

# Scaling tokenisation in the EU

## 1. State of play and trends in the European tokenisation market

### 1.1 Current state of development

The Chair emphasised that tokenisation has moved beyond early experimentation, following more than a decade of DLT development largely confined to proofs of concept and niche applications disconnected from core financial infrastructures. Tokenisation is now accelerating across the financial system, with growing domestic and cross-border use cases in payments, securities settlement and collateral management. This development is driven by the greater technological maturity of DLT platforms, demand for efficiency, instantaneity and programmability, as well as the increasing involvement of regulated financial institutions.

An official noted that tokenisation in EU capital markets has progressed in recent years from experimentation to production and multiple issuances, particularly in corporate bond issuance, with increasing involvement from traditional financial institutions and market infrastructures. While progress is tangible and tokenisation is moving towards production-grade services, the broader ecosystem remains at an early stage of development with limited scale and fragmentation.

An industry speaker considered that tokenisation is increasingly becoming a core part of the market infrastructure, with widespread engagement from leading exchanges, CSDs and asset managers. Second, while current on-chain assets remain relatively limited – estimated at around \$15–20 billion and concentrated in areas such as private credit and money market funds – the market is expected to expand rapidly towards mainstream assets including equities and bonds.

Another industry speaker underlined that concrete examples of tokenised assets are already emerging. For instance, tokenised tracker certificates referencing US equities and ETFs, issued under a European prospectus and passportable across the EU already exist, allowing investors to gain fractional exposure to underlying assets, benefit from faster settlement, extended trading hours and access to standardised disclosures, while enabling greater flexibility in how assets can be held, custodied, transferred and used for additional financial activities, including as collateral for other trades.

### 1.2 Future trends and growth prospects

An industry speaker stated that tokenisation represents a fundamental shift in the financial system and predicted that a substantial share of global financial assets (between \$100 and \$400 trillion) could become tokenised over the coming 15 to 20 years. The transition towards tokenised assets is inevitable, driven by

technological advantages and evolving investor behaviour, notably the younger generation who started investing with cryptoassets.

An official suggested that the broader adoption of tokenisation could accelerate in 2026 or 2027, supported by four main factors: (i) increasing stakeholder engagement and investment in tokenised assets with a strengthening of trust in both the technology and its benefits; (ii) supportive EU regulatory frameworks including MiCA and the reviewed DLT pilot regime, which will address the current limitations (including its temporary nature and issuance caps); (iii) initiatives led by the Eurosystem to ensure the eligibility of certain DLT-based assets as collateral in Eurosystem operations (from April 2026 marketable assets issued in CSDs and using DLT-based technology will be accepted as eligible collateral in Eurosystem credit operations and there is ongoing work to extend eligibility to other assets issued and set up on DLT networks); and (iv) the availability of tokenised central bank money for wholesale DLT-based transactions supported by programmes such as Pontes and Appia. Exploratory work launched by the Eurosystem with market participants in 2024 showed strong demand for central bank money in a tokenised environment, seen as essential for scaling tokenisation, leading the Governing Council to launch a roadmap for its implementation. Together with collateral initiatives, these developments signal strong public sector support for tokenisation while ensuring a balance between innovation, safety and financial stability.

A second industry speaker also stressed the need for Europe to consider developments in decentralised finance (DeFi), noting that emerging initiatives in the United States particularly by the SEC could enable new forms of decentralised trading, including the trading of tokenised equities outside broker dealer networks, which Europe should take into account to remain competitive.

## 2. Benefits and market impact of tokenisation

### 2.1 Efficiency gains and process optimisation

An industry speaker emphasised that tokenisation represents a major opportunity to transform financial markets, going beyond earlier waves of digitalisation that mainly enhanced existing processes. By enabling features such as programmable transactions, shared ledgers and self-custody, it can reshape the underlying market architecture and the way participants interact, simplifying clearing, settlement and reconciliation processes while reducing reliance on intermediaries. This transformation can enhance the efficiency and global competitiveness of EU financial market infrastructures, notably through faster settlement,

lower operational costs, continuous (24/7) market access and greater transparency enabled by on-chain visibility of collateral and post-trade operations. Over time, this could lead to the emergence of new infrastructures operating alongside, and potentially gradually absorbing, existing ones.

A second industry speaker agreed that the expansion of tokenisation is an opportunity to reimagine EU capital markets. It can deliver substantial efficiency gains for market participants by enabling trading, clearing and settlement on a single ledger with on-chain settlement assets, supporting delivery-versus-payment (DVP) and atomic settlement. This reduces the need for intermediaries and back-office processes, generating significant cost savings, estimated at €15–20 billion annually.

A third industry speaker added that tokenisation can potentially bring significant operational improvements through the reduction in transfer times from one brokerage portfolio to another, which can be handled in minutes compared to several days in traditional systems.

A regulator underlined that these benefits are maximised when securities are issued natively on-chain, allowing for more comprehensive efficiency gains. By reducing the need for reconciliation across multiple ledgers - currently a source of delays, costs and operational risks - DLT can significantly improve efficiency and reduce errors. A shared ledger can also support true DVP, mitigating settlement and liquidity risks associated with existing processes, including delays in fund flows. While such frictions are less pronounced in Europe, they remain relevant in other markets, particularly in the United States, for example in the context of retirement products, highlighting the broader inefficiencies that tokenisation can help address. Tokenisation could also support the development of more tailored and scalable financial products for consumers.

## 2.2 Broader access to capital markets at the EU and global level

An industry speaker noted that beyond efficiency, tokenisation can broaden access to capital markets and enhance product distribution by lowering barriers for retail investors and facilitating cross-border participation.

An official highlighted that, while uncertainty remains regarding the future evolution of tokenisation, it has the potential to further develop capital markets in the EU. It can simplify access to capital market financing, supporting the mobilisation of part of the large amounts of retail savings held in bank deposits and contribute to deeper EU capital markets. In Lithuania, for example, shallow capital markets and the relatively high concentration of the banking sector, which remains the main source of funding for SMEs, limit access to finance. Tokenisation could help address these constraints by facilitating the issuance of securities by smaller firms and broadening investor access to corporate securities. In addition, it could support geopolitical priorities by enabling broader investor participation in defence-related financial instruments, such as defence bonds,

while enhancing liquidity and potentially reducing costs for such instruments.

A second industry speaker underlined that tokenisation can attract younger investors to capital markets, who increasingly expect digital-native services, continuous market access and the ability to move and exchange assets instantly across platforms. It can also broaden retail access to asset classes that are currently difficult to reach, such as bonds, real estate and private markets, thereby improving overall capital allocation. Tokenisation can also facilitate cross-border investment and support the emergence of a more global marketplace, creating an opportunity for Europe to attract international investors through greater accessibility and continuous trading, particularly in a context where developments in the US supported by the SEC suggest a rapid shift towards tokenised capital markets.

A third industry speaker noted that fractionalisation enabled by tokenisation can further expand investor access and increase the share of adult population participating in capital markets, which remains low at the global level (around 25%). Tokenisation can also broaden the range of financial instruments and functionalities available to retail investors, such as asset swapping or borrowing against holdings, which have traditionally been limited to wealthier clients, while supporting the development of more tailored and scalable financial products. This is particularly relevant in a context where financial wealth is growing faster than labour income, reinforcing the need to widen participation in capital markets. From an issuer perspective, tokenisation can also provide access to a broader global investor base and support more direct and efficient capital raising through digital issuance processes, including token-based fundraising models such as ICOs.

## 3. Risks and implementation challenges

An official identified fragmentation and the lack of interoperability across DLT platforms as the most significant obstacles to the uptake of tokenisation, noting that assets issued on separate platforms may not be easily transferable, thereby limiting its potential benefits. Cyber-risks and scalability challenges were also highlighted, although these are common to the adoption of all new technologies and are expected to be mitigated over time. In the absence of common standards ensuring interoperability and the transferability of assets across ledgers, tokenisation could replicate the inefficiencies of existing systems, rather than resolve them. The Appia project led by the Eurosystem aims to address these challenges, supporting the development of a more integrated and innovative ecosystem.

A regulator cautioned that risks are particularly acute during the transition phase, when existing mechanisms of trust may no longer fully apply and new processes are not yet fully operational. Increased speed and automation can also remove existing safeguards, creating potential

for new errors and systemic issues. Past episodes of failures in automated trading systems or flawed models, which led to large unintended transactions and rapid losses, highlight the importance of rigorous testing and safeguards when new processes are introduced that can amplify risks. Strong model and contract risk management are essential, highlighting the inherent trade-off between accelerating innovation and maintaining the controls needed to ensure market integrity.

An industry representative emphasised that while tokenisation offers significant potential to transform and democratise access to capital markets and the underlying technology is quite mature, fragmentation remains one of the most critical risks, as shown by multiple experiments conducted with central and commercial banks. The assumption that a single dominant infrastructure or ledger will emerge to impose de facto industry-wide standards is not realistic, and instead multiple platforms are likely to coexist.

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## 4. Settlement assets and monetary policy implications

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The Chair stated that while the emergence of new tokenised settlement assets such as stablecoins and tokenised deposits can support the development of tokenisation, their implications for the current monetary system need to be further assessed. The Eurosystem perspective is that tokenised settlement assets should develop in a way that preserves and embeds the existing two-tier monetary system for settlement processes, where central and commercial bank money play complementary roles, rather than creating parallel arrangements that would bypass this framework and risk fragmenting the monetary system.

An official agreed that the development of tokenisation should preserve the two-tier monetary system, with central bank money remaining the key anchor for financial stability, as established following the 2008 global financial crisis through the PFMI principles. In this perspective, the Eurosystem has launched two key initiatives: Pontes, expected to be deployed at scale in September 2026 will enable the use of tokenised central bank money for wholesale settlement by connecting TARGET services with DLT platforms, and Appia, which aims to support the longer term development of a more integrated ecosystem in which different types of tokenised assets and settlement instruments can coexist. These initiatives illustrate the Eurosystem's objective of supporting innovation while preserving financial stability. Allowing a diversity of settlement assets, including private instruments such as tokenised deposits can be beneficial, provided they can scale and remain transferable. Stablecoins can also be useful for specific use cases, although challenges related to scalability and price stability still need to be addressed.

An industry speaker stressed that tokenisation requires on-chain settlement assets to enable DVP and atomic settlement, and cautioned against delaying progress while awaiting CBDC deployment, given that tokenisation is already advancing rapidly. In this context, the future

monetary system is likely to be a "money multiverse" combining a variety of public and private digital settlement assets. Well-regulated stablecoins under MiCA should play a complementary role alongside wholesale CBDC in such a diversified settlement ecosystem. Stablecoins are particularly well suited to global and cross-border transactions, provided their design ensures trust, price stability and the singleness of money, meaning that they can reliably maintain a stable value and be exchanged at par with other forms of money.

The industry speaker also pointed to recent developments in the US, where stablecoins are already operating at scale, settling large transaction volumes and are increasingly recognised for use in financial transactions, including as collateral under proposed frameworks such as the GENIUS Act, with haircuts expected to decline from 2% to approximately 50bp as the underlying risk of stablecoins is reassessed. Europe should take these developments into account to remain competitive by recognising MiCA-regulated stablecoins as legitimate settlement assets, without distinction between bank-issued and electronic money institution-issued stablecoins.

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## 5. Policy and operational priorities for scaling tokenisation

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### 5.1 Standardisation and interoperability

An industry representative stated that the key policy priority regarding tokenisation should be achieving interoperability, not only at the technical level but also at the business level, ensuring that financial instruments can be transferred across platforms and work consistently to avoid confusion and inefficiencies.

The industry representative also highlighted the importance of industry standardisation to ensure both interoperability between digital assets (i.e. that a bond can function in a similar way irrespective of the underlying platform) and smooth coexistence between traditional and DLT-based infrastructures during a likely prolonged transition phase between these two types of platforms. There is also the need to ensure smooth, secure and reliable data transitions between fully digital and traditional processes. The current stage of development represents a timely opportunity to establish such standards before fragmentation becomes entrenched.

### 5.2 Review of the DLT pilot regime and sandboxes

An industry speaker stated that adjustments to the regulatory framework are needed to support the uptake of tokenisation, including making the DLT pilot regime permanent, allowing broader participation, including by crypto-asset service providers (CASPs) and increasing thresholds to make the regime more flexible.

An official agreed that the DLT pilot regime presents important limitations, as it is both restrictive for larger players and complex for smaller ones to use, notably due to constraints related to asset eligibility and volume caps. These limitations hinder scalability and limit the

ability of European firms to expand their products internationally, particularly in the US. The framework needs to evolve to support a broader deployment of tokenisation, while maintaining appropriate safeguards to ensure financial stability. At the same time, it should remain competitive and aligned with broader EU strategic objectives, including strengthening the international role of the euro.

A regulator highlighted the role of regulatory sandboxes in supporting safe innovation in the UK, noting that they provide controlled environments, either through real transactions under specific limitations and regulatory permissions or through simulated testing, where firms can develop tokenisation-related products before public release. These frameworks have seen strong uptake, with products subject to extensive testing, including stress scenarios such as fraud attempts. This approach enables regulators to balance innovation and risk management by allowing experimentation under supervision, while broader regulatory approaches to tokenisation are still being finalised.

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## Wrap up

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The Chair concluded that the discussion highlighted strong consensus on the potential benefits of tokenisation, notably in terms of efficiency gains and expanded access to capital markets for both investors and issuers. Tokenisation appears to be approaching an inflection point, supported by increasing market engagement, regulatory developments and public sector initiatives, particularly those led by the Eurosystem, which could significantly accelerate its deployment. The expected efficiency gains of tokenisation for market participants and public authorities must, however, be weighed against associated costs and risks. Important risks and challenges remain, particularly fragmentation across DLT platforms, which requires coordinated efforts and standardisation at both European and international levels.

The importance of preserving the two-tier monetary system was also highlighted, alongside recognition of the potential role of private settlement assets such as well-regulated stablecoins. Overall, tokenisation represents a significant evolution of the financial system, with its full impact still unfolding and requiring continued adaptation of regulatory frameworks.