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Mr Paul Ebling
Accounting Standards Board
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Dear Paul

Financial Reporting Exposure Draft 30 - Financial Instruments: Disclosure and Presentation, Recognition and Measurement

ISDA's members represent leading participants in the privately negotiated derivatives industry and include most of the world's major financial institutions, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. As such we believe ISDA brings a unique and broad perspective to the ASB's work.

In our letter to Ms Mary Keegan on 14 September 2002, we expressed our views on the ASB's proposed approach to transition to IFRS. Specifically, we expressed our concern that the proposed method of implementation, which involves an incremental introduction of standards over the next three years, has significant implications for the UK business community. We now reiterate that ISDA believes that this incremental approach represents an unnecessarily complex and onerous method of transition to IFRS. We repeat our request that the ASB reconsiders its proposal before going ahead with the implementation of the seven exposure drafts published in June this year.

ISDA believes that the incremental approach is further complicated by the fact that the ASB proposes only to introduce parts, or amended versions, of individual International Accounting Standards into UK GAAP. This view is particularly relevant to FRED 23 and FRED 30 where only certain components of IAS 32 and IAS 39 are adopted. ISDA believes that this partial approach will add to the complications in preparing accounts and to the lack of comparability for users between entities and across periods.

However, ISDA appreciates that some of the sections of the IAS 32 and IAS 39 exposure drafts which have not been brought into FRED 30 include areas where ISDA has significant concerns and we welcome the ASB's caution. Specifically, we refer to the liability and equity classification model within the IAS 32 exposure draft, and the derecognition model of the IAS 39 exposure draft. On these matters, we urge the ASB to work closely with the IASB and other national standard setting bodies towards an internationally acceptable approach with a sound conceptual basis.

For your information, we attach a copy of our comment letter to the IASB on the IAS 32 and IAS 39 exposure drafts. This letter should be taken as ISDA's response to the ASB's questions on pages 20 to 25 of FRED 30.

ISDA's accounting committee would be delighted to provide assistance to the ASB as you develop further your thinking in any of these areas.

Further, we would be pleased to discuss our comments with the Board or staff. Please contact either Sue Harding, Chair, ISDA European Accounting Committee, at 7888-2664 or Ed Duncan, Assistant Director of European Policy for ISDA, at 7330 3574 or at the above address.

Yours sincerely



Sue Harding

For and on behalf of the ISDA Accounting Committee



Ed A. Duncan

Assistant Director of European Policy for ISDA