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BY E-MAIL

International Institute for the Unification of Private Law  
UNIDROIT  
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For the attention of Prof Alessandra Zanobetti

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Dear Sirs

**Preliminary Draft Convention on Substantive Rules Regarding Intermediated Securities  
(Study LXXVIII – Doc. 57) (November 2006)**

Thank you for your invitation to us to participate as an observer in the fourth session of the UNIDROIT Committee of Governmental Experts (CGE), to be held in Rome from 21 to 25 May 2007, to consider the preliminary draft Convention referred to above (the **Draft Convention**), for which we have already registered.

We would like to express once again our continuing support for this project, which we believe has the potential to deliver significant benefits in increasing legal certainty in relation to intermediated securities. Of course, the degree of benefit conferred by the final UNIDROIT Convention on this subject will depend on the final text, however we believe that substantial further progress was made on the text at the last meeting of the CGE in November 2006.

As you will be aware from our prior comments on this project, which we have supported and followed from its inception, we, and the financial markets generally, have a particular interest in Article 25 (Set-off) and Chapter VI of the Draft Convention. We believe that if these provisions are included in the final text of the Convention in more or less their current form, these provisions will strengthen legal certainty in relation to set-off and collateral arrangements involving intermediated securities in any country adhering or acceding to the Convention. Of

course, Chapter VI embodies the principles already currently embodied in the European Community in the Directive 2002/47/EC of 6 June 2002 on financial collateral arrangements, but European Community member states will benefit from convergence of the legal regimes for financial collateral of their trading partners in other parts of the world on the core principles set out in Chapter VI.

We look forward to seeing you again in Rome at the end of May. In the meantime, if we can be of assistance from a financial markets perspective in relation to preparation for the fourth CGE session, please do not hesitate to contact Peter Werner in London on +44 20 7330 3553 or Edward Murray of Allen & Overy LLP, London (tel. +44 20 7330 1837; e-mail: [ed.murray@allenoverly.com](mailto:ed.murray@allenoverly.com)), the Chairman of our Collateral & Financial Law Reform Group, or Lawrence Brandman of Goldman Sachs & Co., New York (tel. +1 212 855 0747; e-mail: [lawrence.brandman@gs.com](mailto:lawrence.brandman@gs.com)), the Vice Chairman of our Collateral & Financial Law Reform Group.

Yours faithfully,

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