SUBMITTED VIA ONLINE RESPONSE FORM TO:
https://comments.cftc.gov/PublicComments/CommentList.aspx?id=7623

To whom it may concern,

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

About Global Digital Finance (GDF)

GDF is the leading global members association advocating and accelerating the adoption of best practices for crypto and digital assets. GDF's mission is to promote and facilitate greater adoption of market standards for digital assets through the development of best practices and governance standards by convening industry, policymakers, and regulators.

The input to this response has been written and submitted on behalf of the GDF board.

As always, GDF remains at your disposal for any further questions or clarifications you may have, and we would welcome a meeting with you to further discuss these matters in more detail should that be beneficial as the CFTC continues its work.

Yours faithfully,
Elise Soucie Watts – Executive Director, Board Member – GDF
Lawrence Wintermeyer – Chair of the Members Board– GDF

Response to the Request for Input: Executive Summary

Global Digital Finance (GDF) welcomes the Commodity Futures Trading Commission's initiative to examine the use of tokenized collateral, digital settlement assets, and regulated stablecoins in U.S. derivatives markets. As a global industry association representing firms across digital assets, tokenization, stablecoins, and market-infrastructure modernization, GDF strongly supports the CFTC's continued leadership in this area.

GDF agrees that tokenization offers a material opportunity to strengthen the safety, efficiency, and resilience of collateral management. Tokenized money-market funds, Treasuries, and GENIUS-compliant payment stablecoins can enhance collateral mobility, support real-time or atomic settlement, reduce operational frictions, and improve transparency across margining and settlement workflows. The themes of collateral efficiency, stablecoin eligibility, legal certainty, operational resilience, and international regulatory consistency are all explored in more detail throughout our response.

We also welcome the CFTC's commitment to aligning its work with the GMAC Digital Asset Markets Subcommittee recommendations, which recognize that DLT-based collateral can reduce settlement risk, expand the pool of eligible non-cash assets, and streamline cross-border liquidity flows. Further, the industry continues to advocate for proportionate and risk-sensitive prudential treatment of tokenized assets and stablecoins, an approach reflected in the recent multisectoral letter to the Basel Committee on Banking Supervision, to which GDF was a co-signatory. Ensuring coherence between derivatives regulation and prudential frameworks will be essential to preventing bifurcation of collateral markets and enabling regulated intermediaries to participate safely in digital-asset ecosystems.

To support the CFTC's vision, GDF encourages the Commission to prioritize the following actions, each of which is developed further in our full response:

1. **Publish supervisory guidance** on the eligibility, haircut calibration, custody models, and concentration-risk treatment of regulated stablecoins and tokenized collateral.
2. **Establish a CFTC-led pilot program** to test tokenized collateral across phased asset classes, beginning with tokenized MMFs, Treasuries, and GENIUS-compliant stablecoins.
3. **Harmonize approaches with U.S. prudential regulators** to avoid bifurcated collateral rules and ensure consistent treatment across margin and capital regimes.
4. **Recognize tokenized MMFs and regulated payment stablecoins** as appropriate initial candidates for eligible collateral in both cleared and uncleared derivatives markets.
5. **Support industry-standardized data and technical frameworks**, including the FINOS Common Domain Model (CDM), Digital Token Identifiers (DTIs), and recognized smart-contract governance standards.
6. **Develop a roadmap for long-term DLT integration** across margining, settlement, reconciliation, and risk-management functions, including supervisory access and resilience expectations.

GDF looks forward to working with the CFTC and industry partners as the Commission advances a robust, globally interoperable framework for tokenized collateral and the next generation of derivatives-market infrastructure.

Response to the Request for Input

Our following letter discusses each of the following key themes in support of the proposed actions outlined in the executive summary:

1. Benefits of Tokenized Collateral & Stablecoins

Tokenization has the potential to materially enhance the efficiency, resilience, and transparency of U.S. derivatives markets. As highlighted by ISDA[1] as well as in GDF's *Case for Collateral Mobility* work, DLT-based representations of high-quality assets, such as MMFs, Treasuries, bank deposits and regulated payment stablecoins, can significantly streamline collateral operations, improve liquidity management, and support safer market infrastructure. These benefits arise not from altering the underlying regulatory outcomes, but from enabling those outcomes to be achieved more quickly, consistently, and with reduced operational friction.

Tokenization enables real-time, near instant or atomic settlement of collateral, allowing firms to meet margin calls more quickly and reduce settlement and counterparty exposure. This aligns collateral flows with the reality of derivatives markets that operate around the clock, rather than being constrained by banking-system hours or batch settlement processes. The ability to mobilize collateral 24/7/365 can improve liquidity buffers, support faster risk mitigation in volatile markets, and reduce the need for pre-funding or operational buffers that currently increase costs for both FCMs and end-users.

Tokenizing established, high-quality assets, such as money-market fund units, Treasuries, and fully reserved deposits, helps remove longstanding frictions associated with substituting or transferring non-cash collateral. GDF members, as well as our community partners as ISDA have consistently pointed to challenges around operational complexity, settlement timing, and corporate-action management for non-cash collateral; tokenized forms can address these constraints while retaining the underlying risk characteristics. This is further highlighted in the cross-industry report which GDF participate in on the Impact of DLT in Capital Markets. As GDF has shown through industry pilots, and our recent report, MMFs are particularly strong candidates for tokenization due to their dematerialized unit structure, predictable liquidity, and suitability for automated settlement workflows.

Embedding collateral processes directly into smart-contract logic, such as automated margin calls, eligibility checks, substitutions, and reconciliations, reduces manual intervention and strengthens operational resilience. Tokenization also provides a deterministically auditable event trail, real-time visibility for supervisors, and enhanced controls around settlement finality. These features support more consistent risk-management outcomes and reduce the operational fragilities that become most acute during market stress.

[1] We also note our support for the points raised in the submitted ISDA response to the CFTC's Request for Input.

Tokenized collateral reduces the number of intermediaries, hand-offs, and bespoke processes required to post or receive assets today. This can lower transaction costs, reduce delays associated with legacy clearing and settlement processes, and expand access to high-quality collateral for a wider range of market participants. More efficient workflows also support broader regulatory objectives, such as improving collateral mobility, lowering system-wide liquidity pressures, and modernizing market infrastructure in line with international initiatives.

2. Stablecoins as Collateral in Derivatives Markets

GDF strongly supports the use of compliant, fully backed, payment stablecoins issued under the GENIUS Act as eligible collateral within U.S. derivatives markets. GENIUS-compliant stablecoins benefit from clear reserve requirements, redemption rights, and monthly disclosures, and we believe can meet DCO collateral-admissibility expectations when subject to appropriate haircuts, liquidity monitoring and custody safeguards. As outlined in GDF's response to Treasury on GENIUS implementation, regulated payment stablecoins have a distinct and more transparent risk profile than unregulated instruments and are well suited to support margin, settlement and intraday liquidity needs across derivatives markets.

GDF also notes that prudential alignment will be critical for adoption. As a co-signatory to the recent BCBS letter, GDF continues to advocate recalibrating overly punitive capital treatment for tokenized assets and stablecoins, including removing the de facto bias against permissionless networks, recognizing regulated stablecoins as eligible financial collateral, and ensuring tokenized HQLA receive risk weights reflective of their underlying asset profile. Without such reforms, prudential frameworks risk creating bifurcated collateral markets where regulated institutions face structural barriers to participating in tokenized liquidity.

Finally, to ensure safe and consistent implementation, we encourage the CFTC to provide clarity on core supervisory safeguards for stablecoin collateral. This includes expectations around reserve transparency, redemption mechanics and liquidity provisions; concentration-risk limits where issuers or affiliates have material derivatives exposures; legal certainty and insolvency treatment to support enforceability of collateral rights; and requirements for digital-custody segregation, including wallet-level controls and auditability. Clear guidance in these areas will support risk-sensitive adoption and help ensure that stablecoins can function as a reliable, high-quality component of the future collateral ecosystem.

3. Regulatory Consistency, Legal Certainty & Collateral Eligibility

GDF encourages the CFTC to work closely with U.S. prudential regulators to ensure harmonized treatment of tokenized collateral and regulated stablecoins across all relevant regimes. As ISDA and other leading industry associations have also noted, divergent approaches between CFTC-regulated derivatives markets and prudentially supervised institutions would create operational fragmentation, uneven access to collateral instruments and unnecessary friction in cross-market liquidity management. Alignment with the PWG Report's recommendations, including a coordinated framework for collateral eligibility, haircuts and custody expectations, will be essential to avoid bifurcated markets and ensure that regulated collateral flows can scale safely.

Legal certainty remains a foundational requirement as tokenized collateral markets evolve. Firms need clarity around perfection of security interests, enforceability of collateral rights across DLT networks, and the treatment of tokenized assets in cross-border or multi-jurisdictional contexts. GDF's fund-tokenization work demonstrates that smart contracts, controlled override mechanisms, and deterministic event logs can strengthen, rather than weaken, legal enforceability by providing auditable, tamper-evident records of ownership and control. Explicit regulatory recognition of these tools would support consistent implementation and reduce uncertainty over settlement finality and collateral rights in digital environments.

We also invite the CFTC to clarify how Regulation 1.49 applies to tokenized assets and stablecoins, particularly in cases where digital custody models differ from traditional account-based arrangements. Tokenized collateral often relies on wallet-level segregation, multi-signature governance, and custodian-controlled key management, which may offer stronger safeguards than legacy models but map imperfectly onto current regulatory terminology. Guidance on location-neutral custody for near-instant settlement, the use of bankruptcy-remote structures in digital wallets, and expectations for custodial controls in DLT environments would materially support market confidence and supervisory consistency as tokenized collateral becomes more widely adopted.

4. GMAC 2024 DLT Recommendations & Industry Standards

GDF strongly supports the GMAC DAMS recommendations as the right foundation for CFTC rulemaking, and believe that the framework provides a clear, risk-aligned pathway for permitting tokenized non-cash collateral across derivatives markets. To ensure consistency and interoperability, we also encourage the CFTC to recognize established industry standards such as the FINOS Common Domain Model, Digital Token Identifiers, and widely used permissioned-tokenization frameworks like ERC-3643 and ERC-1400, alongside standardized reporting fields for tokenized collateral events. We also see significant value in a CFTC-led pilot program focused on tokenized MMFs, tokenized HQLA, and GENIUS-compliant stablecoins, with initial testing of atomic settlement, programmable collateral workflows, and inter-DCO interoperability, an approach that would allow the Commission and industry to validate benefits and safeguards in a controlled, production-adjacent environment.

5. Potential Pilot Programs & Sandbox Approaches

GDF would welcome a CFTC-led pilot program to validate the use of tokenized collateral in a controlled, production-adjacent environment. In line with industry consensus, early phases should focus on tokenized MMFs and tokenized HQLA, which are already highly standardized, dematerialized instruments and were identified in GDF's *Case for Collateral Mobility* report as the strongest near-term candidates for tokenization due to their liquidity, predictable valuation and suitability for programmable settlement. A pilot could also incorporate GENIUS-compliant stablecoins for margin settlement, enabling the CFTC and market participants to test atomic settlement, automated margining workflows and inter-DCO collateral interoperability, all areas where tokenization promises meaningful reductions in operational frictions and settlement risk. These recommendations build directly on GDF's TMMF Industry Sandbox findings, where firms demonstrated successful cross-chain interoperability across Ethereum, Polygon, Canton, Hedera, Stellar and Besu; confirmed that router-based, network-of-networks architectures provide the lowest-risk pathway for integration; and showed how permissioned supervisory nodes can support real-time regulatory visibility without introducing new system fragilities. Across all pilots, MMFs consistently emerged as the strongest early-adopter asset class, offering a clear and compelling starting point for CFTC experimentation.

6. Cross-Border Recognition & Substituted Compliance

GDF also encourages the CFTC to ensure that tokenized collateral markets develop within a coherent cross-border framework. Mutual recognition mechanisms for foreign issued stablecoins and tokenized assets will be essential to prevent fragmentation and to enable efficient collateral flows across U.S. and non-U.S. derivatives markets. We also recommend close coordination with IOSCO, the BIS Innovation Hub and major non-U.S. regulators, including ESMA and authorities participating in the EU DLT Pilot and BIS Project Agora, to promote globally aligned expectations for settlement finality, custody, reporting standards and DLT interoperability. This could also be a key critical area for the UK x US Financial Markets Taskforce to explore on tokenized collateral interoperability.

Response to the Request for Input: Actionable Proposals

To support safe and consistent adoption of tokenised collateral and regulated stablecoins, GDF recommends that the CFTC prioritize the following actions:

1. **Publish supervisory guidance** on the eligibility, haircut calibration, custody models, and concentration-risk treatment of regulated stablecoins and tokenized collateral.
2. **Establish a CFTC-led pilot program** to test tokenized collateral across phased asset classes, beginning with tokenized MMFs, Treasuries, and GENIUS-compliant stablecoins.
3. **Harmonize approaches with U.S. prudential regulators** to avoid bifurcated collateral rules and ensure consistent treatment across margin and capital regimes.
4. **Recognize tokenized MMFs and regulated payment stablecoins** as appropriate initial candidates for eligible collateral in both cleared and uncleared derivatives markets.
5. **Support industry-standardized data and technical frameworks**, including the FINOS Common Domain Model (CDM), Digital Token Identifiers (DTIs), and recognized smart-contract governance standards.
6. **Develop a roadmap for long-term DLT integration** across margining, settlement, reconciliation, and risk-management functions, including supervisory access and resilience expectations.

GDF strongly supports the CFTC's forward-looking work in this area and sees tokenised collateral and regulated stablecoins as central to enhancing liquidity management, operational efficiency, and overall market resilience. We would welcome the opportunity to convene a technical workshop, together with our partners at ISDA, market infrastructures and leading industry participants, to support the Commission as it considers next steps in developing a robust and globally interoperable framework.