

THE ASSOCIATION OF GLOBAL CUSTODIANS

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May 17, 2004

Arthur Docters van Leeuwen
Chairman
Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris, France

**Re: Additional Time Needed to Develop Commentary and Presentations
Regarding the Revised Standards for Clearing and Settlement
Systems in the European Union**

Dear Sir:

The Association of Global Custodians (the "Association") previously submitted a series of comment letters to the European System of Central Banks and the Committee of European Securities Regulators (together, "ESCB-CESR") in respect of the "Standards for securities clearing and settlement systems in the European Union" (the "Standards"), dated August 1, 2003.¹ Those letters addressed the regulatory, public policy, and market structure issues the Standards raise and explained why the Association believes that important revisions are needed to eliminate confusing phrases, passages and recommendations and to focus the Standards appropriately for regulatory purposes.

¹ Letters, dated October 1, 2003 and October 31, 2003, to Jean-Michel Godeffroy, Director General, Payment Systems, European Central Bank and Eddy Wymeersch, Chairman, Banking and Finance Commission, Regarding Request for Comment on Consultative Report -- Standards for Securities Clearing and Settlement Systems in the European Union. In addition, letter, dated November 19, 2003, to Elias Kazarian, Secretariat, European Central Bank, letter, dated February 23, 2004, to Jean-Michel Godeffroy, Director General, Payment Systems, European Central Bank, and letter, dated April 16, 2004, to Jean-Michel Godeffroy, Director General, Payment Systems, European Central Bank and Eddy Wymeersch, Chairman, Banking and Finance Commission, Regarding Fair Opportunity to Prepare Commentary and Organize Presentations in Connection with the Issuance of Revised Standards or the Scheduling of Consultative Hearings.

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In the Association's most recent letter, to Messrs Godeffroy and Wymeersch (April 16, 2004), we urged ESCB-CESR -- in connection with any published revisions to the Standards -- to be certain to give affected market participants adequate lead time to assess any new proposals and to create meaningful commentary. In Association members' experience, the development of sound regulatory principles for evolving markets requires robust, rather than constrained, consultations between regulatory authorities and those affected by the regulations. This would seem particularly the case where regulatory proposals raise significant long-term structural and competitive implications, as the Standards do for the European markets. In our letter we accordingly recommended that ESCB-CESR give commenters at least 30 to 60 days lead time to develop comments and to prepare presentations with respect to any new Standards document issued. Such lead time, customary for significant market structure proceedings, is particularly important for industry associations, whose members typically meet infrequently and necessarily develop arguments and positions through multiple work sessions.

On May 5, 2004, however, we received a copy of the 94-page, extensively rewritten Standards, together with an invitation to participate in an ESCB-CESR hearing scheduled to take place three weeks later, in Paris on May 25th. Although the invitation suggests that comments in general are welcome, it is not clear whether comments filed after the hearing date will necessarily be considered. Yet it seems likely that presentations and discussions at the hearing will reveal new arguments and considerations, and in that case interested persons can only develop written comments addressing those new elements after the hearing. In addition, and in general, the invitation does not set a definite closing date for submission of comments (let alone a closing date that is 30 to 60 days after the date of issuance of the new Standards report). Instead, the invitation indicates simply that comments should be provided "as soon as possible". In these circumstances, it seems certain that potential commenters are feeling rushed to devise their comments in haste and, to be safe, to do so in advance of May 25.

The May 25 timetable ESCB-CESR has established seems particularly constrained given the many textual changes and conceptual adjustments -- some quite subtle -- that appear throughout the revised Standards report. A document having such breadth, and subject to such extensive revisions, invites extended attention. Accordingly -- particularly given the importance of the subject matter covered in the Standards report and ESCB-CESR's leadership role in the evolving European market systems -- the timetable reflected in the invitation seems much too abbreviated. If comments must be submitted by May 25 or risk being ignored, commenters lack a realistic opportunity to consider the new text with care and also devise conscientious commentary.

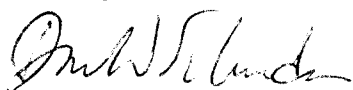
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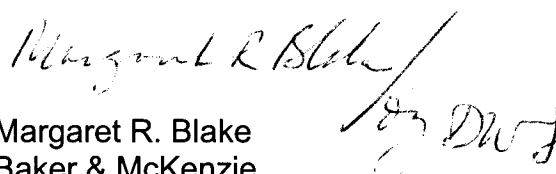
We accordingly urge you to publish at this time a closing date for return of written comments and to set the closing date in the beginning of July, or later. In addition, we urge you to confirm at this time that the ESCB-CESR Working Group will factor comments received up to the closing date into any recommendations the group submits for Board approval. In our experience with important market structure proceedings like these, such a comment timetable and review commitment would be more typical than the processes disclosed in the invitation and would promote procedural fairness and effective consultation.

Thank you for the opportunity again to express our views. If you have questions concerning the foregoing, please contact the undersigned.

Sincerely,



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Baker & McKenzie
Counsel to the Association



Margaret R. Blake
Baker & McKenzie
Counsel to the Association

Cc: Tommaso PADOA-SCHIOPPA
Gertrude TUMPEL-GUGERELL