

**CDM Showcase
February 21, 2023**

**Welcoming Remarks
Scott O'Malia, ISDA Chief Executive**

Good morning, and welcome to this special event focused on the Common Domain Model (CDM). It's great to see a full house here today, which is a testament to the strong interest we've seen from firms in understanding how the CDM can drive efficiencies and cut costs. I'd like to thank the International Capital Market Association (ICMA) and the International Securities Lending Association (ISLA) for partnering with us – not just on this event, but also on the development of the CDM.

Today's program has been designed to showcase the multiple ways in which the CDM is being used today to bring greater automation and efficiency. From derivatives regulatory reporting to bond issuance and repo transactions, the model is already bringing the benefits of standardization and digitization to key markets and processes.

It's nearly five years since we brought out the first iteration of the CDM. Our vision was clear – to provide a standard digital representation of events and processes that occur during the trade lifecycle, in a machine-readable format. We wanted to increase interoperability between systems, cut down resource-heavy reconciliations and pave the way for automation across markets, enabling firms to function more effectively, with less strain on resources and at a cheaper cost.

That vision was given a big boost in 2021, when ISDA signed a memorandum of understanding with ICMA and ISLA to work together on the development of the CDM, helping to ensure a coordinated, joined-up approach in how the model is applied across derivatives, bonds and securities finance markets. Last year saw another big step in the development, with the appointment of FINOS to oversee maintenance of the CDM code and help further build a community to contribute to the development of the CDM.

During the course of today's event, you'll hear a number of case studies that will show how the CDM is being deployed and what opportunities lie ahead. At ISDA, we have successfully applied the model to our digital regulatory reporting (DRR) initiative and collateral management, and we're already seeing the benefits.

It's no secret that derivatives reporting isn't yet working as it should. This was one of the key market reforms following the financial crisis, but differences in reporting requirements between countries and the lack of a common approach to reporting led to inaccuracies, omissions and duplication in reported data.

Policymakers have responded to these issues by developing international data standards, which set out a common format for how trades should be defined and reported. As regulators around the world revise their reporting requirements to integrate these critical data elements, it is vital that updates to rulebooks are interpreted and implemented consistently. Once

market participants have developed a common interpretation, the CDM enables the coding of that interpretation to ensure consistent implementation.

In December 2022, the US Commodity Futures Trading Commission (CFTC) implemented the first phase of changes to its swap data reporting rules, integrating many of the globally-agreed critical data elements. Together with our members, ISDA used the CDM to express a mutualized, industry-agreed interpretation of the CFTC's amended rules as open-source, machine-executable code. This code could either be used as the basis for implementation of the CFTC rules, or to validate an independent interpretation.

With the first phase of the CFTC Rewrite now behind us, we're working to extend the benefits of the DRR to other jurisdictions, including the EU, where changes to reporting rules are due to come into effect in April next year. We're also focused on reporting rule changes in Canada, the UK and jurisdictions across Asia Pacific. While each rule set needs its own unique code, the lion's share of the coding has already been achieved with the CFTC rules, making it easier to roll out the initiative to other markets.

One of the great benefits of using the CDM to code and implement complex regulatory requirements is the ease with which further rule changes can be implemented. In the future, we anticipate that regulators will be able to publish new rules as machine-executable code that can be interpreted and implemented automatically. This has the potential to revolutionize the process of implementing regulation, eliminating the potential for inconsistencies, while also creating significant efficiencies and savings.

Our use of the CDM doesn't stop with regulatory reporting. We're also applying the model to collateral management, where a lack of end-to-end automation and excessive reliance on manual intervention makes critical processes time-consuming and prone to errors. Recent market shocks have shown how important it is to bring greater efficiency and automation to this space, enabling firms to manage the spike in margin calls that comes when market volatility strikes.

The CDM use cases we have developed can streamline counterparty onboarding, automate cash collateral calculations and payment processes and reduce negotiation time on eligible collateral schedules, bringing significant efficiencies and reducing counterparty, liquidity and operational risks. We've developed a new fact sheet on our work in this space, so please do take the opportunity to take a look at that.

I've talked this morning about some of the ways in which we've been applying the CDM to derivatives markets. I'm looking forward to hearing the insights of experts across different markets about other potential use cases for the CDM.

Thank you.