

To:

International Swaps and Derivatives Association, Inc.
One New Change
London EC4M 9QQ
England

Luxembourg, 17th September, 1998

Dear Sirs,

This letter is issued on behalf of the services of the European Commission and the European Investment Bank ("EIB") in respect of the non-adherence to the ISDA EMU Continuity Provision of the ISDA EMU Protocol.

The principle of continuity of contracts which are denominated in currencies to be replaced by the euro, is a principle strongly supported by the European Commission and the European Investment Bank. The non-adherence to the ISDA EMU Continuity Provision does therefore not at all imply any rejection of the principle of continuity of contracts.

The services of the European Commission and the European Investment Bank take the view that the European Union Council Regulation (EC) No 1103/97 (article 3) is sufficient to directly ensure by itself the continuity of contracts, not only within the European Union Member States, but also as a universally accepted principle of the monetary law ("lex monetae") as stated in Recital 8 of the said Regulation.

Yours faithfully,

P. Goldschmidt
Director of the Financial Operations Service
(European Commission)

J.C. Bresson
Deputy Director of the Capital Markets
Department
(European Investment Bank)

A. Bloch
Head of Division
(European Commission)

G. Huber
Head of Division of the Credit Risk
Department
(European Investment Bank)