcommittee. A representative of the Federal Reserve Bank of New York will serve as Chairman of the Membership Subcommittee. The Membership Subcommittee will aid in the selection and orientation of new members. Additional subcommittees composed of current Committee members may be organized on an ad hoc basis in response to a particular need.

Standing working groups may include an Operations Managers Working Group and a Chief Dealers Working Group. The working groups will be composed of market participants with an interest and expertise in projects assigned by the Committee.

Committee members will be designated as working group liaisons. The liaison's role is primarily one of providing guidance to the working group members and fostering effective communication between the working group and the Committee. In addition, a representative of the Federal Reserve Bank of New York will be assigned as an advisor to each working group.

The Committee may designate additional ad hoc working groups to focus on specific issues.

Depending on the agenda of items to be discussed, the Committee may choose to invite other institutions to participate in discussions and deliberations.

Summaries of discussions of topics on the formal agenda of Committee meetings will be made available to market participants by the Federal Reserve Bank of New York on behalf of the Committee. The Committee will also publish an annual report, which will be distributed widely to institutions that participate in the foreign exchange market.

Meetings of the Committee will be held either at the Federal Reserve Bank of New York or at other member institutions.

In addition to the meetings provided for above, a meeting of the Committee may be requested at any time by two or more members.

Responsibilities of Committee Members

The Foreign Exchange Committee is composed of institutions that participate actively in the foreign exchange markets as well as other financial markets worldwide. As a senior officer of such an institution, the Committee member has acquired expertise that is invaluable to attaining the Committee's objectives. The member's continuous communication with the markets worldwide generates information that is necessary to the Committee's deliberations on market issues or problems. Effective individual participation is critical if the collective effort is to be successful. The responsibilities of membership apply equally to all Committee members.

The specific responsibilities of each member are:

- to function as a communicator to the Committee and to the marketplace on matters of mutual interest, bringing issues and information to the Committee, contributing to discussion and research, and sounding out colleagues on issues of concern to the Committee;
- to present the concerns of his or her own institution to the Committee; in addition, to reflect the concerns of a market professional as well as the constituency from which his or her institution is drawn or the professional organization on which he or she serves; and
- to participate in Committee work and to volunteer the resources of his or her institution to support the Committee's projects and general needs.