

**Transforming Asset Management
October 23, 2026**

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

Good morning, and welcome to ISDA's Transforming Asset Management event. It's great to be back in Tokyo for Japan Weeks. Now in its fourth year, Japan Weeks has become an important fixture in the calendar, showcasing Japan's credentials as an international financial center and a growing hub for asset management.

We think derivatives markets have an important role to play in supporting Japan's ambitions for financial services and investment, which is why we convene this event each year. I'd like to take this opportunity to thank Mizuho, MUFG and Nomura for supporting us once again.

Three years ago, the Japanese government unveiled its plan to become a leading center for asset management. By reforming and promoting the asset management sector, it sought to create a virtuous circle of growth and distribution, in which household savings flow into productive investment and the benefits return to households, fueling economic growth.

The Financial Services Agency (FSA) deserves great credit for maintaining the momentum over the past three years, with a range of legislative changes, corporate governance reforms and policy measures to advance the asset management strategy. Now, it is moving to the next phase. Last month, the FSA published an upgraded financial services strategy, setting out how it intends to build on the initial reforms.

This new strategy focuses on strengthening the broader investment chain, from households and corporates to financial institutions, markets and asset owners. It centers on the need to enhance public- and private-sector financial functions to channel more capital into investment, accelerating economic growth and improving national prosperity.

A key part of the strategy will be to develop deeper and more diverse financial markets, with broader participation and a wider range of products. Derivatives are an important part of that. They are an essential component of well-functioning financial markets and can contribute to the FSA's objectives by helping firms to manage risk, enhance returns, optimize liquidity and efficiently allocate capital. By enabling investors to manage the risks arising from interest rate moves, currency fluctuations and market volatility, derivatives can enhance stability and certainty, reducing costs, protecting against losses and dampening the impact of volatility. This allows asset owners and asset managers to construct portfolios more efficiently, respond to changing market conditions and pursue investment opportunities while maintaining robust risk management.

The use of derivatives in Japan is clearly on the rise, with average daily turnover in over-the-counter interest rate derivatives rising from \$51 billion in April 2022 to \$170 billion in April 2025, according to the latest Bank for International Settlements survey. But we know there is room for further growth. ISDA research has highlighted some of the issues constraining the

use of derivatives in the asset management sector, including liquidity challenges in certain products, relatively slow uptake of electronic trading and limited specialized expertise.

We're continuing to engage with policymakers and market participants to address those challenges and enable asset managers and asset owners to make full use of derivatives. We've convened a new buy-side working group to share best practices and explore solutions to possible impediments. We held the first meeting with asset managers earlier this month and we hope these conversations will provide the basis for policy discussions. We've also published an abridged Japanese version of ISDA's recent paper on how pension funds use derivatives – copies of that article are available here today.

Our first panel this morning will unpack this topic, exploring the role of derivatives in realizing Japan's asset management ambitions and the barriers to be overcome.

At the same time, we are seeing the beginning of a transformation in the way financial markets operate, and derivatives are no exception. Advances in digital assets and artificial intelligence are creating opportunities to bring greater efficiency to vital processes. I'll briefly share one example where we believe technology could result in huge improvements to the derivatives market – the tokenization of collateral.

Every day, huge volumes of collateral move between parties, mitigating counterparty credit risk and maintaining market resilience. At the end of last year, \$1.6 trillion of initial and variation margin was collected by the largest market participants, according to ISDA's annual margin survey. But the process of exchanging collateral is slow and inefficient, beset by bottlenecks and manual intervention. Tokenization could enable near-instant settlement, improve intraday liquidity management and make it easier to move collateral. It could also open the door to new types of assets being posted as collateral, and ISDA has been working with industry stakeholders to unlock the use of tokenized money market funds.

This is a compelling opportunity that could bring much-needed efficiency to collateral management, with greater automation and interoperability across critical market infrastructures. It could also improve market resilience during future episodes of stress, reducing the risk of liquidity squeezes. Our second panel will explore how digital technologies like tokenization are transforming the way markets operate.

This is an exciting time for Japan's financial markets. The FSA's financial services strategy and the rapid evolution of technology are creating both opportunities and challenges. Forums like this one allow market participants to exchange ideas and insights so we can respond effectively and chart the way forward together. I hope you find it to be a great start to Japan Weeks.

Thank you.