



**European Financial
Markets Lawyers Group**

- THE CHAIRMAN -

European Commission
Internal Market and Services Directorate G
Financial Services Policy and Financial Markets
G.2. Financial Markets Infrastructure
Mr. Mario Nava
Head of Unit
rue de Spa , 2
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Contact person: Mr Stéphane Kerjean
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Directive 2002/47/EC on Financial Collateral Arrangements

Dear Mr. Nava,

In January 2006, the Commission invited the industry to contribute to the evaluation of the implementation of the Directive 2002/47/EC on Financial Collateral Arrangements (the 'Financial Collateral Directive') and to render proposals for the further development of the legal framework applicable to financial collateral arrangements.

The European Financial Markets Lawyers Group (EFMLG)¹ – a group of legal experts from the European banking sector dedicated to fostering the harmonisation of financial laws and market practices within Europe – welcomed this initiative and contributed to the industry survey by sharing its views on the questions raised by the Commission. For ease of reference, please find attached our letter of 7 April 2006.

In September 2006, some EFMLG members met Mr Thorsén and Mr Wezenbeek in Frankfurt in the premises of the European Central Bank, where we discussed our position paper and the proposals rendered therein. We also talked about the potential conclusions of the Commission's upcoming Evaluation Report, which was finally published on 20 December 2006.

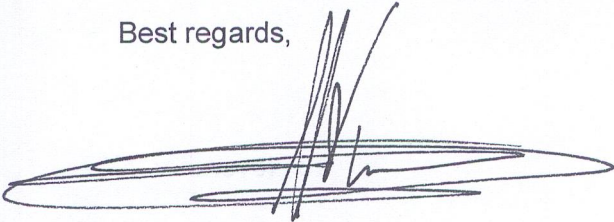
We have learned that the Commission is preparing a proposal for a new Directive amending jointly the Financial Collateral Directive and the Settlement Finality Directive, revising some of the provisions identified in the Evaluation Report.

¹ The members of the EFMLG (see www.efmlg.org) participate in the work of the EFMLG on a strictly personal basis. The views expressed in this response do not necessarily reflect the views of any individual member of the EFMLG or of any institution by which a member is employed. No EFMLG publication may be taken as legal advice.

The EFMLG maintains that the Financial Collateral Directive has considerably improved the legal certainty of financial collateral arrangements in Europe. However, there is certainly room for further progress, in particular where the personal and material scope of the Financial Collateral Directive and the protection of close-out netting are concerned. In this respect, we would like to refer to our explanations made in the cited EFMLG response of April 2006.

We would like to take this opportunity to reaffirm to you that the EFMLG and its members remain at your disposal to discuss any open issues or otherwise support you in your activities.

Best regards,

A handwritten signature in black ink, consisting of several overlapping loops and a vertical stroke, positioned above the name.

Antonio Sáinz de Vicuña

Chairman

Annex:

EFMLG Response to the Commission Questionnaire regarding the Transposition of Directive 2002/47/EC on Financial Collateral Arrangements of 7 April 2006