TOKENISATION USE CASES

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Capital markets reconsidered. How tokenization can change the status quo

Nowadays, the EU is living inside of a paradox: despite having one of the world's largest economies and one of the deepest pools of household savings, the EU has yet to translate this economic scale into equally integrated and efficient capital markets. Capital markets remain fragmented along national lines, liquidity is dispersed, and post-trade processes are still more complex than they should be. Tokenisation is one of the few technologies that could provide the infrastructural element to close the fragmentation gap, together with enabling regulation and ambitious market reforms.

Unlike some of its global counterparts, the EU still cannot benefit from integrated and efficient capital market. Companies seeking capital need to navigate difficult national regimes, invest time and money into understanding the difficult and different regulations of several jurisdictions when they were promised a Single Market. EU households keep much of their savings in low-yield deposits, and a significant share of their capital market investments flows outside the EU. Tokenization here provides a clear mechanism on how to reduce issuance and servicing costs, shorten settlement chains, enable more automated corporate actions through programmable assets, and facilitate cross-border distribution of financial instruments. It is not only a new technology, but a different market infrastructure that enables easier access to capital.

The strategic relevance of tokenisation extends beyond efficiency gains. At a time when Europe is seeking to strengthen its competitiveness and strategic autonomy, the ability to mobilise European savings for European investment has become increasingly important. More efficient capital markets can support the financing of sectors critical to Europe's future, including clean technologies, digital infrastructure, artificial intelligence and other strategic industries. Modern financial infrastructure is therefore not merely a question of market efficiency; it is also an element of economic resilience.

> Tokenisation's value lies not in digitising assets but integrating EU capital markets.

Thinking of the solutions, the DLT Pilot Regime represents an important step in translating the promise of tokenisation into practical market innovation. Rather than promoting technology for its own sake, it provides a controlled regulatory environment in which market participants can test distributed ledger technology for the trading and settlement of financial instruments while maintaining high standards of investor protection and financial stability. Although uptake has so far been gradual, the regime should be viewed as a regulatory laboratory rather than a measure of immediate market success. The experience gained by supervisors and market participants will help identify legal and operational barriers to wider adoption and inform future reforms of the EU's financial rulebook. This is particularly relevant for the objectives of the Savings and Investments Union, as modernising market infrastructure can reduce cross-border frictions and lower the cost of raising capital. For smaller and less-developed capital markets, the ability to adopt innovative infrastructure without extensive legacy constraints could provide an opportunity to accelerate integration into the broader European capital market.

The greatest impact of tokenisation is likely to come from use cases that address existing weaknesses in European capital markets. Tokenised bonds and other securities are among the most promising applications, as they can improve issuance, settlement and lifecycle management while facilitating cross-border investment. Tokenisation could also support broader access to capital market financing for small and medium-sized enterprises by reducing issuance complexity and costs. In addition, the digitalisation of private market assets, including venture capital, infrastructure and other long-term investments, could help expand investor participation in areas that are essential for Europe's growth.

However, tokenisation should not be viewed as a substitute for the wider reforms required to deepen European capital markets. Differences in taxation, insolvency regimes, supervision and market practices remain important barriers to integration. Technology cannot resolve these challenges alone. Nevertheless, it can provide the infrastructure needed to make future reforms more effective by enabling more efficient, transparent and interconnected markets.

Ultimately, tokenisation will not create a Savings and Investments Union by itself. But if supported by appropriate regulation and broader market reforms, it can become an important enabler of deeper, more competitive and more integrated European capital markets. Tokenisation's value lies not in digitising assets but integrating EU capital markets.

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Tokenization and the digital transformation of financial markets

The United States has long led global financial markets by combining innovation with trust. From the era of the telegraph and ticker tape through the advent of electronic trading, digital technologies, and the internet, successive waves of innovation have continually strengthened U.S. markets, rendering them the deepest, most liquid, and most trusted in the world. Today, the U.S. is driving the next transformation through artificial intelligence, tokenization, and digital market infrastructure.

From the CFTC's perspective, tokenization is more than creating digital representations of financial instruments, it has the potential to transform both the infrastructure and contracts underpinning over $600 trillion in U.S. regulated derivatives markets. These markets have evolved beyond traditional risk management to become the primary mechanisms for price discovery and risk transfer across capital markets, energy, agriculture, metals, foreign exchange, and crypto assets; influencing virtually every sector of the global economy.

As markets become increasingly continuous, digital, and automated, tokenization has the potential to modernize the movement of collateral, margin, liquidity, and risk. It can also support the development of tokenized derivatives and new digitally native products that will underpin the new frontier of financial markets.

Initial large-scale applications will likely emerge where tokenization improves market infrastructure. Tokenized cash, U.S. Treasuries, and other eligible collateral can enhance collateral mobility, reduce settlement friction, and support efficient liquidity management. Combined with programmable smart contracts, tokenization can automate margin management, collateral substitution, settlement, and lifecycle processing, each of which has the potential to strengthen operational resilience and potentially lower margin requirements. Greater automation will lead to faster collateral movement reducing the period of risk. In turn, that could lower margin requirements and improve capital efficiency.

Alongside tokenization, several other transformative developments are reshaping global market structure, including artificial intelligence, algorithmic execution, the evolution toward continuous 24x7 trading, and the growth of onchain finance platforms offering digitally native derivatives. Together, these innovations are transforming market microstructure in ways not seen since the transition from open outcry to electronic markets at the turn of the century.

AI, Tokenization, 24x7 and Onchain Markets are driving the next frontier of capital markets.

As these structural changes take shape, financial markets will become increasingly interconnected. Liquidity, price discovery, risk transfer, and volatility will be transmitted across traditional cash, derivatives, and onchain markets with unprecedented speed, creating a more integrated global market ecosystem. This means that effective regulatory supervision will depend on understanding how risk propagates across this ecosystem to identify vulnerabilities before disruptions become broader events.

These developments introduce new supervisory challenges. As financial market infrastructure becomes increasingly digital and globally distributed, regulators must supervise interconnected ecosystems rather than individual institutions. Operational resilience, cybersecurity, governance, legal certainty, interoperability, data integrity, and cross-border cooperation will become increasingly important.

Regulation must remain grounded in the economic substance of financial activity. A tokenized security remains a security; a tokenized derivative remains a derivative. As SEC Commissioner Peirce has remarked, tokenization does not transform the nature of the underlying asset. Clear regulatory treatment is essential to support innovation, prevent arbitrage, and preserve confidence.

Under Chairman Michael Selig, the CFTC, as the world's largest derivatives market regulator, encourages responsible innovation while preserving principles that make U.S. derivatives markets the global benchmark. Innovation and regulation should not be viewed as competing objectives. Instead, effective regulation should provide confidence for responsible innovation.

Tokenization should therefore be viewed not as an isolated innovation, but as one component of a broader transformation of financial markets. Alongside AI and autonomous market structures, it is redefining how financial contracts are created, traded, financed, cleared, and managed. The CFTC's opportunity is to help shape the future architecture of global derivatives markets, ensuring responsible innovation strengthens efficiency, resilience, and trust while at the same time reinforcing U.S. leadership, as has been the case for the past many decades.

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Building trusted and resilient tokenised financial markets

The tokenisation of financial assets has the potential to reduce operational costs, improve market efficiency and mitigate settlement risk. Technological innovation will undoubtedly remain a key driver of change within the financial services sector. As regulators, however, our role extends beyond facilitating innovation. We must identify emerging trends, assess vulnerabilities and anticipate unintended consequences that may arise from new technologies and business models.

In this context, there is scope to further strengthen cooperation and coordination among financial regulators and other competent authorities. At the same time, high standards of investor protection, anti-money laundering compliance, operational resilience and cybersecurity must remain at the centre of supervisory efforts. Particular attention should also be given to the way investors engage with digital platforms, ensuring that innovation is accompanied by transparency, accountability and appropriate safeguards.

Tokenisation has the potential to unlock significant opportunities for the EU's financial markets by fostering innovation, enhancing competitiveness and supporting the development of a more integrated capital market. At the same time, the transition from traditional market infrastructures to tokenised ecosystems will not be immediate and is unlikely to be without challenges. Realising the full potential of this technology will require investment, legal certainty and coordinated action across both the public and private sectors.

The potential benefits of tokenisation are considerable. It can contribute to greater efficiency across the issuance, trading and post-trade lifecycle of financial instruments, while reducing operational and transaction costs through increased automation and digitalisation. Tokenisation may also enhance access to investment opportunities and facilitate more efficient cross-border distribution of financial products, supporting deeper market integration and the objectives of the Capital Markets Union.

At the same time, as tokenised markets continue to evolve, it is essential that innovation is underpinned by sound governance arrangements, robust risk management practices and an effective regulatory framework that safeguards market integrity, investor protection and financial stability.

The EU has established one of the most comprehensive regulatory frameworks globally for digital finance and tokenised markets. The introduction of MiCA, alongside MiFID II, DORA and DLT Pilot Regime, represents an important step towards enhancing legal certainty, strengthening investor protection and supporting the orderly development of digital financial services across the Union.

The current regulatory framework provides a sound basis for the development of tokenised markets.

The DLT Pilot Regime is particularly important for the development of tokenised capital markets, as it creates a controlled environment for the issuance, trading and settlement of tokenised financial instruments using distributed ledger technology. It serves as a bridge between existing financial market regulations and emerging tokenisation models, supporting innovation while preserving market integrity and investor protection. However, despite the valuable experience gained through the DLT, the scaling-up of tokenised markets has so far remained limited partly due to interoperability challenges. The coexistence of multiple DLT platforms, fragmented technological standards and the difficulties associated with integrating these systems with traditional financial market infrastructures continue to pose significant barriers to broader market adoption and cross-border scalability.

In addition, DORA provides a robust framework for managing information and communication technology risks through requirements relating to governance, incident reporting, operational resilience testing and third-party risk oversight. These safeguards are especially relevant in tokenised ecosystems, which rely heavily on digital infrastructures and interconnected service providers. At the same time, MiFID II continues to provide a strong investor protection framework where tokenised assets qualify as financial instruments, ensuring that established standards regarding transparency, suitability and conduct of business remain fully applicable.

The current regulatory framework provides a sound basis for the development of tokenised financial markets within the EU.

As the EU advances towards deeper capital market integration and greater digitalisation of financial services, it will be important to ensure that innovation develops within a framework that safeguards financial stability, protects investors and preserves confidence in the financial system. The objective should not simply be to support technological change, but to ensure that such change contributes to efficient, resilient and trustworthy financial markets.

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Tokenisation's next phase: from pilots to products that scale

Tokenisation has moved past the proof-of-concept stage. Across the European markets where we operate, the question is no longer whether assets can be represented onchain, but which use cases generate enough liquidity, distribution and investor demand to matter.

Tokenised equities are where we're seeing the clearest growth today. xStocks, for example, has processed over $37 billion in cumulative transaction volume and reached over 180,000 unique onchain holders since launching in June 2025 - evidence that investors are trading tokenised securities at meaningful scale. That momentum is being followed by real opportunity elsewhere: tokenised money market funds and other short-duration instruments are close behind, with near-instant settlement and programmable transfer solving operational friction for treasuries and institutional desks. Private market instruments – funds, credit and pre-IPO exposure – are the longer-term opportunity: tokenisation addresses a structural gap, since illiquidity has historically kept these assets out of reach for all but the largest allocators.

What unites these use cases is that tokenisation is not the end goal. It is infrastructure that makes assets easier to distribute, hold, trade and combine into new structures. For issuers, this means access to a broader, global investor base without rebuilding distribution in every jurisdiction. For investors, it means fractional access to assets previously sold in large blocks, and the ability to move exposure between platforms and wallets rather than being locked into one custodian's ecosystem. Because tokenised assets are programmable, they also open room for product innovation – instruments automating coupon payments, embedding compliance checks, or bundling exposures impractical on legacy rails.

Secondary market liquidity is where the upside is most direct. Fractional units and near-continuous settlement let an asset trade in smaller size, more often, and against a wider pool of counterparties than batch-settled, minimum-lot markets allow today – narrowing spreads and improving price discovery. That upside is only realised when tokenised instruments reach a broad market; confined to closed, single-platform environments, liquidity remains shallow and price discovery weak, regardless of how sophisticated the technology is. The more interesting developments are where tokenised assets can move across venues and trade against genuinely diverse buyers and sellers, which is what turns a digital wrapper into a functioning market.

This points to the main constraint on the sector's growth: fragmentation. Multiple firms are building tokenisation infrastructure on different chains, legal wrappers, and custody and settlement models. Each initiative can work well for its own users, but the absence of common standards for issuing, holding and transferring tokenised assets limits network effects that make any market genuinely liquid. An investor holding a tokenised bond on one platform today often cannot move it, trade it elsewhere, or use it as collateral elsewhere. Until that changes, tokenised markets will remain parallel pools rather than one deeper market.

> **Tokenisation only delivers value once liquidity, distribution and trust converge.**

Regulatory clarity is the other precondition, and Europe is well placed to provide it. MiCA has given the EU a licensing and supervisory framework for CASPs; the next step is extending that clarity to how tokenised securities interact with existing rules under MiFID, rather than treating tokenisation separately. The EU's DLT Pilot Regime is a useful start for testing tokenised trading and settlement, and the Commission's proposal to raise its volume threshold from €6bn to €10bn, part of the Market Integration and Supervision Package, is a welcome step – though the reform is still working its way through Parliament and Council, and scope remains narrow relative to emerging use cases. Firms need certainty on custody, settlement finality, and how investor protection rules apply once an asset's legal form and technical representation differ. Where clarity exists, adoption moves faster; where it doesn't, firms build cautiously.

Interoperability standards, whether from industry consortia or regulators setting baseline technical requirements, would unlock more liquidity than any single platform's efforts. The same applies to custody: investors need confidence that tokenised assets can be safely held and transferred regardless of which platform issued them.

None of this argues against experimentation. The current period of parallel initiatives is a necessary part of how new market infrastructure develops, producing real lessons about what works. But the next phase of growth depends less on new pilots and more on connecting what already exists: shared standards, interoperable custody, and secondary markets deep enough to make tokenised assets genuinely liquid rather than merely digital. Europe can lead by building that connective layer on top of MiCA and the DLT Pilot Regime, rather than waiting for fragmentation to resolve itself.

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Tokenization and the future of post-trade infrastructure

As the digital asset landscape matures, the conversation is shifting from whether assets can be tokenized to where tokenization can deliver meaningful value. While much attention has focused on digitally-native securities and new asset classes, some of the most significant opportunities lie within the post-trade ecosystem, including settlement, asset servicing, collateral management and securities financing.

For financial market infrastructures (FMIs), tokenization is not about replacing existing market structures. It is about enhancing how markets operate. By creating digital representations of real-world assets that can move more efficiently across the financial system, tokenization has the potential to improve transparency, reduce operational friction and support more efficient use of capital.

Among the use cases, collateral management is particularly compelling. Today, collateral is often distributed across multiple custodians, counterparties and platforms during standard market hours, limiting firms' ability to mobilize assets quickly when needed. Tokenization can improve collateral mobility by enabling assets to move more efficiently across borders and timezones, while enabling financing, margin and settlement workflows. As firms adapt to shorter settlement cycles, higher collateral demands and more global market activity, the ability to deploy collateral more quickly, and outside traditional hours, may become a significant source of operational and capital efficiency.

Repo and securities financing markets could realize similar benefits. Faster asset mobilization, greater visibility into collateral positions and more automated workflows have the potential to improve liquidity management and reduce operational complexity. These efficiencies become even more important as markets evaluate longer trading hours and more continuous operating models.

Settlement is another area where tokenization can create meaningful impact. Financial markets have spent decades improving settlement safety and efficiency, yet many processes still rely on multiple handoffs and reconciliations between participants. Tokenization can support more automated workflows, improve transparency across transaction lifecycles and reduce the operational burden associated with maintaining consistency across systems. The opportunity is not simply faster settlement, but more efficient and predictable settlement supported by higher-quality data and improved visibility.

> Tokenization can modernize post-trade markets while preserving safety and resilience.

Asset servicing may also benefit. Corporate actions and other lifecycle events often require extensive coordination among market participants. By providing a more synchronized view of asset ownership and entitlements, tokenization can support greater automation and reduce manual processing. Over time, this could improve the experience for issuers and investors alike while helping address longstanding operational challenges.

However, technology alone will not determine success. The industry's ability to achieve interoperability will be critical. Tokenized assets must be able to move across platforms, networks and market participants without creating silos or fragmentation. Common standards, coordinated operating models and trusted infrastructure will be essential to ensuring tokenization delivers benefits at scale. Interoperability should be viewed not as a technical feature, but as a prerequisite for adoption.

This is where FMIs remain indispensable. The resiliency, governance and risk management that underpin today's financial markets will be just as important in the digital ecosystem. Rather than being displaced, FMIs are well positioned to help bridge traditional and digital markets, supporting innovation while preserving market stability.

For this reason, traditional and digital infrastructures are likely to coexist for many years. The future is unlikely to be defined by wholesale replacement of existing systems. Instead, established market infrastructure will create interoperable bridges, enabling assets to move seamlessly between traditional and digital environments while maintaining the protections market participants expect. By enhancing collateral mobility, reducing reconciliation requirements, supporting automation and enabling more efficient liquidity management, tokenization can help modernize post-trade activities while preserving the trust and resiliency that are fundamental to the financial system.

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Tokenisation: The next chapter in asset management

Tokenisation has generated excitement across financial markets, with many believing that it will fundamentally reshape asset management. The history of the fund industry has been defined by key innovations: the creation of mutual funds, the development of money market funds, and the introduction of ETFs. Fund tokenisation has the potential to become the next major chapter in that evolution.

Although the technology holds promise, the immediate opportunities are less about new investment products and more about improving the infrastructure that supports them. Tokenised money market funds show how tokenisation can enhance collateral mobility, operational efficiency, and capital utilisation while leveraging the strengths of existing regulated fund structures.

For decades, money market funds have served as core cash management vehicles, offering daily liquidity, principal stability, and exposure to high-quality short-term instruments. Since their introduction in the 1970s, they have become one of the most widely used liquidity management tools for both institutional and retail investors. Their combination of market-based yields, transparency, diversification, and highly liquid underlying investments has made them a trusted component of global financial markets. These same characteristics also help explain why money market funds are widely accepted as collateral and are a natural candidate for tokenisation.

Today, investors increasingly expect faster movement of assets and seamless access across financial ecosystems. Tokenisation can help meet these expectations by representing fund interests digitally while preserving the fund's underlying investment characteristics.

The area where tokenisation may prove most transformational is collateral management. Traditional collateral workflows often require various institutions, including custodians, transfer agents, and counterparties, to coordinate transfers and substitutions. These processes can create operational friction and lead firms to hold excess collateral buffers.

The recent Global Digital Finance and ISDA report on US tokenised money market funds concluded that tokenisation can improve collateral mobility by enabling assets to move more efficiently across institutions and market infrastructures while maintaining legal, regulatory, and operational safeguards. The report also highlights the potential to reduce collateral fragmentation and streamline collateral transfers and substitutions, helping high-quality assets move more seamlessly through the financial system.

Tokenised funds can improve market efficiency and collateral mobility.

For investors, tokenisation expands the utility of money market funds. Traditionally used for cash management and liquidity purposes, money market funds in a tokenised environment may also serve as readily deployable collateral supporting a broader range of financing and capital markets transactions. This could improve capital efficiency by allowing investors to use a single asset to meet liquidity, investment, and collateral needs while continuing to benefit from professional liquidity management.

But the benefits extend beyond collateral mobility. Tokenisation offers the prospect of shorter settlement cycles, greater transparency, lower operational costs, and enhanced interoperability. Compared with posting cash as collateral, TMMFs allow investors to maintain exposure to a yield-generating, liquid investment while meeting collateral obligations and improving capital efficiency. Tokenisation may also help connect traditional financial markets and emerging digital asset ecosystems. As financial institutions increasingly use distributed ledger technology, investors will require liquidity and collateral solutions that can function across both traditional and digital environments. Tokenised money market funds may be well positioned to support that transition because they combine established investor protections with new operational capabilities.

The success of tokenisation, however, will depend as much on regulatory policy as on technology. Policymakers continue to address legal certainty, custody, interoperability, and collateral eligibility, among other issues.

Importantly, tokenisation should not be viewed as replacing traditional asset management. It enhances the operational utility of fund interests while preserving professional portfolio management, liquidity oversight, governance, and investor protections.

Tokenised money market funds demonstrate how established products can evolve to support the next generation of capital markets while preserving the attributes that investors already trust. Rather than creating a new asset class, tokenisation enhances the utility and collateral mobility of a familiar, highly regulated investment product.