MINUTES OF THE NOVEMBER 21, 2024, MEETING OF THE U.S. COMMODITY FUTURES TRADING COMMISSION'S GLOBAL MARKETS ADVISORY COMMITTEE

The Global Markets Advisory Committee ("GMAC") convened for a virtual public meeting on Thursday, November 21, 2024, at 9:30 a.m. The meeting consisted of two presentations: (1) the Digital Asset Markets Subcommittee's recommendation on expanding the use of non-cash collateral through use of distributed ledger technology; and (2) a presentation on defining utility tokens and developing guidance for market participants.

GMAC Members and Subcommittee Members in Attendance

Chris Allen, General Counsel for Banking and Markets, and General Counsel of HSBC Bank
Bill Bolten, Chief Financial Officer, Refining, Products, and Low Carbon Americas Trading and Shipping, BP
Darcy Bradbury, Vice-Chair, GMAC, and Managing Director and Head of Public Policy, D.E. Shaw & Co.
Issac Chang, Head of Central Execution, Global Fixed Income, Citadel
Nadine Chakar, Managing Director, Global Head of Digital Assets, DTCC
Jason Chlipala, Chief Operating Officer, Stellar Development Foundation
Adam Farkas, Chief Executive Officer, GFMA, and Chief Executive Officer, GFME
Scott Fitzpatrick, Chief Executive Officer, Tradition SEF, Tradition Group, CFT
Amy Hong, Chair, GMAC, and Head of Strategy, Investments and Partnerships, Global Banking and Markets, Goldman Sachs
John Horkan, LSEG Post Trade and LCH Group Chief Operating Officer and LCH Head of Americas, LSEG
Angie Karna, Managing Director and Head of Legal for Global Markets, Americas, Nomura
Candace Kelly, Chief Legal and Policy Officer, Stellar Development Foundation
Steven Kennedy, Global Head of Public Policy, ISDA
Derek Kleinbauer, President, Bloomberg SEF, Bloomberg LP
Mary-Catherine Lader, Chief Operating Officer, Uniswap Labs
Chuck Mack, Vice President, Head of Strategy & Market Structure North American Markets, NASDAQ
Jacqueline Mesa, Chief Operating Officer and Senior Vice President, Global Policy, FIA
John Murphy, Global Head of Future Division, Mizuho Americas, Commodity Markets Council
Eric Muller, Chief Executive Officer, Eurex Clearing AG, Eurex
Tetsuo Otashiro, Senior Head of Global Policy and Regulation, JSCC
Christopher R. Perkins, President, CoinFund
Sachiyo Sakemi, Global Head of Legal for BlackRock Global Markets Group, BlackRock
Jason Swankowski, Executive Director, Morgan Stanley
Brad Tully, Co-Chair, Global Market Structure Subcommittee (GMSS), Global Co-Head of Corporate Derivatives and Private Side Marketing, JP Morgan Chase & Co.
Thane Twigs, Chief Compliance Officer, Cargill Risk Management, Cargill
Jason Vitale, Global Head of Foreign Exchange, Fixed Income & Equities, BNY Mellon
Chris Zuehlke, Partner and Global Head of Cumberland, DRW

CFTC Commissioners and Staff in Attendance
Caroline D. Pham, Commissioner and GMAC Sponsor
Summer K. Mersinger, Commissioner
Harry Jung, Counselor and Senior Policy Advisor, Commissioner Caroline D. Pham, GMAC Designated Federal Officer ("DFO")
Nicholas Elliot, Confidential Assistant and Policy Advisor, Commissioner Caroline D. Pham, GMAC Alternate Designated Federal Officer

Invited Speakers in Attendance
Caroline Butler, GMAC Digital Assets Subcommittee Member (Co-Chair), and CEO of Digital Assets, BNY Mellon
Cheryl Isaac, Partner, K & L Gates
Sandy Kaul, GMAC Digital Assets Subcommittee Member (Co-Chair), Senior Vice President, Head of Digital and Industry Advisory Services, Franklin Templeton
Alison Parent, GMAC Digital Assets Subcommittee Member, and Executive Director, GFMA
Thomas Sullivan, GMAC Digital Assets Subcommittee Member, and Managing Director, Head of Market and Product Development for Digital Assets, Societe Generale

I. Opening Remarks

Mr. Jung called the meeting to order and introduced the Commissioners in attendance.

Commissioner Pham, the GMAC's Sponsor, delivered opening remarks. She welcomed all and expressed appreciation for the GMAC's hard work in addressing complex market issues. She acknowledged the GMAC's achievements over the past year, including producing thirteen recommendations on various topics like U.S Treasury market liquidity; repo and funding markets; money market funds; collateral management; capital and margin, exchange volatility controls; T + 1 security settlement and FX markets; central counterparty resilience; streamlining trading reporting data; and digital assets. She highlighted the GMAC's collaborative approach, stating it was essential for fostering innovation and competitiveness. She hoped that the GMAC's work would serve as a guiding example for the CFTC to make public dialogue and expert input a central part of rulemaking. Additionally, she provided a brief overview of the agenda and the need to finalize previous recommendations such as the reform to margin rules for uncleared swaps. She concluded by expressing her thanks to the GMAC leadership team.

Commissioner Mersinger provided pre-recorded opening remarks. She thanked all the attendees and acknowledged the meeting organizers, including Commissioner Pham and Mr. Jung. She emphasized the importance of innovation in global markets, noting the need for U.S. financial markets to embrace a regulatory approach that supports innovation without being overly paternalistic. She stated that the CFTC's role should be to maintain a level playing field, ensuring markets operate efficiently and effectively. She highlighted the critical work of the GMAC Digital Asset Subcommittee, particularly around using digital assets as collateral, and expressed her interest in receiving updates on this topic. She also welcomed the discussion on utility tokens, noting the increasing relevance of digital assets and their technology. She concluded by thanking the advisory committee members for their insights and contributions, which help the CFTC promote responsible innovation and fair competition.

Mr. Jung then introduced the Chair of the GMAC, Ms. Hong. Ms. Hong then introduced the first panelists, Ms. Parent and Mr. Sullivan.

II. Presentation on the Digital Asset Markets Subcommittee Recommendation: Expanding the Use of Non-Cash Collateral Through Use of Distributed Ledger Technology

Ms. Parent thanked Commissioner Pham and her team for the opportunity to present recommendations from the Digital Asset Markets Subcommittee. She acknowledged the leadership of Ms. Butler and Ms. Kaul and introduced Mr. Sullivan to present.

Mr. Sullivan provided the recommendation regarding the use of distributed ledger technology ("DLT") for non-cash collateral. He explained that while non-cash collateral is already permitted, operational challenges have limited its adoption. DLT has the potential to overcome these issues, improving efficiency without requiring rule changes or regulatory actions. He highlighted two main use cases: (1) using DLT for recordkeeping and improving the mobility of assets while maintaining custody obligations; and (2) tokenizing assets, where ownership is recorded on the ledger. In both cases, DLT can be applied without changing the fundamental characteristics of the assets, offering significant improvements in efficiency, speed, and 24/7 transfer capabilities. Mr. Sullivan presented the recommendation in three parts: (1) financial institutions using DLT for internal records should rely on existing processes for assessing risks; (2) if accepting tokenized non-cash collateral, registrants can use existing policies to address legal enforceability, segregation, custody, credit, and operational risks; and (3) no new rules or guidance are needed for these uses since existing procedures already address the integration of new technologies.

Ms. Hong thanked the presenters and emphasized the importance of these recommendations. She then opened the floor to questions and comments from GMAC members. The comments and discussion focused on voicing support for the recommendations; the potential downsides and clarification on whether not requiring rule changes implies approval of the technology being used, the risk that lies in not moving forward in adopting digital assets to reduce systemic risk; concerns about how DLT collateral would work in default or bankruptcy situations; and clarification regarding rules for posting non-cash collateral.

Ms. Hong then opened the floor for a motion to vote on the Subcommittee "Recommendation on Expanding Use of Non-Cash Collateral through Use of DTL" and to submit the recommendation to the Commission for consideration. The motion was adopted. Ms. Hong announced a vote by roll call with a simple majority needed to approve the recommendation. Mr. Jung conducted the vote. There were twenty-seven votes in favor, zero no votes, and four abstentions. A simple majority was achieved, and the recommendation was adopted for submission to and consideration by the Commission.

III. Presentation on Utility Tokens

Mr. Bradbury then introduced Mr. Perkins for an informational presentation only on utility tokens and developing guidance for market participants. He stressed the need to have clear, principles-based regulations to encourage responsible innovation and support entrepreneurs in the digital asset space. He noted that the current lack of clarity regarding which digital assets are commodities has hindered innovation. The Digital Asset Markets Subcommittee is working on recommending a definition of utility token based on six criteria: (1) to propose a definition of utility tokens that would help determine if a digital asset falls under CFTC jurisdiction as a commodity; (2) that the CFTC publish this definition and related guidelines on its website; (3) that any rulemaking regarding utility tokens adopt the common definition and criteria the CFTC adopts; (4) a process for certifying digital assets and reactivating the CFTC-SEC Joint Advisory Committee to coordinate on digital asset regulation; (5) a transparent list of self-certified utility tokens be published; and (6) a best practice that industry participants publish white papers to demonstrate how their tokens meet the utility token criteria.

Mr. Perkins concluded and thanked Ms. Isaac for her help on this work. The floor was then opened for member discussion. The comments and discussion focused on issues related to the scope of utility tokens that are digitized, with the emphasis being on a broad interpretation of what could be considered a token.

IV. Closing Remarks and Adjournment

Commissioner Pham thanked the participants and CFTC staff who helped with the meeting. She emphasized the great work of the GMAC stating that its work showed what can be accomplished when real-world experience and common sense come to Washington and are brought together to develop good policy in an open and transparent manner, with meaningful public engagement. She discussed her hopes for the reinstatement in 2025 of the CFTC-SEC Joint Advisory Committee on Emerging Regulatory Issues. She supported hosting additional CFTC staff roundtables related to innovation and market structure including 24/7 trading and the development of new ways to address settlement and settlement assets. She stated that the GMAC's recommendation on tokenized non-cash collateral represented progress in the goal of achieving U.S. regulatory clarity for digital assets, and she applauded the workstream on utility tokens.

Mr. Jung adjourned the meeting at 10:37 a.m.

2/13/25

Amy Hong
Chair, GMAC

Date