

Digital Assets Working Group – Tokenization of Collateral Subgroup

Meeting Minutes

Participants (in attendance in bold):

Emilie	Allaert	Standard Chartered Bank Lux
Anastasiia	Arnoldova	x-markets GmbH & Co. KG
Steve	Briscoe	ClearToken Holding Limited
Justin	Chapman	Northern Trust
Markus	Ehrenhoefer	x-markets GmbH & Co. KG
Steve	Everett	TMX
Glen	Fernandes	Euroclear SA/NV
Terry	Gibson	Montis Group
Hubertus	Hecht	OeKB CSD GmbH
Peter	Hubli	Zürcher Kantonalbank
Ramesh Chandran	Katane	TATA Consultancy Services Limited
Patrick	Kropp	Deutsche Börse Group
Maggie	Lai	HKEX
Rakesh	Mehta	National Securities Depository Limited (NSDL)
Koen	Mertens	KBC Bank
Eric	Neo	ISSA
John Andrew	O'Brien	Citi Europe Plc
Ambavi	Patel	Montran Corporation
Caddie	Sung	CMU OmniClear Limited
Damien	Thibault	BNP Paribas S.A.
Jürg	Unger	Swiss Re
Prashant	Vagal	NSDL
Martin	Watkins	Montis Group Ltd
Karen	Zeeb	ISSA

Agenda

- Introductions and Welcome
- Chapter 2, Section 2.2 Review
- Chapter 2, Section 2.3 Review
- AOB

Introductions and Welcome

Introduction

Karen welcomed the participants to the meeting of the Tokenization of Collateral Subgroup and outlined the agenda.

Key Points Addressed

Karen outlined the meeting's objective which was to review and enhance the Collateral Tokenization document, specifically focusing on chapter two (and chapter three if time). These chapters cover the definition of collateral tokenization, key drivers and a base case for tokenization.

Chapter 2, Section 2.2 Review

Introduction

The WG participants reviewed Chapter 2, section 2.2 - Definition.

Key Points Addressed

The WG participants reviewed the draft definition of collateral tokenization (section 2.2) as well key drivers of collateral tokenization (section 2.3). Karen amended the wording as agreed during the meeting and requested that the WG participants review this.

Definition of Collateral Tokenization

The WG participants discussed the definition of collateral tokenization, with Karen presenting a draft that describes converting physical or intangible assets into digital tokens on a blockchain. Hubertus and Peter raised the need to clarify the types of tokenization (traditional securities versus native digital assets) and to explicitly mention cost reduction as a benefit. The group agreed to refine the definition to include both types and to distinguish between operational and funding costs.

Cost Considerations

Peter emphasized the importance of including cost reduction, particularly funding costs, in the definition and throughout the document. Steve and Hubertus discussed the nuances of operational versus funding costs, noting that short-term financing (e.g., intraday repo) benefits most from tokenization, while long-term or large-scale operations may not see the same cost advantages due to the need to maintain underlying assets.

Native Digital Assets versus Tokenization

Hubertus and Eric suggested clarifying the distinction between tokenizing existing securities and native digital assets, with Karen confirming that the glossary contains relevant definitions. The WG participants agreed to ensure both types are addressed in the document and to possibly add a future-looking section discussing the evolution toward native digital assets.

Follow Up Actions

- WG participants to review the amended wording to Chapter 2

Chapter 2, Section 2.3 Review

Introduction

The WG participants reviewed Chapter 2, section 2.3 – Key Drivers of Collateral Tokenization.

Key Points Addressed

The WG participants reviewed and debated the main drivers for collateral tokenization, including efficiency, cost, liquidity, programmability and operational flexibility, while considering where to address interoperability and automation. Again, Karen amended the wording as agreed during the meeting and requested that the WG participants review this.

Efficiency and Cost Reduction

The WG participants discussed how tokenized collateral enables more efficient trading and settlement, reducing both operational and funding costs. Hubertus and Peter highlighted that the greatest cost savings occur in short-term financing scenarios, such as intraday repo, due to faster settlement cycles and reduced need for prolonged funding.

Market Liquidity and Dynamic Capital Allocation

Karen summarized that tokenized collateral can enhance market liquidity by enabling faster movement of assets across markets and jurisdictions, provided interoperability is achieved. The group also noted that dynamic capital allocation is facilitated by real-time adjustments to capital structures, reducing idle capital.

Programmability and Automation

Ambavi and Anastasiia emphasized the importance of programmability and automation as key drivers, allowing for automated lifecycle management and reducing manual intervention. Steve agreed that programmability is a unique benefit of DLT-based tokenization, distinguishing it from traditional systems.

24/7 Availability and Counterparty Risk

Peter raised the potential for 24/7 market operations to reduce counterparty risk, as collateral can be transferred and verified at any time. The WG participants debated whether to include this as a standalone driver or as a future consideration, ultimately deciding to highlight it for further review after use case analysis.

Interoperability Considerations

Ambavi raised the need to address interoperability across platforms, especially for cross-border operations. Anastasiia and Hubertus suggested that interoperability is a requirement rather than a direct benefit of tokenization and should be discussed in the context of risks and requirements rather than as a primary driver.

AOB and Close

Introduction

There was a discussion around the identification of barriers and requirements for effective collateral tokenization which will be part of Chapter 3.

Key Points Addressed

Eric, Steve, Anastasiia and Karen led a discussion on the limitations and requirements for scaling collateral tokenization, including regulatory, legal, digital cash, currency controls, and interoperability challenges.

Barriers to Scalability

Eric and Steve identified several barriers to scaling tokenization, such as the need for digital cash solutions, regulatory and legal recognition, capital controls, and interoperability. The group agreed these should be documented to provide a balanced view and avoid presenting an overly optimistic perspective.

Regulatory and Legal Requirements

Anastasiia suggested including the need for unified legal and regulatory frameworks as a requirement for effective tokenization. Karen agreed, noting that these requirements may already be partially addressed in the document's risk and considerations section but should be explicitly highlighted.

Currency Controls and Digital Cash

Eric and Steve discussed the impact of currency controls in certain markets (e.g., South Africa, Thailand) and the necessity of digital cash or central bank digital currencies for cross-border collateralization. The group recognized that without these elements, large-scale adoption is limited.

Interoperability as a Requirement

Hubertus and Ambavi reiterated that interoperability is a prerequisite for effective tokenization, as fragmentation across different DLTs could undermine liquidity and system effectiveness. The WG participants agreed to address interoperability as a requirement rather than a direct benefit.

It was decided that chapter 3 should be reviewed in more detail at a further meeting which Karen will set up for 15:00 CET on Tuesday 21 July. No other business was covered so the meeting was closed.

Follow Up Actions

- Karen to set up a further review meeting for 21 July

Summary of Follow Up Actions

No.	Action Description	Responsibility	Deadline
1.	Review the amended wording for Chapter 2	WG participants	31 July 2026
2.	Arrange a further review meeting for 21 July	Karne	COMPLETE