

WHAT ROLE FOR TECHNOLOGY AND CRYPTO IN THE SIU?



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Harnessing DLT and tokenisation to advance the SIU

Embracing innovation ranks high among EU priorities, driven by the pursuit of competitiveness and strategic autonomy.

In financial markets, new technologies including digital platforms, Distributed Ledger Technology (DLT) and AI are reshaping how services are designed, delivered, and supervised. They challenge traditional intermediation models, compress value chains and open the possibility of more automated and transparent operations.

The strategic question is therefore less whether innovation will impact European financial markets, but how to ensure it enhances efficiency and integration of the Single Market without weakening safeguards.

From the SIU perspective, the priority is for these technologies to scale across the Union under robust standards of investor protection, market integrity, and financial stability.

In this regard, the review of the DLT Pilot Regime within the Market Integration Package (MIP) offers an opportunity for meaningful improvements.

The pilot was always intended as an iterative framework responding to and evolving with market needs. It aims to allow market participants to experiment with DLT for trading and settlement within an EU-wide controlled environment.

Despite growing interest in the market in using DLT for financial services, uptake of the DLTPR has remained limited. ESMA has set out clear recommendations to adapt the framework and lift the obstacles for more firms to use the pilot regime.

The MIP amendments aim to make the framework more attractive and usable, while granting supervisors greater discretion to support experimentation. Extending its scope – to all financial instruments and to new participants like CASPs, increasing proportionality through a simplified regime for smaller businesses and addressing lingering concerns about its durability are all steps in the right direction.

ESMA stands ready to bring its expertise throughout the legislative negotiations to ensure the final design is operationally effective without compromising investor protection or market integrity.

Yet, the DLTPR overhaul alone will not unlock the full potential of tokenisation. Tokenisation lies at the heart of a deep market structure transformation, and other regions are moving rapidly to provide regulatory clarity for tokenised markets. The EU cannot lag behind and must act to establish a clear European approach to tokenisation.

Scaling tokenisation requires addressing the broader ecosystem. In this respect, coherence, legal certainty, interoperability and wholesale settlement assets are foundational conditions for its adoption and scalability.

A coherent EU framework from the outset is essential to avoid recreating the fragmentation that has historically hindered the development of EU capital markets and that the SIU is precisely seeking to address.

Several of the most practical barriers sit outside EU securities law, reflecting long-

standing divergences in national legal regimes. Advancing harmonisation in this space is complex, but discussions on the so called 28th regime will hopefully result in tangible progress.

Tokenisation cannot thrive without predictability. In particular, market participants need assurance regarding supervisory expectations, governance arrangements, operational resilience, and the legal enforceability of the underlying rights and transactions.

Interoperability should also be elevated to a policy priority. Tokenised assets will not reinforce competitiveness if they generate siloed infrastructures with fragmented liquidity pools and incompatible standards. A connected and interoperable architecture would better serve the SIU objectives.

The EU cannot lag behind and must act to establish a clear European approach to tokenisation

Last but not least, wholesale settlement assets will be key to the success of tokenisation projects. A sound EU regulatory and supervisory framework, together industry-led standards, is a necessary condition. But only the 'cash leg' can determine whether settlement is final, counterparty risk is extinguished, and obligations survive insolvency. It is the point at which tokenisation intersects most directly with financial stability concerns, prudential regulation and payment law, putting central bank money at the centre of the debate.

Tokenisation has the potential to help the SIU achieve its full promise. ESMA is committed to playing its part in this endeavour, ensuring that any evolution spurred by disruptive technology remains firmly anchored in trust and effective supervision.



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Technology as an SIU enabler

The claim that Europe faces a cost problem is not ideological—it is empirical. Analyses by the EC and ESMA, as well as a robust body of academic research, show that average fund fees in Europe exceed those in comparable markets, and that penetration of low-cost ETFs remains materially lower than in the US.

In theory, high fees should invite competitive entry and price compression. In practice, EU retail financial markets do not behave like textbook competitive markets.

Two structural frictions explain why:

Imperfect and asymmetric information: Retail investors often lack the tools or financial literacy to meaningfully compare products across providers.

Switching costs: it is costly—financially and behaviourally — for investors to change providers or asset managers.

A real life example: a friend of mine, an economist, found the perfect UCITS for him: an equity fund investing in sustainable EU companies with excellent ratings and very low management fees. He then went to find out who sold that in Spain. Not an easy

task. After extensive online searching, he located a bank who distributed that fund and began the onboarding process as a new client. This involved KYC checks, suitability questionnaires, opening a current account he did not need, another app in the phone, another password to remember, even a credit card he did not need but the bank would send anyway. Now he owns the fund, but his portfolio is divided across two financial institutions, with no integrated view, separate tax information, separate statements and different performance metrics. One could argue that it is almost heroic to find the best products, even for financially literate clients.

Today, every single one of those burdens, which prevent effective competition to deploy its effects, are addressable through technology.

Retail investors lack reliable, comprehensive, and freely accessible technological tools to compare financial products across providers - and especially across Member States. In practice, most EU investors only see what their bank distributes.

As an analogy, in other sectors—most notably energy and telecommunications—regulators have recognised long ago that competition cannot function without comparability. Once standardised disclosures were mandated and publicly supported simulators integrated all tariffs into a single interface, competition intensified. Offers became directly comparable, and switching became materially easier.

The financial sector remains far behind. Yes, regulators have invested significant effort in data standardisation (EET templates, PRIIPs KIDs, EPT datasets, etc). But standardisation without accessibility does not suffice.

If switching costs are the problem, portability is the solution. A genuinely portable investor profile—covering KYC, risk tolerance, investment objectives, and ESG preferences—could dramatically reduce duplication and friction. The same logic applies to mandating access to aggregators and comparison tools. This approach was included in the Commission’s proposals under the “open finance” heading, but sadly the debate ultimately went to the hard limits on inducements and value for money.

In the design of the individual investment account that some Member States are considering, this concept of portability and multi-provider combination would be essential to avoid investors becoming captive to a single incumbent provider.

That said, technological infrastructure alone will not neutralise all distortions. Even with perfect comparison tools and seamless portability, conflicts of interest and behavioural biases would not disappear. For that reason, framing the debate as “technology versus regulation” might be misguided. A more compelling framing would be “technology supporting regulation.”

An equally important dimension of retail empowerment is market access itself. Emerging technologies—particularly AI, blockchain infrastructure, and tokenisation—are reshaping how, when, and through whom retail investors access financial markets.

For instance, trading hours of traditional financial instruments are under pressure from crypto markets. This can entail benefits for investors, but also risks for

**Technology can
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competition that works
for retail investors.**

the system as a whole. Agentic AI can radically transform the retail investor experience, making the process of finding a provider - and even onboarding - much easier and faster.

IOSCO is actively working in these areas to offer the global guidance needed for regulators and firms and address the potential risks.

From a SIU perspective, emerging technologies can be as powerful as regulation - especially when two work jointly - by increasing retail participation, lowering access barriers, enhancing cross-border integration, reducing costs and supporting EU financial autonomy.



PANIKKOS VAKKOU

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Technology can accelerate the SIU – but only if we're prepared for the risks

For Europe's Savings and Investment Union to achieve its aim of offering EU citizens broader access to capital markets and channel more of their savings into productive investment across borders, we need to be honest about what has held the EU back. It isn't lack of capital. It's a financial system that has been too hard to use across countries – markets are fragmented, distribution is costly, access to investment products is uneven and compliance has often discouraged cross-border business.

This is where technology and crypto-related innovation – digital platforms, tokenisation, DLT and AI – can contribute to the objectives of the SIU. Used well, technology can make saving and investing work smoothly in everyday practice, bringing greater efficiency, accessibility, and new investment products. The conversation shouldn't be about crypto versus regulation or innovation versus consumer protection: it should be about how we can harness important innovation to achieve the SIU goals in a way that expands participation without sacrificing trust.

Currently, Europe's households are holding over €10 trillion in low-yield bank deposits, rarely accessing capital markets. As the ECB has observed, structural issues, as well as cultural and educational barriers, mean EU households are not maximising their returns, and capital is not being directed into the real economy.

Digital investment platforms can solve this challenge. A well-designed platform model can make long-term products easier to compare and buy across borders, reduce the cost of onboarding, and support sound investment habits, nudging savers towards diversification and long horizons. In parallel, some of the biggest gains in driving investor protection and compliance can be achieved through RegTech systems. CySEC's driven RegTech, for example, allows us to process and analyse large volumes of data, spot irregularities early, and take proactive action.

Distributed ledger technology (DLT) is relevant because it targets the market infrastructure where friction accumulates. By enabling faster trading and settlement, DLT can streamline trade and post-trade processes, reduce reconciliation needs and lower operational costs. It can also save time and reduce errors.

Technology and crypto-related innovation, however, will not remove every barrier to integration. Wider adoption may also generate new risks: cyber-security vulnerabilities, algorithmic bias, opacity in automated decision-making and potential systemic

**NCA's must have the
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effects. That's why we must also be vigilant for behavioural tricks. Investors, often young and inexperienced, are increasingly influenced by online messaging platforms or aggressive marketing campaigns. While smartphones and mobile apps have widened access to markets, they have also made risk-taking easier, sometimes pushing investors towards speculative products with little protection.

The SIU should explicitly reject any gamification of long-term investing and demand transparency from companies about how they make money and where their incentives might work against the customer. Likewise, there should

be clear rules around ownership and custody, as well as systems that meet high standards for digital operational resilience and technology that works smoothly with existing banking and payment infrastructure. Above all, strong consumer protection and prioritising financial literacy are non-negotiable.

National supervisors therefore have a critical role in complementing EU initiatives while preserving the balance between enabling innovation and safeguarding investors. As the primary point of supervision, NCAs must have the expertise, resources and technological tools to oversee entities using DLT, tokenisation and AI. As part of these efforts, CySEC operates a Regulatory Sandbox, which provides fintech start-ups and crypto service providers with a controlled environment to test their products under supervision. The Sandbox also enhances dialogue between regulators and innovators and allows us to anticipate risks before innovations reach the market.

The challenges of crypto regulation, AI oversight, and cross-border finance cannot be solved in isolation. They demand cross-border cooperation among NCAs to share insights on technology risks, fraud patterns and operational incidents, and with European institutions and international bodies to keep EU rules fit for purpose and mitigate unintended burdens.

The next day of digitalisation will be defined by three elements: resilience, collaboration and inclusion. Technology can accelerate the SIU, but innovation must be matched by clear rules, proportionate safeguards and supervisors who can oversee new models in practice.



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From crypto to capital markets and back

In the past several years, we have seen a wave of digital innovation that has opened unprecedented possibilities for money and finance, including capital markets. The use of digital ledger technologies and digital assets in capital markets could deliver significant benefits, such as greater operational efficiency, faster settlement times and enhanced transparency throughout the trade lifecycle.

In line with the recommendations of the Draghi report on EU competitiveness, efforts are ongoing to implement the Savings and Investment Union (SIU) Strategy. A key part of this strategy is the Market Integrations and Supervision Package, which aims to improve investment options for citizens and facilitate business access to funds and scaling capital markets.

The proposal includes many elements aimed at removing fragmentation from the EU's capital markets, and digital ledger technologies (DLT) is rightly recognised as a central part of this effort. The modernisation of the DLT framework aims to encourage innovation in DLT within the financial sector. The package proposes expanding the existing DLT pilot regime, which aims to facilitate experimentation with DLT, and modernising post-trade

legislation to better accommodate new technologies. The proposed changes could support market participants who are already innovating with DLT solutions, creating a dynamic environment as regulation catches up with practice. When implemented at scale, DLT has the potential to significantly enhance the functioning and depth of capital markets.

As one of the SIU goals is to promote retail participation, the crypto landscape can serve as an entry point to investing and a transition to traditional capital markets. Surveys and demographic studies reveal a clear age-related trend in crypto investing, showing that younger generations are more likely to invest in cryptocurrency than older cohorts. For many young investors, cryptocurrencies represent an accessible gateway to financial markets, driven by user-friendly digital platforms and apps, technological familiarity, and low minimum investment thresholds. This curiosity, whether on its own or combined with EU and national financial literacy initiatives, can foster greater engagement with traditional investment products and even retirement savings, thereby contributing to the deepening and development of EU capital markets.

The DLT Pilot regime enables market infrastructures to operate trading and settlement systems based on distributed ledger technology for a range of financial instruments, including tokenised bonds (Siemens AG example), shares, and fund units. It represents an important step in integrating innovative technological solutions with the existing capital market framework. These solutions should be further developed and expanded to ensure broader participation and access for a wider range of investors.

**From crypto to capital
markets and back – how
emerging technologies
are breaking down
market barrier.**

The new legislative proposal aims to improve competition in the provision of post-trade infrastructure services. Regardless of the technology used, the integration of post-trade infrastructures is essential for a truly operational Single Market.

The interoperability of central securities depositories (CSDs) is seen as a vital aspect of market access and fostering competition. Competition

is also needed at the CSD level, where fragmentation along national lines persists. This disproportionately impacts smaller market participants and results in high frictional costs. To remedy this situation, the potential of new technologies, including DLT, could be helpful. DLT offers an unprecedented opportunity to integrate capital markets and redesign financial infrastructure, as well as increase competition through innovative new business models.

In conclusion, the rapid advancement of digital innovation—particularly distributed ledger technology—offers a historic opportunity to reshape Europe's capital markets for the better. By improving efficiency, transparency and settlement speed, DLT can address long-standing structural fragmentation and high post-trade costs that have limited the depth and competitiveness of the EU financial system.

Through the Savings and Investment Union Strategy and the Market Integrations and Supervision Package, the EU is taking meaningful steps to align regulation with technological progress. Expanding the DLT Pilot Regime, modernising post-trade legislation and strengthening interoperability among market infrastructures are not merely technical adjustments; they are strategic reforms aimed at building a truly integrated Single Market for capital.



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Powering the SIU: why Europe should embrace blockchain & crypto

Should crypto and related technologies play a more explicit role in the SIU

The technology neutrality principle prevents discrimination against specific tech. The urgency-calling Saving and Investment Union (SIU) strives to put Europe at the forefront of economic and technological competition. It does reference DLT technology and tokenization as infrastructure upgrades. However, despite being foundational, crypto and blockchain are omitted and treated rather as a threat. The EU stands at a critical juncture within a fracturing global order. Like the internet before them, blockchain and crypto are now the essential engines for SIU's positive transformation. They provide ready-to-deploy solutions for instant settlement, democratized financial access, and the unlocking of "dead" capital.

History proves that those who embrace innovation rather than hesitation become the leaders of tomorrow. A prime example is Cloud Computing and SaaS. More recently, the AI space is already dominated by overseas players, while the EU strictly regulates. For example, total VC funding between 2010-2024 in the EU amounted to ~ \$550-600B vs \$1.8-2.1T in the US and \$900B-1.1T in Asia. The cumulative unicorns (all time) in the EU are ~ 600+ vs 1450+ in the USA and

750+ in Asia. The Crypto VC funding (2025) amounted to around \$2.5B-4B in the EU vs \$23-25B in the US and \$9-12B in Asia, despite lesser regulatory clarity.

Europe now accounts for roughly 10% of the global crypto user base – representing approximately 55 million people (2025) – within a global market that has now surpassed 560 million users (30,7M in 2023). Considering the broader European continent, adoption exceeds 100 million users, meaning roughly 1 in 8 Europeans now interact with blockchain technology. It is a fundamental shift in financial culture. Roughly 34% of new investors under 35 now start their investment journey with crypto before ever purchasing their first stock or ETF.

How to increase the role of new technologies?

The reality is that achieving the SIU without crypto and blockchain is impossible; innovation is what fuels every major upgrade. While the recipe for tech adoption is simple, the "willingness to change" ingredient is often the hardest to find. Simply put, we must "**master the shift in mindset.**" This means we need to:

- Become less risk-averse and therefore less defensive
- Treat technology as an "opportunity" to be seized not as a "threat to be managed"
- Embrace and mitigate risk rather than fear it
- Allow controlled and fair innovation to surge
- Simplify rules and reduce limitations from the outset, avoiding superficial simplification and reactive measures (e.g., DLT pilot, MiCA Lev. II, III)
- Be more bold and visionary
- Allow consumers to make decisions and educate on best financial practices
- Enter into a new era or public-private partnership in legislation and innovation - fostering more open dialogue and leadership from within the industry
- Provide agile solutions to arduous law-making
- Focus on being "powered by European tech" and not just "governed by EU laws"

How can the crypto industry contribute to achieving the objectives of the SIU?

The crypto and blockchain industry is uniquely positioned to drive the SIU objectives forward. Specifically by:

Blockchain banking systems: These offer real-time settlement, which is more efficient (T+0 instead T+2), transparent and secure.

Single Market Fragmentation: Creates a borderless capital market where liquidity can flow 24/7 from a saver in Spain to a startup in Poland without friction.

Strategic sovereignty: The new Web3 era powered by European Technology - from means of independent payment to new infrastructure plugged to the global network.

Tokenization: Simplifies investment and creates a new easier way of capital access, without reservation, and funding lowering overall cost (direct funding of SMEs). Combined with smart contracts allows for major automation.

Banking the unbanked: Providing financial inclusion and participation to everyone.

Increased transparency and security: Blockchain's traceability and immutability can help build trust in the financial system and enhance compliance.

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Financial education: Crypto serves as a gateway to monetary science, history, and investment principles. By offering accessible, jargon-free resources, practical examples and unique perspective, it simplifies the financial sphere while encouraging deeper financial curiosity.

Retail investment: The absence of a minimum entry point lowers psychological and financial barriers to market participation. This accessibility, paired with robust educational resources, cultivates investment behaviors that often transition into broader traditional financial markets.

Conclusion

History proves the value of innovation. Let's champion the spirit of progress by following the wisdom of Poland's Marie Skłodowska-Curie: "*Nothing in life is to be feared; it is only to be understood. Now is the time to understand more, so that we may fear less.*"



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How technology is transforming asset management: implications for SIU initiative

In recent years, the European asset management sector has increasingly embraced digital innovation to strengthen its value proposition and improve operational efficiency. Across portfolio management, investor engagement, and product distribution, technology is reshaping the industry.

Advanced data analytics, artificial intelligence, and machine learning are being used to enhance portfolio construction, risk management, and performance monitoring. These tools allow asset managers to process large volumes of market, economic, and alternative data. At the same time, automation and digital workflows are improving operational efficiency, reducing costs, and strengthening compliance processes.

Digital platforms, robo-advisory services, and mobile applications have significantly lowered barriers to entry for retail investors, providing simpler access to diversified investment products and previously less accessible asset classes. Unfortunately, this could also increase

the likelihood of investment decisions being made on the basis of insufficient knowledge and unreliable or fraudulent information.

In addition, digital communication tools enhance transparency and investor engagement. Investor portals and real-time reporting improve access to information on portfolio performance and market developments, strengthening investor trust and supporting more informed participation in capital markets.

In addition, technology has transformed distribution models. Online platforms and mobile applications provide direct, scalable access to investment products, significantly broadening market reach. These digital channels streamline onboarding and subscription processes, reduce operational costs, and support regulatory compliance through automated know-your-customer and anti-money-laundering controls. Consequently, product distribution has become more efficient, scalable, and inclusive, reinforcing the SIU's objective of increasing retail investor participation.

Additional actions needed to unlock the full potential of technology

As technological adoption accelerates, regulatory oversight and compliance become increasingly critical. The existing EU digital regulations provide already a generally supportive and coherent framework for the use of technology in asset management. Key regulatory instruments - such as the Digital Operational Resilience Act (DORA), the AI Act, GDPR, and MiFID II - establish important safeguards around data protection, operational resilience, transparency, and investor protection. These frameworks promote trust in digital financial services while allowing innovation to develop within defined boundaries.

However, the regulatory landscape remains complex and, at times, fragmented. Differences in national implementation, overlapping requirements, and evolving interpretations can create uncertainty for firms seeking to scale digital solutions across borders. While the current framework mitigates key risks, it does not always fully accommodate the pace of technological change or support seamless cross-border innovation.

To fully harness the benefits of technology in asset management while safeguarding market integrity, further policy, supervisory, and market-led actions are needed. From a policy perspective, greater harmonization and clarity at EU level would reduce

fragmentation and provide legal certainty, particularly in areas such as artificial intelligence, data sharing, and digital asset infrastructures. Encouraging common data standards and interoperability would significantly enhance efficiency and scalability across the sector.

From a supervisory standpoint, regulators could adopt more technology-neutral and outcome-based approaches, complemented by regulatory sandboxes and innovation hubs. These mechanisms allow firms to test new technologies in a controlled environment while enabling supervisors to better understand emerging risks.

Market-led initiatives also have a critical role to play. Industry collaboration on best practices for cybersecurity, AI governance, and digital ethics would strengthen trust and resilience. In parallel, increased investment in digital literacy for both investors and asset management professionals is essential to ensure that new technologies are used effectively and responsibly.

In conclusion, technology is fundamentally reshaping asset management by enhancing accessibility, efficiency, and competitiveness. While the EU digital regulatory initiatives provide a strong foundation for innovation, further progress in data security, standardization, and investor education will be essential to unlocking the full potential of technology while maintaining a secure, transparent, and resilient financial market.



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On-chain markets will empower retail investors

Financial markets are rapidly adopting tokenization: shares, bonds, cash, and other real-world assets are increasingly issued and settled as tokens on a blockchain. Rights and transfer rules are coded into the token, and the blockchain unifies records across participants into a synchronized ledger. Thus, issuance, transfer, and settlement are streamlined and automated on shared rails. This cuts operational silos and speeds up execution, with clear benefits for retail investors. Intelligent regulation will secure Europe's global leadership in the market shift; counterproductive regulation will push Europe to the sidelines.

The foundation for this new, tokenized market infrastructure is blockchain technology. A blockchain is a decentralized ledger run by independent actors verifying transactions against established rules. Once validated, entries are immutable. Since blocks are cryptographically chained, changing a past block demands rewriting all later blocks and securing consensus to rewrite the history. As a result, the ledger is *inherently* secure, transparent, and resistant to fraud.

Another core feature of blockchain-based infrastructure is near-instant, atomic settlement. Delivery-versus-payment and delivery-versus-collateral execute simultaneously on an all-or-nothing basis: transactions either complete in

full or not at all. The result is materially lower counterparty risk and shorter exposure windows; the infrastructure offers *inherent* operational efficiency.

The contrast with traditional infrastructure is clear. Layered intermediaries introduce delays, errors, and costs. Settlement cycles tie up capital, and cross-border constraints and limited hours add operational frictions. Moving markets on-chain mitigates these inefficiencies by unifying these layers into a single workflow. Smart contracts replace manual reconciliation and stepwise handoffs and embed safeguards and conditions within tokens, all while maintaining clarity of rights and obligations. Continuous operations enable faster liquidity and more flexible position management; fractionalization reduces minimums and widens access. For retail investors, this means settlement in minutes (versus T+2/T+3), 24/7 market access, and minimum investment amounts as low as €10–€100.

As a regulated market maker across tokenized venues, we see these efficiencies emerging in real time. However, tokenized market infrastructure is still evolving. Liquidity is fragmented across chains and venues, resulting in thin secondary markets and uneven price discovery. Although more assets are being tokenized, issuance growth by itself won't build depth. Market microstructure and liquidity provision are essential, yet current market-making requires heavy pre-funding across platforms and chains, immobilizing capital and limiting scale.

Clear, proportionate
regulation will attract
global tokenized
flow to European
financial markets.

The immediate needs: interoperability and capital efficiency.

For tokenized markets to mature, the regulatory approach becomes pivotal. Policy decisions will determine where tokenized-market liquidity forms and where retail benefits materialize. With jurisdictions competing for tokenized infrastructure and flow, Europe must provide clear, proportionate rules to make issuance, custody, and trading predictable and scalable. Specific consideration is needed for tokenization's distinct structural features: programmability, collateral

mobility, settlement finality, and continuous trading. To guarantee investor protection, new rules should reflect the true risk profile of these features rather than rely on traditional comparisons.

While the debate often centers on permissioned versus permissionless networks, in practice, investor protection is primarily driven by governance, custody, and risk controls. To safeguard investors regardless of how innovation evolves, MISP should be technology-neutral and enforce consistent rules on custody, disclosure, and risk controls. This means clear rules for tokenized issuance, transfer, and settlement; extending the DLT Pilot; MiCAR-grade safeguards (client asset segregation, operational resilience); standardized DvP and identity frameworks; and responsible retail access with robust disclosure.

Clear, consistent regulation will let on-chain markets scale responsibly, deepen retail participation, and boost efficiency and competitiveness. With predictable and proportionate rules, Europe can offer the world's lowest-friction environment for tokenization. That clarity will attract infrastructure, concentrate liquidity, and catalyze innovation. This will make Europe the starting point for global tokenization, and establish it as the world's leading financial hub.