The CDM: A 2024 Update

After nearly four years of development, 2024 has seen greater recognition of the Common Domain Model (CDM) and its potential to bring significant benefits to market participants and regulators, as they strive for greater transparency, efficiency, and innovation. ISLA have and continue to be actively engaged in promoting, developing and extending the model to cover securities financing use cases. This document outlines recent developments within the CDM and future plans for the model.

What you Need to Know

- The CDM already covers two thirds of all products, events and documentation required to facilitate securities financing trades, their transactions and legal agreements.

- In 2024, ISLA contributed enhancements to the representation of legal agreements, pre-trade negotiation including lender availability and borrower requests along with documentation supporting the securities lending community.

- Recent work performed by the CDM Working Group on analysing collateral schedules, and the CDM Collateral Workshop jointly hosted with ISDA, have highlighted additional enhancements that we will contribute to the model.

- The creation of a JSON Schema at the CDM Workshop sponsored by ISLA has given members of the CDM community extended development capabilities, resulting in the CDM now being used in production by a member firm

- ISLA are demonstrating our commitment to the continuous improvement of the CDM by chairing the Technology Architecture Working Group at FINOS, and funding initiatives like Serialisation.

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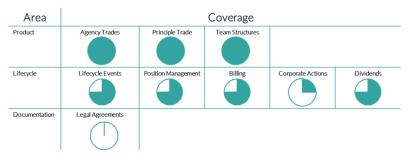Chris.Rayner @islaemea.org

What is the CDM?

A CDM is an agreed upon, standardised domain model i.e. a standard digital representation of data and function. Importantly, the CDM is agreed upon real-world business outcomes, and is focused on standardising processing, not just the underlying data.

The FINOS CDM integrates all aspects of a transaction including: product representation; event representation and outcome, from regular events such as billing and margining, to less frequent complex corporate actions; legal documentation impacting a transaction, such as a GMSLA or a collateral agreement; process sequencing and outcome; reference data and translation into or from other data models.

For more information on the CDM visit: https://www.islaemea.org/common-domain-model/.

State of Play

Two thirds of the items that need to be provided by the CDM to model securities lending trades and their lifecycle events are available in the model. This includes full support of securities lending products, with a small number of outstanding items still required on the lifecycle and legal documentation aspects of the model.

Area	Coverage				
Product	Agency Trades	Principle Trade	Team Structures		
Lifecycle	Lifecycle Events	Position Management	Billing	Corporate Actions	Dividends
Documentation	Legal Agreements				

In 2025, and with support from the ISLA Working Groups, we will extend our domain coverage. Support for additional lifecycle events including rate changes and mark-to-markets will be added, along with enhancements to the representation of legal agreements and collateral schedules.

As part of these initiatives, we will continue to provide business and technical documentation explaining how to use the CDM for these and numerous other securities financing use cases.

Current & Future Initiatives

This year has seen a range of CDM business, operations and technology initiatives supported and driven by ISLA.

Following the launch of the CDM representation of the Global Master Securities Lending Agreement (GMSLA), ISLA are currently working on further enhancements to the structure, facilitating broader adoption of this document standard.

In response to a member request, we enhanced the pre-trade processes to include 'availability' and 'borrower requests'. This has enabled them to offer the CDM data structures within their production application.

In early 2024, ISLA invited a group of technologists to a 2-day workshop focused on creating a JSON schema representation of the model, the purpose of the schema being to support the validation of the data definitions within the CDM. Following a successful workshop, the schema has been used in production and remains one of the most frequently downloaded model versions.

One of the long-term goals of the CDM is to promote interoperability across systems, facilitating the standardisation of data and processes across the industry. Recognising the need for improvements in the CDM data format, ISLA are currently funding the development of an improved serialisation mechanism. This will allow data published by the CDM to explicitly state its provenance, enabling consumers to know what they have received, what model and object versions it was generated from, and how they can process it.

Education is Key

Education remains high on our list of priorities. This year we created more documentation to help the community with their use of the CDM for securities lending, providing new pages for the FINOS CDM website on topics such as:

- Pre-trade negotiation, including proposals, counter proposals, accepts and rejects

- Distribution of availability by an agent lender

- How a borrower would make a request for securities

- The general attributes that would be required to represent a securities lending trade using the generic Master Agreement structure

Following a drive from the ISLA CDM Working Group to assess collateral eligibility in the model, we collaborated with ISDA to run a 'CDM Collateral Getting Started Workshop'. The workshop brought together market participants across securities financing and derivatives to learn how to implement the CDM for collateral use cases. Through interactive training and hands-on exercises the participants learned how to access, apply and further extend the model for other potential use cases. More workshops will be planned for 2025.

Use Cases on the Rise

We have seen the list of CDM use cases expand this year too. The representation of Collateral using the CDM still features near the top of everyone's list, as does the pre-trade processing and distribution of availability of securities lending assets. With the possible introduction of the SEC 10c1a in 2025, and a pending rewrite for SFTR on the cards, there has been a renewed interest in the use of the CDM for regulatory reporting.

The recent introduction of the Digital Assets Annex to the GMSLA has also sparked conversations about how the CDM can be used for the representation of tokenised assets and their lifecycle. Supporting these asset types at both the application and network level has featured in our discussions, with ISLA working with several institutions to allow the CDM to be used as a protocol for both on- and off-chain transactions.

The CDM is also poised to address long-standing market inefficiencies and causes of reconciliation issues pertaining to processes such as Recalls and their notification, Agency Lending Disclosure (ALD) and client onboarding (KYC).

With a number of real-life applications of the CDM already live, and the pipeline of potential use cases increasing, 2025 is likely to further mainstream focus as the true value of the CDM comes to light.