

**International Swaps and Derivatives Association
International Securities Market Association
International Primary Market Association
Association of Norwegian Stockbroking Companies
Bankers and Securities Dealers Association of Iceland
Bond Market Association (European Office)
Danish Securities Dealers Association
Finnish Association of Securities Dealers
Futures and Options Association
Investment Management Association
London Investment Banking Association
Swedish Securities Dealers Association**

c/o Mark Harding, ISDA, 1 New Change, London EC4M 9QQ

Christa Randzio-Plath, MEP
Chairman of the Economic and Monetary Affairs Committee
European Parliament
Rue Wiertz
B1047 Brussels
Belgium

26th November 2003

Dear Mrs Randzio-Plath

Second Reading of the proposed Investment Services Directive (“ISD2”)

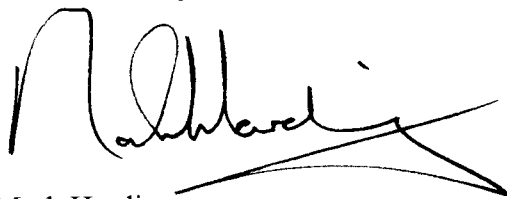
We would like to thank you and your colleagues in the European Parliament for your transparent and responsive approach to the ISD2 debate. We very much appreciated the way in which you sought to take account of the concerns of a wide range of groups affected by the proposed Directive from diverse markets across the Member States, as well as the international wholesale market. We were pleased that you were prepared to listen to the concerns of all parties and allow us to contribute to the search for compromises. This transparent, careful, and considered approach strengthened the authority and quality of the outcome of the Parliament’s first reading. As with any compromise, few were entirely happy with every part of it. But it commanded a broad measure of support, and met many of the most important concerns of the different groups affected, while still setting appropriate and deliverable levels of investor protection.

The Council Common Position will soon reach the European Parliament for its second reading. We fear that the text agreed by the Council on October 7, if adopted unamended, would not provide as sound a basis for the effective regulation and development of a single integrated European securities market as the position which the Parliament adopted at first reading. On a number of key Articles we would therefore have greatly preferred the Council to have adopted wording closer to that agreed by the Parliament. This would have made the second reading a smoother process.

This is particularly disappointing in view of all the intensive and hard work which Members of the European Parliament put into agreeing its first reading position on Article 25 (now 27) and other controversial Articles, such as Article 18 (now 19). It is generally acknowledged, for example, that the Council's text of Article 27 (previously 25) is very ambiguous, both as to its meaning and its possible practical effect. It also confers very extensive comitology powers (which were not present in the Commission's Proposal) for the Commission to specify criteria for the application of the Article. At the same time, once again unlike the Parliament's compromise text, it does not give adequate weight to the need to have regard to the structure and state of development of securities markets in each Member State.

We hope that the Council and the Commission will be willing to develop amendments to the Common Position which better meet the high level objectives of ISD2 as we understand them. We believe that the text adopted at first reading by the European Parliament provides appropriate, technically workable solutions to many of the ambiguities and problems in the Common Position. We hope to be able to assist the Council and Members of the European Parliament in their search for appropriate technical amendments to arrive at a workable reconciliation of the two texts. When seeking compromises with the Council, we hope that you and your colleagues will bear in mind the significant measure of support that your first reading amendments enjoyed amongst a wide range of groups across Europe and in different Member States.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Harding', with a long, sweeping underline that extends to the right.

Mark Harding
Chairman, ISDA European Regulatory Committee
On behalf of the organisations listed at the head of this letter