

The Depository Trust Company

IMPORTANT

B#: 3620

DATE: June 20, 2002

TO: All Participants

CATEGORY: International

FROM: DTCC General Counsel's Office

ATTENTION: Legal Department

SUBJECT: Hague Conference Workshops; Draft International Convention
Relating to Conflicts of Law Pertaining to the Pledging of
Securities Held through Indirect Holding Systems.

The attached notice relates to an effort that is underway to establish an international harmonized choice-of-law "Hague Convention" relating to the pledging of securities held by intermediaries.

This year delegations from 38 member countries and 24 international organizations are meeting in The Hague to draft such an international treaty.

Workshops to explain the draft Convention are being held around the world over the course of the next month. One will be held in New York on July 16, 2002. More information, including a copy of the draft Convention, is available at www.hcch.net under the heading "Work in Progress; Indirectly Held Securities." The attached notice indicates that the purpose of the workshops is to assist in the preparation of the final text for adoption later this year.

Please feel free to direct any comments that you may have for the U.S. Delegation to the undersigned by e-mail (to jwiener@dtcc.com), and any comments or questions for the Hague Conference to Richard Potok at potok@globalcollateral.com.

Jack R. Wiener
Managing Director & Deputy General Counsel
General Counsel's Office

Attachment

THE FUTURE HAGUE CONVENTION ON INDIRECTLY HELD SECURITIES

Regional Discussion Workshops - 28 June 2002 to 19 July 2002

There is a huge and rapidly growing market in which securities are taken as collateral in cross-border situations. Perfecting the security interest (for example, in the case of a pledge or charge) or validly completing the transfer (in the case of a transfer of title) is vital in these transactions. But which law governs perfection or completion if a number of jurisdictions are involved? This is a difficult question given that securities are often held through multiple tiers of intermediaries, which are located in a number of jurisdictions and may be either in certificated form (often immobilised in a global certificate) or in dematerialised form.

The proposed Hague Convention on the law applicable to indirectly held securities has been under development since May 2000 when Australia, the United Kingdom and the United States co-sponsored a proposal for the development of a convention under the auspices of the Hague Conference on Private International Law. To date, 38 States and 24 international organisations have been involved in the negotiation process. The basic purpose of the future Convention is to ensure that the conflict of laws principle applied in countries around the world on these issues are consistent, certain and predictable. Many leading commercial practitioners and academics in this field, as well as representatives of market participants have been involved in developing the Convention (for more information on the status and history of the Convention, see www.hcch.net under the heading "Work in Progress" - "Indirectly Held Securities").

In order to explain the latest draft proposed by the Drafting Committee, to take account of a wide range of opinion and to further strengthen consensus for the proposed Convention, ten regional discussion workshops have been arranged in the Asia-Pacific region, Europe, North America and Latin America. The purpose of these workshops is to assist as effectively as possible in the preparation of the Diplomatic Session (which is provisionally envisaged to take place in October of this year) during which the final text of the Convention will be adopted. The timetable of the workshops is as follows:

Sydney Friday, 28 June 2002	Rome Wednesday, 10 July 2002
Tokyo Monday, 1 July 2002	Paris Friday, 12 July 2002
London Wednesday, 3 July 2002	Toronto Monday, 15 July 2002
Copenhagen Friday, 5 July 2002	New York Tuesday, 16 July 2002
Frankfurt Monday, 8 July 2002	Mexico City Friday, 19 July 2002

For more information regarding the precise venue and hours of these workshops, please refer to the website mentioned above. The workshops will be presented by:

Christophe Bernasconi - First Secretary at the Permanent Bureau of the Hague Conference. He has primary responsibility for this project.

Richard Potok - Principal of Potok & Co and Legal Expert to the Permanent Bureau of the Hague Conference for this project. He is the editor of *Cross Border Collateral: Legal Risk and the Conflict of Laws* (Butterworths 2002), a comparison of the law in 25 jurisdictions in relation to these issues.

The workshops are free of charge and may be attended by anyone who has an interest in the project. Participants will include government officials, legal experts, practitioners and market participants, including representatives of intermediaries, central securities depositories and other financial institutions.

If you are interested in receiving an official invitation to one or more of the workshops please contact Richard Potok at potok@globalcollateral.com with your name, institution, title, email address and contact number.