IOSCO Final Report on the Tokenization of Financial Assets

February 2026

This Final Report aims to develop a shared understanding among IOSCO members of how financial asset tokenization is being adopted in capital markets and how regulators are responding to these developments. It is based on a monitoring exercise conducted by IOSCO's Fintech Task Force through a dedicated Tokenization Working Group. The methodology combines literature reviews, surveys of IOSCO members and extensive engagement with industry and other stakeholders, allowing IOSCO to assess practical use cases, regulatory approaches and emerging risks. The analysis is grounded in IOSCO's technology-neutral, principles-based framework, focusing on implications for market integrity and investor protection rather than promoting or discouraging specific technologies.

Tokenization refers to the creation or representation of financial assets as digital tokens on Distributed Ledger Technology (DLT). Potential benefits of tokenization include reducing market frictions, improving efficiency across issuance, settlement and asset servicing and expanding access to financial products. The report finds that tokenization remains at an early stage, with adoption uneven across asset classes and largely concentrated on fixed income products and money market funds, while equities and broader secondary market activity remain limited. Although commercial interest is growing, scalability is constrained by issues such as interoperability, settlement assets, and reliance on existing market infrastructure. Looking ahead, IOSCO notes that tokenization could bring incremental efficiency gains as it matures, but its future development will depend on how effectively operational, legal and market structure risks are managed within existing regulatory frameworks.

Pregunta

What is the current level of adoption and commercial interest in asset tokenization?

Respuesta

Interest in asset tokenization is increasing globally, but real commercial adoption remains limited, fragmented, and uneven. IOSCO's survey evidence shows that most jurisdictions are still in an experimental phase, with 91% of respondents reporting no or only very limited live use cases. Activity is dominated by pilots, proofs of concept, and small-scale implementations rather than systemic market integration. Market participants express growing interest, but this is tempered by concerns over costs, operational complexity, regulatory uncertainty, and unclear economic benefits. As a result, tokenization today is better described as emerging and exploratory rather than mature or mainstream.

By asset class, adoption is highly differentiated. **Fixed income** is the most advanced area, with steady growth in tokenized bond issuance across sovereign, supranational, government agencies, and corporate sectors, although overall volumes remain very small relative to the global bond market. **Repos and collateral markets** show growing experimentation, particularly in tokenized intraday repo and collateral mobility use cases, supported by large financial institutions and infrastructure providers. **Money market funds (MMFs)** have seen the strongest commercial traction in recent years, with several tokenized MMFs attracting billions of dollars in assets under management and being used for treasury management, settlement and as collateral, including in crypto-related activities. Particularly, tokenized MMFs are increasingly being used as reserve assets in stablecoins and as collateral for crypto-related transactions. In contrast, **Equities** remain at a very early stage of tokenization, with negligible market capitalization and limited use cases, reflecting the efficiency of existing equity market infrastructure and regulatory complexity. Overall, the report concludes that commercial interest is rising, but adoption is concentrated in a few asset classes and use cases, with large-scale, cross-market tokenization still at a nascent and uncertain stage.

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What is the current role of tokenization in the lifecycle activities of bonds and Monetary Market Funds?

Respuesta

The report finds that tokenization currently plays a mainly incremental role in the **issuance and distribution** of bonds and money market funds, with existing market structures and participant roles largely preserved. In bond markets, tokenization is primarily used to issue digital representations of securities that are legally equivalent to conventional bonds, rather than to fundamentally alter issuance processes. For money market funds, tokenization is generally applied at the fund-share level.

In **trading, clearing, and settlement**, the report observes that tokenization has enabled new technical capabilities, but has not yet materially reshaped market behavior. Tokenized bonds are typically traded on traditional execution venues or dual listed on both conventional and DLT-based platforms, with liquidity continuing to concentrate in established markets. While DLT-based infrastructure enables delivery-versus-payment settlement and faster settlement cycles, participants often continue to favor traditional clearing and settlement systems due to familiarity, liquidity, and network effects. For money market funds, settlement efficiencies are more visible in specific use cases. By contrast, secondary trading of MMF tokens remains limited.

With respect to **asset servicing**, tokenization has shown clearer operational benefits, particularly in custody and collateral management. Digital custody models allow tokenized securities to be held and administered on DLT-based systems while remaining integrated with traditional post-trade infrastructure. In collateral management and repo markets, tokenization has enabled tangible efficiency gains, such as an improvement in collateral mobility in intraday repo transactions.

Overall, the report concludes that while tokenization is beginning to enhance specific lifecycle activities — particularly settlement, custody and collateral management — its role across the full lifecycle of bonds and money market funds remains evolutionary rather than transformative at this stage.

Pregunta

What are some of the potential risks to market integrity and investor protection arising from tokenization arrangements?

Respuesta

The report identifies several potential risks to market integrity and investor protection arising from tokenization arrangements, while noting that most fall within existing risk categories, albeit with new manifestations. Key risks relate to the **representation of financial assets as tokens**, where legal uncertainty may arise over ownership rights, transferability, and investor entitlements—particularly for non-native tokens and complex token structures. The use of **DLT-based infrastructure** introduces technology-specific risks, including cyber vulnerabilities, smart contract errors, loss of private keys, network congestion, data leakage and operational failures, which may affect market reliability and investor confidence.

Additionally, IOSCO identifies **interoperability constraints** and **market fragmentation** as central challenges for the development of tokenized markets. The report notes that tokenized instruments are being issued and transacted across multiple Layer 1 blockchains and Layer 2 solutions that are not fully interoperable, leading to **fragmented liquidity** and **reduced network effects**. The coexistence of different technical layers, governance models and settlement mechanisms can complicate cross-platform transfers and limit the scalability of tokenized markets. IOSCO further observes that Layer 2 solutions, while potentially improving transaction throughput and cost efficiency, may introduce additional complexity, including dependencies on Layer 1 infrastructure and questions around settlement finality and risk allocation. At the same time, the availability of **credible on-chain settlement assets** is identified as a **key bottleneck**. In the absence of widely accessible central bank money on DLT, reliance on tokenized commercial bank money or stablecoins may create additional credit, liquidity and operational risks, constraining broader adoption.

Furthermore, the report places strong emphasis on **legal certainty, settlement finality and the identification of the legally authoritative record of ownership**, particularly in tokenized fund structures. IOSCO highlights that tokenized funds can differ materially in their design: in some arrangements, the blockchain serves as a recordkeeping or transfer layer, while the official register of ownership remains off-chain with a transfer agent or fund administrator; in others, on-chain records may play a more central operational role. These differences have important implications for **final settlement, investor rights and insolvency outcomes**. IOSCO cautions that where technical settlement on a DLT (including on Layer 2 solutions) does not align with legal settlement finality, uncertainties may arise over ownership, enforceability, and reversibility of transactions. The report therefore stresses the need for clear legal frameworks and governance arrangements that specify **which ledger constitutes the official record, how finality is achieved, and how different tokenized fund models—particularly tokenized money market funds—fit within existing regulatory and investor protection regimes**.

IOSCO concludes that while existing regulatory principles remain applicable, these evolving risks may require additional controls, clearer legal frameworks and enhanced supervisory focus to ensure investor protection and orderly markets.

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What steps have Authorities taken to manage risks and regulatory concerns related to tokenization?

Respuesta

As of the date of publishing this Report, Authorities have responded to tokenization primarily by **adapting existing regulatory frameworks rather than creating entirely new regimes**, consistent with the principle of "same activity, same risk, same regulatory outcome." Most authorities apply current securities laws and regulatory requirements to tokenization arrangements, emphasizing that the use of DLT does not, by itself, change the regulatory treatment of financial instruments or activities. Where needed, regulators have issued **specific guidance or interpretative statements** to clarify how existing rules apply to tokenized securities, custody, trading and settlement, with a focus on legal certainty, investor protection, and market integrity.

In addition, many authorities have used **regulatory sandboxes and pilot regimes** to allow controlled experimentation with tokenization while managing risks and gathering supervisory insights. Some jurisdictions have also introduced **new or amended laws and regulations** to address identified gaps, such as legal recognition of tokenized securities, ownership records or DLT-based settlement. Overall, IOSCO notes that regulatory responses remain pragmatic and proportionate, combining supervision, guidance, experimentation and targeted legal reform, while relying on IOSCO's technology-neutral, principles-based standards to ensure consistent regulatory outcomes across markets.

Link of interest:

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