

# ISDA

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Ms Colleen Glendale-Perry,  
Financial Services Authority,  
25 North Colonnade  
Canary Wharf  
LONDON E14 5HS

22<sup>nd</sup> November, 2002

Dear Ms. Glendale-Perry,

**CP151 – Miscellaneous Amendments to the Handbook (No.4)**

ISDA appreciates the opportunity to comment on the above on behalf of its members, a wide range of participants in the global over-the-counter derivatives markets. ISDA wishes to raise two points: i) concerning COBS 8.1.16E6; and ii) with regards to the proposed standardisation of the waiver-application form. ISDA would, naturally, welcome any more detailed discussion on the points raised in this response.

1) ISDA welcomes the narrowing to transactions with private customers of the rule regarding transparency of unit prices for packaged securities (COB 8.1.16E6). We do, however, note that (notwithstanding the predominantly wholesale nature of OTC derivatives markets) there may be occasions where a firm structures a transaction for a private client incorporating an OTC derivative (just as a convertible bond embodies an equity option). In these circumstances, it is not practical (or even helpful to investors) for a firm to disclose the pricing model behind such OTC derivatives. Instead, a firm would aim to satisfy the requirement to state “how the unit price of the transaction was arrived at” simply by reference to the functioning and existence of a pricing model, typically characterised as “proprietary”. ISDA believes that, for the purposes of a trade confirmation, this should be sufficient and proposes to assume that this is how the rules will be applied, unless advised otherwise by FSA. We further note that, for former SFA firms, this price-transparency rule is new and, given the issues outlined above, question whether its inclusion is appropriate on any basis.

2) In the mandatory standard-form waiver application (Annex E), ISDA believes the requirement (in question 11) for firms to opine on compliance with EU law is impractically burdensome and should, accordingly, be removed. Certainly there should be scope to raise issues relating to EU law, but requiring such a ‘sign-off’ is another matter.

Yours sincerely,



Richard Metcalfe  
Co-Head of European Office

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