BETTER MARKETS

November 26, 2025

Christopher J. Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st Street, NW
Washington, DC 20581

Re: Request for Comment on the Use of Tokenized Collateral Including Stablecoins

Dear Mr. Kirkpatrick:

Better Markets[1] appreciates the opportunity to comment on the use of tokenized collateral including stablecoins in derivatives markets. The request for comment on this issue references the recommendation issued last year by the CFTC's Global Markets Advisory Committee (GMAC) on expanding the use of non-cash collateral through distributed ledger technology. The GMAC's recommendation discussing the principles that govern non-cash collateral suggests that stablecoins should not be used as collateral in derivatives markets.

With respect to uncleared swaps, the GMAC's recommendation notes that the non-cash assets that swap dealers and major swap participants may collect and post as regulatory margin share certain "'fundamental characteristics.'"[2] One such characteristic is that these assets "'hold their value in times of financial stress.'"[3] This characteristic does not apply to stablecoins.

Stablecoins are supposed to be tied 1:1 to the value of traditional currencies like the dollar, but they often "de-peg" from their "stable" value.[4] For example, just last month, USDe,

[1] Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans' jobs, savings, retirements, and more.

[2] *Recommendations to Expand the Use of Non-Cash Collateral Through Use of Distributed Ledger Technology,* Report to the Commodity Futures Trading Commission's Global Markets Advisory Committee by the Digital Asset Markets Subcommittee, at 3 (Nov. 21, 2024), https://www.cftc.gov/PressRoom/PressReleases/9009-24.

[3] *Id.* The GMAC notes that the CFTC "has adopted similar requirements with respect to the types of assets that a DCO may accept as collateral for centrally cleared derivatives, including futures, options on futures, and swaps. *Id.*

[4] Benjamin Schiffrin, *Three Questions for any (Un)Stablecoin Legislation*, Better Markets (Feb. 26, 2025), https://bettermarkets.org/wp-content/uploads/2025/02/Stablecoin-FS-02.26.25.pdf, at 1.

the third-largest stablecoin, "briefly lost its dollar peg during a market rout that triggered record liquidations."[5] During a market downturn, USDe fell to 65 cents against the dollar on Binance.[6]

Source: Binance[7]

USDe is backed by a reserve of digital assets, which may make it particularly susceptible to de-pegging, but de-pegging also occurs with so called fiat-backed stablecoins backed by cash or cash equivalents. USDT and USDC are the two largest stablecoins issued by Tether and Circle respectively. Both are fiat-backed stablecoins, and both have experienced de-pegging events. These events also "show how stablecoins can be buffeted by troubles in the traditional financial world."[8] The Bank Policy Institute (BPI) recently wrote a blog post recounting these events:

> In October 2018, amid concerns about the full backing of USDT, the exchange affiliated with Tether called Bitfinex upgraded its processing systems, leading to delays in withdrawals. Investors ran on USDT, resulting in a sizeable depeg as UDT traded as low as $0.90 on some platforms on Oct. 15.

[5] Suvashree Ghosh and Sidhartha Shukla, *Third-Largest Stablecoin Briefly Loses Dollar Peg in Crypto Rout*, Bloomberg (Oct. 11, 2025), https://www.bloomberg.com/news/articles/2025-10-11/third-largest-stablecoin-briefly-loses-dollar-peg-in-crypto-rout?sref=mQvUqJZj.

[6] *Id.*

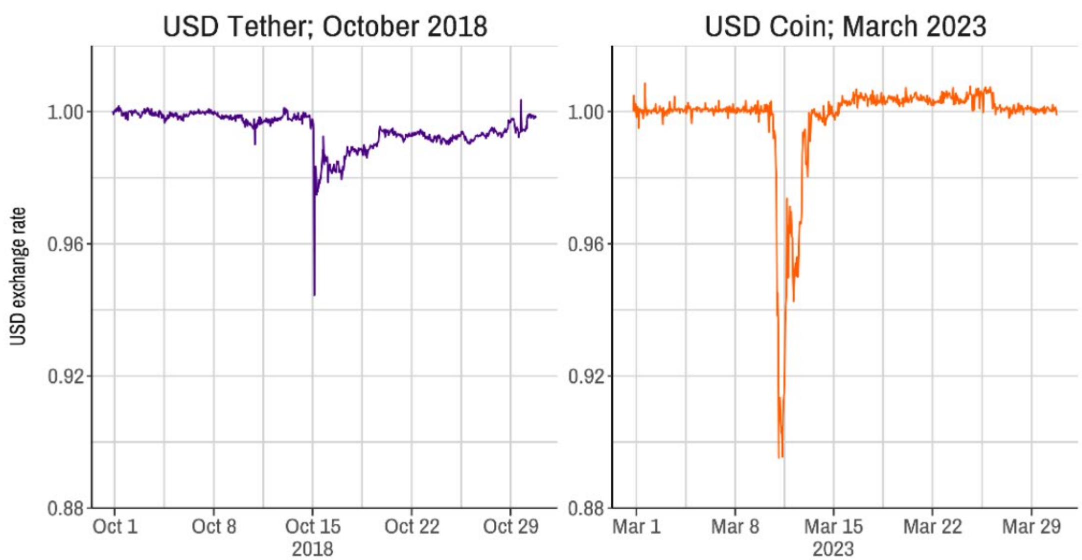
[7] *Id.*

[8] Olga Kharif and Yueqi Yang, *Why Crypto Stablecoins Still Worry the Fed*, Bloomberg (Feb. 10, 2024), https://www.bloomberg.com/news/articles/2024-02-10/why-stablecoins-such-as-tether-and-usdc-still-worry-the-fed?sref=mQvUqJZj.

> Similarly, USDC traded below $1 around the default of Silicon Valley Bank (SVB) in March 2023. Because USDC kept 8 percent of its reserves deposited at SVB, troubles at SVB quickly spilled over to USDC. The run on USDC started on March 9, when investors doubted Circle's ability to access its deposits at SVB amid the bank's imminent collapse, causing the price of USDC to trade as low as $0.87 per coin. Large USDC redemptions prompted major exchanges like Binance and Coinbase to pause USDC-to-dollar redemptions.[9]

BPI illustrated the rapidity with which both USDT and USDC lost their peg.

Figure 1. Major depegging events.



Source: CoinGecko[10]

As these examples show, "[f]inancial stress and the drying up of liquidity may yet produce depegging events for stablecoins, resulting in a break in the perceived singleness of money for stablecoins."[11] This is why, sometimes, so-called stablecoins "are anything but."[12]

BPI is also hardly the only major financial institution or trade group warning of the risks of stablecoins. State Street wrote a paper after the passage of the GENUIS Act in which it noted

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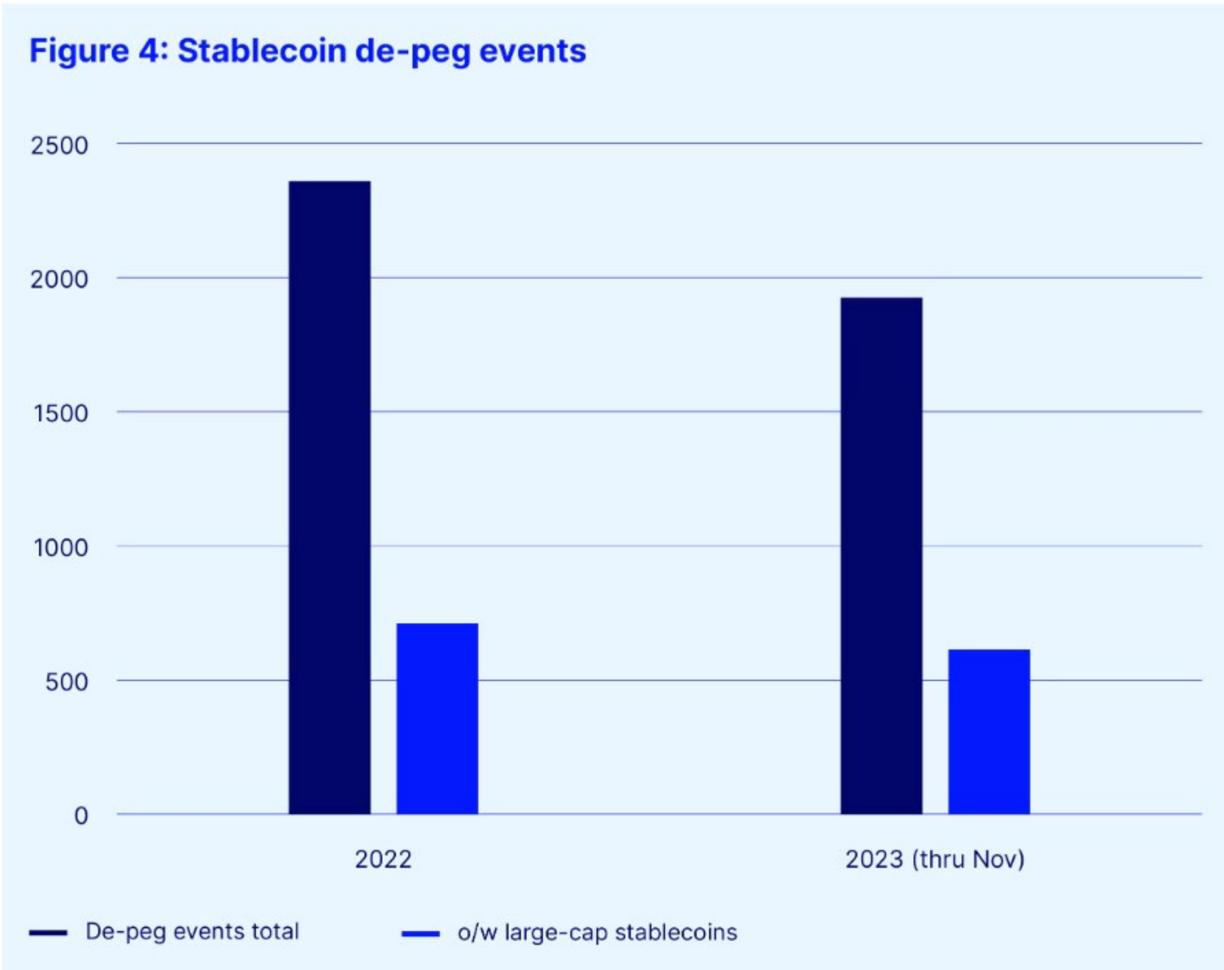
[9] Marco Macchiavelli, *Stablecoin Risks: Some Warning Bells*, Bank Policy Institute (Nov. 3, 2025), https://bpi.com/stablecoin-risks-some-warning-bells/.

[10] *Id*.

[11] Vipin Bharathan, *Stablecoins Beyond the Hype: Singleness of Money*, Forbes (Nov. 19, 2025), https://www.forbes.com/sites/vipinbharathan/2025/11/19/stablecoins-beyond-the-hype-singleness-of-money/.

[12] Kharif and Yang, supra note 8.

that the "industry's record of maintaining par value is weak: Moody's calculated that there were over 600 de-pegs by large cap stablecoins in 2022 and in 2023 (see figure 4)."[13]



Source: Moody's[14]

Fed Governor Michelle Bowman has similarly warned that stablecoins "purport to have convertibility one-for-one with the dollar, but in practice have been less secure, less stable, and less regulated than traditional forms of money."[15] So stablecoins "are neither truly stable nor equivalent to traditional money"; instead, "their value fluctuates—minimally under normal conditions, but significantly in times of crisis, when collateral values become uncertain."[16]

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[13] *The stablecoin moment*, State Street (Aug. 2025), https://www.statestreet.com/us/en/insights/stablecoin-moment.

[14] *Id.*

[15] Governor Michelle W. Bowman, *Responsible Innovation in Money and Payments* (Oct. 17, 2023), https://www.federalreserve.gov/newsevents/speech/bowman20231017a.htm.

[16] Ignazio Angeloni, *Stablecoins and Money: Complementary, Perhaps—But Not the Same*, Institute for European Policymaking (Sept. 6, 2025), https://iep.unibocconi.eu/stablecoins-and-money-complementary-perhaps-not-same.

The risks of stablecoins also “go beyond their value peg.”[17] Another key concern is “the lack of transparency regarding the assets backing these coins.”[18] Without clear and verifiable information about the reserve assets that back stablecoins, users are left uncertain about the actual stability and reliability of the currency, which “undermines trust and can contribute to panic during periods of market stress.”[19] Stablecoins are also susceptible to errors in how they are minted. Just last month, Paxos, PayPal’s crypto partner, mistakenly minted $300 trillion of PayPal’s stablecoin. Although the error was corrected, because there aren’t enough dollars in circulation to back $300 trillion in stablecoins, the incident showed that the dollar peg “isn’t intrinsically tied to the minting of a stablecoin.”[20] As a result, there is “sufficient evidence to suggest that mainstreaming stablecoins will stress-test the financial system in the coming years.[21]

All this means that stablecoins’ risky nature makes them unsuitable for collateral where the CFTC has recognized that collateral should be able to maintain its value during times of stress. The CFTC’s rules restrict the use as collateral of securities whose price and liquidity “are very likely to come under significant pressure during a period of financial stress.”[22] This is because the use of such assets as collateral “to fulfill regulatory margin requirements would introduce concerns that the changes in the liquidity, price volatility, or other risks of collateral during a period of financial stress could exacerbate that stress and could undermine efforts to ensure that collateral is subject to low credit, market, and liquidity risk.”[23] This is why the eligible collateral list is “comprised of assets that should remain liquid and readily marketable during times of financial stress.”[24] Stablecoins do not fit into this category of assets.

The GMAC’s recommendation for expanding the use of non-cash collateral through the use of distributed ledger technology (DLT) does not mention stablecoins. In promoting the use of DLT as a way to expand the use of non-cash collateral, the recommendation notes that the collateral eligibility rules do not address, and do not depend on, the technology infrastructure

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[17] Seth C. Oranburg, *Function Over Form: Toward a Safe Harbor Framework for DeFi Regulation of Utility Tokens*, 86 La. L. Rev. 81, 145 (2025).

[18] *Id.* at 146.

[19] *Id.*

[20] Dylan Butts, *PayPal’s crypto partner mints a whopping $300 trillion worth of stablecoins in ‘technical error,’* CNBC (Oct. 16, 2025), https://www.cnbc.com/2025/10/16/paypals-crypto-partner-mints-300-trillion-stablecoins-in-technical-error.html.

[21] State Street, supra note 13.

[22] *Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants*, 81 Fed. Reg. 636, 665 (Jan. 6, 2016).

[23] *Id.* at 667.

[24] *Id.*

used to record and transfer an asset.[25] Instead, the collateral eligibility rules turn on whether "the asset itself falls into a category exhibiting acceptable credit, market, and liquidity risks."[26]

This means that the "use of DLT-based assets as derivatives collateral does not require an expansion of the types of non-cash assets eligible to post as collateral; those assets can remain limited to the sorts of sovereign, multilateral, or otherwise creditworthy/liquid securities and gold that are eligible today."[27] In other words, according to the recommendation, "tokenized" versions of already-eligible assets that may be easier to record and transfer as a result of DLT should be permissible. Despite the recommendation, tokenized assets present risks that should be carefully considered before accepting them as collateral.[28] What is clear, though, is that stablecoins should not be accepted as collateral. Because stablecoins do not exhibit acceptable credit, market, and liquidity risk, and are not similar to the assets that are eligible today, there is no reason to expand the types of non-cash assets eligible to post as collateral to include stablecoins.[29]

Conclusion

We hope these comments are helpful as the Commission considers this matter.

Sincerely,
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[25] *Recommendations to Expand the Use of Non-Cash Collateral Through Use of Distributed Ledger Technology*, supra note 2, at 8.

[26] *Id.*

[27] *Id.*

[28] *See* Better Markets, Comment Letter re: Notice of Filing of Proposed Rule Change to Amend the Exchange's Rules to Enable the Trading of Securities on the Exchange in Tokenized Form (Oct. 14, 2025), https://bettermarkets.org/wp-content/uploads/2025/10/Better-Markets-Comment-Letter-SEC-Nasdaq-Tokenization.pdf.

[29] *See* Futures Industry Association, *Accelerating the velocity of collateral: The potential for tokenisation in cleared derivatives markets*, at 4-5 (June 2025), https://www.fia.org/sites/default/files/2025-06/FIA%20-%20Tokenisation%20-%20Accelerating%20the%20velocity%20of%20collateral.pdf ("For this reason, we believe that the adoption of tokenisation in the cleared derivatives markets should start with non-cash assets that are already permitted by regulators for use as collateral. For example, if certain categories of money market funds have been deemed by a regulator authority as eligible collateral, the tokenised versions of these funds also should be eligible. In other words, the technology is different, but the character of the asset remains the same. . . . This is why we believe it makes sense for the cleared derivatives industry to start with the forms of collateral that are already accepted by clearinghouses and consider the steps necessary to apply tokenisation to these forms of collateral.").