



**ISDA Derivatives Trading and Treasury Forum
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**Opening Remarks
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Good morning, and welcome to the ISDA Derivatives Trading and Treasury Forum. Thank you to CME Group for partnering with us again on this event, and thanks to our other sponsors.

This has been a very special year for ISDA, as we celebrate our 40th anniversary. It's been an opportunity to reflect on ISDA's remarkable journey since 1985, when a small group of dealers got together to develop a common terminology for the swaps market. They recognized the need for greater consistency and efficiency to alleviate the document backlog and unlock the potential of the derivatives market. Their vision set the vital foundations of ISDA and enabled the market to evolve and grow around the world.

Today, our membership comprises more than 1,000 entities across 77 countries. Our suite of documentation continues to underpin the derivatives market, creating certainty and stability. Our focus on consistency and efficiency extends to the global regulatory framework, and we advocate tirelessly for rules that are appropriate, risk-sensitive and aligned with global standards. It's also the basis of our digital transformation work, as we advance a set of mutualized solutions to bring greater automation to key processes.

In these remarks, I'll talk about three key areas where ISDA is now working to bring greater consistency and efficiency. First, the implementation of US Treasury clearing. Second, the completion of the Basel III capital reforms. And third, the launch of the ISDA Notices Hub.

Treasury clearing

I'll start with Treasury clearing.

Now, you may wonder why I'd choose to focus on a US regulation at the start of an event in London. First, the Treasury market is the oil that keeps the gears of the global financial system turning. Treasuries are widely used in the exchange of collateral, which is critical to the smooth functioning of the derivatives market globally. Second, if you trade US Treasuries, then you will likely be subject to the US Securities and Exchange Commission rule, given its extraterritorial reach.

It's now just over 15 months until the first clearing mandate comes into force for certain cash Treasury transactions at the end of next year, with repos following in mid-2027. Industry

preparation has been progressing over the past year. As the incumbent clearing house, the Fixed Income Clearing Corporation has published proposed changes to its rulebook, while CME and Intercontinental Exchange are also developing clearing services for Treasuries. Market participants need to make sure they are up to speed on the different clearing models that will be available, the obligations for members and users, and the implications for collateral segregation, accounting and netting.

ISDA has published a comparison of the various clearing models offered by these three central counterparties. We've also been participating in an industry group led by the Securities Industry and Financial Markets Association to develop appropriate client documentation. This has proved to be complex because the documentation needs to work for the various clearing models and rule books that are still being developed. Documentation for done-with transactions is now complete, while work is under way to develop done-away documentation.

Once the documentation has been finalized, dealers will need to execute the documents with thousands of counterparties. Netting opinions will also need to be obtained in the US and multiple other jurisdictions to ensure efficient capital treatment. This is an area where ISDA has deep expertise, and we have been in contact with netting counsel globally to support those efforts.

Diligent industry preparation is critical, but it's also vital that policymakers use this time to correct certain flaws in the US capital framework. We have identified three major issues that need to be addressed to enable additional client clearing and ensure the capital framework is cost-effective, risk-appropriate and supports deep market liquidity.

The first is the enhanced supplementary leverage ratio (SLR), which acts as a non-risk-sensitive constraint on banks and can hamper balance sheet capacity, especially during periods of stress. We welcome the recent proposal by US regulators to make certain modifications to the SLR, with the aim of making sure it serves as a backstop rather than a binding constraint. We would urge policymakers to finalize and implement the revised rule by the start of next year to avoid any negative impact on bank participation in the Treasury market.

The second issue is the impact of the proposed Basel III endgame rules and the capital surcharge for global systemically important banks (G-SIBs). Analysis by ISDA has shown that these two measures would increase capital for G-SIB client clearing businesses by more than 80%. This would jeopardize the economic viability of client clearing at precisely the time when thousands of firms will be looking to banks to help them clear their US Treasury transactions. We hope this will be corrected as US policymakers revise the Basel III endgame and G-SIB surcharge rules.

Finally, we need to ensure the capital framework recognizes the benefits of cross-product netting under the standardized approach for counterparty credit risk (SA-CCR). We've recommended that US prudential regulators should adjust the SA-CCR rules to fix this. As Treasury clearing mandates come into force, the recognition of offsets in a portfolio of Treasury repo and futures transactions will be critical to ensure banks have sufficient capacity to offer client clearing. The expected provision of portfolio margining programs for clients, which will allow customers to

benefit from offsetting cleared repos and futures, will amplify the need for the same offsets to be recognized in the capital framework.

The transition to mandatory clearing in the US Treasury market will be a major policy change and a heavy operational lift. Given the global importance of this market, we must get it right and there are no shortcuts. ISDA has helped the industry navigate a series of big transitions over the years and we know that a laser focus on consistency and efficiency will pave the way towards successful implementation. We will continue to work closely with clearing houses, market participants and policymakers to maintain momentum.

Basel III

I'll now turn to the Basel III reforms more broadly.

ISDA's position on the global capital framework has never wavered. We believe capital requirements must be appropriate and risk-sensitive to support deep and liquid markets. If capital requirements are set too high, this can lead to reduced access to funding, a lack of hedging solutions and increased vulnerability to external shocks. It's also important that the rules are as consistent as possible across borders. A lack of alignment creates added complexity for globally active banks, making it more difficult for them to effectively manage their risk and service their clients.

When it comes to implementation of the market risk capital framework, differences have emerged between key jurisdictions, both in the timing and content of the rules. In the EU, for example, implementation of the Fundamental Review of the Trading Book (FRTB) has been delayed until the start of 2027 and further changes are being considered that could increase divergence with other jurisdictions. In the US, it's unclear when US regulators will publish their revised Basel III endgame proposals.

In the UK, the Prudential Regulation Authority (PRA) recently completed a consultation on a set of changes to Basel 3.1, which could include a delay to the FRTB internal models approach until the start of 2028. We commend the PRA for closely monitoring the US rulemaking to align implementation of the market risk framework, but we do have concerns about splitting implementation of the FRTB standardized and internal models approaches. Operating a system that combines existing internal models with FRTB standardized approaches will lead to increased complexity and cost. ISDA has recommended an opt-out mechanism that would allow firms to defer the FRTB standardized approach and align it with implementation of the internal models approach.

It's important to avoid significant differences in timing between major jurisdictions, but we must also address those parts of the framework that are inappropriately calibrated and would result in increases in capital that are disproportionate to the underlying risk.

For example, one of the key features of the FRTB is a much higher bar for the use of internal models. We know from our engagement with the market that this will lead to increased reliance on standardized capital models, but we must be clear about the consequences of this. The design

and calibration of the FRTB standardized approach will inflict the highest capital increases on those banks with large, diversified portfolios. Given the importance of portfolio diversification to maintain market resilience, the impact of the FRTB standardized approach must be carefully observed.

As we move towards the completion of Basel III in the months and years ahead, ISDA will continue to engage with policymakers and market participants in pursuit of a capital framework that is both consistent and efficient. We must get this right.

ISDA Notices Hub

Before finishing, I'll briefly explain how ISDA's commitment to consistency and efficiency extends to our digital solutions.

Through our powerful set of mutualized solutions, ISDA is bringing clunky, manual processes into the digital age and driving the transformation of the derivatives market. One example is Digital Regulatory Reporting (DRR), which dramatically reduces the risk of inaccurate or incomplete reporting by converting an industry interpretation of reporting rules into unambiguous code. As we extend the DRR to support rule updates in Hong Kong later this month – the eighth set of reporting requirements available on the ISDA DRR – we're seeing increased adoption of this game-changing initiative.

We're also bringing greater consistency and efficiency to the process of closing out derivatives trades. Up until now, critical termination-related notices had to be delivered by certain prescribed methods using the counterparty's address as listed in the ISDA Master Agreement. Physical delivery of notices has led to all sorts of problems over the years, with delays and uncertainty leading to serious economic consequences.

That all changed with the launch of the ISDA Notices Hub in July. With this new online platform, users can instantaneously deliver and receive notices from anywhere in the world, while also maintaining updated address details for those counterparty relationships where physical delivery of notices continues. At a stroke, the Notices Hub reduces the inefficiencies, risks and costs of physical delivery.

I'm pleased to say that more than 120 buy- and sell-side entities have now adhered to the ISDA 2025 Notices Hub Protocol, which provides the legal framework to allow delivery of notices via the platform. The Notices Hub is a vital step forward in modernizing the close-out process for derivatives trades and we're seeing widespread interest in accessing it. If you're interested in joining this growing universe of adopters, our team is available to help you with the onboarding process.

Conclusion

I started these remarks by reflecting on ISDA's 40th anniversary celebrations and our enduring commitment to consistency and efficiency. It's there in everything we've achieved over the years, from the drafting of the very first standard documents to more recent achievements, such as the rollout of initial margin rules and the retirement of LIBOR.

It underpins the work we're doing to prepare for US Treasury clearing, it's the foundation of our Basel III advocacy, and it's the driving force behind our digital solutions, including the ISDA Notices Hub. As we continue our anniversary celebrations and look ahead to the future, you can count on ISDA to maintain its focus on consistency and efficiency in everything we do.

I'd like to finish by thanking all our sponsors, speakers and delegates. I hope you find the event engaging and informative.

Thank you.