



**Capital Markets & the Kingdom of Saudi Arabia
February 19, 2025**

**Opening Remarks
Scott O'Malia
ISDA Chief Executive**

Good morning, everyone. I'd like to add my thanks to Saudi Tadawul Group for working with us on this event, as well as all our sponsors for supporting us.

We're very excited to be holding this event with ICMA, ISLA and Saudi Tadawul Group, because it comes at a critical time for the development of Saudi Arabia's capital markets.

Earlier this week, Saudi authorities published netting legislation that we think sets the foundation for vibrant, robust capital markets – a big step to achieving one of the Saudi Vision 2030 strategic objectives to ensure the formation of an advanced capital market.

Derivatives play a central role in that – they're vital for healthy, competitive and liquid financial markets and help spur economic growth. They offer companies the ability to raise financing at the best rate, reduce costs and manage risks, giving those firms the confidence to borrow, invest and hire.

According to a new report we'll shortly publish to mark our 40th anniversary, 87% of nearly 1,200 companies across seven major stock indices use OTC derivatives for a variety of purposes. That includes blue-chip multinational corporations, agricultural companies, asset managers, pension funds and banks.

This vast universe of companies all over the world use derivatives because they find them useful, and because they create value by enhancing predictability and protecting against losses.

Saudi Arabia is among the world's top 20 economies, but the country's derivatives market remains relatively small, with OTC interest rate derivatives turnover accounting for approximately 0.01% of the global daily average in 2022.

We think there's a significant opportunity here. But for derivatives markets to grow, we first need to have robust foundations in place – which is why publication of the Saudi netting legislation is so important.

By allowing counterparties to offset their various obligations into a single net amount owed by one party to the other, netting significantly reduces credit risk and increases the capacity for firms to lend and trade.

Since our inception 40 years ago, ISDA has worked with authorities around the world to make the case for netting and develop the necessary legislation to ensure its enforceability. Saudi Arabia is no exception, and I'm proud to say that – in line with many other jurisdictions – the country's netting legislation is based on ISDA's Model Netting Act, which acts as a template for those jurisdictions wanting to enshrine netting enforceability into domestic law.

With the legislation now finalized, ISDA will shortly publish a netting opinion, adding to our 90 existing opinions around the globe. This will be for conventional and Islamic derivatives with Saudi counterparties.

This is critical. Regulators allow close-out netting to be risk-reducing for the purposes of capital requirements, so long as there is a high degree of legal certainty over the enforceability of close-out netting under the local law in each jurisdiction. A clean netting opinion gives firms that certainty, encouraging greater participation in local capital markets by foreign and domestic institutions, boosting competition and liquidity.

We strongly believe certainty on close-out netting creates the foundations for safe, efficient and liquid derivatives markets – in turn, leading to a robust and vibrant ecosystem for capital markets funding and hedging.

But, as important as close-out netting is, other steps are also necessary to establish deep and liquid derivatives markets. Local policymakers need to determine the scope of permitted activity, whether registration requirements are necessary and what disclosure standards should apply. Broader regulatory issues – for example, whether to introduce clearing, margin or reporting mandates for OTC derivatives – also need to be considered, as well as expectations on risk governance and management.

We commend the Saudi authorities for their work so far and stand ready to help as they consider further initiatives to promote a safe and efficient derivatives market.

Companies, financial institutions and governments around the world rely on access to capital markets to finance growth and create stability in their business and activities. Derivatives are a critical component of healthy capital markets, enabling firms to lock in the cost of issuing debt and transfer risk, encouraging them to lend, borrow and invest with confidence.

Saudi authorities have taken a very important step to realizing the objective of advanced capital markets outlined in Vision 2030, and the future looks very bright indeed. Today's event is a great opportunity to discuss these issues, share best practices and highlight possible next steps in developing vibrant, liquid and competitive capital markets.

I'd like to thank you all for coming today, and I'm looking forward to the conversation.

Thank you.