

TMMF Working Group Meeting Readout 04/23/2026

**Agenda Topic: Overview of ISDA Model Provisions Framework and Documentation Updates Required for Tokenized Money Market Funds (TMMFs)**

1. The meeting was dedicated entirely to reviewing the ISDA model provisions framework for tokenized collateral and assessing how that framework applies to the use of tokenized Money Market Funds (TMMFs) as eligible collateral under existing collateral documentation. The primary objective was to determine whether the current ISDA Credit Support Annex (CSA) architecture is already sufficient to support tokenized MMFs or whether additional contractual drafting is required to ensure legal certainty, enforceability, and operational usability.
  - a. A strong consensus emerged that tokenized MMFs should not be approached as a “crypto” issue requiring an entirely new legal regime. Instead, they should be treated as securities within the existing commercial law framework, particularly under UCC Article 8 and Article 9. The focus of the workstream is therefore on preserving continuity with traditional securities and collateral law rather than creating new legal treatment for digital assets.
  - b. Background was provided on the earlier ISDA work undertaken in 2023, which examined common tokenized collateral structures involving tokenized securities and tokenized cash or stablecoins. Native crypto assets such as Bitcoin and Ether were intentionally excluded from scope because the work was specifically designed for tokenized versions of traditional financial assets rather than decentralized crypto assets.
  - c. That earlier work resulted in two key outputs:
    - i. first, ISDA model provisions suggesting amendments to the 2016 Variation Margin CSAs under both New York and English law;
    - ii. and second, an accompanying guidance note for ISDA’s Opinion Committee to support legal opinion providers in assessing enforceability issues relating to tokenized collateral transfers.
      1. This guidance note was considered particularly important because enforceability opinions remain central to collateral documentation and market adoption.
2. The central legal issue discussed during the meeting was the definition of “Transfer” under the CSA, as this determines when collateral is legally considered to have been transferred. This affects whether margin obligations have been satisfied, whether title has passed, whether security interests have been perfected, and how insolvency protections apply. It was emphasized that without clarity on transfer mechanics, the broader collateral framework becomes unreliable.

- a. It was highlighted that many tokenized securities may already fit within the existing CSA transfer mechanics without requiring new drafting. Under the New York law CSA, the existing transfer definition already covers securities transferred by book entry through depository institutions or securities intermediaries, where legally effective transfer occurs through changes to books and records. Since this is already how most traditional securities are transferred, tokenization alone does not necessarily require a new legal approach.
  - b. It was explained that where token movements occur on distributed ledger infrastructure but the official legal record remains the books and records maintained by a recognized intermediary, such as a depository or securities intermediary, the existing CSA provision remains sufficient. In these cases, the legal effect arises from the intermediary updating its books and records rather than from the token movement itself, which supports the view that tokenization should preserve legal continuity rather than force legal redesign.
  - c. For situations where no traditional intermediary exists and transfers occur directly through distributed ledger entries, an additional transfer limb was introduced into the model provisions, referred to as Romanette 4. This applies to DLT Cash, DLT Securities, and other property transferable by distributed ledger entry, and focuses on ledger changes that are sufficient to result in a legally effective transfer of rights or interests. This provision was intentionally drafted as an extension of traditional transfer mechanics rather than a separate digital asset framework.
3. The most significant practical issue for the TMMF workstream concerned tokenized money market fund structures that rely on a transfer agent model rather than a traditional custodian or broker-dealer chain. In many TMMF structures, ownership is reflected directly on the fund's transfer agent register rather than through intermediary-held securities accounts, which creates an important legal question regarding whether the transfer falls under the traditional book-entry framework or under the new DLT transfer provision.
    - a. It was noted that a transfer agent is fundamentally different from a traditional custodian because the transfer agent generally acts as an agent of the issuer rather than as a neutral securities intermediary. This means the legal structure resembles direct issuer ownership rather than intermediated securities holding, which is particularly relevant when determining how Article 8 applies and how transfer effectiveness should be analyzed.
    - b. The conclusion reached was that the answer depends on the actual role performed by the transfer agent. Where the transfer agent functions similarly to a securities intermediary by maintaining securities accounts and entitlements, the traditional CSA transfer provision may still apply. However, where the transfer agent is simply maintaining the issuer's register with no true intermediary structure,

Romanette 4 is considered the more appropriate framework because ownership is determined directly through the distributed ledger register itself.

4. Repeated emphasis was placed on ensuring that tokenized MMFs qualify as “securities” under UCC Article 8, as this was viewed as the fundamental legal objective of the project. Once Article 8 applies, Article 9 collateral rights, perfection of security interests, established insolvency protections, and the right of reuse under Section 9-207 become available. The workstream was therefore viewed primarily as ensuring that tokenized MMFs fit cleanly into the existing commercial law framework rather than building a separate digital asset regime.
5. A separate but important discussion focused on transfer finality and practical certainty, particularly in situations where blockchain transfers may later be reversed, reorganized, or subject to delayed finality. It was noted that in digital asset markets, counterparties often rely on confirmation thresholds because the appearance of a token in a wallet does not necessarily mean the transfer is final. This raised questions around whether CSA drafting should address blockchain confirmations directly.
  - a. It was clarified that the CSA itself cannot solve uncertainty in the underlying asset structure. Instead, the legal terms governing the asset must clearly define the exact point at which transfer becomes legally effective, whether through first confirmation, multiple confirmations, registrar recognition, transfer agent recognition, or another clearly specified event. The collateral provisions can only rely on that certainty; they cannot create it. This distinction between documentation drafting and asset-level legal diligence was considered critical.
6. Considerable discussion also took place regarding whether explicit blockchain terminology such as “blockchain,” “digital wallet,” “wallet,” or “private key” should be inserted into legal drafting. Although clients often request these terms for practical comfort, strong resistance was expressed to including them unless absolutely necessary because doing so could create fragmentation across legacy documentation and unnecessary legal ambiguity.
  - a. It was emphasized that UCC Article 8 itself does not use blockchain-specific terminology because the law is designed to recognize books and records rather than specific technologies. Adding overly specific wording could therefore weaken rather than strengthen legal certainty by creating interpretive differences between older and newer agreements. The prevailing principle adopted was to make as few amendments as possible if the current legal framework already works and to avoid unnecessary disruption to existing CSAs.
  - b. As a result, the preferred approach was identified as minimal drafting changes combined with robust industry guidance rather than extensive contractual redrafting. Explanatory guidance notes, implementation reports, and opinion council memoranda were viewed as significantly more valuable than over-engineering legal clauses, as these materials can support in-house counsel, clients,

operational teams, and legal opinion providers without forcing unnecessary amendments to existing agreements.

7. The broader commercial rationale for tokenized collateral was also discussed, particularly the role of tokenized MMFs in supporting intraday margining, 24/7 collateral mobility, same-hour variation margin posting and reversal, tri-party funding, and repo efficiency. These operational improvements were identified as the true business case for tokenized MMFs, with legal certainty serving as the foundation required to enable them.
  - a. It was confirmed that intraday margining remains fully within scope for the sandbox and broader workstream, and that future simulations will focus on practical use cases involving same-day collateral posting and reversal as well as tri-party repo structures and broader intraday funding applications. Demonstrating these operational use cases was considered essential because market adoption depends on tangible efficiency gains rather than on the technology alone.
8. The overall conclusion of the meeting was that tokenized MMFs should be treated as securities rather than crypto assets, and the objective should be to preserve the protections of the traditional legal framework through Article 8 qualification, Article 9 collateral rights, and compatibility with existing CSA mechanics. The new DLT transfer provision should only be relied upon where direct distributed ledger transfer structures genuinely require it, while traditional intermediary models should continue to rely on existing transfer provisions wherever possible. Contractual amendments should remain minimal, with implementation supported primarily through legal guidance and operational diligence rather than unnecessary drafting complexity.