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Monday 12th January 2004

**Draft Standard No 2 On Financial Information Coordination of  
Enforcement Activities (Ref: CESR/ 03-317b)**

Dear Mr Demarigny

The International Swaps and Derivatives Association (ISDA) welcomes the opportunity to comment on CESR's "Draft Standard No 2 On Financial Information Coordination of Enforcement Activities" published in October 2003.

Our 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 IASB's work on accounting for financial instruments.

ISDA supports the convergence of national efforts to enforce procedures in relation to the transition and application of International Financial Reporting Standards. We feel that it is important to encourage a level playing field in enforcement where no one jurisdiction is perceived as being more lenient than another. However we would warn CESR over issuing any rules or further guidance that results in interpretations that diverge from the intentions of the standards and that could be construed as creating new accounting standards rather than enforcement. Furthermore we would encourage CESR to acknowledge the flexibility of the IASB's "principles-based" standards, which unlike a more rules-based approach, allow for a range of interpretation depending on the different circumstances of the transaction under consideration.

ISDA supports transparency in the enforcement process but would recommend that all the decisions made, and precedents set, that are to be published and shared more widely among National Enforcers, go through some sort of vetting procedure to ensure that poor quality decisions in one jurisdiction do not adversely affect decisions made in another. This will require an element of judgement at the EU level to prevent standards in enforcement from falling to the level of the country in Europe considered most lenient. We would also encourage CESR to consider opening up such an initiative to those countries outside the EU who have also embraced IFRS, and to acknowledge that the consistent application of these standards (the “level playing field”) is desirable not just in Europe but throughout the international accounting community.

We would also support LIBA’s proposal for a full public inquiry into the enforcement and application of IFRS throughout the European Union 2-3 years following the 2005 implementation date. The proposed confidential database of national enforcement decisions would help to inform such an inquiry as to the quality and consistency of enforcement across the European Union.

We would be pleased to discuss our comments with CESR in more depth at any time in the future. Please contact Ed Duncan, Assistant Director of European Policy for ISDA, at +44 207 330 3574.

Yours sincerely



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