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Ms Colleen Glendale-Perry,
Financial Services Authority,
North Colonnade
LONDON E

20th September, 2002

Dear Ms. Glendale-Perry,

Re: CP141 – Miscellaneous amendments to the Handbook (No.3)

ISDA welcomes and supports the initiative set out in paragraphs 2.27-28, to bring the requirements for despatch of trade confirmations for certain instruments in line with market practice and, indeed, with the relevant previous SFA standard (rule 5-34). Likewise, we agree with the related cost-benefit analysis in paragraph 2.29.

We must, however, note that this analysis applies equally to a broader range of instruments than suggested in the new draft text, namely to *all* over-the-counter (OTC) derivatives, notably options (on all types of asset) and credit derivatives. We understand that there could be a policy issue where such instruments were transacted with a retail customer. This, however, is a rare occurrence in the OTC markets, as we elaborate in the attached note. Our position, therefore, is that the benefit of the eminently pragmatic proposed new confirmation-despatch requirements should be extended more widely than under SFA rules (which were, of course, drafted at a time when credit derivatives were extremely rare). A more broadly cast exception would allow for possible future product development, for instance in relation to weather derivatives.

I should also take this opportunity to stress that there are a number of issues not addressed in CP141 which ISDA has previously highlighted and on which it believes change or clarification remains necessary. Briefly, these concern: transparency of unit prices for packaged securities (8.1.16E6); the requirement to state where one is acting as principal (8.1.15E3c); the requirement to confirm in writing the exercise of an option (8.1.19); and the requirement to explicitly state the foreign exchange rate where a currency purchase is involved (8.1.18E3).

ISDA appreciates the opportunity to comment on behalf of its members, who constitute the global over-the-counter derivatives markets, and would welcome any more detailed discussion on the points raised in this response.

Yours sincerely,



Richard Metcalfe
Co-Head of European Office

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