Tokenisation use cases: how can tokenisation transform financial services?

1. Tokenisation market development and main use cases

1.1 Tokenisation and the transformation of capital markets

The Chair referred to the technical definition of tokenisation as the digital representation of financial instruments using DLT (distributed ledger technology), and the significant potential, behind that definition, to transform how markets operate, transactions are executed and settled and financial products are traded.

A regulator emphasised that tokenisation should be considered against the broader evolution of capital markets. Beyond transferring existing assets onto blockchain, tokenisation is part of a broader transformation towards 24/7 trading, on-chain execution, atomic settlement, new digital payment rails and digitally native products, with smart contracts and AI enabling increasingly automated and autonomous execution. Programmability and composability are the two core features of tokenisation that could change how markets are organised and operate. Programmability allows financial rules to execute automatically through smart contracts, while composability allows tokenised assets and contracts to interact as digital building blocks across markets. Together, these features can integrate and automate activities that currently take place on separate systems, including trading, payments, collateral management and settlement, potentially changing how trading takes place, prices are discovered, portfolios are constructed and risk is managed. This could support a shift away from discrete trading hours, traditional intermediaries, batch settlement and defined market boundaries towards more continuous, programmable, global and interoperable markets. Composability could also allow connected instruments such as a bond and a related swap, which currently operate on separate rails and under different margining arrangements, to be brought together and managed in a more integrated way.

The regulator pointed to the evolution of derivative markets as another major development in capital markets. Over the past 10 to 15 years, derivatives have developed from instruments used mainly for hedging into an integral and significant part of capital markets alongside cash instruments. Global derivative markets are now estimated at about $1.2 quadrillion in notional value. Derivatives play an important role in portfolio construction, allowing investors to create and rapidly adjust exposures without necessarily trading the underlying assets, and to transfer risks between market participants, including those related to volatility, credit spreads and convexity, while also contributing to price discovery.

1.2 Tokenised money market funds and collateral

An industry speaker stressed that tokenisation should be developed around concrete client needs rather than the technology itself. The most advanced use cases are emerging in highly liquid areas, particularly collateral management and money market funds (MMFs), with significant tokenisation activity also involving government securities and repo markets. Collateral management is a particularly important use case, as tokenisation could enable faster settlement and greater collateral mobility, while improving capital efficiency and reducing operational complexity. Traditional MMFs can already be used as collateral but remain underused because the process is cumbersome: fund shares generally need to be redeemed into cash, the cash posted as collateral and then potentially reinvested by the custodian in the same fund. Tokenised MMFs could remove these intermediate steps by allowing highly liquid funds structured under familiar regulatory frameworks, such as US Rule 2a-7 or the EU MMF Regulation, to be posted directly as collateral while continuing to provide market-based yield.

A second industry speaker added that tokenisation could fundamentally change the MMF market by giving MMFs greater secondary-market utility. Over the previous six to twelve months, the asset-management market has shifted from experimentation with tokenisation towards concrete use cases and assessment of business benefits, with engagement extending beyond digital-asset teams to cash-management, portfolio-management and distribution teams. The tokenisation of MMFs may now be reaching an inflection point, as digitally native tokenised MMFs, where the security itself is the token, could be used directly as collateral in repo transactions or posted with prime brokers, counterparties or central counterparties (CCPs), rather than having to be redeemed for cash.

A third industry speaker agreed that collateral is the first and strongest use case for tokenisation. The collapse of Lehman Brothers on a Friday in 2008, when market participants had to wait until Monday morning to determine how to liquidate collateral, illustrates the limitations of existing arrangements. By enabling real-time, 24/7 access to assets, tokenisation could support just-in-time risk and collateral management, both improving the efficiency of existing processes and fundamentally changing how risk and collateral are managed.

1.3 Tokenised securities and post-trade use cases

An industry speaker explained that in the US, DTCC is seeking to bring assets held in traditional custody onto blockchain rails so that programmability and smart contracts can expand how those assets are used.

Following SEC's no-action relief received at the end of 2025, DTC is authorised to offer this tokenisation service to its participants for three years. A first production test conducted in July 2026 covering eight use cases, ranging from collateral mobility and securities lending to real-time trading began to demonstrate the potential benefits of the technology. DTCC expects to launch the service at the end of October, followed by incremental development as additional features and functions are introduced.

Another industry speaker explained that their firm has launched a tokenised-equity product in several jurisdictions, including Europe, where it operates under the existing MiFID framework. Volumes remain limited but investor demand, including retail adoption, is strong and is expected to support further growth, demonstrating the potential of tokenised equities as a practical use case. Native tokenised issuance is also expected to develop in smaller markets, potentially reducing the cost of capital formation and improving market access and efficiency.

2. Potential benefits and impact on European capital markets

2.1 Efficiency and integration gains

An official stated that tokenisation could generate significant efficiency gains across the capital-market value chain, but the ambition should go beyond saving a few basis points to addressing structural inefficiencies and fragmentation in European capital markets. The greatest practical gains are likely in issuance, settlement and asset servicing, where programmable assets could enable greater automation and reduce reconciliations across systems and intermediaries, lowering processing costs and shortening settlement chains.

The official added that the benefits could be particularly significant for cross-border activities, where market participants continue to face substantial operational frictions. More efficient digital infrastructure could facilitate cross-border distribution of financial instruments and improve access to capital across the EU. Over the longer term, tokenisation could go beyond optimising existing processes by helping build more interconnected markets and supporting a more integrated European investment ecosystem.

An industry speaker agreed that tokenisation can both optimise existing processes and fundamentally change market operations.

A second industry speaker cited a treasury-management system used by 1,200 corporate treasurers globally as a concrete illustration of potential benefits. According to estimates, $250–300 billion in cash is effectively trapped in the system, generating no yield, partly because investing the cash in MMFs involves cumbersome subscription and redemptions processes on traditional rails. Surveys show that more than 60 to 70% of clients would be ready to invest this cash in tokenised MMFs when they become available, potentially generating additional yield for corporate clients while providing asset managers with greater and stickier assets under management.

2.2 Investor and issuer access to capital markets

An industry speaker stressed that tokenisation can support the SIU objective of developing deeper and more integrated EU capital markets by reducing market friction and fragmentation, expanding access, connecting markets and streamlining collateral management, with the longer-term aim of lowering costs for investors and issuers. For issuers, potential benefits include more streamlined issuance, improved record-keeping, simpler servicing, more efficient distribution and broader reach to investors across Europe, which together could increase their willingness to use capital markets as a source of funding. For investors, benefits include easier digital access, faster settlement, greater transparency and improved collateral mobility, particularly for institutional investors. The industry speaker cautioned, however, that faster or atomic settlement can increase pre-funding requirements because participants need the necessary cash and securities available in advance to complete transactions, creating a trade-off with the benefits of faster settlement.

Another industry speaker agreed that tokenisation can support capital-market integration and growth by improving both investor access and infrastructure. With many individuals in Europe not participating in capital markets and significant savings remaining outside them, tokenised equities could broaden access by lowering the amount investors need to invest through fractional exposure and expanding the range of international markets available through a given platform. Tokenisation and native issuance could similarly give SMEs that cannot access capital markets, or lack a liquid domestic exchange, alternative ways to raise capital and reach investors across the EU. Broader investor participation and improved access to funding could in turn stimulate investment, business activity and innovation in the EU.

An official noted that while tokenisation cannot solve all of Europe's capital-market problems or substitute for the broader reforms needed to deepen European capital markets, it can nevertheless provide an important infrastructure component for a more integrated SIU and help mobilise European savings for European investment.

3. Challenges and regulatory implications

3.1 Market adoption, scale and interoperability

An official stressed that technological readiness and market adoption should be distinguished: the technology supporting tokenisation already exists, but the greater challenge is achieving sufficient scale and market participation, with three main constraints to be addressed. First is market fragmentation. If platforms and standards develop in parallel without interoperability, Europe risks reproducing existing capital-market fragmentation in digital form and creating new silos rather than supporting integration. Second, tokenisation business cases remain uncertain because firms must invest in new infrastructure, processes and expertise while the benefits depend on broader adoption. This creates an adoption challenge:

investors require sufficient liquidity and market depth to participate, while liquidity and market depth themselves depend on sufficient investor and issuer participation. Third, broader adoption will depend on tokenisation demonstrating clear added value over existing arrangements. The most promising use cases are those that address recognised weaknesses in European capital markets and demonstrate tangible benefits, for example by reducing issuance and servicing costs, simplifying cross-border transactions, shortening settlement chains and improving operational efficiency, thereby supporting wider market adoption.

An industry speaker observed, drawing on the experience of a global asset manager active both as an issuer of tokenised funds and an investor in tokenised securities, that adoption is developing through a progressive and iterative process. The readiness of service providers remains uneven, while technological, regulatory and operational obstacles continue to delay projects. In addition, traditional and blockchain infrastructures are likely to coexist for a long transition period, potentially 10 or 20 years before the market moves substantially towards tokenisation, adding cost and complexity during the transition.

Another industry speaker stressed that putting an asset on blockchain is relatively straightforward; the greater challenge is making the tokenised product accessible to investors through effective distribution and making it usable as collateral.

3.2 New risks and supervisory challenges

A regulator identified three broad regulatory challenges arising from the market transformation associated with tokenisation, which regulators are seeking to assess and manage prospectively. First, markets are becoming increasingly global and interconnected across jurisdictions and product categories, while much of the regulatory architecture remains shaped by an equity-market bias that no longer fully reflects market reality.

Second, programmability and composability could create more complex combinations of assets and exposures, making it harder for regulators to understand the resulting risks and identify potential margin shortfalls.

Third, the growth of on-chain and decentralised markets creates a challenge for financial stability frameworks that have traditionally relied on centralised counterparties and infrastructures operating within defined trading, clearing and settlement cycles. The same economic exposure may increasingly trade both in traditional markets and on-chain, but under different liquidity conditions, trading hours and price-discovery processes. At the same time, tokenised assets and stablecoins, combined with smart contracts and oracles, can integrate and automate functions that are traditionally handled separately, including trading, collateral, payments and settlement. During the transition, traditional and digital markets will coexist on two different rails, making interoperability a key challenge and potentially creating basis risk (price differences between related exposures that would normally be expected to move together) and fragmenting market liquidity across the two environments.

3.3 Regulatory implications of scaling tokenised markets

An industry speaker stressed that firms need legal clarity on how tokenised products can be launched, while the regulatory framework should allow different models for different use cases rather than impose a one-size-fits-all approach. Continued dialogue between regulators and the market will be important as products evolve and different models develop across the EU.

The industry speaker considered Europe ahead of other jurisdictions in providing regulatory clarity, with the MiCA Regulation and the EU DLT Pilot Regime giving firms greater certainty to operate while supporting consumer protection. The DLT Pilot Regime pre-dated the current wave of tokenisation and has seen limited adoption so far, but the forthcoming MISP package could bring improvements. The Pilot Regime should continue to evolve to keep pace with innovation. As tokenisation develops rapidly and firms and platforms increasingly become multi-asset, interoperability between MiCA, the DLT Pilot Regime and MiFID is also becoming increasingly important.

An official agreed that further legal certainty is needed. Although the EU has made significant progress in creating a framework for innovation, market participants need confidence that rules will be applied consistently across jurisdictions, since divergent interpretations or supervisory practices can impede cross-border scaling and reduce single-market benefits.

Wrap up

The Chair noted that the discussion had highlighted both market progress and potential gaps to be considered by regulators and identified several key takeaways from the discussion. Tokenisation is not simply about putting existing assets on blockchain, but may represent a new way of organising markets. The use cases discussed illustrate its potential to support the development, greater integration and efficiency of European capital markets, while also pointing at risks that need to be well understood and managed. Regulators need to remain ahead of these developments while enabling the opportunities offered by tokenisation.