



INTERNATIONAL INSTITUTE FOR THE UNIFICATION OF PRIVATE LAW
INSTITUT INTERNATIONAL POUR L'UNIFICATION DU DROIT PRIVE

**UNIDROIT COMMITTEE OF GOVERNMENTAL EXPERTS FOR
THE PREPARATION OF A DRAFT CONVENTION ON
SUBSTANTIVE RULES REGARDING INTERMEDIATED
SECURITIES
Fourth session
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***COMMENTS BY GOVERNMENTS
AND INTERNATIONAL ORGANISATIONS***

(submitted by the International Swaps and Derivatives Association, Inc, ISDA)

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.