



# Beyond the Hype

Tokenization and the New Competitive  
Landscape for Asset Managers



# Introduction

**Tokenization is moving from concept to commercial reality—and fast. What once sat on the fringes of our industry is now dominating agendas, investment committees, and regulatory conversations.**

For asset managers, this shift represents more than a technological upgrade: it is an opportunity to expand distribution, modernize operating models, and reach entirely new investor segments.

The industry is in the early innings of a structural transformation. Market infrastructure is maturing. Regulation has evolved to provide the structure and certainty market participants need to move forward with confidence. Banks are building tokenised deposit capabilities which will fundamentally change everyone's relationship with money and cash. Major market infrastructure providers such as DTCC, NYSE and ICE are providing the DiFi rails to bring capital markets fully on chain. These developments are now providing a more secure path for asset managers to leverage the digital evolution.

Asset managers who position themselves now will define the next era of growth; those who wait may find themselves competing in a landscape where clients, cash flows, and distribution channels have already moved on-chain.

## Against this backdrop: What should firms do now?

The areas most exposed are those where friction already exists. Cash and treasury management, collateral movement, settlement cycles and private market servicing all rely on processes that can be slow, sequential and data intensive.

## Market Opportunity:

# The New Economics of Tokenized Finance

Tokenization fundamentally reconfigures how assets are created, held, transferred, and serviced. By embedding operational logic directly into digital tokens and enabling instantaneous settlement, tokenization creates a step-change in the velocity of money as we move to a T+0, 24/7 ecosystem.

Money Market Funds are driving the first significant move in Fund Tokenization providing more efficient capital management.

Money Market Funds are the liquidity backbone of the global financial services system standing at \$10 trillion.

Major investment firms including Blackrock, Franklin Templeton, BNY and JPMorgan have tokenised their MMFs.

Currently – the Tokenised MMFs represent \$9 billion – but the shift to tokenization continues to accelerate. What is powering this move?

**\$10t**

global financial services system standing

**\$9b**

Tokenised MMFs represent

- Cash is no longer king. It is not an efficient liquidity tool in a world that is moving to T+0. Money Market sweep accounts have long been used to provide yield for cash held as liquidity settling in T+1. However, natively tokenised MMFs (tMMFs) up the ante significantly versus traditional MMFs as they bring greater efficiency, lower cost, ownership transparency on-chain and almost instantaneous access to liquidity (called atomic delivery versus payment (DvP)).
- Institutional investors are beginning to exploit tMMFs for treasury management. tMMFs provide access to 24/7 trading with no cut-off times or time zone constraints, no end of day processes, faster settlement (atomic and intra-day access to cash. This allows liquidity to flow optimally.
- Collateral management can be optimised more efficiently with on-chain ownership which enables improved collateral velocity (margin) and programmability via smart contracts (which automates previously manual processes such as interest accruals and collateral substitutions).

The benefit is not theoretical. It is a direct improvement in how liquidity is used.

### Asset Managers and investors stand to benefit concretely from:

Faster liquidity cycles as cash and assets move in real time, for settlement without the delay of T+1 settlement.

Optimisation of collateral and cash management as balances are not tied up for margin or pre-funded settlement.

More transparent and resilient infrastructure. On-chain provides an immediate and accessible audit trail, reduces reconciliation errors and providing instant transparency into fund movements.

Reduction in FX risk

Even incremental changes in speed and flexibility can alter economics and client expectations significantly.

#### Distribution:

## Faster, Broader Investor Access

### Accelerating Access to Private Markets

**If we use the analogy of the Tortoise and the Hare, tMMFs, as the Hare, are racing to meet the financial markets' continuous demand for speed, access and fluidity of liquidity.**

However, at the other end of the spectrum, the Tortoise, Private Markets, with illiquid trading, market frictions such as high transaction costs and a restricted investor base, is poised to benefit even more from the significant gains that can be offered by tokenization. Leveraging tokenization, Private Markets could leap-frog the current restrictive investment environment and accelerate access to a broader investor base, lower minimums, and improved liquidity.

Technology will be key in democratizing Private Markets, both AI to digitize the investment data and DLT to support the distribution.

Private Markets comprise a complex and broad asset group which include Private Equity, Real Estate, Infrastructure, and Private Credit. Each of these asset classes brings distinct challenges, with nuanced contracts and documentation specific to each investment class and underlying investment. The nature of Private Markets requires granular transaction expertise, from initial due diligence to on-going valuation.

AI has developed the capabilities across Language Models (large and small) and agentic frameworks to identify, define and aggregate data from a broad universe of investment documents to provide the metadata needed to tokenize the assets.

As managers begin digitizing the cumbersome, lengthy and unique documents, standardization will begin to take place at pace, driven by the commercial value of launching funds more quickly to a broader primary and active secondary market on-chain.

Average global allocations to private markets have reached a new high of 12.5%, underscoring how firmly embedded the asset class has become (Aviva). However, institutions are now refining their positions rather than increasing them. The liquidity premium is also gaining increased scrutiny and the demand for greater liquidity continues. These trends imply a need for new investor classes and investment vehicles to support continued growth and demand. This is a significant opportunity for the Private Markets to address a new investor base.

- ✔ Digital investment platforms will access a broader set of accredited investors to participate.
- ✔ Tokenization will allow fractional investment models and lower minimum entry requirements.
- ✔ Evolving regulation expands potential access while requiring persistent diligence.

Tokenizing Private Markets should be one of the CIO's strategic objectives in 2026 as on-chain issuance can leap-frog traditional fund launches, reduce both launch and operational costs and critically reach a wider investor base more quickly and efficiently.

**Tokenisation will accelerate the confluence of public and private markets more quickly than many asset managers have anticipated.**

**Current State:**

# Infrastructure is Driving Adoption and Regulation is Catching Up

## Regulation is advancing at different speeds.

Regulators in major markets are now offering clearer pathways for tokenized assets. No-action letters, published FAQs, and emerging legislation are giving institutional players the confidence to bring meaningful products on-chain.

Several markets are looking to take the lead. Abu Dhabi has been a leader in developing a comprehensive and tailored framework for Virtual Assets since 2018 and continues to lead the way. This highlights the focus that Sovereign Wealth Funds will have to drive change in how they access investments and reduce costs.

The EU is establishing an industry standard through its MiCA Regulation.

The UK has been slower to act but is now looking to support fund investment in tokenized assets, the tokenization of funds, and the use of tMMFs as collateral, but it clearly in catch up mode.

The US is creating a favourable environment with the GENIUS act and the Clarity Act.

All regulatory roads are now leading to support the digitalization of the global markets. Competition is becoming more visible as regions will look to capture the future digital financial market.

## Infrastructure continues to evolve. Interoperability is improving.

Depositories, custodians, fund administrators, and transfer agents are actively building the rails for an on-chain global ecosystem, including multi-chain interoperability, wallet-based custody models, and digital cash integration.

The major market infrastructure providers such as DTCC, NYSE and ICE are supporting tokenization of stocks, bonds, ETFs that are fungible with traditionally issued securities. ICE is collaborating with BNY and Citi to support tokenized deposits and giving clearing members the ability to transfer and manage money outside of traditional banking hours, meet margin obligations, and accommodate funding requirements over different jurisdictions and time zones. If the markets are now moving to T+0 – can asset managers afford to be left behind?

DiFi is now a part of the global markets core infrastructure and while TradFi will not disappear – it will diminish in relevance in the coming years as the focus moves to establishing an interoperable on-chain financial ecosystem.

**Future State:**

# Distribution is Wallet-Native, Global, and Always-On

The next generation of wealth holders expects to manage financial lives through digital wallets, not traditional brokerage accounts. A wallet-native distribution model enables instant subscription and redemption, 24/7 access to global tokenized assets, and consolidated holdings of crypto, cash, ETFs, and private assets.

Investors increasingly want exposure to a full ecosystem of assets within the same interface. Tokenization makes this possible and brings traditional and decentralized finance closer together.



## Why this matters now



### Tokenisation is moving into core infrastructure.

Bringing new and existing assets on-chain, rather than increasing dependency on parallel ecosystems has a concrete cost and complexity impact for asset managers.



### Adoption is concentrating around areas with clear economic benefit.

Tokenised cash and short-duration instruments provide immediate improvements in liquidity usage and operational efficiency. They also offer access to new multinational corporate and institutional investors globally.



### Investor behaviour continues to evolve.

Expectations around speed, access and integration are gradually changing, influenced by broader digital experiences.

## What should firms do now?



### Run focused projects with clear goals

Progress across the industry is coming from targeted projects, not broad transformation programmes.

Examples include tokenised money market funds which address capital efficiency and risk imperatives, private asset issuance, transfer agency workflows and collateral structures. Each addresses a specific problem, whether that is liquidity, distribution reach or operational efficiency.

Infrastructure continues to evolve. Interoperability is improving. Regulation is advancing at different speeds. In that context, focused projects allow firms to build internal understanding without overcommitting to a single model.

They also surface an important dynamic. Demand does not always lead adoption. As new capabilities become available, expectations adjust. Distribution models evolve accordingly.



### Strengthen data and control foundations

Tokenisation places pressure on data quality and governance.

Accurate asset data, clear ownership structures, robust reconciliation and well-defined identity frameworks become more critical when assets and cash move across different rails. KYC, AML robustness is critical to ensure that only legitimate users have access to the ecosystem and is essential to building trust at scale.

There is a strong overlap with existing priorities. Many firms are already investing in data architecture to support AI, improve reporting and enhance operational resilience. These same capabilities underpin tokenisation readiness.

Firms that strengthen these foundations now are better positioned to engage as the market evolves.



# Agility is essential is remaining competitive

The industry remains in transition. Interoperability is still developing. Regulatory alignment is incomplete. Many operating models will remain hybrid for some time.

At the same time, the balance of risk is changing

If you stand by and try to be a fast follower, it's not going to work this time.

This does not call for wholesale transformation. It calls for engagement. In a multi-rail environment, firms need sufficient understanding and capability to respond with intent.

A perfect example would be to focus on immediate opportunities such as liquidity and settlement challenges via the tokenization of MMFs, which provides an economic and efficiency gain as well as a broader distribution potential. Private markets also offer a compelling opportunity to focus a firm's AI initiatives to drive operational efficiencies as well as open new distribution opportunities. As De-Fi becomes more established as the route to market, public market funds will follow.

## Conclusion

Tokenization is becoming the default infrastructure for how money and assets move. Asset managers must build internal understanding, engage with digital distribution platforms, and prepare for a world where investors expect real-time, wallet-based access.

From a practical perspective, asset managers, should test specific use cases through focused projects. Strengthen the data and control environment that underpins both current operations and future models.

At Davies, this reflects what we are seeing across the market. The conversation has moved beyond awareness. It is now about readiness.



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