WHAT IS THE ISDA CDM?

The ISDA Common Domain Model (ISDA CDM™) is a blueprint for how derivatives are traded and managed across the trade lifecycle. Having a single, common digital representation of derivatives trade events and actions will enhance consistency and facilitate interoperability across firms and platforms, providing a bedrock upon which new technologies can be applied.

WHY THE ISDA CDM?

Catalyst

- Over time, each firm has established its own systems and its own unique set of representations for events and processes that occur during the life of a derivatives trade.

- There is no commercial advantage to organizations maintaining their own representations. It results in firms having to continually reconcile their trades to make sure they have the same information – a big drain on resources. It also curtails the potential for greater automation, and results in increased operational risk.

- New technologies offer the potential for greater automation and efficiency, reducing complexity and costs. But effective automation can only be built on standardization.

Opportunity

- Derivatives market participants are looking at ways to reduce costs and improve the efficiency of back-office processes.

- An opportunity exists to create standards that support innovation and promote the adoption of new technologies.

- ISDA has a 30-year track record in developing industry standards.

BENEFITS OF THE ISDA CDM

- Enhancing interoperability, reducing reconciliation and promoting straight-through-processing: The ISDA CDM enables a consistent hierarchical representation across trades, portfolios and events, providing enhanced risk management and trade processing capabilities.

- Creating an environment for innovation in financial markets: The ISDA CDM creates a foundation for long-term process transformation using emerging technologies like cloud, distributed ledger and artificial intelligence. The ISDA CDM is available in machine-readable and machine-executable formats and languages that can be consumed by those technologies.

- Delivering better regulatory oversight: The ISDA CDM promotes transparency and alignment between regulators and market participants, ensuring regulatory goals can be met more efficiently.

“CME Group supports ISDA’s Common Domain Model. Greater standardization of data and processing will help exchanges, clearing houses, clients and the market as a whole to process data more effectively.”

Sunil Cutinho, President, CME Clearing

“There are always reasons to do nothing and maintain the status quo, but the challenges we face today will not get any easier, and we will never be able to fully harness the potential of new technologies across the industry. This is a once-in-a-generation opportunity to restructure the foundations of the market.”

Scott O’Malia, CEO, ISDA

©2019 International Swaps and Derivatives Association, Inc.
Each party captures and processes the trade and lifecycle in its own different way.

Consistent industry implementation of lifecycle

Using the ISDA CDM, market participants implement the same code to manage trades throughout lifecycle.

Without the benefit of a common domain model, these systems are built using bespoke models and tech, affecting interoperability. They also take a long time to market and to gain trust.

By deploying the ISDA CDM, these new systems have:
1. Interoperability
2. Shorter time to market
3. Association with a recognized set of market standards from ISDA

Footnotes:
- ISDA® is a registered trademark of the International Swaps and Derivatives Association, Inc.
- www.isda.org

Want more information?
Visit: isda.org/2019/10/14/isda-common-domain-model/
Contact Us: ISDA Market Infrastructure & Technology - MarketInfrastructureandTechnology@isda.org