

Central Bank of Ireland
PO Box 559
Dublin 1
Ireland

June 3, 2026

Re: DLT & Tokenisation in Financial Services Discussion Paper 12

To Whom it May Concern

The International Swaps and Derivatives Association, Inc. (“ISDA”) and Global Digital Finance (“GDF”) (“the associations”) appreciate the opportunity to respond to the Central Bank of Ireland’s (“the Bank”) DLT & Tokenisation in Financial Services Discussion Paper 12 (“DP”). ISDA and GDF work with a broad range of participants in the global derivatives markets and have longstanding experience with collateral management, CCP risk frameworks, capital requirements and the legal and operational standards that underpin safe and efficient wholesale markets.

While the associations recognise that a portion of the paper focuses on retail use cases, we welcome the Bank’s consideration of the potential role of DLT and tokenisation within wholesale markets, including their use with collateral and liquidity management. From our perspective, any regulatory framework for DLT and tokenisation should be assessed through the lens of prudent risk management, with particular attention to liquidity, credit risk, operational resilience, and legal certainty.

Core Principles for Wholesale Use

As a foundational matter, the associations believe that the introduction of DLT and tokenisation into wholesale markets must not compromise systemic stability or weaken existing risk management standards. The use of DLT and tokenisation should preserve the same legal and regulatory certainty, including settlement finality and enforceability of rights in insolvency, of assets used in financial markets today and support safe and efficient management of liquidity, market, credit, and operational risks. These principles are consistent with ISDA’s broader engagement with regulators globally on the use of tokenised assets in derivatives and collateral

markets and GDF's mission of accelerating digital finance through the adoption of industry best practices and standards and engagement with regulators and policymakers.

Liquidity and Credit Risk Considerations

The associations support the Bank's emphasis on robust liquidity and credit risk management for DLT and tokenisation. For wholesale market use, the primary risk considerations should include the quality and liquidity of the tokenised assets and the reliability of redemption mechanisms under stress.

Near-instantaneous settlement and 24/7 transferability can offer meaningful benefits for collateral mobility and intraday liquidity management. However, these benefits can only be realised if tokenised assets demonstrate predictable behaviour during periods of market stress and are supported by robust governance and risk management frameworks, so as not to strain existing intraday liquidity or disrupt existing intraday liquidity frameworks.

Risk Management Frameworks for Digital Assets

ISDA and GDF strongly support comprehensive risk management frameworks for digital assets. For both cleared and uncleared markets, as outlined in # 63, #172, and #173, the provision and use of DLT and tokenised assets should be subject to robust governance, operational resilience standards, cybersecurity controls, and third-party risk management, leveraging existing governance and regulatory standards.

In the context of derivatives markets where tokenized assets are used as collateral, this includes clear frameworks for custody and segregation, legal enforceability, valuation and haircut methodologies, concentration limits, and contingency planning for technology outages or disruptions. Existing collateral frameworks should also reinforce that tokenised assets should not be used as margin and collateral outside of established eligibility, haircut, and valuation processes. Market participants should retain appropriate discretion, within regulatory parameters, to assess whether tokenised assets are consistent with their risk appetite and operational capabilities.

Cross-Market and Cross-Border Considerations

The associations encourage the Bank to continue engaging with regulators and standard-setting bodies within the EU and outside the EU to promote consistency in the implementation and governance requirements of DLT and tokenisation. Given the global nature of wholesale derivatives markets, alignment on key concepts (risk management expectations, and operational resilience) will be critical to avoiding market fragmentation and supporting cross-border activity.

Interoperability and standardisation, as outlined in #48 of the paper, will be powered by “common technical, operational, and messaging standards that allow different protocols to communicate seamlessly and intuitively.” We strongly encourage the Bank to endorse the Common Domain Model¹ as a data standard to be used with DLT and tokenisation.

Benefits of tokenisation

The associations agree with the list of benefits stated in the paper, including efficiency, supporting financial innovation and unlocking new economic opportunities, transparency and auditability, and greater integration in European Capital Markets. Specific to collateral management, near-instantaneous settlement can mitigate operational risks and decrease the cost of collateral funding, while also reducing the current reconciliation challenges. For example, non-cash collateral could be more efficiently managed, with coupons, dividends, and corporate actions all coordinated with smart contracts on a DLT. Smart contracts along with AI-powered workflows can also reduce the operational resources associated with managing collateral.

Current Priorities and Future Developments

The industry is currently advancing specific use cases regarding tokenised money market funds, securities, and digital cash as collateral. These use cases are formatted as “digitally native” securities along with “non-native” tokens of “*digital representations of existing assets that have originally been issue elsewhere*”, as described in #14. At this time, the market needs the flexibility to implement DLT and tokenisation models that best match market participant’s risk framework. As summarized in #73 of the paper, we, as an industry, need to establish guardrails and operational protocols while also looking toward the future with further refinements and standards as the industry evolves.

In addition, as stated in #76, it is important to consider the operational integration with legacy systems and workflows with the intention to make DLT and tokenisation scalable.

Tokenisation in Funds/Money Market Funds as Collateral

As outlined in the paper (Use Case 1 and 2), government securities Money Market Funds (MMFs) would be a high-value use case for collateral purposes. In today’s market, investors sweep cash into MMFs and then redeem shares of the fund for cash to post as collateral to a counterparty for repurchase, securities lending, or derivatives products. This process not only increases operational risk for the counterparties, but it also introduces liquidity risk to the fund itself. In

¹ [FINO: Common Domain Model https://www.finos.org/common-domain-model](https://www.finos.org/common-domain-model)

times of volatile markets where the underlying securities are decreasing in price, this redemption process can further contribute to market instability.

While we agree that tokenisation does not diminish the importance of liquidity risk management as described in #103, we do not believe that tokenisation of investors' shares or units in an investment fund exacerbates liquidity risk for the fund manager, and in fact tokenization could provide holders with liquidity options that would reduce the impact of liquidity demands on the fund itself:

- By avoiding redeeming cash from a MMF to pay margin and instead transferring the token, tokenisation reduces potential stress in the MMF as no assets need to be liquidated;
- Because the token is a representation of a share in the fund, even if liquidity management tools (LMT) have to be employed, tokenisation could provide additional liquidity options. If secondary markets for the token exist, instead of trying to redeem their share in the MMF (and increasing the stress if the MMF has already invoked LMT tools, or is near doing so), the holder could sell the token on a secondary market. This sale would not affect the MMF but would provide the holder another option to liquidate their holding, albeit potentially at a loss.

If used widely in the future, either as a digitally native MMF or as a traditional MMF represented in tokenised form on a permissioned DLT platform, along with smart contracts governing the workflows such as pledging, substituting, or valuing the collateral, operational and liquidity risks could be mitigated compared to today's use of cash and MMFs for collateral purposes.

As stated in #169 and #170, tokenisation can allow for assets, such as fund interests, to be used more easily, and this could increase the 'velocity of collateral reuse' and reduce the need for prefunding of collateral. It is important to balance the potential reduction of funding costs of tokenisation with the potential risks due to third party and cyber threats.

In 2025, Global Digital Finance² led an industry working group to assess the current market conditions for tokenised MMFs to be used for collateral purposes in Luxembourg, the UK, and Ireland. Specific to Ireland, the report summary states:

“Legal certainty in respect of ownership and treatment of tokenised shares under Irish law therefore requires an analogy to traditional shares and electronic contracts, rather than being directly established.”

² [Global Digital Finance: The 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/)
<https://www.gdf.io/resources/the-case-for-collateral-mobility-in-europe-the-uk-using-money-market-funds/>

It is reasonable to conclude that Irish courts would treat digitally native TMMF shares in a manner consistent with traditional shares. This alignment reinforces the view that TMMF shares can be accommodated within existing property law principles in Ireland, supporting their recognition and enforceability under Irish legal standards.”

Conclusion

ISDA and GDF stand ready to engage further with the Bank and other authorities as the regulatory framework for DLT and tokenisation develops. We would welcome the opportunity to provide additional technical input, particularly in relation to wholesale market use cases, such as collateral management.

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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 1,000 member institutions from 76 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.

About GDF

Since 2018, Global Digital Finance (GDF) is an industry association accelerating digital finance through the adoption of industry best practices and standards and engagement with regulators and policymakers.