

CFTC Launches Digital Assets Pilot Program for Tokenized Collateral in Derivatives Markets

December 17, 2025

The Commodity Futures Trading Commission (CFTC or Commission) announced a landmark regulatory initiative that enables certain digital assets to serve as collateral in derivatives markets. Acting Chairman Caroline D. Pham unveiled the Digital Assets Pilot Program through a trio of letters released on December 8, providing new guidance on the acceptance and use of tokenized collateral and withdrawing a prior staff advisory. Industry participants are characterizing the announcement as a pivotal moment for digital asset integration into regulated US derivatives markets. The announcement follows the enactment of the GENIUS Act in July 2025 and implements recommendations from the President's Working Group on Digital Asset Markets report.[1]

Letter No. 25-39: Tokenized Collateral Guidance

Staff from the Market Participants Division (MPD), Division of Market Oversight (DMO), and Division of Clearing and Risk (DCR) provided guidance on the acceptance and use of tokenized assets as derivatives collateral.[2] The guidance affirmed that CFTC regulations are technology-neutral and encouraged analysis of tokenized assets on an individual basis within existing regulations.

The guidance addressed five core regulatory considerations: (1) eligible tokenized assets meeting liquidity and credit-quality standards; (2) legal enforceability requirements for netting arrangements and collateral interests; (3) segregation, custody and control arrangements ensuring perfected security interests; (4) haircut methodologies utilizing risk-based approaches adjusted for settlement-time differences; (5) and operational risk management addressing cybersecurity and network-wide threats.

Importantly, staff encouraged market participants who are proposing to use blockchain or distributed ledger technology to transfer or custody tokenized assets as eligible collateral to specifically address how such processes meet the standards outlined in the letter. The guidance emphasized that tokenization need not alter the fundamental characteristics of underlying assets; however, different tokenization methods may provide tokenholders with different rights or different levels of protection.

Market participants may utilize blockchain-enabled tokenized versions of assets currently eligible as regulatory margin, including US Treasury securities and money market fund shares, provided the tokenization structure satisfies applicable regulatory requirements.

Letter No. 25-40: Framework for Digital Asset Margin Collateral

MPD staff issued no-action relief in response to a request from Coinbase Financial Markets, Inc., a CFTC-registered futures commission merchant (FCM), addressing longstanding regulatory uncertainty that had rendered the acceptance of digital asset collateral commercially unworkable for FCMs.[3] While Letter 25-39 addressed tokenized assets,[4] Letter 25-40 addressed the operational framework for FCMs to accept non-securities digital assets such as bitcoin, ether, and payment stablecoins as collateral.

An FCM relying on the no-action relief, during the initial three-month phase, may accept bitcoin, ether and payment stablecoins as margin collateral. The conditions require FCMs to apply haircuts determined by the relevant derivatives clearing organization (DCO), with the highest applicable haircut percentage governing where multiple DCOs accept the same asset. For collateral held in foreign futures accounts where assets are not accepted by DCOs, FCMs must apply a minimum 20 percent haircut, consistent with the SEC's treatment of broker-dealer proprietary positions in bitcoin and ether.

The no-action position introduces specialized treatment for inverse contracts (i.e., derivatives based on a specified amount of a digital asset where profit and loss settlement occurs in the digital asset itself). For these contracts, FCMs need only apply the DCO's required haircut when the digital asset collateral offsets an undermargined amount in that specific contract.

The no-action position also permits FCMs to deposit proprietary payment stablecoins into segregated customer accounts as residual interest, notwithstanding existing restrictions limiting such deposits to cash or permitted investments under Commission Regulation 1.25.

As part of the no-action relief, FCMs must satisfy several ongoing conditions, including: filing notice of intent to rely on the no-action position via the National Futures Association's (NFA) WinJammer electronic filing system; submitting weekly reports detailing digital asset holdings across customer account types; and providing prompt notice of any significant operational issues affecting digital asset collateral usage. FCMs seeking to accept digital assets beyond bitcoin, ether, and payment stablecoins must submit revised risk management policies and procedures for MPD review.

Letter No. 25-41: Withdrawal of Prior Restrictions

Letter No. 25-41 withdraws Letter No. 20-34,[5] which had imposed restrictions on the acceptance of virtual currencies as customer collateral by FCMs since October 2020.[6] MPD staff determined that substantial developments in digital asset markets, combined with the enactment of the GENIUS Act, have rendered the advisory outdated and no longer relevant.

The withdrawal removes guidance that had, among other things, required FCMs to treat virtual currency collateral as having zero margin value for segregation calculations, effectively prohibiting meaningful acceptance of digital assets as customer margin. This restriction had forced FCMs to cover customer account deficits with their own proprietary funds, regardless of the digital asset collateral posted.

Overall Impact of the Three Letters

Regarding the impact of the three letters, the following are key considerations for affected CFTC registrants and registered entities.

For DCMs

- Update product design frameworks and rulebooks for tokenized collateral acceptance, settlement finality, and collateral substitution.
- Enhance market surveillance for collateral-driven stress and coordinate with DCOs on shared stress scenarios for digital asset volatility.
- Refresh member disclosure templates for tokenization and custody risks.

For DCOs

- Publish and maintain haircuts for BTC/ETH/payment stablecoins and eligible tokenized assets; define eligibility criteria, concentration limits and liquidity backstops.
- Document and test custody/control and legal enforceability of tokenized collateral.
- Integrate blockchain-specific failure scenarios into default management playbooks and conduct member testing.

For FCMs

- File the NFA notice, implement weekly reporting, and update risk and treasury policies to operationalize digital asset collateral and residual interest in stablecoins.
- Align collateral operations with DCO requirements, including wallet controls, valuation, haircuts, substitution and reconciliation.

- Update client agreements and disclosures; implement limits and eligibility screens for counterparties posting digital assets.

---

1 *See* Katten's coverage of the GENIUS Act, available here and here; *see* Katten's Quick Reads coverage of the President's Working Group Report, available here.

2 *See* CFTC Staff Letter No. 25-39, available here.

3 *See* CFTC Staff Letter 25-40, available here.

4 CFTC Letter 25-39 defined 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."

5 *See* CFTC Staff Letter 20-34, available here.

6 *See* CFTC Staff Letter 25-41, available here.

CONTACTS

For more information, please contact your Katten attorney or any of the following Financial Markets and Funds attorneys.



Daniel J. Davis
+1.202.625.3644
daniel.davis@katten.com



Matthew F. Kluchenek
+1.312.902.5500
matt.kluchenek@katten.com



Stephen R. Morris
+1.212.940.6654
stephen.morris@katten.com



Alexander C. Kim
+1.212.940.6535
alexander.kim@katten.com

Attorney advertising. Published as a source of information only. The material contained herein is not to be construed as legal advice or opinion.

©2026 Katten Muchin Rosenman LLP.

All rights reserved. Katten refers to Katten Muchin Rosenman LLP and the affiliated partnership as explained at katten.com/disclaimer.