ISDA Annual General Meeting
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Chair Remarks
Amy Hong, ISDA Chair

Good morning, everyone. It's a genuine pleasure to see both familiar and new faces here in Boston, one of the world's great centers for asset management, and a very fitting place for this AGM. Getting around it, mind you, is another matter entirely.

Coming from New York, I'm used to a grid system where navigation is straightforward. Boston's streets have other ideas: narrow, winding, and with a logic all of their own. But that's a challenge technology has largely solved.

Not long ago, we navigated by paper maps, pre-planned routes and the goodwill of strangers. We got there – eventually – but not without wrong turns and the occasional heated debate. GPS changed all of that. The destination is the same but the experience is transformed: real-time information, a route that adapts as conditions change, faster and more reliable.

Derivatives markets are at a similar inflection point. The fundamental purpose – enabling risk transfer, reducing uncertainty, supporting economic activity – hasn't changed. But *how* our markets function is changing: more automation, less friction, risk management that doesn't stop when one time zone goes to sleep.

We are at the beginning of a once-in-a-generation modernization of derivatives markets.

The infrastructure underlying derivatives markets was built for a different era: paper confirmations, phone calls and next-day settlement. It served us well, but the world has moved on, and our markets must move with it.

That means focusing on those areas where the opportunity for change is greatest.

We see three such areas.

First, collateral management. The way firms source, move and manage collateral is still slow, manual and fragile under stress. We can do better.

Second, workflow automation. Yes, it sounds like a term out of the Industrial Revolution – and it is. But the truth remains: too much of what happens in derivatives markets still depends on manual processes that add cost, introduce risk and slow everything down. Technology now exists to change that.

And third, regulatory modernization. Rules that made sense when they were written don't always make sense today. We need a framework that is coherent, risk-sensitive and built to enable safe innovation, not one that accumulates complexity layer by layer.

I want to take each of these in turn.

Collateral Management

Collateral sits at the heart of risk management in our market.

Over the past decade, the scale of collateral exchanged has grown dramatically as margin requirements have expanded. And as that continues, even minor operational friction – manual processes, time-zone cutoffs, settlement delays – can become destabilizing when markets are under pressure.

We've seen what that looks like. During the 2020 dash for cash, sharp spikes in volatility triggered sudden surges in margin calls. Firms had to source and move collateral quickly, across time zones, asset classes and infrastructures. When those processes are slow or fragmented, friction doesn't just create operational headaches – it amplifies liquidity strain at precisely the wrong moment.

The solution is to make collateral faster, broader and more resilient. That is where tokenization comes in.

At its core, tokenization means creating digital representations of assets that can be transferred, settled and recorded with greater speed, precision and transparency. For collateral management, that matters in two concrete ways.

First, it broadens the universe of eligible assets. Today, firms typically rely on cash or government securities for non-cleared derivatives variation margin. Other assets may be theoretically eligible, but mobilizing them is too slow or complex in practice.

Money market funds are a good example. Trillions of dollars are available globally, and they have low volatility and small regulatory haircuts. And yet it's all but impossible to post them directly. They have to be converted to cash first, then transformed by the custodian, adding liquidity and operational risk at every step. Tokenization removes those steps. Assets can be posted and returned directly, reducing dependence on a narrow pool and building resilience across the system.

Second, it transforms how collateral moves. Near-instant settlement reduces friction, improves transparency and lowers settlement risk, especially during stress, when every minute counts.

None of this works without the right foundations. Clear contractual frameworks, enforceable rights and obligations, and solutions that work across jurisdictions and infrastructures – these are not technical details. They are what make innovation trustworthy.

This is where ISDA has a critical role to play. We have published model provisions that adapt ISDA collateral documents so tokenized assets can be used in a legally robust way. And we are leveraging the Common Domain Model to enhance interoperability across platforms, because a tokenized asset that works on one platform but not another delivers only a fraction of its potential value.

Interoperability is not a nice-to-have. It is what allows innovation to scale.

Done right, this isn't a marginal improvement. It's a fundamental upgrade to the resilience of our market – one that matters most precisely when conditions are most difficult.

Workflow Automation

Collateral management is one area where modernization can transform how our markets work. But it isn't the only one.

Across derivatives markets, too much still depends on manual, time-consuming processes that add cost, introduce risk and slow everything down. Workflow automation, powered by artificial intelligence (AI), is the opportunity to change that.

The applications are already becoming real. In legal and documentation, AI can cut the time required to review and analyze contractual terms across large portfolios from weeks to hours. In trade processing, it can reduce the manual intervention that creates bottlenecks and operational risk at every stage of the lifecycle. In risk management, it can enhance analytics and help firms identify stress earlier, before it becomes a problem.

This is not theoretical. Firms are already using AI to accelerate ISDA documentation reviews that previously required large teams working for weeks. They are using it to monitor trade reporting obligations across multiple jurisdictions simultaneously. They are using it to run risk scenarios at a speed and scale that was simply not possible before. The technology is here. The question is how quickly and how safely we embrace it.

Taken together, these aren't minor efficiency gains. They free up the most talented people in our industry to focus on the judgments that actually require human expertise: the complex decisions, the edge cases, the moments that matter.

That is the right way to think about AI. Not as a replacement for human judgment but as an extension of it – a bionic arm that augments what skilled people can do, rather than substituting for them.

Of course, that potential only materializes with the right controls in place. Oversight, explainability and clear accountability are not optional extras. They are what makes automation trustworthy, and trust is what allows it to scale.

The Regulatory Framework

Technology can modernize how our markets operate but it cannot modernize the rules they operate under. That requires a regulatory framework willing to evolve alongside the markets it governs.

Over the past 15 years, regulation has rightly focused on resilience and systemic risk. Mandatory clearing, margin requirements and reporting have made the financial system more robust. That progress matters and must be preserved.

But complexity has accumulated. Rules designed to address one risk have sometimes amplified another. A framework built up layer by layer, without a comprehensive view of the whole, can become as much of an obstacle as a safeguard.

Better calibrated regulation is what's needed. Rules that are risk-sensitive and outcomes-focused. Frameworks that can adapt as markets evolve, rather than hard-coding requirements that become outdated almost as soon as they are written.

Two areas stand out.

On capital: miscalibrated requirements can constrain market making, reduce liquidity and push up costs for the corporates, pension funds and asset managers that rely on these markets every day. The goal should be a framework that supports strong balance sheets while enabling banks to provide the intermediation services that underpin deep, liquid markets. We are engaging with regulators globally to advocate for rules that are consistent, risk-sensitive and growth-enabling.

On reporting: high-quality data is essential for effective supervision. But overlapping regimes with inconsistent requirements across jurisdictions undermine that goal, adding cost without improving outcomes. A simplified, coordinated framework built on common data standards can give regulators better information while reducing the burden on firms. That is a genuine opportunity, and one ISDA is actively working to realize.

Progress is being made, and we welcome it, but progress must go far enough. Tinkering at the margins helps no one. The ambition must match the scale of the opportunity.

Innovation and stability are not opposing forces. Done well, innovation strengthens stability – reducing operational risk, improving transparency and enabling faster, more effective risk management. What it needs is a regulatory environment that provides clarity, avoids fragmentation and gives new approaches room to develop.

ISDA has spent 40 years building that partnership with regulators. Now, as markets stand on the verge of transformation, it matters more than ever: identifying where rules work, where they don't and how they can evolve. Not to weaken oversight but to make it fit for the next 40 years, not the last.

The Vision

Let me step back and tell you what I think is genuinely possible here.

Picture a derivatives market where collateral moves in seconds, not days. Where a firm facing a margin call during a stress event can source and mobilize assets instantly, across borders and asset classes, at exactly the moments the system needs to be strong.

A market where automation handles the data-heavy, process-intensive work – reviewing documentation, processing trades, flagging risk – so that the talented people in this industry can focus on the judgments that actually require human expertise.

A market where the regulatory framework is a platform for safe innovation, not a maze that only the largest and most well-resourced firms can navigate.

This is not a pipe dream. The technology exists or is rapidly emerging. The appetite among members, among regulators, among infrastructure providers is real. What's required now is the coordination, the standards and the shared commitment to make it happen.

And the stakes are real. Derivatives markets exist to serve the broader economy: to help corporates manage currency and interest rate risk, to allow pension funds to match their assets and liabilities, to enable banks to intermediate efficiently. When our markets work well, that value flows through to businesses, investors and, ultimately, to people. When they don't, that value is diminished. Modernization is about making markets work better for everyone who depends on them.

This sense of purpose has driven ISDA for 40 years. From the first master agreement to the development of global standards, from the response to the financial crisis to the work on clearing and margining – each step has been about making derivatives markets safer, more efficient and more accessible. The work ahead is a continuation of that mission.

Modernization is not a destination. Like GPS, it is a continuous process: improving as technology advances, as we learn from experience and as we build trust in new approaches. But the direction of travel is clear and the case for moving purposefully, rather than waiting, has never been stronger.

ISDA's role is to set and hold the principles: efficiency with resilience, progress with prudence, innovation grounded in legal and contractual certainty. We cannot do that alone. It requires engagement from all of you – members, infrastructure providers and policymakers – and I am encouraged by the alignment I see around these goals.

The derivatives markets that best serve our clients, our economies and our regulators are not the ones frozen in the practices of 40 years ago. They are the ones we build together, deliberately, over time.

ISDA has achieved a great deal in its first 40 years. I am convinced the next 40 will be even more consequential, and I am proud to be taking that journey with this membership.

Thank you.