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New ISDA Whitepaper Urges Greater Standardization and Efficiency in Derivatives Market Infrastructures

NEW YORK, September 15, 2016 – A new whitepaper published today by the International Swaps and Derivatives Association, Inc. (ISDA) has identified a number of opportunities for greater standardization and automation of derivatives trade processes, in order to achieve improved efficiency, reduced complexity and lower costs for market participants.

The new paper, *The Future of Derivatives Processing and Market Infrastructure*, comes in response to growing demand from market participants for new solutions to automate and streamline the significant reporting, trading, clearing and collateral management requirements that have emerged as a result of regulatory changes.

The paper highlights a number of challenges with existing structures and processes, and recommends several steps the industry can take to create efficiencies – in particular, by embracing opportunities for further standardization. To support members address existing operational challenges, ISDA is working with stakeholders to develop a common view of an efficient market infrastructure and associated processes, which will enable the design of effective solutions. Furthermore, ISDA will work with its members to explore opportunities to leverage advances in technology, as well as facilitate collaboration and communication between market participants.

“The derivatives industry has become reliant on legacy infrastructures and processes that have been layered on top of each other over time. That might be the result of historical acquisitions, where the respective systems haven’t been fully integrated. More recently, the sheer pace of regulatory change has meant firms have been under pressure to tackle the next pressing deadline. The result is a derivatives infrastructure that is duplicative and based on incompatible operating standards, and this isn’t sustainable,” said Scott O’Malia, ISDA’s Chief Executive.

“Our members are looking for more effective, less costly and less complex processes, using technology where possible to cut down on manual processes. ISDA is helping to respond to these issues, and our whitepaper highlights a number of areas where the Association can work with the industry and regulators to improve trade processing through the lifecycle. Our work on the implementation of non-cleared derivatives margin requirements is a good example of where industry standards have and will continue to improve operating efficiency, and there is further room for improvement in the collateral management space,” said Mr. O’Malia.

The paper highlights three areas where further standardization can be achieved: documentation, data and processes.

ISDA has played a leading role in developing and promoting standard documentation, from the ISDA Master Agreement and the Credit Support Annex (CSA) to standard definitions and confirmation templates. These documents have typically allowed counterparties to negotiate various terms to reflect their differing needs and preferences, but the whitepaper recommends further standardization to reduce complexity and operational challenges. ISDA will work with members to identify areas where there is a consensus for additional standard terms within the existing documentation.

The paper also identifies opportunities to transform ISDA's legal documentation by developing 'smart contracts' that can automatically execute intended lifecycle events.

The whitepaper further recommends the adoption of a standard, multi-use derivatives product identifier as a key requirement for reducing duplication and inconsistency. ISDA has published a number of principles papers that call for consistent reporting standards across borders and the adoption of globally consistent product and trade identifiers. Most recently, ISDA published a paper that sets out principles for the creation of a global product identifier. This comes on top of work to establish standard derivatives taxonomies and develop the Financial products Markup Language (FpML) messaging standard.

The paper also calls on the industry to collaborate to agree on standards, processes and data elements for certain common processing tasks. As a first step, ISDA will draw up a development plan for the creation of these common domain models, and will work with regulators and the industry to identify and prioritize use cases.

The full paper is available on the ISDA website, and can be [viewed by clicking here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

Information about ISDA and its activities is available on the Association's website:

www.isda.org.

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