

## CFTC'S TOKENIZED COLLATERAL GUIDANCE: INTEGRATING BLOCKCHAIN INTO DERIVATIVES MARKETS

By Gary Kalbaugh

*Gary Kalbaugh is a partner at Cahill Gordon & Reindel LLP and the head of the firm's Commodities, Futures & Derivatives group. He is Editor-in-Chief of Futures & Derivatives Law Report.*

### I. Introduction

On December 8, 2025, the staff of three divisions of the Commodity Futures Trading Commission (“CFTC” or “Commission”) issued joint guidance outlining standards for the use of tokenized assets as collateral in futures and swaps trading.<sup>1</sup> This guidance, set forth in CFTC Letter No. 25-39 (the “Guidance”), takes a technology-neutral approach, clarifying that existing regulatory requirements applicable to non-cash collateral can accommodate tokenized assets without requiring new rulemaking. The Guidance directly impacts the regulatory framework applicable to futures commission merchants (“FCMs”), derivatives clearing organizations (“DCOs”), and swap dealers (“Swap Dealers”).<sup>2</sup>

Concurrent with the Guidance, the Commission launched a pilot program permitting bitcoin, Ether, and payment stablecoins to be used as margin collateral by FCMs. Additionally, on December 11, 2025, the CFTC withdrew its 2020 interpretive guidance on when “actual delivery” occurs in retail digital asset transactions, determining that the prior guidance had become outdated following developments in digital asset spot and derivatives markets. Together, these developments represent a culmination of the CFTC’s “Crypto Sprint” initiative and implement recommendations from the report of the President’s Working Group on Digital Asset

Markets.<sup>3</sup> This article examines the Guidance in detail, analyzes its implications for market participants, and discusses the parallel digital asset pilot program.

### II. Background and Regulatory Context

The Guidance emerges from several parallel CFTC initiatives. These include the Commission’s September 2025 request for public comment on expanding the use of tokenized non-cash collateral,<sup>4</sup> which was part of the broader “Crypto Sprint” established by Acting Chairman Caroline Pham to implement the recommendations in the report of the President’s Working Group on Digital Asset Markets.<sup>5</sup>

The Guidance builds directly upon the recommendations of the November 2024 report of the CFTC’s Global Markets Advisory Committee (“GMAC”), which recommended the expansion of non-cash collateral through the use of blockchain technology.<sup>6</sup> The GMAC had noted that blockchain technology could address operational challenges that have historically impeded broader use of non-cash collateral in derivatives markets.

The Guidance also follows the passage of the GENIUS Act,<sup>7</sup> which created a comprehensive regulatory framework for payment stablecoins and is referenced in the Guidance as an important factor in the evolving regulatory landscape.

Notably, this Guidance was issued during the final days of Acting Chairman Pham’s tenure at the CFTC.<sup>8</sup> Chairman Michael Selig, who was confirmed by the Senate on January 6, 2026, inherits a regulatory framework that Acting Chairman Pham had proposed to complete through technical amendments to CFTC regulations for collateral, margin, clearing, settlement, reporting, and recordkeeping by August 2026.<sup>9</sup> Given Chairman Selig’s pro-crypto and pro-innovation stance,<sup>10</sup> continued

momentum in this area appears likely. The Guidance reflects the broader Trump Administration’s coordinated policy effort to advance digital asset trading in the United States.<sup>11</sup>

### III. The Tokenized Collateral Guidance

The Guidance takes a technology-neutral approach, clarifying that existing regulatory requirements applicable to non-cash collateral can accommodate tokenized assets without requiring new rulemaking. The Guidance emphasizes that the use of digital ledger technology (such as blockchain technology<sup>12</sup>) to tokenize an asset “need not change the fundamental characteristics of that asset.”<sup>13</sup> It acknowledges that different tokenization methods may provide different rights or levels of protection to tokenholders.<sup>14</sup>

In the context of futures, the integration of tokenized collateral will require coordination among customers, FCMs, and DCOs. For swaps, it will primarily impact mandatory initial margin which is required to be held by third-party custodians, meaning that coordination between Swap Dealers and third-party custodians will be required. The Guidance can also potentially be applied to variation margin for trades between Swap Dealers and financial end-users<sup>15</sup> and to initial margin voluntarily exchanged between swap counterparties. In both of these cases, there would be more flexibility since a third-party custodian is not typically used.

The Guidance addresses five principal areas of regulatory concern: (i) eligible tokenized assets; (ii) legal enforceability; (iii) segregation, custody, and control arrangements; (iv) haircuts and valuation; and (v) operational risks.<sup>16</sup> The Guidance notes that these factors require an individual analysis of tokenized assets or tokenization structures in combination with regulatory requirements and applicable internal policies. This case-by-case individualized approach is consistent with the CFTC’s effort to establish a high-level technology neutral framework.

#### A. Eligible Tokenized Assets

The Guidance defines a “tokenized asset” as a digital representation of a real-world asset—such as a U.S. Treasury or agency security, corporate bond, share in a money market fund, or equity security—that has been recorded on a blockchain as a digital token. The Guidance recognizes that

tokenization permits digital ownership, fractional ownership, and faster transfers.

Consistent with the GMAC recommendations, the Guidance encourages market participants to focus tokenized collateral efforts on assets already currently eligible to serve as regulatory margin. In this regard, the Guidance specifically references CFTC rules requiring DCOs to limit initial margin assets to those with minimal credit, market, and liquidity risks,<sup>17</sup> and CFTC rules which specify non-cash assets that can be posted as margin for uncleared swaps.<sup>18</sup>

Importantly, the Guidance notes that none of the Commission’s regulations “require any particular technology or operational infrastructure” for transferring or holding eligible collateral.<sup>19</sup> In other words, assets retain their margin eligibility so long as they satisfy applicable regulatory requirements, regardless of whether they are held in traditional or tokenized form.

#### B. Legal Enforceability

The Guidance emphasizes that registered entities and registrants must demonstrate that non-cash assets collected as regulatory margin meet legal enforceability requirements. The Guidance cites existing CFTC rules requiring DCOs to operate pursuant to a “well-founded, transparent, and enforceable legal framework” that addresses netting arrangements, interests in collateral, and settlement finality.<sup>20</sup> Swap Dealers must ensure initial margin is held pursuant to a “legal, valid, binding, and enforceable custodial agreement.”<sup>21</sup> In some cases, tokenized assets can have characteristics that are different from the underlying traditional asset, making the legal analysis thereof an important area of focus for firms seeking to utilize tokenized collateral.

The Guidance encourages engagement with staff as market participants and industry groups<sup>22</sup> continue to develop best practices for analyzing tokenized collateral within existing legal frameworks. This is particularly relevant as states continue to adopt Article 12 of the Uniform Commercial Code, which addresses controllable electronic records including certain types of tokenized assets.<sup>23</sup>

#### C. Segregation, Custody, and Control Arrangements

The Guidance reminds market participants that collateral

held as margin by FCMs, DCOs, and Swap Dealers is subject to existing segregation and custody requirements<sup>24</sup> and must be held by eligible custodians.<sup>25</sup> These entities must maintain robust risk management programs addressing segregation, capital, liquidity, and settlement risks on an ongoing basis.

For FCMs, the Guidance highlights existing requirements to maintain policies and procedures for assessing the liquidity, marketability, and mark-to-market valuation of all securities or other non-cash assets held as segregated funds.<sup>26</sup> Similarly, Swap Dealers must develop policies designed to address market and liquidity risks implicated by use of tokenized collateral.<sup>27</sup> The Guidance notes that these policies and procedures are subject to regular review and refinement. FCM and Swap Dealer risk management programs must be reviewed and tested at least annually or upon any material change in business that is reasonably likely to alter the entity's risk profile.<sup>28</sup> Notably, the Guidance does not resolve the tension between traditional control concepts and the technological reality that many digital assets are held through private keys that do not readily support shared or conditional control.<sup>29</sup> Market participants will need to carefully assess whether their custody and control arrangements can credibly demonstrate that tokenized collateral has been properly delivered and held in a manner consistent with existing requirements. Market participants may look to emerging solutions such as multi-signature wallet arrangements, smart contract-based escrow mechanisms, or hardware security modules with programmable access controls to bridge this gap. The ongoing adoption of UCC Article 12, which introduces a statutory framework for establishing "control" over controllable electronic records, may also provide helpful guidance, although adoption remains incomplete across U.S. jurisdictions.<sup>30</sup>

#### *D. Haircuts and Valuation*

A key practical question for market participants is how to apply regulatory mandated haircuts to tokenized forms of eligible collateral. The Guidance provides that haircuts for tokenized assets "can utilize the same risk-based approach already applied to underlying assets" under existing Commission regulations.<sup>31</sup>

This will require analysis of whether a tokenized form of

an asset has a sufficiently similar risk profile to merit an equivalent haircut to that applied to the traditional form. The Guidance specifically refers to settlement time differences or differences in credit, market, or liquidity risk as potentially pertinent, all factors that may merit higher or lower haircuts than those applied to the corresponding traditional form of asset. Firms conducting this analysis will need to access internal or external experts with a deep understanding of the nature and functioning of tokenized assets.<sup>32</sup>

The Guidance also addresses the additional liquidity resource requirements for DCOs, noting that qualifying liquidity resources must be "readily available and convertible into cash pursuant to prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions."<sup>33</sup>

#### *E. Operational Risks*

The Guidance acknowledges that implementation of new technologies may implicate operational risks, including information security risks. As with the other items, the Guidance notes that these are already addressed in existing risk management requirements applicable to FCMs, DCOs, and Swap Dealers.<sup>34</sup>

The Guidance encourages FCMs, DCOs, and Swap Dealers that intend to accept tokenized assets as collateral to carefully evaluate their operational readiness. This includes assessing whether they possess the requisite technical capabilities and expertise, implementing appropriate cybersecurity protections and access controls, and addressing potential network-wide threats and interoperability challenges.<sup>35</sup>

#### *IV. Digital Asset Pilot Program*

Concurrent with the Guidance, the CFTC's Market Participants Division, in response to a request from Coinbase Financial Markets, Inc. ("CFM"), announced a pilot program (the "Pilot Program") permitting FCMs to accept bitcoin (BTC), Ether (ETH), and payment stablecoins as margin collateral for derivatives positions.<sup>36</sup> This represents one of the most significant regulatory developments for digital assets since the passage of the GENIUS Act. Although "payment stablecoin" is not defined by the CFTC's Market

Participants Division, it is defined in CFM's request letter as any U.S. dollar payment stablecoin issued by a state regulated money transmitter or trust company with reserve and reporting standards similar to those mandated by the GENIUS Act until the GENIUS Act is effective, at which point it will be any permitted payment stablecoin issued under the GENIUS Act framework.

To rely on the Pilot Program, an FCM must first file a notice of intent with the Market Participants Division specifying when it will commence accepting digital assets as margin collateral. For the first three months following commencement, the following conditions apply: (i) Acceptance is limited to BTC and ETH, valued at the haircut set by the applicable DCO, and payment stablecoins; (ii) Weekly reports must be filed with the CFTC detailing total digital assets held in each customer account class; and (iii) Prompt written notice must be given to the CFTC of any significant operational issues, system failures, or cybersecurity incidents affecting use of digital asset margin collateral.<sup>37</sup>

In connection with the Pilot Program, a 2020 CFTC advisory that had restricted FCMs from accepting digital assets as customer collateral was withdrawn.<sup>38</sup> The agency noted that the advisory had become outdated following advances in tokenization technology and the legal changes introduced by the GENIUS Act.

## V. Looking Ahead

The Guidance acknowledges that both technological and regulatory developments remain ongoing and that it "may be updated as technological and regulatory developments on these topics continue to progress," consistent with the Commodity Exchange Act's stated purpose to "promote responsible innovation and fair competition."<sup>39</sup> The Pilot Program is framed as an interim placeholder for more permanent CFTC action at the commission-level.<sup>40</sup>

The CFTC's Digital Assets Pilot Program occurs in the context of the SEC's articulation of a parallel framework for the use of digital and tokenized assets by SEC-regulated entities. On December 11, 2025, SEC staff issued no-action relief for DTCC's tokenization pilot, permitting DTC to issue tokens representing security entitlements in assets held at DTC while preserving existing legal frameworks.<sup>41</sup> On December 17, 2025, the SEC's Division of Trading and

Markets issued a statement clarifying conditions under which broker-dealers may deem themselves in possession of customers' tokenized securities.<sup>42</sup> These securities tokenization developments are expected to run apace with the CFTC's tokenization initiatives.

## VII. Conclusion

The CFTC's tokenized collateral guidance represents a significant step toward the integration of blockchain technology into traditional derivatives markets. By confirming that existing regulatory frameworks can accommodate tokenized assets, the Guidance provides a pathway for market participants to leverage the operational efficiencies of tokenization—including faster settlement times, fractional ownership capabilities, and continuous trading—while maintaining the robust customer protections and risk management standards that underpin regulated derivatives markets.

For FCMs, DCOs, and Swap Dealers considering the use of tokenized collateral, the Guidance emphasizes the importance of individual analysis for each tokenized asset or structure. Market participants should review their existing policies and procedures to determine how tokenized collateral can be integrated within current risk management frameworks and should engage with CFTC staff where questions arise. For Swap Dealers, coordination with third-party initial margin custodians will be required. In some contexts, such as variation margin for trades between a Swap Dealer and a financial end-user, it may be possible to apply the Guidance with greater flexibility due to the usual absence of a third-party custodian.

The concurrent launch of the digital asset pilot program, permitting BTC, ETH, and payment stablecoins to be used as margin collateral, provides an immediate opportunity for FCMs to begin accepting digital assets within a structured regulatory framework. With the CFTC expected to continue its Crypto Sprint initiative, additional guidance and rulemaking may be forthcoming.

## ENDNOTES:

<sup>1</sup>CFTC Letter No. 25-39, *Re: Tokenized Collateral Guidance* (Dec. 8, 2025), available at: <https://www.cftc.gov>

[v/csl/25-39/download](#). It was jointly issued by the CFTC's Market Participants Division, Division of Market Oversight, and Division of Clearing and Risk.

<sup>2</sup>It technically also applies to major swap participants, a regulatory category with no current registrants.

<sup>3</sup>*President's Working Group on Digital Asset Markets, Strengthening American Leadership in Digital Financial Technology* (July 30, 2025), available at: <https://www.whitehouse.gov/crypto/>.

<sup>4</sup>CFTC, *Acting Chairman Pham Launches Tokenized Collateral and Stablecoins Initiative* (Sept. 23, 2025), available at: <https://www.cftc.gov/PressRoom/PressReleases/9130-25>.

<sup>5</sup>CFTC, *Acting Chairman Pham Announces CFTC Crypto Sprint* (Aug. 1, 2025), available at: <https://www.cftc.gov/PressRoom/PressReleases/9104-25>. See also *President's Working Group on Digital Asset Markets, Strengthening American Leadership in Digital Financial Technology* (July 30, 2025), available at: <https://www.whitehouse.gov/crypto/>.

<sup>6</sup>CFTC *Global Markets Advisory Committee, Recommendations to Expand Use of Non-Cash Collateral Through the Use of Distributed Ledger Technology* (Nov. 21, 2024), available at: [https://www.cftc.gov/media/11581/GMAC\\_DAM\\_UseofDLTasDerivativesCollateral\\_112124/download](https://www.cftc.gov/media/11581/GMAC_DAM_UseofDLTasDerivativesCollateral_112124/download). The report has a slightly broader focus on "blockchain or other distributed technology." *Id.* at 2.

<sup>7</sup>Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, 12 U.S.C.A. §§ 5901-5916. Although the GENIUS Act was signed into law on July 18, 2025, it has a delayed operative effective date. The Act does not become effective until the earlier of 18 months after enactment (i.e., 18 January 2027) or 120 days after the implementing regulations are finalized.

<sup>8</sup>CFTC, *Former Commissioners*, <https://www.cftc.gov/About/Commissioners/FormerCommissioners/index.htm>.

<sup>9</sup>Caroline D. Pham, Acting Chairman, CFTC, *Keynote Address at FIA EXPO* (Nov. 18, 2025), <https://www.cftc.gov/PressRoom/SpeechesTestimony/opapham19>.

<sup>10</sup>CFTC, *Chairman Selig Launches the CFTC Innovation Advisory Committee* (Jan. 12, 2026), <https://www.cftc.gov/PressRoom/PressReleases/9167-26> ("Innovators are harnessing technologies such as artificial intelligence, blockchain, and cloud computing to modernize legacy financial systems and build entirely new ones. Under my leadership, the Commission will develop fit-for-purpose market structure regulations for this new frontier of finance.")

<sup>11</sup>Guiding and Establishing National Innovation for U.S. Stablecoins Act of 2025, 12 U.S.C.A. §§ 5901-5916.

<sup>12</sup>Kristen E. Busch, Cong. Rsch. Serv., R47064, *Blockchain: Novel Provenance Applications 4* (2022), available at <https://crsreports.congress.gov/product/pdf/R/R47064>: "[B]lockchain is one example of the larger category

of distributed ledger technologies. . . ."

<sup>13</sup>CFTC Letter No. 25-39 at 2.

<sup>14</sup>*Id.*

<sup>15</sup>17 CFR § 23.156(b)(1)(ii).

<sup>16</sup>CFTC Letter No. 25-39 at 2.

<sup>17</sup>17 CFR § 39.13(g).

<sup>18</sup>17 CFR § 23.156.

<sup>19</sup>CFTC Letter No. 25-39 at 3.

<sup>20</sup>CFTC Letter No. 25-39 at 3 (citing 17 CFR § 39.27(b) and 17 CFR § 39.13(g)(14)).

<sup>21</sup>CFTC Letter No. 25-39 at 3; 17 CFR § 23.157(c)(2).

<sup>22</sup>The International Swaps and Derivatives Association, for example, has commissioned legal opinions regarding the enforceability of ISDA agreement netting arrangements for over 90 jurisdictions. Int'l Swaps & Derivatives Ass'n, *Opinions Overview*, <https://www.isda.org/opinions-overview/> (last visited Dec. 12, 2025).

<sup>23</sup>U.C.C. art. 12.

<sup>24</sup>See 17 CFR § 23.157(c) (for uncleared swap initial margin); see also 17 CFR §§ 1.20-30, 22.1-22.17, and 30.7 (segregation requirements for futures, foreign futures, and cleared swaps).

<sup>25</sup>See, e.g., 17 CFR §§ 1.20(b), 22.4, 22.7, and 30.7(b) (permitted depositories).

<sup>26</sup>17 CFR § 1.11(e)(3)(i)(J).

<sup>27</sup>See 17 CFR § 23.600(c)(4)(i), (iii).

<sup>28</sup>See 17 CFR § 1.11(f) (for FCMs) and 17 CFR § 23.600(e) (for Swap Dealers).

<sup>29</sup>CFTC Letter No. 25-39 at 4-5

<sup>30</sup>Unif. L. Comm'n, UCC, 2022 Amendments to: Legislative Bill Tracking, <https://www.uniformlaws.org/committees/community-home?CommunityKey=1457c422-ddb7-40b0-8c76-39a1991651ac> (tracking state-by-state adoption).

<sup>31</sup>CFTC Letter No. 25-39 at 5.

<sup>32</sup>*Id.*

<sup>33</sup>See 17 CFR § 39.33(c)(3).

<sup>34</sup>CFTC Letter No. 25-39 at 5.

<sup>35</sup>CFTC Letter No. 25-39 at 5-6.

<sup>36</sup>CFTC No-Action Letter No. 25-40, *Staff No-Action Position Regarding Digital Assets Accepted as Margin Collateral* (Dec. 8, 2025), <https://www.cftc.gov/csl/25-40/download>.

<sup>37</sup>CFTC No-Action Letter No. 25-40 at 14.

<sup>38</sup>CFTC Staff Advisory No. 20-34, *Accepting Virtual Currencies from Customers into Segregation* (Oct. 21, 2020) (withdrawn Dec. 8, 2025), <https://www.cftc.gov/csl/20-34/download>.

<sup>39</sup>CFTC Letter No. 25-39 at 6.

<sup>40</sup>CFTC No-Action Letter No. 25-40 at 14.

<sup>41</sup>The Depository Trust Company, SEC No-Action Letter (Dec. 11, 2025), <https://www.sec.gov/files/tm/no-action/dtc-nal-121125.pdf>.

<sup>42</sup>Div. of Trading & Mkts., SEC, *Statement on the Custody of Crypto Asset Securities by Broker-Dealers* (Dec. 17, 2025), <https://www.sec.gov/newsroom/speeches-statements/trading-markets-121725-statement-custody-crypto-asset-securities-broker-dealers>.