

**ISDA Annual General Meeting  
May 10, 2021**

**Opening Remarks  
Scott O'Malia, Chief Executive Officer, ISDA**

Hello everyone, and welcome to ISDA's 35<sup>th</sup> Annual General Meeting (AGM). It's great to be able to host this flagship event again after a one-year hiatus, even though we can only meet remotely.

Over the past year, the pandemic has driven enormous changes in our personal and professional lives. It has led to pain and economic hardship for so many people around the globe. Far too many people have lost loved ones or faced huge financial uncertainties. As vaccines are rolled out, it is my profound hope that better times lie ahead – that we will be able to meet again in person very soon and continue the road to recovery.

Of course, one of the major changes during the pandemic has been the pivot to remote working. Who could have imagined that we would spend more than a year at home, working from makeshift offices and conducting all our meetings via Zoom? Who'd have thought at our last AGM in Hong Kong in 2019 that we'd be watching the next one on our computer screens?

The pandemic has essentially triggered a digital revolution. Without warning, the entire industry had to switch to operating remotely, without access to offices, printers and physical files. Everything had to be done digitally, from meeting with colleagues to negotiating documentation and processing trades. And all this during a time of extreme market stress.

There are two key lessons we've learned since March 2020. First, financial markets are resilient and can withstand a major shock. I'll speak about this later in the week. Second, we can do our jobs effectively without being physically located in the workplace.

While most of us will return to our offices, albeit on a hybrid basis, we must not forget that we have created a new model for working that puts far more emphasis on a fully digital environment. The world of paper and files is over, but we need to continue our journey towards a robust, fully digital financial system.

At ISDA, we're working hard to build that reality. It's a future where the terms of every trade are captured electronically and fed directly through to trading, operational and risk management systems in a consistent way. It's an environment where electronic documents and definitions are easily accessible on a single digital platform. Where firms can access a golden source of data in digital form, and where a standard, codable taxonomy of products, events and processes enables alignment and automation across the lifecycle.

In my remarks today, I will set out three key digitization initiatives that we think will revolutionize our market: the development of the Common Domain Model (CDM), the

upgrade of our legal definitions, and the expansion of the online negotiation of documentation.

## **Common Domain Model**

At previous AGMs, I've talked about the opportunity to develop a digital standard that connects market participants with key infrastructures such as clearing houses, electronic trading venues and trade repositories. The rationale for this has always been clear: the lack of a common, industry-wide terminology for trade events and processes has increased complexity and operational challenges and hampered front-to-back automation.

I am pleased to say ISDA has made tremendous progress in achieving this through the development of the CDM. This is becoming the lingua franca for derivatives, providing an unparalleled opportunity to achieve greater consistency across firms and systems, eliminating inefficiencies and reducing costs.

We are working to deploy the CDM in multiple areas and are currently using it to address one of the most challenging parts of the regulatory framework – derivatives trade reporting. As revisions are made to reporting requirements around the world to improve accuracy and alignment, the CDM will pave the way towards a more effective and consistent global reporting framework.

Digital regulatory reporting using the CDM enables firms to interpret and implement reporting rules consistently through common, machine-readable code. It will also improve the integrity and comparability of what is reported, enabling regulators to get a clearer picture of trading activity and risk.

ISDA is working with regulators, market participants and trade repositories to take this work forward, and we have completed successful pilots with the Bank of England and the Monetary Authority of Singapore. In October 2020, ISDA won a Group-of-20 hackathon in which we demonstrated the potential of the CDM to enhance regulatory reporting.

This is just one example, and we're working with firms in a variety of areas, from trading to clearing, to embed the CDM into the derivatives infrastructure.

## **2021 Definitions**

In the next step of our digital journey, we are targeting the legal terms and definitions that are central to our markets.

Within the coming weeks, we will publish the 2021 ISDA Interest Rate Derivatives Definitions, which will be our first natively digital definitional booklet. Implementation for these new definitions is scheduled for early October.

As you all know, ISDA zealously manages the industry definitions and provides a constant flow of amendments to ensure they are current. Until now, we have updated the definitions by layering on supplement after supplement. This practice is unnecessary in the digital age.

The 2021 Definitions will incorporate vital updates to reflect the many changes that have occurred since the previous set of definitions were published in 2006. This includes changes

to cash settlement provisions, the role of calculation agents and descriptions of floating rate options.

However, firms will also be able to quickly and efficiently access the definitions in electronic form via a web-based user interface, including on their mobile devices.

### [I'd like to pause here to play a short animation about this transformational change.](#)

Sending all those supplements into forced redundancy represents a major step forward. As it stands, firms have to trawl through the definitional booklet and the 70-plus supplements that have been published since 2006 to fully understand the terms of a new trade.

Doing that for historical transactions can quickly become very complex, resource intensive and prone to error.

Rather than publishing supplements in paper or PDF form to reflect changes in regulation or market practice, ISDA will be able to revise and update the definitional booklet in full each time an update is needed. In fact, ISDA will stop publishing supplements for the 2006 Definitions altogether from the third quarter of this year.

Over time, certain elements of the 2021 Definitions will be made available in code and aligned with the CDM. This will not only improve efficiency, but will allow information contained in the definitions to flow seamlessly through to trading and risk departments, as well as to market infrastructures and counterparties.

It will also allow updates and amendments to feed through to other systems, cutting down on the potential for errors, discrepancies and the need for manual intervention.

### **ISDA Create**

When it comes to digitally creating, negotiating and distributing legal agreements, our two flagship platforms are ISDA Create and the ISDA online library. Together, these platforms help firms overcome the huge operational challenge of conducting bilateral negotiations with hundreds of individual counterparties.

From the very first credit support annex to the recent addition of the ISDA Master Agreement, ISDA Create has remained true to its mission to enable the electronic creation, negotiation and execution of critical documentation. The effect has been to increase standardization, transparency and efficiency, while reducing cost, time and risk.

The first module of ISDA Create was designed to support initial margin documentation, which remains incredibly important as the industry prepares for the phase-five IM deadline on September 1, 2021.

At this point, ISDA expects hundreds of entities to come into scope in phase five – far more than the number of firms caught by the previous four phases combined.

As firms work against the clock to meet this deadline, ISDA Create will be a vital resource that enables them to efficiently negotiate and execute all the relevant documentation.

In the context of remote working, being able to manage documentation electronically has become more important than ever. That is why the recent expansion of ISDA Create to include the ISDA Master Agreement is so significant.

## **Death of LIBOR**

Before I wrap up, I would like to touch briefly on a major market event that has occurred during this turbulent time – confirmation of the death of LIBOR.

Following an announcement by the UK Financial Conduct Authority on March 5, we now know for certain when each of the LIBOR settings will either cease publication or become non-representative. That means we also know when new fallbacks for derivatives will apply.

The implementation of fallbacks significantly reduces the systemic risk that would arise if an IBOR permanently ceases or, in the case of LIBOR, is deemed non-representative before firms have transitioned to alternative rates.

So far, more than 13,800 entities across roughly 85 jurisdictions have adhered to ISDA's IBOR Fallbacks Protocol, which allows firms to incorporate the fallbacks into existing non-cleared derivatives. That makes it one of our most successful protocols ever. This is a testament to the industry's understanding of the need for an effective and efficient way to reduce LIBOR exposure.

In our first few sessions today, we'll look in more detail at the timetable for the cessation of LIBOR, as well as the rates that will replace it.

## **Conclusion**

As I noted at the start of these remarks, the pandemic has wreaked havoc on almost every aspect of our lives and inflicted huge economic damage around the world.

But as we meet today at our virtual AGM, I am optimistic about the future. The rapid development of vaccines gives me confidence that, in time, we will return to normality.

During this period of disruption and hardship, we as an industry have taken an important step forward in our digital journey, and we plan to maintain momentum during the recovery. ISDA will continue to develop and promote mutualized solutions to help our members comply with regulations in the most efficient way possible and to maintain safe and efficient derivatives markets.

I'd like to finish by thanking our sponsors, speakers and delegates for their support of the AGM in this different format. I hope you find the sessions useful and engaging.

Thank you very much.