GDF Tokenization Forum

Readout – Q1 2025 Hybrid Session

Wednesday 25 March 2025
08.30 PDT | 11.30 EDT | 15.30 GMT

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SPEAKERS

Benjamin Dean
WisdomTree

Max Heinzle
21X

Kim Hochfeld
State Street Global Advisors

Ed Moorby
Deloitte

David Vatchev
Fasanara

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The GDF Tokenization Forum

The GDF Tokenization Forum is our quarterly fixture convening industry experts to discuss key areas and insights into the tokenization of RWA and evolving tokenization strategies, across different asset classes in financial services.

This session was run as a hybrid event at the Deloitte offices in London. Under the co-chairship of Archax, Ownera and Tokeny, this session will brought together industry leaders to highlight and share insights from key production use cases in RWA tokenization and what is enabling growth and driving scalability in this market.

Panel Discussion

Panel discussion with **Benjamin Dean** (Director Digital Assets Strategy at WisdomTree), **Severin Kranz** (Head of Business Development at 21X) and **David Vatchev** (Head of Tokenization at Fasanara), moderated by **Daniel Coheur** (Tokeny), discussing the current state of RWA tokenization, compliance, and challenges to adoption.

Despite the long-standing promises of blockchain (faster settlement, lower costs, improved efficiencies, etc.), we haven’t yet seen widespread adoption. What’s holding it back: technology, regulation, or readiness?

Barriers to Adoption

- The root issue lies largely in **usability**. Looking back at the history of technology, it takes consumer-friendly applications (like WhatsApp's incorporation of encryption in a seamless way) for the general public to take advantage of the technology. Similarly, the blockchain space has suffered from poor **UI/UX**, which has been a major barrier. But **this is changing**: neobanks have pioneered intuitive design principles, and once those are layered onto blockchain infrastructure, it will become far easier and safer for users to engage. While regulation and shifting global demographics also play a role, the crux of the problem is a complex and moving target. Nonetheless, in certain regions and use cases, rapid change and adoption is already beginning.

- Fundamentally, it boils down to **demand** and **value creation**. The often-touted benefits of blockchain (cost efficiency, faster settlement) are real, but these are operational gains. The hurdle is that achieving those benefits requires overhauling legacy systems, often at significant upfront cost, for relatively modest savings. The game changes when tokenization leads to **new revenue opportunities rather than just cutting costs**. For instance, the use of **MMFs as collateral** introduces capital efficiencies and unlocks new business models. Once businesses see clear top-line benefits, not just cost reductions, adoption will follow. Tokenization is still in its early stages: less than 0.5% of real-world assets have been tokenized, which shows how much opportunity lies ahead.

Barriers to Adoption

- From a **European perspective**, **regulation is no longer the issue**, at least not for trading and settlement. The EU's DLT Pilot Regime, the UK's digital security sandbox, and Switzerland's mature DLT laws provide **ample regulatory clarity**. Even for securities issuance, countries like Luxembourg, Germany, and Switzerland have adapted their laws to support dematerialized (native token) securities. Therefore, it is not about the legal framework or even technology, which is already well-developed. The bottleneck is **implementation** and **adoption**. Financial institutions (banks, brokers, custodians) still need **time** to build wallet infrastructure, integrate stablecoin rails, and shift operations. All the puzzle pieces are in place, but aligning them takes time. That said, with secondary markets now emerging, tokenization adoption is moving in the right direction.

WisdomTree has been outspoken about bridging traditional finance and blockchain, yet some criticize your approach as overly centralized. How do you respond to those who say you are not fully embracing the decentralized ethos of blockchain? And how do you reconcile your regulatory obligations with building on public blockchains like Ethereum?

Balancing Decentralization with Compliance

- **Decentralization is not binary; it exists on a spectrum** — a means to an end, not the goal itself. The **value** of decentralized systems lies in aspects like **permissionless access** and **resilience to single points of failure**. But it is not possible to skip to full decentralization. WisdomTree's journey is iterative: you crawl, then walk, then run. Our approach has always been to **evolve** in step with both the technology and the rules governing it. WisdomTree's platform is building on Ethereum, which demonstrates that it sees the long-term value in decentralized, public infrastructure. But adoption requires **stability, compliance, and user-friendly design**, all of which sometimes **necessitate centralized controls in the short term**.

- Further, as a regulated financial services provider, compliance is not optional but rather a core responsibility. This explains WisdomTree's "**responsible DeFi**" approach: aiming to deliver safe, secure, and compliant access to blockchain tools that genuinely improve people's lives. Meaningful adoption and network effects only come when standards emerge. As standards solidify, exponential growth becomes increasingly likely. WisdomTree is building at this convergence point, where application layers integrate both legacy finance and blockchain capabilities.

The DLT Pilot Regime is often seen as a niche initiative with limited traction. How do you incentivize large players to participate in a framework that has inherent limitations and hasn’t yet catalyzed liquidity or critical mass? Why aren’t major institutions more excited, and what will change this?

DLT Pilot Regime

- The scale of the opportunity in tokenized assets is massive, far beyond what we have seen in crypto. While crypto markets are valued at around $3 trillion, global capital markets are at $230 trillion, and RWAs represent a staggering $1,700 trillion, much of which is currently illiquid and inaccessible. **Tokenization offers the promise to unlock this**. From the perspective of issuers and asset managers, especially leading players like BlackRock and Franklin Templeton, **there is no need to convince them of the value**. They are already aligned on the future being tokenized.

- The true challenge is not interest or demand; it's **infrastructure**. Tokenizing assets is not enough. What is needed is the infrastructure to enable trading and settlement in a compliant, efficient way. Until recently, there were no regulated secondary markets or digital settlement systems to support this. That has now changed with players like 21X, which provides both a Multilateral Trading Facility and a Security Settlement System. This is significant because it aligns with capital markets regulation, something that P2P or OTC methods cannot replicate at scale. Moreover, frameworks like the UK Digital Securities Sandbox, Switzerland's DLT regime, and the EU's DLT Pilot Regime are now operational. These regimes were prerequisites for real liquidity, and they are finally in place.

DLT Pilot Regime

- **Adoption is accelerating**, especially from neobanks and crypto exchanges now engaging with tokenized assets and stablecoins. We're also seeing **practical use cases** emerge, like instant settlement between stablecoins and tokenized MMFs, which were previously unfeasible. That kind of seamless, on-chain capital efficiency represents a new chapter and a major draw for institutions.

- On why larger institutions were initially hesitant, one core reason for slow adoption among large players was the **limited duration of the DLT Pilot Regime**, which **initially had a three-year timeline**. That **uncertainty** was a major deterrent; institutions are not going to allocate capital and resources into something they fear might be rolled back. However, that changed with **clarifications from the European Commission**, which made it clear this regulation is not just temporary, but rather now part of capital markets law. This gives institutions the **confidence** that this is a **long-term play**.

- As a result of this clarity, major European exchanges and other institutional players are now engaging with the DLT Pilot Regime. There are signs of real **momentum building**. And while the lack of early enthusiasm from incumbents was disappointing, the ecosystem is catching up. **Coupled with regulatory frameworks like MiCA** and **growing stablecoin infrastructure** across corporate treasuries and brokers, we are at an inflection point where adoption and liquidity will accelerate.

Fasanara is active in private credit tokenization. How do you address the challenges of transparency, pricing, and liquidity in such inherently opaque and illiquid assets?

Private Credit Tokenization

- Transparency and liquidity are definitely challenges in private credit, but they **need to be put into context**. **Traditionally, private credit is not expected to be liquid**. Many investors, such as insurance companies, intentionally seek long-duration, low-volatility yield and are happy to lock their funds for 10 years. Liquidity is not a bug; it's part of the product design for this audience.

- On the flip side, in the digital asset world (especially with crypto-native investors) anything slower than 2 seconds can feel too long. So the **real task** is not to please everyone, but to **design tokenized offerings tailored to the right investor profiles**. That includes **matching duration, risk, and liquidity expectations**.

- The value of tokenization here is not in creating instant liquidity where none is needed, but rather in improving **operational efficiency, transparency, and accessibility**. For example, tokenization enables fractionalization, reducing investment minimums and potentially **broadening access to private credit as an asset class**. That broader access could in turn foster greater secondary liquidity over time. Importantly, Fasanara is not tokenizing just for efficiency or cost-cutting, but rather because it believes tpkenization enables entirely new business models, adding optionality and opens up digital-native channels without fundamentally altering the asset's nature.

Given that regulation, infrastructure, and technology are advancing, why is the traditional buy side still largely absent? Why do we mainly see crypto-native players engaging in tokenized finance?

Barriers to Buy-side Demand

- While it is encouraging to see pioneers in asset management making moves into tokenized finance, the reality is that we are still seeing the same few names in headlines. Traditional asset managers, beyond this small group, have not yet moved en masse. Despite trillions in RWAs, only a sliver has entered the tokenized realm.

- The missing link, in many cases, is still **interoperability**. True adoption requires that tokenized systems work with existing operational frameworks, regulatory structures, and Layer 1s. Without this interoperability, traditional players will continue to sit on the sidelines.

- Another key factor is the **lack of viable secondary markets and liquidity infrastructure**. Platforms like 21X are starting to build this, which is promising. But until buy-side institutions see sufficient depth and pricing clarity in secondary markets, they will hesitate to reallocate capital to these formats.

- Lastly, the **types of assets** that have seen the most traction (e.g. MMFs) are useful, but **generic and low-margin**. They are a natural fit in today's interest rate environment, but they are not enough to pull in the full weight of institutional buy-side participation. As the rate cycle shifts and tokenization proves its value across broader asset classes, we may begin to see real movement.

Dealing with regulated financial instrument, given the compliance obligations, and the ethos of public blockchain technology (transparency, openness, etc.), will we have to compromise on those principles for tokenization to succeed?

Compliance, Transparency, & Openness

- Regulation harmonization is slow by nature. Using Tether as an example, while transparency was not there initially, market demand drove evolution. Now Tether is more transparent and hugely profitable, showing that adoption can precede perfection. **Progress comes from building first; compliance, transparency, and standards evolve afterward.** Someone needs to **take the leap, build products, and learn in real time**. The evolution of the stablecoin market in unregulated environments shows the power of market-led innovation, even if messy and uneven at first.

- Further, **partnerships and collaboration** have been essential in navigating regulatory compliance and launching tokenized products. The regulatory process is lengthy and demanding, but it is critical for transitioning from being a traditional RWA manager to a fully on-chain asset manager. Moreover, many players fall into the myth of "just becoming the next Tether", underestimating the complexity and compliance required for sustainable growth in tokenized finance. Ultimately, **tokenization** is not *just* tech; it **is a business model shift**, and **being compliant while building is part of proving that the model can work long term**.

Compliance, Transparency, & Openness

- Moreover, 21X offers a practical case study in how to operate a **regulated exchange on a public blockchain** under strict oversight from and **strict compliance** with BaFin. While it uses a public, permissionless blockchain for trading and settlement, it added a **permission layer at the application level** (smart contracts, order book, and token logic). Every user is KYC'd, AML'd, and whitelisted, so although the chain is public, access is tightly controlled. The **tech stack remains open, but user access is regulated**. 21X took 1.5 years of back-and-forth with regulators to get approval, and in the process, educating regulators about the architecture and safeguards was critical. It is not a matter of public vs. private chains; rather, it is about **ensuring robust controls and protections, no matter the infrastructure**.

There are clearly two worlds, DeFi and TradFi. In five years, how do you see these two converging? Who will lead this convergence?

Convergence of DeFi & TradFi

- The convergence is already underway, with the merge now gradually unfolding. Early signs of this convergence are visible in how platforms like Coinbase, Binance, Tron, Tether are evolving — these players are gaining network effects and becoming profitable, mature businesses.

- Further, the ability to encode compliance (KYC/AML, permissions, etc.) directly into smart contracts means more secure, less error-prone systems than the current fragmented TradFi infrastructure, enabling better security if done correctly.

- The transition is messy and complex, with many curveballs thrown over the years. But once standardized and mature, in the future, this technology will no longer be seen as “crypto”; it will simply be how finance works.

Finally, what is something in the market that everyone is excited about, but that you think is totally overrated?

Overrated Product in the Market?

- While **self-custody** has become a poster child for decentralization, the reality is that most institutions (and even many individuals) simply do not want the responsibility of managing their own keys. The narrative around self-custody often ignores practical concerns like user experience, security, operational risk, and regulatory compliance. In institutional settings especially, there is a **clear trend toward regulated custodians and wallet providers** that abstract away the complexity. Even though it's technically possible and even allowed on platforms like 21X, self-custody will remain a niche rather than a foundational standard. Ultimately, what matters is usability and trust, not dogma about decentralization.

- The current excitement around **combining AI and crypto**, particularly around **AI tokens**, feels like a speculative detour rather than a practical advancement. In reality, implementing AI meaningfully in financial products is incredibly difficult and takes years of infrastructure, data, and iteration. AI and machine learning is being used to assess granular credit risk across global SME portfolios, but this has required deep tech investment over time. Slapping an "AI" label on a token does not change the underlying fundamentals. The hype drains attention and liquidity away from real, scalable use cases like RWA tokenization. When narratives get too far ahead of execution, they end in disillusionment, and that is what is risked if we overhype AI-crypto convergence prematurely.

Overrated Product in the Market?

- **Stablecoin proliferation and chain wars** are overrated. The notion that every company or individual should launch their own stablecoin is fundamentally flawed. It fragments liquidity, undermines trust, and distracts from creating unified, reliable digital cash. Similarly, the tribal debates over whether one chain is better than another (Ethereum vs. Solana, Layer 1 vs. Layer 2) are increasingly irrelevant. These "console wars" of crypto will fade as interoperability increases and standards emerge. The market will settle on de facto standards, and the technology will fade into the background. What will matter in the end is usability, compliance, and integration, not ideology or maximalism.

Fireside Chat

Fireside chat with **Peter Left** (Head of Digital and Markets Innovation at Lloyds Banking Group) and **Kim Hochfeld** (Global Head of Cash at State Street Global Advisors), moderated by **Anthony Woolley** (Ownera), focusing on tokenization use cases and the evolving narrative and regulatory landscape around RWA tokenization.

MMFs have traditionally been seen as fairly unexciting, conservative vehicles, yet today, there is a surge of interest from digital asset innovators. From your vantage point deep within that world, can you explain why this sudden excitement is happening, and how the digital ecosystem is transforming the value proposition of MMFs?

Tokenized MMFs

- From an asset management perspective, the primary metric that drives excitement is flow: where capital is moving, and how we position ourselves to capture it.

- The first reason MMFs are drawing attention in digital finance is their potential as an **on-chain store of value**. While traditionally less glamorous than crypto-native instruments, tokenized MMFs offer a stable, regulated, and scalable alternative to stablecoins, backed by real assets and deeply familiar to institutions. With ~$220 billion in AUM already in this space, that is a significant enough pool to attract serious infrastructure interest.

- However, the real transformative potential lies in **collateral utility**. For decades, the industry has discussed how to enable MMFsto be used as eligible collateral more efficiently. Traditionally, usage has been limited due to structural constraints, namely, units being trapped in transfer agent registers, making them immobile. In a tokenized format, these same fund units can become **freely transferable, pledgeable, and even rehypothecatable**, opening up a $7 trillion asset class to active use in global collateral workflows, not just bilaterally, but through exchanges, clearing venues, and automated margining systems.

Tokenized MMFs

- The 2022 UK gilt crisis was a real-world example of what is broken: collateral existed, but it was not in a usable format. Investors had to redeem money fund units to meet margin calls, creating unnecessary selling pressure and systemic stress.

- If tokenized fund units had been recognized collateral, they could have been moved directly between pledgor and receiver, without forcing redemptions or unnecessary secondary market activity.

- In essence, what tokenization could do for MMFs is what the ETF wrapper did for mutual funds: unleash new distribution, operational efficiency, and integration into real-time financial infrastructure. This is not just about innovation for innovation's sake; it is about fixing systemic bottlenecks and modernizing market plumbing in a way that aligns with how institutions already operate.

How powerful is the tokenization narrative, especially when we move beyond “cost takeout” and into areas like intraday liquidity, collateral mobility, and regulatory transformation in jurisdictions like the UK?

Tokenization Use Cases

- The early promise of blockchain was framed narrowly as a cost-saving tool, a way to shave millions off bloated back offices. But that vision is outdated. The **true power of tokenization** lies not in incremental savings, but in **unlocking new market structures, clients, and capital efficiency paradigms**.

- A powerful example is **intraday liquidity mobilization**. In traditional finance, the move from T+2 to T+1 is hailed as innovation. Yet tokenized rails offer **instantaneous** settlement and collateral exchange, enabling new products like intraday repo or FX swaps, which can dramatically reduce the liquidity buffer requirements institutions must hold to meet regulatory peaks and troughs. With intraday FX swaps, for instance, banks can offset morning excesses in euros against sterling deficits without pre-funding the short side. This prevents the need to tie up leverage capital or inflate balance sheets. However, this is only possible when collateral can be moved automatically, on demand, something tokenized assets enable.

- Similarly, the dream of an **intraday interest rate curve** becomes achievable. Right now, there is a flat line for cash during the day and a jump to overnight interest accrual — essentially a broken curve. But if money and collateral can be lent and borrowed on a minute-by-minute basis, we start to see real price discovery emerge in intraday timeframes. That could fundamentally reshape funding markets and liquidity pricing.

How do you assess the UK’s position in the digital asset and tokenization space from a regulatory perspective, especially relative to the EU and US?

UK Regulatory Landscape

- On a regulatory level, the UK's legal and policy posture is often misunderstood. While jurisdictions like the EU seem faster due to more prescriptive regulation, the UK's common law system is principles-based and adaptable, but it does require a greater degree of confidence and legal interpretation, especially around novel digital assets.

- Today, under English law, tokenized representations of traditional assets (e.g. immobilized fund shares with a digital wrapper) are already usable as collateral if structured correctly. But for natively digital assets, legal clarity is less mature. The upcoming Digital Property Rights Bill is seen as a key enabler to bridge that gap and unlock full adoption. The UK is not falling behind; it is just differently paced. Institutions that invest in understanding the legal nuance can already act.

- What is missing is wider ecosystem confidence, and that will come with use cases, test cases, and clear frameworks that show the law is ready to evolve with the tech. Ultimately, tokenization is not just about better technology. It's about transforming when, how, and where assets move, and that redefines the fabric of finance itself.

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How is the narrative around digital assets and tokenization evolving within large institutions, especially in light of recent regulatory developments and digital agendas like SAB 121, DSS, and Digit?

Evolving Narrative Around Tokenization

- **Shift from ‘why’ to ‘how’**: There's been a fundamental shift in institutional thinking. Where previously digital asset discussions were often met with skepticism or concerns about regulatory uncertainty, the dialogue is now focused on **how to implement** rather than whether to explore. SAB 121 in the US has forced clarity around custody and accounting treatment of crypto assets, prompting firms to actively plan for compliance and participation. In other words, the debate has moved from resistance to execution strategy.

- **Cross-jurisdictional complexity and opportunity**: Regulatory divergence remains a challenge, particularly in Europe and the UK. While the UK has a common-law system that allows for principles-based interpretation, the EU has leaned into structured regulatory frameworks like MiCA. Meanwhile, much of the product manufacturing still happens in offshore jurisdictions like Ireland, Luxembourg, Cayman, and the Channel Islands. These jurisdictions are often quicker to support innovation, creating a proving ground that regulators in the UK and US can observe and learn from without taking early risk

- **Investor demand is accelerating education and experimentation**: There is increasing demand from institutional investors to understand digital assets, not just from a product perspective but as part of broader macro and demographic shifts. This is leading to broader conversations about long-term investment, engagement models, and infrastructure modernization, with education now a core part of institutional strategy as firms prepare for the future flow of capital.

Evolving Narrative Around Tokenization

- **Innovation in 'periphery' markets driving central adoption**: New digital products and protocols often first emerge in less regulated or more flexible jurisdictions (Cayman, BVI, etc.). These early experiments give institutional players a testing ground to understand operational models, technology stacks, and risk frameworks. As these products mature and demonstrate viability, they influence the evolution of mainstream regulation and become templates for compliant adoption in more tightly regulated environments. Innovation on the edge is becoming a critical input to regulatory and institutional change at the center.

- **Institutional urgency and FOMO**: There is a growing realization within large institutions that the "too early" window is rapidly closing. As more major players make moves, whether through tokenized MMFs, blockchain settlement rails, or digital repo, those on the sidelines are starting to feel pressure. It is a classic innovation curve: what was once dismissed as fringe is now approaching critical mass, and no one wants to be the last mover. The urgency is increasing, especially among executives who recognize how quickly narratives can flip from "not now" to "already late".

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This forum is open to GDF members, regulators and policy makers, digital finance market participants, and the broader financial services community.

For more information on the GDF Tokenization Forum, please reach out to Madeleine Boys at madeleine@gdf.io

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