

GDF & ISDA US TMMF Working Group - Readout

Date: 03/05/2026

Short Summary

The working group reviewed tokenization structures developed in the EU-UK phase and discussed applicability to U.S. tokenized money market funds (TMMFs). Participants compared digitally native, digital twin, and asset-backed (wrapped) models, considered UCC Articles 8, 9 and 12, U.S. bankruptcy/safe harbor implications, and identified operational, legal and credit/compliance priorities for follow-up.

Key Decisions

Prioritize analysis of digitally native and digital twin models: participants agreed to focus on the most market-relevant models (digital native and digital twin) and those being leveraged in the industry sandbox simulations rather than the more nuanced models of wrapped/asset-backed variants

Discussion Points

1. Tokenization model taxonomy and prioritization
 - a. Bryony Widdup presented the decision-tree taxonomy developed during the EU-UK working group and sandbox, distinguishing digitally native, digital twin, and asset-backed/wrapped token structures and explained the legal primacy distinction (digital record as primary vs traditional register as primary).
 - b. Participants discussed the benefits and complications of each model: digitally native gives greatest reusability and commercial value but faces statutory/register-form barriers in some jurisdictions; digital twin retains traditional register primacy which reduces novelty but raises divergence and legal-uncertainty risks; asset-backed/wrapped tokens (e.g., depository receipts, custodial rights) introduce intermediaries and potential mobility/custody friction.
 - c. Market experience and sandbox simulations influenced the taxonomy: firms and receiving banks provided input on which structures they saw as eligible; several participants noted the market shifted during the sandbox from interest in digital twin to greater enthusiasm for digitally native as reusability became clearer.
2. Practical/operational considerations and market fit
 - a. Participants emphasized that operational mobility (ability to move tokens quickly for VM/IM and rehypothecation) is critical; structures that lock assets in custodial silos reduce token efficiency and may negate the benefits of tokenization.

- b. Participants highlighted the importance of enabling incremental transitions: digital twin may be necessary for transition given existing analog assets (e.g., government bonds), but digitally native should be treated as ‘North Star’ where feasible.
 - c. Discussion noted which structures are likely to be easier/harder to implement operationally; participants suggested excluding models that are overly burdensome or non-reusable for collateral markets.
3. Legal certainty - UCC Articles 8, 9 and 12; bankruptcy and safe harbors
 - a. Edward So summarized that Article 8 defines how a security or security entitlement is held and transferred, Article 9 governs creation/perfection/prioritization of security interests, and Article 12 (Controllable Electronic Records) is novel and untested but may suit digitally native assets.
 - b. Brandon Hammer noted Article 8’s language (e.g., requirements regarding issuer-maintained books) can make fitting permissionless public ledgers tricky, unless a ledger is clearly established by or for the issuer. The group observed that TMMF implementations would likely have issuer-controlled ledgers, helping Article 8 fit.
 - c. Brandon and others emphasized U.S. bankruptcy safe harbors: because U.S. safe harbors are transaction-type based (e.g., swaps, repos), perfected collateral used in such transactions benefits from protections even if the collateral form is novel-reducing insolvency risk for many use cases in the U.S.
4. Regulatory and risk perspectives
 - a. Natasha Benson noted recent SEC guidance, citing parallels between issuer-led, CSD-originated, and asset-backed tokens; risk and compliance teams will rank the categories for credit and legal risk (e.g., rated vs unrated assets).
 - b. Participants emphasized the need to understand how security interests and perfection will be documented and operationalized (e.g., custody locks, nominee registers, nominee as legal title-holder with token as beneficial interest).

Next-stage Work and Scope

- Prioritization of models: the working group cannot deeply analyze every tokenization variant; focus should be on structures present in U.S. sandbox submissions and those market participants find most commercially viable.
- Multiple participants recommended mapping actual sandbox documentation and live structures into the taxonomy to ground legal analysis.