

ISDA Annual General Meeting

May 12, 2022

Welcoming Remarks

Scott O'Malia, Chief Executive Officer

Good morning, and welcome to Day 2 of the Annual General Meeting (AGM). I hope you enjoyed our members' reception last night, with those stunning views over the Madrid skyline.

Seeing the city from up on the roof really showed what an eclectic place this is, combining historic palaces and cathedrals with 21st century skyscrapers. Since it was first founded in the ninth century, Madrid has constantly evolved to keep pace with the world around it. In becoming a major financial and economic hub, Madrid has built on the foundations of its rich history and culture to develop a vibrant and successful modern city. It's a story of permanence and change.

A similar story can be told about ISDA, albeit over a shorter period of time. Since the 1980s, we have constantly evolved our organization and our documentation to address changes in the derivatives market and maintain robust foundations. Now we are going further to reflect our fully digital strategy, while not compromising on those strong legal foundations and product standards for which our documentation is renowned.

Today, I'd like to start by highlighting two key developments in the evolution of our digital documentation.

Ten years ago, we launched ISDA Amend with IHS Markit, now S&P Global – an online tool that revolutionized how firms make changes to their ISDA documents and exchange sensitive information to comply with regulations. Yesterday, we announced we're taking this one step further by bringing together ISDA Amend and ISDA Create, our online document negotiation platform.

This is a big deal – it brings us one step closer to having a single golden source for all contractual information. Users will now be able to easily access a complete digital record of their relationship data entered on either platform – everything from ISDA protocols and disclosure data on ISDA Amend to ISDA Create contract and negotiation information.

This will make it much easier to organize, search and analyze, making even the most complex counterparty relationships with umbrella agreements covering thousands of accounts simpler to navigate from a data perspective.

Having all of this information available at the click of a few buttons will save firms huge amounts of time and effort, avoiding the need to scan through multiple systems – or, worse, rummage through reams of paper documents – to get critical information they need about

their trading relationships. Users of Counterparty Manager will also be able to access the full online negotiation and execution functionality of ISDA Create simply by adding an annex to their existing S&P Global user agreement, extending the universe of ISDA Create users.

This is on top of another important announcement earlier this week – the adding of our flagship FX definitions to the MyLibrary electronic documentation platform. This will transform how firms access and navigate these documents, making it much easier to search for key terms and track how the definitions have evolved over time.

The FX definitions join the ISDA Master Agreement, the 2021 Definitions and our new SFT definitions on the platform, but they won't be the last. We have ambitious plans to extend this offering further, with 40 new and legacy documents scheduled to be added this year.

Maintaining and evolving our documentation is critical to ensure the underpinnings of the derivatives market remain strong and able to support future development. But it's important other foundations are in place too – having a robust legal and regulatory framework, and visionary leaders who can drive this market forward. I'm pleased to say there have been important developments in both these areas too.

One such milestone occurred last month when China passed the Futures and Derivatives Law, which explicitly recognizes netting enforceability in over-the-counter derivatives in Chinese law.

Netting is the single most important step a country can take to improve the safety and efficiency of its derivatives market. By allowing parties to reduce their obligations to a single net payment due from one party to another, netting drastically decreases credit risk. This reduces the potential for market disruption in the event of a default, while also increasing liquidity and credit capacity.

Critically, this legislation will lower costs for Chinese firms and remove a major barrier to international participation in Chinese derivatives markets. In short, it will unlock the growth potential of this market.

We have commissioned a netting opinion for China, which we're aiming to publish when the law comes into effect in August. As with the other 80 or so jurisdictions for which we've published netting opinions, this will give market participants the certainty they need when trading with Chinese counterparties.

Robust documentation and a clear legal and regulatory framework are both vital foundations for this market, but we also recognize the need to identify and advance the next generation of leaders who will bring new perspectives and take these issues forward. That is why we launched the ISDA Future Leaders in Derivatives program last year.

In the first phase of this program, we enrolled a diverse group of professionals who had already demonstrated leadership potential within their own firms, and we tasked them to develop thought leadership materials on key ISDA issues. Today, we can see the fruits of that work as we publish our first Future Leaders papers – one takes a detailed look at sustainability-linked derivatives, while the other looks to identify the most promising opportunities for technology investment in the derivatives market.

I'd like to congratulate the Future Leaders on the publication of these insightful papers – you can download them on the ISDA website, and we have a panel discussion this afternoon in which we'll hear from some of the participants. We're very proud of this new program and look forward to welcoming a second cohort of future leaders – nominations will open later this year.

I've talked in these remarks about the importance of building firm foundations for the future of safe and efficient derivatives markets. This is a responsibility we take very seriously, and you can count on ISDA to further progress this agenda in the years ahead.

Thank you.