

November 22, 2010

In the Foreign Exchange Committee's 2009 paper, "[Overview of the OTC Foreign Exchange Market: 2009](#)," the Committee highlighted a number of features that helped the global foreign exchange market to function effectively during the recent financial crisis. These features included the availability of Continuous Linked Settlement (CLS) and the use of credit risk mitigation strategies such as credit support annexes (CSAs), in addition to work that has long been under way to strengthen operational efficiency and legal documentation. In its conclusion, the 2009 paper suggested that the industry prioritize particular initiatives aimed at further increasing foreign exchange market robustness and resiliency, such as expansion in the availability and use of payment-versus-payment settlement services as well as broader use of CSAs.

The accompanying publications are intended to provide market participants with additional information and guidance on the use of such foreign exchange risk mitigants:

- In "[Tools for Mitigating Credit Risk in Foreign Exchange Transactions](#)," the Committee provides an overview of credit risk in foreign exchange, including a detailed discussion of the use of CSAs in the marketplace. The paper also introduces language on prudent management of credit risk to the Committee's core best-practice documents, "[Guidelines for Foreign Exchange Trading Activities](#)" and "[Management of Operational Risk in Foreign Exchange](#)."
- The Committee is also releasing a [brief letter](#) announcing an update to "[Management of Operational Risk in Foreign Exchange](#)." New language has been included to reflect the Committee's strong commitment to the importance of utilizing payment-versus-payment services, such as CLS, to further mitigate settlement risk, as well as to encourage participation in these services by those who are active in foreign exchange and are eligible to use them.

The Foreign Exchange Committee strongly believes that increased use of CLS in concert with broader use of CSAs benefits the global foreign exchange market. Together, these tools provide significant risk mitigation while preserving the flexibility, accessibility, and efficiency of this highly important and interconnected market. Accordingly, the Committee encourages you to read these publications and to consider the recommended best-practice guidance offered.

Best,

Jeff Feig
Chair
Foreign Exchange Committee

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