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Report of the European Financial Markets Lawyers Group on harmonisation of the legal framework for rights evidenced by book-entries in respect of certain financial instruments in the European Union

Dear Klaus,

We thank you very much for your letter of 17 July and the EFMLG Report of June 2003.

As the harmonisation of the legal framework for securities in Europe is of highest priority to the European Securities Forum and its members, we are particularly appreciative of all the efforts of the EFMLG in this respect.

We fully share your support for the Giovannini Group's proposal for the EU Securities Account Certainty Project, i.e. the initiative in favour of an EU Directive to harmonise the legal regime governing the holding and transfer of dematerialised securities by way of book-entries.

At its meeting of 30 September 2003 the Executive Committee of ESF has endorsed the following statement related to the EFMLG Report:

- Generally, the report is a highly welcome contribution to the legal harmonisation of securities laws in Europe, one of ESF's top priorities.
- ESF strongly supports the focus on the legal harmonisation of transfer of ownership by way of book-entries and the statutory dematerialisation.


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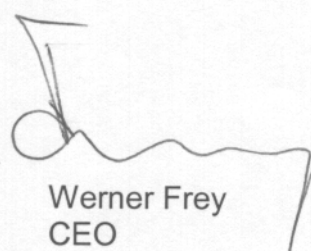
- It is important that the legal harmonisation is to include a broad scope of financial instruments, including shares which are the main source of the complexity and fragmentation of the current clearing and settlement landscape in Europe.
- The cooperation with related initiatives, i.e. G-30, Giovannini Group, Unidroit is deemed very positive in order to avoid duplication of effort.
- ESF strongly suggests EFMLG *not* to get involved in the issues of rules and regulations for the securities infrastructure / service providers; this part of the report is either too generic (e.g. double-entry bookkeeping) or controversial (scope of supervisory regime, account segregation). Consequently, this area should be left to ESCB/CESR.
- ESF shall support this initiative by way of
 - joining forces with EFMLG and others in promoting the EU Securities Account Certainty project, particularly by contributing practical aspects and experience from the part of banks – and their legal departments;
 - supporting and facilitating the implementation of a Community directive into national laws in the EU Member States;
 - contributing to the legal harmonisation of securities laws not only at European but global levels.
- To this end ESF shall create a Legal Committee composed of members' representatives with extensive experience in securities related legal matters and which will notably also include legal experts from member banks whose head-office is outside Europe.

We look forward to a close cooperation between our respective organisations.

With kindest regards

European Securities Forum


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