

# ISDA

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Letters to the Editor  
The Wall Street Journal  
4300 Route 1 North  
South Brunswick, New Jersey 08852

Dear Sirs:

Your January 28 article "As Enron's Derivatives Trading Comes Into Focus, Gap in Oversight is Spotlighted" focuses on Enron's use of derivatives and a perceived void in U.S. financial regulation.

Enron's collapse raises legitimate concerns about their practices, including those relating to accounting and disclosure. The nature of Enron's partnerships and the accounting and disclosure issues surrounding them are appropriately being analyzed as policymakers consider if current accounting principles were properly applied and if they adequately deal with circumstances such as Enron's. None of these avenues of inquiry, however, lead to the conclusion that OTC derivatives, as a category of financial instrument, need specific additional regulation. Enron suffered a classic crisis of confidence brought on by revelations regarding its partnership arrangements and the accounting methods used for them.

Companies, banks and governmental entities around the world manage financial risk through the use of OTC derivatives. You correctly note the position of most regulators and financial industry executives that the financial system remains sound in the face of the Enron situation. One of the reasons the markets continue to function smoothly is due to the robust netting and collateral provisions of OTC derivatives contracts and the legal certainty afforded to these products in the CFMA. Regulatory review should be directed toward the real issues that led to Enron's collapse.

Sincerely,



Robert G. Pickel  
Executive Director and Chief Executive Officer  
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