

June 23, 2015

The Honorable Bob Corker
Chairman
Committee on Foreign Relations
United States Senate
Dirksen Senate Office Building
Washington, DC 20510

The Honorable Benjamin Cardin
Ranking Member
Committee on Foreign Relations
United States Senate
Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Corker and Ranking Member Cardin:

I am writing to express the International Swaps and Derivatives Association, Inc.'s ("ISDA")¹ support for the ratification of the 2006 Hague Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary (the "Convention"), which was signed by the United States in July 2006.

ISDA, along with other financial industry associations, was closely involved in the consultative process undertaken by the Permanent Bureau of the Hague Conference on Private International Law during the course of preparing the text of the Convention. We believe that the Convention represents a unique opportunity to strengthen the integrity and resilience of the international securities markets by clarifying and harmonizing the rules for determining the law applicable to investment securities held and transferred by intermediaries in electronic book-entry form (usually referred to as "intermediated securities"), which is how the vast bulk of securities are held and transferred in modern financial systems.

These securities settlement systems are a critical part of financial market infrastructure. The financial crisis of 2008 has led to a number of globally coordinated legislative and regulatory initiatives to extend and strengthen financial market infrastructure to reduce risk and increase market resilience. Enhancing legal certainty as to the operation of securities settlement systems would be a significant contribution to this important work.

¹ Since 1985, ISDA has worked to make the global over-the-counter ("OTC") derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 67 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms and other service providers. Additional information on ISDA is available at www.isda.org.



ISDA believes that the Convention is the most effective way to facilitate the establishment of an internationally agreed upon set of rules for determining the law most appropriate to govern the proprietary aspects of a transfer of intermediated securities from one financial intermediary to another through modern securities settlement systems. It is crucial that market participants be able to identify the relevant law easily and with certainty for a variety of purposes, including (among many others) ensuring perfection of security created over intermediated securities. We note that the conflict of laws rules in the Hague Securities Convention have, to some extent, been inspired by the conflict of laws rules contained in the U.S. Uniform Commercial Code.

For the aforementioned reasons, we urge that the Senate approve the Convention, in order that the United States can ratify it. If you have any questions, please do not hesitate to contact our Acting Head of U.S. Public Policy Christopher Young at (202) 756-7543.

Sincerely,

A handwritten signature in black ink, appearing to read "S. O'Malia", is enclosed within a thin black rectangular border.

Scott O'Malia
CEO

Cc: Mary McLeod
Acting Legal Adviser
U.S. Department of State

John J. Kim
Assistant Legal Adviser for Private International Law
U.S. Department of State