ISDA Safe, Efficient Markets
Celebrating 40 Years

November 21, 2025

Mr. Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: Request for Input on Use of Tokenized Collateral Including Stablecoins in Derivatives Markets

Dear Mr. Kirkpatrick:

The International Swaps and Derivatives Association, Inc. ("**ISDA**")[1] appreciates the opportunity to submit comments regarding the Request for Input on Use of Tokenized Collateral Including Stablecoins in Derivatives Markets published by the Commodity Futures Trading Commission ("**CFTC**"). ISDA is at the forefront of new technological developments in the derivatives markets and has extensive experience with collateral management. We would like to take this opportunity to discuss our work and provide recommendations, where appropriate, focusing on the Global Market Advisory Committee's Digital Asset Markets Subcommittee Recommendation[2] (the "**GMAC DAMS Recommendation**") and key elements of the President's Working Group Report on Strengthening American Leadership in Digital Financial Technology ("PWG Report")[3].

As a global trade association representing participants in the derivatives markets, ISDA's mission is to foster safe and efficient derivatives markets that support economic growth and

[1] Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 78 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. Follow us on LinkedIn and YouTube.

[2] GMAC, "Recommendations to Expand Use of Non-cash Collateral Through Use of Distributed Ledger Technology" (21 November 2024) https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/download, pages 5-6.

[3] Report on Strengthening American Leadership in Digital Financial Technology: https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf

resilience. This includes the development of legal and regulatory standards for both traditional and emerging product structures, including those within the digital asset ecosystem.

Our response is primarily concerned with legal, liquidity and credit risk and documentation issues relevant to the derivatives markets, including financial market infrastructure processes and procedures that participants use. Tokenization presents a significant opportunity in the derivatives market, improving risk management through the accelerated movement of collateral and is critical to facilitating 24/7 trading with sound risk management practices. However, to realize these benefits, it is fundamental to ensure that the risk management, legal enforceability, and deep liquidity foundations that underpin collateral movements in traditional markets are maintained when transitioning to distributed ledger technology (DLT) and using tokenized assets and stablecoins as collateral. As new forms of tokenization are contemplated and regulatory developments unfold, industry analysis should be focused on both the benefits and risks. The industry should conduct a comprehensive re-examination of eligible collateral, including tokenized assets and stablecoins, and market participants may or may not choose to use them, depending on their risk management and investment guidelines. To that end, we look forward to engaging with the CFTC, Securities Exchange Commission ("**SEC**"), Treasury, U.S. Prudential Regulators and other global regulators to develop rules focused on risk management and liquidity management for the use of stablecoins as collateral, as well as vendor, custodian and documentation readiness, and our response represents the balance necessary to support current processes and workflows while integrating new technology and innovation. This response is focused on GENIUS Act compliant stablecoins and tokenized collateral with already eligible underlying assets. We appreciate that there will be further discussion regarding non-US stablecoins and other stablecoins that do not fall under the GENIUS Act in the future.

Collaborative Efforts Driving Industry Developments

In recent years, ISDA has collaborated with other trade associations to produce the Report on DLT in Capital Markets[4], an overview of current legal, regulatory and risk management frameworks for digital assets and developments in collateral management and tokenization. We have also recently introduced Digital Asset Definitions[5] (available via ISDA's MyLibrary) to provide a starting point for the documentation of digital assets derivatives. ISDA has provided Tokenized Collateral Guidance[6] and will continue to assess where updates are needed to these referential documents to facilitate the use of tokenized assets as eligible collateral. We have worked with the Fintech Open Source Foundation ("**FINOS**"), the International Securities Lending Association ("**ISLA**"), and the International Capital Market Association ("**ICMA**") to develop the Common Domain Model ("**CDM**"), an open-source, standardized model for financial products and transaction lifecycles, including collateral representation, margin call and collateral settlement processes, and smart contracts, which was created to support on-chain programmable implementations of financial contracts.

[4] The Impact of Distributed Ledger Technology in Capital Markets; https://www.fia.org/sites/default/files/2025-08/FULL%20REPORT%20-%20DLT%20REPORT.pdf
[5] ISDA MyLibrary: https://mylibrary.isda.org
[6] Tokenized Collateral Guidance: https://www.isda.org/a/ox1gE/ISDA-Tokenized-Collateral-Guidance-Note-052124.pdf

Building on ISDA's contributions to the recently published work of Global Digital Finance ("**GDF**"): Case for Collateral Mobility in Europe and the UK Using Money Market Funds[7], ISDA will co-sponsor the U.S. Tokenized Money Market Fund Working Group by providing legal and collateral management operations subject matter expertise. We encourage the CFTC to support such initiatives, including any relevant sandbox environment and regulatory oversight needed to move production-level pilot programs forward, with initial limits on volume and then expand, focusing on the most liquid products first.

Balancing Benefits and Risks of Tokenized Collateral and Stablecoins

It is critical that new technology and infrastructure functions safely and efficiently. It is in this broader context that we comment on the opportunities and challenges of tokenization in the wholesale derivatives markets, and with respect to this response, collateral management and mobility.

As a statement of core principle, any tokenization or other use of new technology in financial markets:

- should not adversely affect legal and regulatory certainty or systemic stability, including settlement finality; and
- should facilitate the safe and efficient management of risks, including liquidity, market and credit risk.

A fragmented derivatives collateral market (CFTC-regulated vs U.S. Prudential-regulated) is likely to impede attainment of those core principles (in particular, promoting safe and efficient management of risks, among others). Therefore, consistency in the regulatory frameworks that govern collateral treatment in derivatives markets across CFTC's and U.S. Prudential Regulators' margin and capital rules, is critical. The CFTC should work collaboratively with U.S. Prudential Regulators to ensure such consistency is a primary goal in the permissioning and treatment of tokenized collateral in the derivatives market.

As a general matter, any tokenization structure will require analysis to understand the token mechanics and the rights/interests the token conveys together with the context of the relevant jurisdictional legal environments, to determine there is no adverse impact on legal certainty. As the GMAC DAMS Recommendation notes: "registrants can follow their existing policies, procedures, and practices in order to assess and address the relevant risks in the following key areas: (a) legal enforceability; (b) segregation and custody arrangements; (c) credit and custodial risks; and (d) information security and other operational risks". This analysis will depend on the specific tokenization structure employed.

[7] Global Digital Finance: Case for Collateral Mobility in Europe and the UK Using Money Market Funds; https://www.gdf.io/resources/the-case-for-collateral-mobility-in-europe-the-uk-using-money-market-funds/

The opportunities and challenges presented by asset tokenization and stablecoins can vary depending on the particular use case and implementation. For example:

Improving liquidity and collateral management and reducing risks via near-instantaneous and atomic settlement.

Tokenization can facilitate almost instantaneous settlement, rather than the usual T+1/T+2 or longer timeframe.[8] This capacity offers opportunities to substantially reduce counterparty, settlement, and market risk, as well as allow improved liquidity management, including intra-day liquidity. For instance, instantaneous posting of tokenized collateral could replace the current process of posting cash and then replacing with a money market fund ("**MMF**") unit or a security, if collateral had to be moved quickly. Tokenization enables simultaneous ("atomic") exchanges of collateral, eliminating "give before get" risks in collateral substitutions. [9]

Enhancing non-cash assets for use as collateral management

Market stress events in recent years like the March 2020 dash for cash and the September 2022 UK gilt crisis have underscored the important efforts by ISDA and industry participants to bring more efficiency and data standardization to collateral management processes. The exchange of collateral[10] is one of the central planks of regulatory efforts to mitigate counterparty credit risk and maintain the resilience of the financial system. Greater automation and data standardization will help drive efficiency and reduce risk in collateral management, as well as help reduce funding costs for market participants.

For example, in the previously mentioned report published by GDF, we asserted[11] that MMFs are a compelling use-case for tokenization because (i) the fund unit is already de-materialized and (ii) tokenization of fund units could replace the traditional subscription and redemption workflow, making the process faster and more efficient.

Using other tokenized forms of collateral, such as gold, bank deposits and regulatory eligible corporate and government securities, could mitigate some of the operational and liquidity constraints the industry currently endures when posting and receiving collateral. For example, while use of non-cash non-cleared variation margin ("**VM**") has increased in recent years, ISDA members, such as insurance companies and pension funds, have noted that there are operational and liquidity management challenges, such as managing collateral substitutions and corporate actions and dividends on securities posted as collateral, that prevent counterparties from posting non-cash collateral as non-cleared VM. Using tokenized forms of securities as collateral could alleviate these challenges. Any such use would be dependent on satisfactory analysis of the risks identified in the core principle statements above.

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[8] ISDA response to FCA CP23/28: Updating the regime for Money Market Funds (8 March 2024) https://www.isda.org/a/7usgE/ISDA-Response-to-FCA-MMF-consultation-030824.pdf

[9] The Impact of Distributed Ledger Technology in Capital Markets, page 160

[10] While many comments are also relevant for cleared exposures, most of the comments on collateral management are aimed at collateral for uncleared exposures.

[11] Global Digital Finance: Case for Collateral Mobility in Europe and the UK Using Money Market Funds; https://www.gdf.io/resources/the-case-for-collateral-mobility-in-europe-the-uk-using-money-market-funds/

Further, tokenized collateral can also bridge the operational workflows with traditional financial intermediaries and cumbersome legal mechanics (e.g., account control agreements and transfers) that are relevant when trying to enforce a security interest in a pledged asset. For example, it may, in fact, be easier to either sell or redeem a stablecoin as a secured party than it would be to sell assets underlying such stablecoin, if they were held directly as collateral.

Lower transaction costs.

Tokenization could lead to lower transaction costs[12] by reducing the need for intermediaries and enhancing the capital efficiency of the asset. As an example, with tokenized MMF shares, if all the parties (pledgor, secured party, custodian, transfer agent) are part of the golden record, there is no need to use the current operationally-intensive process to liquidate the MMF, post cash and then transform into a MMF for collateral purposes. Additionally for tokenized MMFs and other types of assets, many resource-intensive manual processes in traditional financial markets could be automated through the use of smart contracts, thereby reducing costs and improving efficiencies.[13]

GMAC Digital Asset Markets Subcommittee: Recommendations to Expand Use of Non-cash Collateral Through Use of Distributed Ledger Technology

ISDA supports the GMAC DAMS Recommendation which asserts that the "[u]se of DLT for holding and transferring non-cash collateral has significant potential to address key challenges posed by existing market and technology infrastructure."[14] The Digital Asset Markets Subcommittee identified that the use of DLT in particular ways "can facilitate real-time, 24/7/365 transfers of the asset without costly or complex linkages across multiple intermediaries" which "has the potential to both increase the velocity of transfer of assets currently utilized as collateral, … expand the pool of assets available for use [and] permit peer-to-peer transfers". The Subcommittee also noted that the use of DLT could also "help address the challenges to non-cash collateral … by enabling the direct pledge or transfer of eligible assets without the need to convert those assets into cash" which "can facilitate asset transfers to meet margin calls during times of market stress without fire sales to generate cash collateral."[15] This takes into account that "existing transfer mechanics for many non-cash assets inhibit firms owning or holding such assets from posting them to satisfy applicable margin requirements."[16]

[12] This will depend on the costs associated with the tokenized version of the asset, which would be dependent on the blockchain and its fee structure (e.g., gas fees) that would be imposed, as well as any cost associated with the tokenization process itself.
[13] The Impact of Distributed Ledger Technology in Capital Markets, page 160
[14] GMAC, "Recommendations to Expand Use of Non-cash Collateral Through Use of Distributed Ledger Technology" (21 November 2024) https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/download, page 11.
[15] GMAC, "Recommendations to Expand Use of Non-cash Collateral Through Use of Distributed Ledger Technology" (21 November 2024) https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/download, page 7; Also see ISDA, Response to FSB Consultation report "Liquidity Preparedness for Margin and Collateral Calls" (Jun. 19, 2023) (https://www.isda.org/a/DT8gE/ISDA-response-to-FSB-NBFI-consultation.pdf) at page 3 (recommending consideration of how "innovation in collateral and tokenization may offer improvements in collateral mobility and reduce the need for collateral holders to liquidate collateral to realize cash").
[16] GMAC, "Recommendations to Expand Use of Non-cash Collateral Through Use of Distributed Ledger Technology" (21 November 2024) https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/download, page 5.

President's Working Group ("PWG") Report on Strengthening American Leadership in Digital Financial Technology

We have the following observations regarding the PWG report's discussion of CFTC rules and how they relate to collateral management.

Provide guidance to FCMs in calculating and administering segregation obligations when digital assets are held on behalf of customers, including separate account treatment under Regulation 1.44.

- Stablecoins and tokenized collateral can be moved instantaneously and therefore may be moved to meet the same day margin call/settlement regulatory requirement.
- Existing segregation requirements can apply to digital asset custody by considering wallet-based holding structure as distinct from traditional account-based arrangements. The interaction between wallet-based segregation and existing account control agreements or bankruptcy protections would need to be considered to ensure they are effective. It would be helpful if the CFTC provided clarity regarding how digital assets should be treated under CFTC 1.44. ISDA and its members will contribute to the analysis and are willing to provide feedback to a potential advisory or interpretive guidance.

Provide clarity on haircuts on digital assets held by registered intermediaries (including FCMs, swap dealers, and DCOs) for purposes of calculating and reporting margin, financial resources/capital, segregation, and settlement obligations, including working with the SEC around the non-marketable securities haircut framework and its applicability to non-security digital assets.

Stablecoin haircut considerations:

- For this response, we focused on initial margin ("**IM**") collateral for cleared transactions, including risk management by DCOs and FCMs; any future expansion of cleared VM beyond cash would have to be vetted to ensure users can accept such expanded eligible collateral.
- With cleared transactions, the approach to haircut related risk management should be consistent with other collateral assets. For regulated payment stablecoins, the regulated market participants, such as DCOs and Futures Commission Merchants ("**FCM**s"), should determine risk-adjusted haircuts (e.g., based on the redemption/liquidity mechanism).
- Also consistent with the current approach, for uncleared transactions, the CFTC should update the eligible collateral schedule to define eligible stablecoins with minimum haircuts. Counterparties may wish to impose additional haircuts, depending on their risk assessment. The uncleared margin rules' existing requirements for eligible collateral, including restrictions on securities issued by either party or banking entities, and requirements for independent custodians, should be considered to ensure that the relevant risks are suitably addressed for any stablecoin used as collateral.

- For both cleared and uncleared transactions and eligible collateral, those determining the minimum haircuts should consider a look-through assessment of the stablecoin's reserve composition and issuer risks, the legal structure under which it is issued, and the specific redemption and liquidity rights available to holders along with market and credit risks. For example, a counterparty might not be allowed to post or receive a stablecoin that has been issued by the same entity or an affiliate.
- GENIUS Act–compliant stablecoins which are backed 100% by high-quality liquid assets with mandatory reserve disclosures, could perhaps be treated uniformly as eligible collateral for uncleared transactions, but the applicable haircuts should still be calibrated to the composition, liquidity, and redemption characteristics of the underlying reserves rather than applied on a purely uniform basis. For non-GENIUS Act-compliant stablecoins, there could be additional risks that need to be taken into account.

Tokenized collateral haircut considerations:

- For non-cleared transactions, collateral eligibility and minimum haircuts for traditional tokenized assets used as eligible collateral should be the same as the traditional asset provided the tokenized version satisfies the registered intermediaries' existing framework for collateral, including security, legal enforceability and liquidity.[17] As mentioned above, counterparties may wish to impose additional haircuts, depending on their risk assessment.
- As mentioned above, for cleared transactions, DCOs and FCMs, already have the discretion to apply haircuts to eligible collateral, and they should determine risk-adjusted haircuts (e.g., based on the redemption/liquidity mechanism) for tokenized collateral.

Review the application of eligible depository rules to accounts holding digital assets as collateral under CFTC Regulation 1.49.

The CFTC should provide guidance regarding whether certain tokenized assets could qualify for location-neutral or jurisdiction-flexible treatment given their near-instantaneous settlement capabilities and the elimination of traditional custody chain dependencies and coordination mechanisms with foreign regulators (including ESMA, UK FCA, and others) on interoperable standards for tokenized collateral to facilitate cross-border derivatives transactions.

Provide guidance for DCO acceptance of digital asset collateral (including payment stablecoins) including DCO financial resource requirements, valuation of assets and haircuts for margin purposes, settlement finality, treatment of digital asset custodians and self-custody, systems safeguards requirements, end-of-day reporting for assets that trade 24/7, and legal risk considerations in such areas as netting and interests in collateral under CFTC Regulations 39.11, 39.13, 39.14, 39.15, 39.18, 39.19, and 39.27.

[17] For example this could include traditional assets that are immobilized at a central security depository ("CSD") where DLT entries convey necessary rights and can be viewed as the 'golden source' of record.

In addition to the regulatory minimum requirements or constraints, each DCO and its governance committees, including its Risk Management Committee, should make their own determination regarding what assets are in scope of the DCO's risk appetite.

ISDA supports the use of payment stablecoins under the GENIUS Act along with tokenized collateral as eligible collateral for cleared margin, with appropriate risk management provisions, including:

- **Stablecoin GENIUS Act Framework Integration**: Under the GENIUS Act, payment stablecoins must maintain 100% reserve backing with liquid assets like U.S. dollars or short-term Treasuries, with monthly public disclosures of reserve composition. DCO guidance should recognize that GENIUS-compliant stablecoins meeting these reserve requirements could qualify as eligible collateral. The haircut framework should consider the stablecoin's reserve composition, the legal structure under which it is issued, and the specific redemption and liquidity rights available to holders along with market and credit risks.
- **Custody and Segregation Requirements**: DCO guidance should address how GENIUS Act provisions regarding custodian requirements, prohibition on commingling funds, and first-priority claims in insolvency translate to the derivatives clearing context. The guidance should clarify whether DCOs can accept stablecoins held with GENIUS-compliant custodians and how segregation requirements under CFTC Regulation 39.15 apply to tokenized collateral.
- **Concentration Risk Considerations**: In addition to the industry's current eligible collateral rules for concentration risks, the CFTC should consider whether additional guidance is necessary to address concentration limits or other risks, particularly where stablecoin issuers or their affiliates are clearing members or have significant derivative exposures at the DCO.
- **Settlements and Operations**: Considering CFTC 39.11 requirements of same-day accessibility and one-day settlement requirements, even though stablecoins may be able to settle in real-time, there are still interdependencies with traditional banking systems and workflows to liquidate to cash. The industry must work to bridge the gaps between innovation and current structures and processes.
- **Netting and Legal Framework:** For stablecoins and tokenized assets, the industry should have visibility into the legal analysis performed by the DCO regarding security interest and perfection, with consideration for multiple global regulatory regimes.
- **Systems Safeguards:** With innovative technology, such as DLT-operated tokenized collateral, stablecoins as collateral, and smart contract-enabled collateral management operations, the following should be considered:
    - real-time settlement risk analysis and contingency plans for ledger outages;
    - stress testing of tokenized collateral under extreme market and tech failure scenarios;
    - reporting and audit requirements for tokenized collateral usage; and
    - technology risk assessments and third-party code audits for smart contracts governing collateral.

Provide guidance on the adoption of tokenized non-cash collateral as regulatory margin to implement the CFTC's GMAC DAMS recommendation.

- As noted above, we are supportive of the CFTC's GMAC DAMS recommendation. We have provided a number of recommendations throughout this response relevant to the adoption of tokenization of non-cash collateral as regulatory margin.

Provide guidance on the classification of swaps on digital assets to address application of margin, reporting, and other requirements under CFTC Regulations 1.3, 23.154, 43.2, and 45.1.

- **Reporting Framework for Tokenized Collateral**: The industry should review reporting templates to consider if tokenization-specific data fields would be beneficial to monitoring systemic risk. Enhanced reporting may include: the DLT platform or blockchain used for tokenized collateral, smart contract addresses or identifiers for tokenized assets, real-time collateral valuations where enabled by tokenization, and custodian information for tokenized assets. Using DLT technology further, links to the collateral wallets with all the necessary data should be used rather than duplicating the reporting process. Further, the industry should continue to implement Digital Regulatory Reporting ("**DRR**"), leveraging the CDM.
- **Classification Principles**: Guidance should clarify that the use of tokenized collateral or settlement via DLT does not change the underlying swap classification for regulatory purposes. A swap involving digital assets as the underlying reference asset, or utilizing tokenized collateral, should be classified based on the economic characteristics and risk profile of the transaction, in alignment with relevant regulatory principles, not the technological infrastructure used for settlement or collateral management.
- **Data Standards for Operational Resilience**: Data standards should enable regulators to track concentration risks and operational resilience across DLT platforms used for derivatives activities, including monitoring of cross-platform dependencies and interoperability risks. Based on ISDA's work to-date with FINOS, ISLA, and ICMA, we encourage the industry to develop the CDM further and implement the open-source data model more fully to ensure data interoperability and consistency.

Consider allowing the use of blockchain technology to satisfy recordkeeping obligations under CFTC Regulation 1.31.

- As included in the GMAC DAMS Recommendation reference to operations and recordkeeping, we support the use of blockchain technology to satisfy recordkeeping obligations under CFTC Regulation 1.31 and other recordkeeping obligations.

<u>Other Considerations</u>

- **Capital Treatment:** It is important that policymakers work with the industry to calibrate capital treatment applied to tokenized assets and stablecoins used as collateral, including HQLA classification and haircuts considering the underlying or like-assets. Under current capital proposals, [18] If the current capital rules proposal were to be implemented, U.S. dealers would face serious capital constraints to their use of tokenized assets and stablecoins on a public blockchain. Group 1 cryptoassets - limited to tokenized assets and stablecoins - are

[18] BCBS, SCO60 - Cryptoasset exposures, *available at* https://www.bis.org/basel_framework/chapter/SCO/60.htm?inforce=20260101&published=20241127.

subject to classification conditions that automatically exclude any asset on a permissionless ledger. Therefore, these assets would fall under the most punitive Group 2b treatment with a 1250% risk weight, which functionally disallows banks to hold assets on a public blockchain. Capital rules need to reflect market regulations to recognize stablecoins and tokenized collateral as eligible financial collateral, capable of being used to reduce counterparty exposure. Relatedly, the CFTC, and prudential regulators as well, will need to amend the Uncleared Margin Rules to enable posting stablecoins and tokenized assets, including updates to the haircut schedule.

Cross-Border Recognition and Substituted Compliance Considerations

As tokenized collateral and stablecoins become more widely adopted globally, cross-border recognition and substituted compliance frameworks will be critical to ensure efficient international derivatives markets while maintaining appropriate regulatory oversight.

- **Foreign Stablecoin Recognition**: The PWG report emphasizes promoting U.S. private sector leadership in cross-border payments technologies and establishing international standards. The GENIUS Act establishes specific requirements for payment stablecoins issued in the United States and includes provisions regarding foreign-issued stablecoins. DCO and swap dealer guidance should clarify:
    - whether DCOs can accept foreign-issued stablecoins as collateral from non-U.S. clearing members, and under what conditions;
    - what equivalency or substituted compliance determinations would apply to foreign stablecoin regulatory regimes; and
    - how this interacts with existing CFTC substituted compliance frameworks for non-U.S. DCOs and non-U.S. swap dealers.
- **Tokenized Non-Cash Collateral Cross-Border Flows**: As mentioned above, ISDA's margin survey data demonstrates that non-cash uncleared variation margin has grown in the past five years. However, based on member input, operational challenges post collateral-settlement remain. During market volatility events, tokenization could also dramatically improve cross-border collateral mobility through automated workflows with smart contracts and near-instantaneous and atomic settlement. Guidance should address:
    - how cross-border transfers of tokenized securities (such as tokenized MMFs, sovereigns, and corporates) would be treated under existing segregation and location requirements in CFTC Regulations 1.49, 23.157, and 39.15;
    - whether certain tokenized assets could qualify for location-neutral or jurisdiction-flexible treatment given their near-instantaneous settlement capabilities and the elimination of traditional custody chain dependencies (as mentioned above);
    - coordination mechanisms with foreign regulators (including ESMA, UK FCA, and others) on interoperable standards for tokenized collateral to facilitate cross-border derivatives transactions; and
    - although not specific to tokenized collateral, there are variances between global uncleared margin eligible collateral rules that should be addressed, such as the asset transfer restriction within eligible MMFs for noncleared collateral in U.S. Prudential Regulators and CFTC eligible collateral rules. ISDA is supportive of the CFTC's Proposed Rule Amendment, removing the asset transfer restriction, which will mitigate cross-border dis-harmonization issues and allow a wider breadth of MMFs to

be used as eligible collateral, similar to what is allowed for eligible collateral for cleared transactions under 1.25.[19]

- **Harmonization with International Standards**: The CFTC should work with IOSCO and other international standard-setting bodies to develop consistent approaches to tokenized collateral acceptance, particularly for systemically important DCOs with global membership. This includes:
    - consistent haircut methodologies and valuation approaches across jurisdictions;
    - interoperability standards for DLT-based collateral management systems, specifically the CDM for data consistency;
    - recognition frameworks for foreign tokenization platforms, digital asset custodians, and stablecoin issuers; and
    - coordinated approaches to operational resilience and cybersecurity standards for tokenized collateral infrastructure

ISDA is well-positioned to support international coordination efforts given our global membership and existing work with other trade associations on DLT in capital markets marrying the current workflows and structures while embracing technology and innovation. We encourage the CFTC to engage with international regulatory bodies to ensure that the U.S. approaches to tokenized collateral and stablecoins are compatible with emerging international frameworks and leverage the existing infrastructure where appropriate.

We thank Acting Chair Pham for her leadership regarding the use of tokenized collateral in the derivatives markets and we look forward to working with the CFTC and other U.S. and global regulators to ensure there is legal and regulatory certainty and industry standards to support the development and use of tokenized assets and stablecoins in the cash and derivatives markets. We stand ready to assist with education and market outreach to move from development to production and to support safe and efficient markets.

Regards,

Mark New
Co-Head of Digital Transformation and Senior Counsel
ISDA

[19] Commission Regulation 23.156(a)(1)(ix)—Elimination of the Asset Transfer Restriction: https://www.federalregister.gov/documents/2023/08/08/2023-16572/margin-requirements-for-uncleared-swaps-for-swap-dealers-and-major-swap-participants