

Tokenisation Advances Amid Market Optimism and Policy Shifts

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Tokenisation, the transformation of traditional financial assets into blockchain-based digital tokens, is being positioned as a game-changer in global finance. While growth has been slower than anticipated, a combination of new policy developments and expanding institutional interest suggests the sector may soon gain significant traction.

Tokenisation refers to the process of converting real-world financial assets, such as stocks, bonds, real estate, and funds, into cryptographic tokens recorded on a blockchain. These tokens mirror the value of the underlying asset and can be transferred, stored, and traded on decentralised platforms, much like cryptocurrencies. This innovation promises to make financial transactions faster, more transparent, and accessible to a broader range of investors by lowering entry barriers.

One of the most prominent forms of tokenisation is the stablecoin, a type of cryptocurrency designed to maintain a fixed value, usually pegged to a major currency like the U.S. dollar. Each dollar-pegged token is backed by a corresponding real-world reserve, allowing users to move funds globally without relying on traditional banking infrastructure. Stablecoins are currently leading the tokenisation market, with an estimated valuation of \$256 billion and projections pointing toward \$2 trillion by 2028, according to Standard Chartered.

Still, despite the appeal, tokenised versions of other asset classes have yet to break into the mainstream. Major financial institutions have discussed the benefits of tokenisation, namely, improved liquidity and reduced settlement time, but real-world adoption remains fragmented. A significant barrier is the development of private, non-interoperable blockchain networks, making it difficult to build a unified marketplace.

Nevertheless, several industry heavyweights are taking concrete steps forward. Asset management firm BlackRock has publicly stated its aim to become the world's largest cryptocurrency asset manager by 2030, with a specific focus on tokenisation. Major banks such as Bank of America and Citibank have also explored the integration of tokenised products into their services. Coinbase, the largest U.S.-based cryptocurrency exchange, is seeking approval from the United States Securities and Exchange Commission (SEC) to begin offering tokenised equities.

Regulatory clarity has also started to take shape. The recently passed Clarity Act, a legislative framework aimed at regulating digital assets, is expected to pave the way for broader token adoption. Alongside this, a new law focusing on stablecoins is anticipated to provide the foundation for safer and more transparent transactions in the digital finance space. These developments could help eliminate much of the legal ambiguity that has previously deterred institutional players.

However, the road ahead is not without challenges. Critics, including European Central Bank President Christine Lagarde, have warned that widespread stablecoin usage may pose risks

to financial stability and monetary policy. Furthermore, without proper regulation, there are concerns about counterparty risks and insufficient oversight, particularly when third-party issuers, such as crypto exchanges, are custodians of the underlying assets.

Despite scepticism, many within the financial and crypto sectors remain optimistic. Hester Peirce, a commissioner at the United States Securities and Exchange Commission, has noted that tokenised securities must comply with existing laws, but has consistently shown openness to innovation within the space. As long as proper safeguards are implemented, tokenisation could provide a more inclusive and efficient financial system.

In sum, tokenisation is at a crossroads. With growing interest from established financial institutions, the passage of forward-thinking regulation, and the success of stablecoins as a proof of concept, the sector is poised for significant development. Whether it fulfils its promise of reshaping financial infrastructure will depend on the market's ability to balance innovation with responsibility.