



**ISDA Annual General Meeting  
May 15, 2025**

**Welcoming Remarks  
Scott O'Malia, ISDA CEO**

Good morning, and welcome to Day 2.

I hope you enjoyed last night's reception at the National Maritime Museum. The museum really gives you a sense of Amsterdam's rich maritime history and it was great to catch up with colleagues and friends in such a beautiful setting. Thanks to LSEG and S&P Global for sponsoring our two evening events.

Yesterday, I talked about ISDA's 40<sup>th</sup> anniversary and our focus on robust standards. Today, I'll briefly reflect on how markets continue to change, and I'll explain how ISDA is preparing for the future.

As we heard yesterday, the world is changing in ways we might not previously have expected. We've seen a retreat from globalization and a move towards self-sufficiency and protectionism in many countries, including the introduction of higher tariffs. These are big changes, and we need to think carefully about how they might impact financial markets and the regulatory framework.

With recent market volatility, drastic price moves and ongoing uncertainty, derivatives have a critical role to play in helping firms manage risk and maintain stability.

ISDA is a global organization, and we engage with policymakers around the world to advocate for efficiency in derivatives markets and a consistent regulatory framework. We would discourage any measures that might undermine capital flows and liquidity, and increase the cost of financing, investing and hedging.

The composition of the market is also changing, with the non-bank financial intermediation (NBFI) sector playing an increasing role in providing funding to the real economy. NBFI now represents nearly half of global financial assets, according to estimates by the Financial Stability Board.

Public-sector efforts to address perceived vulnerabilities in the NBFI sector are well advanced, with a focus on margin practices, transparency and leverage. It's important to remember that NBFI includes a wide range of entities, from pension funds to private equity firms. Given this diversity, a one-size-fits-all approach to regulatory oversight is unlikely to work.

Regulators have already addressed weaknesses in counterparty credit risk management exposed by the 2008 financial crisis, and work is still underway to implement revisions to trading book capital requirements. This is a massive change that will inevitably affect market-making capacity. Before we embark on any other reforms, regulators should answer the following questions:

- Are we effectively using the data already submitted to monitor risks?
- Are the proposed remedies consistent with risk exposure posed by the entity or sector?
- What existing regulations are available to manage the exposures in question?
- What impact will new measures have on market liquidity?

Beyond geopolitical turmoil and regulatory reforms, we are also asking the ISDA board, members and staff what the future holds for the global derivatives market and how ISDA's solutions must evolve to support safe and efficient markets.

For example, we want to know what impact demographic changes might have on derivatives markets around the world and which countries might need ISDA's support to develop their derivatives markets. We need to understand how a focus on competitiveness might shape the regulatory agenda. And we're thinking about the role artificial intelligence (AI) and tokenization might play and how prevalent they will be.

This morning, we published a benchmarking study that shows generative AI can be reliably used to extract, interpret and digitize key clauses from our credit support annexes. We know there's great potential here, and we need to set this in the context of the broader evolution of the market in the coming years.

We want to work with all of you to develop AI solutions that will manage legal documentation more efficiently and identify risks before they pose problems. We also want to develop and train large language models to accelerate AI application.

While AI might be the headline technology, don't forget about the existing ISDA solutions that are making our markets more robust right now, including the ISDA Notices Hub, the Digital Regulatory Reporting initiative and ISDA Create.

We're constantly looking at how further efficiencies can be gained in key industry processes. On that note, I'd like to congratulate the ISDA Future Leaders in Derivatives (IFLD) cohort for their insightful new paper on collateral and liquidity efficiency. We'll publish the paper later today, ahead of the IFLD panel this afternoon.

In ISDA's 40<sup>th</sup> year, it's right that we reflect on our remarkable journey and celebrate the milestones. But we must also focus on the future and chart ISDA's fifth decade with clarity and focus.

Thank you.