

A Tokenised Vision for EU Financial Markets



Contents

A note from the author	3
In a nutshell	4
Executive summary	5
The roadmap at a glance: 10 steps to scale	6
1. Why now: the strategic rationale	7
2. The global race for scale	9
The jurisdictional benchmark	10
The "Strategic European Paradox"	12
3. Mapping the fragmentation	13
The institutional & monetary fronts	14
The regulatory & infrastructure gap	14
The private money silo	15
4. Core strategic principles for a European digital market	17
5. Concrete strategic proposals: the 10-point roadmap to scale	19
5.1 Phase I: Immediate "Quick Wins" and unlocking liquidity (2027–2028)	20
5.2 Phase II: Permanent market architecture and wholesale cash (2029–2031)	21
6. Conclusion: from pilots to a European market	23
Notes	24



NON-PAPER

A Note from the Author



The tokenisation of financial markets is rapidly moving from experimentation to a subject of strategic importance for the future of global finance. What was until recently a relatively specialised discussion is increasingly attracting the attention of policymakers, central banks, international financial institutions and market participants. The October 2026 IMF *Global Financial Stability Report*, which dedicates its third chapter to the opportunities, challenges and financial stability implications of scaling tokenisation, is a timely illustration of the growing international significance of this debate.

For Europe, this transformation presents an important strategic opportunity. The European Union has already laid substantial regulatory and institutional foundations, while the Eurosystem and private-sector actors are advancing significant initiatives. Building on these strengths, Europe has the potential not only to participate in the development of tokenised financial markets, but to play a leading role in shaping their future architecture.

This non-paper is the result of ongoing reflections, exchanges with institutional and market stakeholders, and a conviction that this emerging transformation deserves a broader European discussion. It seeks to contribute to that debate by bringing together existing initiatives, identifying areas where greater coordination could unlock their full potential, and putting forward ideas for a more integrated European approach.

Its purpose is not to prescribe an institutional agenda, nor to replace or prejudge the valuable work already underway. Rather, it aims to complement those efforts, offer food for thought and encourage a constructive exchange of perspectives among all those who have a role to play in the future of European financial markets.

The proposals presented are therefore intended as a contribution to an open and evolving discussion, not as a definitive blueprint. They are addressed to the wider European financial community — public authorities, European institutions, regulators, central banks, market infrastructures, financial institutions and other stakeholders — whose expertise, cooperation and shared commitment will be essential to turning technological potential into tangible economic progress.

The ambition is to help bring these efforts together around a common European vision, one that combines innovation with financial stability, openness with strategic autonomy, and technological progress with the opportunity for Europe to lead.

The time for this conversation is now. The transformation of financial markets is already underway internationally, and Europe has both the opportunity and the responsibility to help shape its direction. This paper is offered in that spirit: as an invitation to reflection, dialogue and collective action.

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Disclaimer

The views, analyses and proposals expressed herein are those of the author alone and do not constitute an official position of the European Parliament or the European People's Party (EPP) Group.

In a nutshell

01 The strategic imperative

The European Union faces a stark “Strategic European Paradox”: it was the first to regulate, but it is not yet the first to scale, while Switzerland, the UK, Singapore and the US move tokenised markets into production. To materialise the Savings and Investments Union (SIU) and secure strategic financial sovereignty, Europe must move from pilots to a permanent, unified digital market infrastructure.

RULEBOOK
EU first

RACE FOR SCALE

Switzerland
UK Singapore
US

02 Overcoming structural fragmentation



Europe's digital asset initiatives are trapped in disconnected institutional, regulatory and private initiative silos, building the rails of the future financial system piece by piece, without a master blueprint. Because liquidity shows hysteresis, once it settles on foreign infrastructure it is very hard to bring back.

03 Core principles for a unified market

“Same activity, same risk”

DLT-BASED SECURITIES = TRADITIONAL SECURITIES

Regulation must follow technological neutrality (“same activity, same risk”) and translate it into full economic equivalence between DLT-based and traditional securities, including their eligibility as central bank collateral. This requires revising prudential rules and balancing the structural benefits of DLT against new risks.

04 The 28th Regime for cross-border scale



Alongside a horizontal review of EU financial regulation, Europe should champion an optional, pan-European “28th regime” governing the issuance of digital securities. Operating alongside the 27 national regimes, it lets issuers opt in and gain immediate cross-border legal certainty.

05 Coordinated governance and the 10-Point Roadmap



A sequenced, two-phase 10-Point Policy Roadmap, overseen by a High-Level Digital Markets Task Force uniting the Commission, the Eurogroup, the ECB, the ESAs and the private sector, with a single accountable owner.

06 · 07 Two-phase roadmap · 10 steps to scale

PHASE I · 2027–2028 · STEPS 1–4

PHASE II · 2029–2031 · STEPS 5–10

Phase I: Immediate “Quick Wins” (2027–2028)

A workable DLT regime without restrictive transaction ceilings, collateral eligibility that extends to DLT-native securities and proportionate prudential treatment, complemented by a coordinated programme of tokenised sovereign and supranational issuance to give the market its first deep pool of high-quality collateral.

Phase II: Permanent architecture & wholesale cash (2029–2031)

Harmonised custody rules and settlement finality for DLT systems, permanent settlement in central bank money building on Pontes and Appia, an optional 28th regime for issuance and investing, resilience by design, global interoperability and a modernised CSD framework that allows decentralised settlement.

T+0
ATOMIC
SETTLEMENT

24/7
CONTINUOUS
TRADING

08 Ensuring systemic resilience

Atomic, instantaneous (T+0) settlement and 24/7 continuous trading unlock major efficiency gains, but must not introduce new vulnerabilities. The framework must embed resilience by design: liquidity-saving mechanisms, on-chain circuit breakers and dynamic liquidity buffers.

NON-PAPER

Executive summary



Europe does not lack initiatives. It lacks an integrated strategy — and the opportunity to lead is still within reach.

Tokenisation is moving from experiment to market infrastructure. The Eurosystem's Pontes went live on 21 September 2026, allowing DLT platforms to settle in central bank money;¹ the UK is preparing its first digitally native gilt;² Singapore is trialling tokenised central bank bills settled in wholesale CBDC;³ and in the United States the SEC has issued a five-year exemption for on-chain trading of tokenised stocks.⁴ The question is no longer whether markets will be tokenised, but where, under which rules and in which money.

Europe is not starting from scratch. It wrote the first comprehensive rulebook (the Markets in Crypto-Assets Regulation, MiCA,⁵ and the DLT Pilot Regime)⁶, and its central bank, regulators and banks are each building an important piece. But the pieces do not yet form a system. They advance under different mandates and calendars, with no common market architecture and no one accountable for the whole. This is not only inefficient: because liquidity shows hysteresis, once it settles on foreign infrastructure it is very hard to bring back.

This paper proposes to turn those pieces into a strategy built on a distinctive European model: tokenised markets that offer the possibility to settle in a two-tier system, meaning central bank money as the anchor and tokenised private money, and that operate under one set of technology-neutral rules ("same activity, same risk") and remain open and interoperable with the rest of the world. The optional 28th regime proposed is consistent with this principle: it is technology-neutral and offers a common route to issue any asset, not a new asset category. Two-tier settlement, legal certainty and openness are Europe's credible route to leadership, rather than imitating models built elsewhere.

This roadmap does not start from a blank page: each step builds on work already started by the Commission, the Eurosystem, the supervisory authorities and the market. In 2027–2028, the quick wins: a workable DLT regime, collateral eligibility that extends to DLT-native securities and proportionate prudential treatment, complemented by a coordinated programme of tokenised sovereign and supranational issuance to give the market its first deep pool of high-quality collateral. From 2029, the permanent architecture: harmonised custody rules, settlement finality for DLT systems, permanent settlement in a two-tier system, an optional 28th regime for issuance, resilience by design, global interoperability and a modernised CSD framework. A High-Level Digital Markets Task Force, with a single accountable owner and full transparency across its mandate, would keep the whole agenda on track, with full respect for the independence of the ECB.

The decisions that will shape the market are being taken now: the review of MiCA,⁷ the Eurosystem's collateral and settlement choices,⁸ and ESMA's work on tokenised collateral at central counterparties,⁹ among others. This paper invites the European institutions to treat them as one agenda and sets out where to begin. The choice facing Europe is not simply whether to embrace tokenisation, but whether to shape the future architecture of global finance or adapt to one increasingly developed elsewhere.

AT A GLANCE

The roadmap at a glance: 10 steps to scale

2027–2028 QUICK WINS

01

Update the DLT Pilot Regime

From a sandbox with ceilings to a regime that lets tokenised markets reach scale

02

Central bank collateral eligibility

DLT-native securities as fully usable collateral for Eurosystem operations

03

Proportionate prudential treatment

Capital and liquidity rules that are neutral towards the technology

04

Anchor supply from public issuers

Tokenised sovereign and supranational issuance that seeds deep, high-quality collateral

From 2029 PERMANENT ARCHITECTURE

05

Custody and settlement finality

One European standard for safekeeping digital assets and legal protection for DLT-based transactions across the Single Market

06

Permanent cash settlement

A two-tier settlement architecture, offering central bank money settlement as the core anchor

07

A 28th regime for issuance and investing

One optional rulebook to issue and invest across 27 jurisdictions

08

Systemic resilience by design

Efficiency gains without new systemic risks

09

Global interoperability

An open market connected to the world

10

Modernised settlement framework

Record-keeping and CSD rules fit for 24/7, atomic settlement



A High-Level Digital Markets Task Force, with a single accountable owner and full transparency across its mandate, would keep the whole agenda on track.

01

Why now: the strategic rationale



Overcoming structural fragmentation. Europe stands at a crossroads defined by a widening competitiveness gap against global powers. Both the Draghi and Letta reports have warned that the fragmentation of European capital markets—fuelled by national regulatory silos and disconnected infrastructures—is an unsustainable drag on the economy.¹⁰ DLT offers the necessary technical breakthrough to create a definitive legal record, harmonizing post-trade processes at a pan-European scale. Now is the time to transition toward a unified digital infrastructure that dismantles these barriers, finally enabling the Savings and Investments Union to evolve from a political aspiration into a deeply integrated operational reality.

T+0

NEAR-IMMEDIATE
SETTLEMENT

24/7

MOBILIZATION OF
COLLATERAL

DvP

ATOMIC DELIVERY-VERSUS-
PAYMENT

The convergence of competitiveness, the SIU and financial resilience. The adoption of Distributed Ledger Technology (DLT) has the potential to be a decisive catalyst for European competitiveness, serving as the essential technical infrastructure to materialize the Savings and Investments Union (SIU). There is an international race to make this potential a reality at scale, requiring greater ambition and urgency from European policymakers to build a market architecture that can capture global liquidity. By radically optimizing market efficiency—compressing settlement times to near-immediate (T+0) levels and unlocking “trapped capital” through more agile collateral mobilization—this technology not only improves access to financing but also redefines the standards for single-market integration. This efficiency is complemented by superior financial resilience; by replacing vulnerable, centralized infrastructures with automated processes and atomic settlements, counterparty risks and operational failures are substantially reduced. However, this shift also gives rise to novel vulnerabilities—including smart contract flaws, cross-chain bridge exploits, and liquidity trade-offs stemming from the loss of multilateral netting—that require a modernized supervisory approach. In this new ecosystem, maintaining central bank money as the foundational anchor is the guarantee that preserves the “singleness of money” and systemic stability, demonstrating that technological innovation is the pillar upon which Europe can build a financial system that is not only more competitive, but fundamentally more robust and secure.

“ Developing DLT-based financial “rails” under European jurisdiction is not merely a matter of efficiency; it is a prerequisite for digital sovereignty.”

Securing financial sovereignty and strategic resilience. In an increasingly volatile geopolitical environment, over-reliance on non-European payment infrastructures poses a systemic risk. Developing DLT-based financial “rails” under European jurisdiction is not merely a matter of efficiency; it is a prerequisite for digital sovereignty. By deploying a tokenised financial market operating under a two-tier settlement system anchored in central bank money, Europe can insulate itself from external technological threats and geopolitical leverage, while remaining open to the rest of the world and pursuing full market interoperability to benefit from the undeniable advantages of such openness and cross-jurisdictional transactions. The technology’s ability to reduce counterparty risk and settlement failures through atomic delivery-versus-payment (DvP) settlement provides a level of operational resilience that legacy, centralized systems cannot match. Also, early European engagement in DLT enables policymakers to shape global market parameters rather than following rules set by others.

Unlocking capital for EU financial and economic needs. Europe must mobilize its internal savings with unprecedented speed to fund EU financial needs and boost our economy. Tokenization is the key to optimizing this capital by eliminating “trapped liquidity,” enabling the 24/7 mobilization of collateral, and drastically reducing funding costs. Furthermore, by simplifying issuance processes and enabling the fractionalization of assets, the technology might empower small and mid-sized enterprises (SMEs) to access capital markets directly, reducing their structural over-dependence on bank financing. At the same time, asset fractionalization lowers entry barriers for retail investors, broadening capital market participation and helping channel European household savings directly into productive investments.

Strengthening the international role of the euro. To maintain its relevance in the global economic landscape, the European Union must foster an integrated, competitive, and innovative financial ecosystem. The implementation of efficient, secure, and fully interconnected digital payment systems—encompassing both tokenized assets and a wholesale digital euro—is essential to reinforce the international role of our currency. This technological advancement will deliver tangible benefits, such as lowering borrowing costs, reducing exposure to currency fluctuations, and providing greater insulation from international sanctions, thereby ensuring a stronger and more autonomous position for the euro in the global market.

02

The global race for scale



A brief assessment of the global landscape reveals that competing financial centres are aggressively moving past the experimentation phase and deploying production-grade, tokenised capital market infrastructures. If the European Union treats tokenisation as a prolonged theoretical exercise, it risks ceding the architecture of the future financial system to other jurisdictions.

TABLE 1 The jurisdictional benchmark

JURISDICTION	APPROACH	KEY INSTRUMENTS
Switzerland	Achieving production scale	DLT Act · SIX Digital Exchange (SDX) · <i>Project Helvetia</i> (wCBDC)
United Kingdom	A unified strategic push	Wholesale Financial Markets Digital Strategy · Digital Securities Sandbox (DSS) · <i>DIGIT</i> · <i>Wholesale Digital Markets Champion</i>
Singapore	Public-private standardisation	<i>Project Guardian</i> · tokenised MAS Bill settled in wholesale CBDC
Hong Kong	Tokenised deposits as the bridge	Project Ensemble (EnsembleTX)
Japan	Supervised pilots before legislation	Financial Services Agency payments-innovation pilots
United Arab Emirates	Clear rulebooks, early use	Central Bank · VARA · ADGM · DIFC
United States	Private-sector driven dominance	SEC 'innovation exemption' · J.P. Morgan's Kinexys (JPM Coin) · tokenised US Treasury products
European Union	First to regulate, not yet first to scale	MiCA · DLT Pilot Regime · <i>Pontes</i>

BOX 1

The jurisdictional benchmark

Switzerland: achieving production scale. Switzerland operates a live environment in which tokenised bonds settle against wholesale central bank money, Project Helvetia, run by the Swiss National Bank on the SIX Digital Exchange (SDX), although it remains a pilot.¹¹ Supported by a targeted legal framework (the *DLT Act*), the Swiss regime has already enabled benchmark-sized issuances by cantonal governments, financial institutions, and corporate entities. Crucially, the SIX Digital Exchange (SDX) is deeply integrated with the Swiss National Bank's wholesale central bank digital currency (wCBDC) through *Project Helvetia*, connecting market-run asset ledgers with central bank money settlement. The SNB has extended the pilot until at least mid-2027, without committing to a permanent wholesale CBDC, and has added settlement in conventional central bank money.¹²

The United Kingdom: A unified strategic push. The UK is executing a highly coordinated “Wholesale Financial Markets Digital Strategy” aimed at securing its position as a global leader in tokenisation. The launch of the Digital Securities Sandbox (DSS) allows firms to transition from testing to permanent authorisation, while the *DIGIT* pilot will pioneer digitally native UK sovereign debt issuance with on-chain settlement. HSBC has been selected as platform provider and six joint lead managers were appointed on 6 October 2026; the pilot issuance is expected by the first quarter of 2027.¹³ To ensure momentum and bridge the gap between government, regulators, and industry, the UK has appointed a dedicated *Wholesale Digital Markets Champion*.¹⁴ This figure operates as a central coordinating nexus, uniting the government—namely HM Treasury—with regulators such as the FCA and the Bank of England, and the private financial industry.

Singapore: public-private standardisation. The Monetary Authority of Singapore (MAS) has fostered intense public-private cooperation through initiatives like *Project Guardian*. By bringing global banking giants together, Singapore is actively standardising institutional tokenisation and exploring how programmable settlement can enhance cross-border interoperability and asset mobility, positioning the city-state as a leading digital hub in Asia. MAS has also completed a live trial of wholesale CBDC settlement with DBS, OCBC and UOB,¹⁵ announced the first tokenised MAS Bill auction settled in wholesale CBDC on 18 September 2026,¹⁶ and signed a memorandum of understanding with the Deutsche Bundesbank on cross-border digital asset settlement.¹⁷

Hong Kong: tokenised deposits as the bridge. The Hong Kong Monetary Authority moved Project Ensemble from sandbox to pilot (EnsembleTX) in November 2025. Throughout 2026, banks settle real-value tokenised deposit transactions, starting with tokenised money market funds, through the HKD real-time gross settlement system, with the stated aim of progressively moving to 24/7 settlement in tokenised central bank money. The central bank provides the settlement anchor and the market builds on it: the logic this paper proposes for Europe.

Japan: supervised pilots before legislation. Japan's Financial Services Agency is running a series of payments-innovation pilots with the main banks and securities houses: blockchain-based securities transfers settled with stablecoins (Nomura and Daiwa, February 2026), interbank settlement of tokenised deposits (April 2026) and a trade-finance pilot with a yen stablecoin that began in Septem-

ber 2026, while it prepares to reclassify crypto-assets as financial products. It is a pragmatic path that tests settlement models in controlled conditions before scaling them.

United Arab Emirates: clear rulebooks, early use. The UAE has built explicit, if multi-layered, frameworks: the Central Bank for dirham payment tokens, Dubai's VARA for asset-referenced tokens, and ADGM and DIFC for digital and security tokens. They are already in use: the Dubai Land Department's pilot tokenises real estate linked to title deeds, and international banks have launched tokenised deposit services in the country in 2026. The lesson is that legal clarity attracts activity early, even where several authorities share the rulebook.

The United States: private-sector driven dominance. The US still lacks a federal market-structure statute: the CLARITY Act failed a Senate cloture vote on 15 September 2026 (49-50).¹⁸ Regulators are acting within existing powers instead, and on 17 September the SEC issued a five-year 'innovation exemption' for on-chain trading of tokenised stocks,¹⁹ while the private sector scales market-led solutions. Major institutions are deploying proprietary DLT networks; for example, J.P. Morgan's Kinexys platform (formerly Onyx) has processed over USD 4 trillion in payments since its launch, around USD 7 billion a day on average (J.P. Morgan, August 2026), including intraday repo settled with tokenised commercial bank money (JPM Coin).²⁰ Simultaneously, tokenised US Treasury products have reached roughly USD 15 billion in on-chain value (RWA.xyz, late September 2026), with products from several major asset managers.²¹ The US holds massive latent potential that could dominate global markets as regulatory clarity accelerates.

— The “Strategic European Paradox”

THE EU WAS THE FIRST TO REGULATE

MiCA
DLT Pilot Regime

...BUT IT IS NOT YET THE FIRST TO SCALE

Regulatory clarity ≠ market
depth

The global landscape exposes a stark European paradox: the EU was the first to regulate, but it is not yet the first to scale. Europe did exactly what was required to build a foundation. MiCA gave Europe the first comprehensive framework for crypto-assets,²² and the DLT Pilot Regime created a pioneering legal space for market infrastructures.²³ However, regulatory clarity is not synonymous with market depth. Having the first rulebook does not automatically guarantee having the leading market.

“ Europe wrote the first rulebook; now, it must exert the strategic ambition to connect its siloed initiatives.”

A fundamental principle of capital markets must be recognized: **liquidity shows hysteresis**. Issuers and investors will inevitably move to the most efficient venues where infrastructure is reliable, settlement is atomic, and scale is legally permitted. Once liquidity migrates to foreign digital infrastructures, changing that dynamic is immensely difficult. Europe wrote the first rulebook; now, it must exert the strategic ambition to connect its siloed initiatives and ensure that the future financial market is built in Europe, rather than simply regulating markets that exist elsewhere.

03

Mapping the fragmentation



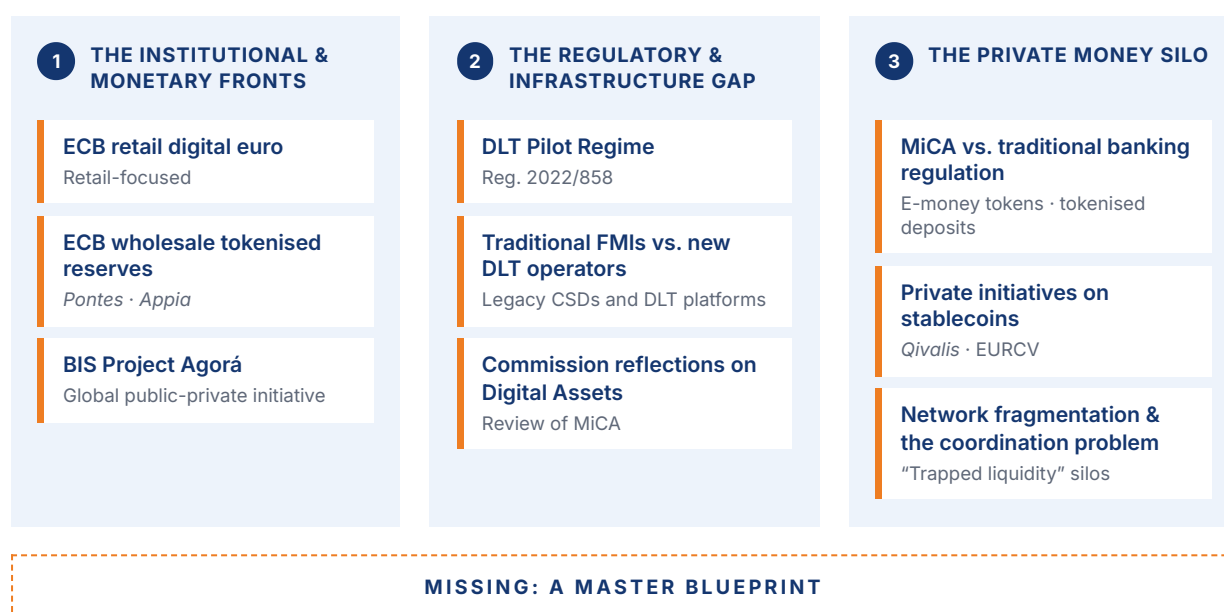
While the European Union possesses many of the individual technological and regulatory components necessary to lead the global digital asset transition, these components are currently trapped in isolated silos. We are building the rails of our future financial system piece by piece, without a master blueprint.

A thriving and scalable tokenisation ecosystem at international level relies on four essential market conditions: robust legal certainty, transparent regulatory clarity, seamless cross-chain interoperability, and reliable wholesale settlement assets in a two-tier system. For Europe to turn these conditions into a competitive advantage, it must deploy a fifth overarching catalyst: a unified European strategy and synchronized institutional alignment across all Union bodies.

FIGURE 1 Four essential market conditions and a fifth overarching catalyst



To understand the strategic risk Europe faces, we must map the current landscape of initiatives. Each represents a significant institutional achievement, yet their disconnection threatens to fundamentally fracture European liquidity and capital markets. To transition from these isolated efforts to a scalable market, Europe urgently needs an integrated and holistic vision together with a comprehensive implementation plan. The current European digital asset landscape is divided across three deeply fragmented tracks:

FIGURE 2 Europe's digital asset landscape: three deeply fragmented tracks

— 1. The institutional & monetary fronts

ECB retail digital euro: Designed to safeguard EU sovereignty in everyday citizen payments and reduce reliance on non-European private payment providers. However, its design and mandate are retail-focused and, by design, separate from the institutional investment rails that drive global capital flows. That separation is deliberate, but the two tracks should be mutually coherent: the same principles of central bank money as the anchor, interoperability and neutrality between market participants should guide both.

ECB wholesale tokenised reserves: The Eurosystem is correctly advancing wholesale solutions to maintain central bank money as the ultimate settlement anchor through the launch of *Pontes*, which went live on 21 September 2026 with the first banks, market infrastructures and DLT operators connected and lets them settle DLT-based transactions in central bank money through TARGET Services.²⁴ A fuller release is expected in 2027.²⁵ Meanwhile, *Appia* envisions a longer-term shared European utility for issuing, trading, and settling programmable assets. Yet, these remain technical central bank tracks rather than integrated elements of a holistic EU capital markets strategy.

BIS Project Agorá: A global public-private initiative exploring cross-border payments by integrating tokenised commercial bank money and wholesale central bank money in a layered architecture in which each central bank retains control of its own currency. The prototype report was published in May 2026, with the Banque de France taking part on behalf of the Eurosystem.²⁶ While European participation is vital, the EU lacks a unified internal strategy to leverage this global connectivity effectively.

— 2. The regulatory & infrastructure gap

DLT Pilot Regime (Reg. 2022/858): A pioneering regulatory sandbox that temporarily lifts restrictions for DLT market infrastructures. However, its strict transaction volume ceilings and **temporary nature** actively inhibit serious, long-term strategic investment by major financial institutions. The Commission's MISP proposal of 4 December 2025 amends the regime.²⁷ The Council set out its position on 9

October 2026, broadening the activity the regime allows;²⁸ industry operators have asked for the complete elimination of pre-emptive volume caps, replacing the current EUR 6-9 billion limit, and for the six-year limit on licences to be removed.²⁹ **A pilot that becomes a ceiling is a barrier to scale.** Also, since 30 March 2026 the Eurosystem accepts DLT-issued assets settled in CSDs, but assets issued and settled entirely on DLT remain ineligible (see point 2).³⁰ **The Eurosystem has taken the first step; the second, covering assets issued and settled entirely on DLT, will determine whether native issuance can scale.** Until then, underwriting banks cannot mobilise natively digital securities for liquidity operations, which weakens the incentive to issue them.

Traditional Financial Market Infrastructures (FMIs) vs. New DLT operators: Given that a complete transition to DLT across every part of the ecosystem will take decades—if indeed every segment ever transitions—traditional and DLT-based systems will inevitably coexist for the foreseeable future. To support this coexistence across the same and distinct market segments, guaranteeing seamless interoperability between legacy Central Securities Depositories (CSDs) and newly licensed DLT platforms is a mandatory prerequisite; otherwise, as highlighted by major infrastructure providers, we risk severely fracturing market liquidity and collateral pools across the Single Market.

Commission reflections on Digital Assets: While the Markets in Crypto-Assets Regulation (MiCA)³¹ regulates the crypto-ecosystem, theoretical reflections on DLT lack direct traction on the traditional financial avenues required to scale tokenised capital markets. This is subject to the targeted consultation on the review of MiCA that the Commission opened on 20 May 2026 and recently closed on 30 September 2026. It asked, among other things, whether all assets recorded on a distributed ledger should fall under MiCA and whether EU-level harmonisation of ownership, custody, collateral and insolvency rules is needed to support tokenisation; a report to Parliament and Council is due by 30 June 2027.³²

“ **A pilot that becomes a ceiling is a barrier to scale.** ”

— 3. The private money silo

MiCA vs. Traditional banking regulation: The Commission, the co-legislators and EBA regulate e-money tokens under MiCA and tokenised deposits under banking regulation. Yet, there is no synchronized blueprint to ensure convertibility at par among tokenised deposits, e-money tokens or any other settlement asset through the central bank anchor across the Single Market, threatening to replace traditional market fragmentation with proprietary bank-led liquidity silos.

Private initiatives on stablecoins. The private sector is actively driving innovation in digital finance by developing new cash settlement solutions, including privately created stablecoins. As part of this push, the European private sector is developing private stablecoins like *Qivalis*, a consortium of 37 European banks that obtained an e-money institution licence from the Dutch central bank on 14 October 2026 and is expected to launch in the coming months, once it has published its white paper.³³ Other euro stablecoins, such as Société Générale’s EURCV, already exist. These properly designed and MiCA-compliant e-money tokens aim to broaden the settlement options available for market participants and facilitate the seamless exchange of tokenised assets on distributed ledgers. But clearly more options beyond the e-money tokens are needed.

Network fragmentation & the coordination problem: Current tokenisation activity remains heavily concentrated within isolated, private, and permissioned platforms. This structural fragmentation creates “trapped liquidity” silos and severely impairs secondary market depth. Overcoming this impasse is hindered by a classic market “coordination problem”: insufficient market liquidity deters the entry of large institutional investors whose scale is required to deepen the market, while incumbent financial institutions might have weak incentives to invest in open standards, preferring to preserve proprietary control over client relationships and deposit franchises. To break this vicious cycle and achieve commercial scale, Europe must prioritize cross-platform connectivity above all, fostering open interoperability standards and common smart-contract conventions across all market and public rails.

BOX 2

The diagnosis is clear

The diagnosis is clear. Each of these initiatives responds to a legitimate, pressing need within its specific domain. The ECB is protecting the currency, the Commission is regulating crypto-asset service providers and adjusting legacy systems to DLT, the BIS is testing global interoperability, and the private sector is developing innovative solutions on its own.

However, there is a lack of a single common European vision which looks at the whole picture.

There is no unified and coordinated political impetus ensuring that the wholesale digital euro seamlessly interacts with tokenised commercial deposits, that the DLT Pilot Regime evolves to support the Savings and Investments Union, or that legacy infrastructure integrates with new DLT networks.

This structural vacuum condemns the EU to operational dispersion. If we continue to legislate and develop these initiatives in isolation, we will build a fragmented digital market that drives institutional liquidity toward more integrated foreign jurisdictions.

04

Core strategic principles for a European digital market



To transition from a fragmented landscape of isolated pilot projects to a cohesive European digital financial architecture, our policy approach must be anchored in clear, strategic principles. These principles will guide the necessary legislative adjustments, ensuring that the European Union scales its digital markets without compromising market integrity, financial stability, or the sovereignty of the euro.

Natively digital vs. tokenizable assets. We must establish a clear regulatory distinction between traditional assets that are subsequently tokenised and assets that are “natively digital”. Tokenised traditional assets primarily require the removal of technological frictions in existing laws to allow for seamless trading and settlement. Conversely, natively digital assets—which are issued and live exclusively on a distributed ledger—require absolute legal certainty regarding their original issuance, the legal status of smart contracts, and the recognition of ownership rights directly on the blockchain.

“If tokenised, then European”: The 28th Regime. DLT is inherently borderless, yet our capital markets remain constrained by the fragmented corporate and securities laws of 27 Member States. To achieve true scale, the EU should champion an optional, pan-European legal framework—a “28th regime”—governing the issuance of digital securities alongside domestic company and insolvency regimes. This parallel framework would allow issuers to launch and trade European digital assets across the Single Market without needing to reconcile divergent national regimes, directly supporting the goals of the Savings and Investments Union.

FIGURE 3 An optional 28th regime alongside the 27 national regimes



A 28th Regime for the issuance of dematerialised securities offers a pragmatic, step-by-step approach to scaling the tokenised economy. This design might build on an optional ‘virtual 28th Member State’ approach – already proposed by some European market infrastructure providers in May 2026 for dematerialised debt securities³⁴ – and on the Commission’s EU Inc. proposal of 18 March 2026, whose shares are dematerialised by default.³⁵ This framework operates alongside the 27 existing national regimes rather than replacing them. By maintaining a narrowly defined scope focused exclusively on the issuance process on a security-by-security basis, it deliberately leaves existing EU

and national laws regarding trading, settlement, and payments unchanged. This flexibility allows issuers to voluntarily opt in, driving immediate cross-border certainty and innovation piece by piece across broader asset classes, without waiting for a complete systemic regulatory revolution.

Horizontal legislative principle: “same activity, same risk”. Regulation must adhere to the principle of technological neutrality. The fundamental financial nature of a bond or a bank deposit does not change simply because it is recorded on a distributed ledger rather than a traditional database. Therefore, we must reject the creation of massive, redundant legal categories that only serve to overcomplicate the market. Instead, the EU must pursue surgical, horizontal amendments to existing legislation. This would require a comprehensive and horizontal review of EU financial regulation. The optional 28th regime proposed is consistent with this principle: it is technology-neutral and offers a common route to issue any asset, not a new asset category.

“ **The fundamental financial nature of a bond or a bank deposit does not change simply because it is recorded on a distributed ledger rather than a traditional database.** ”

Crucially, this technological neutrality must translate into full economic equivalence in market practice. For DLT-based securities to achieve commercial scale, they must be as functional as traditional instruments—most notably by guaranteeing their legal and operational eligibility as collateral for central bank monetary policy operations and financial guarantees.

Balancing technology benefits with new risks. Policymakers must recognize the structural benefits that DLT might bring to market resilience, such as the reduction of single point of failure (SPOF) risks through distributed transaction validation, reduced costs and mitigated settlement risks. The current regulatory regime generally fails to recognize these benefits and contains structural incompatibilities between the current centralized regulations and the use of DLT, which must be resolved to properly balance technological benefits against potential new risks.

Enabling innovation. The regulatory environment should actively empower regulated financial institutions to experiment and develop innovative DLT-based business models within the EU. Frameworks that act as prohibitive barriers to innovation—such as excessively punitive prudential requirements for banks engaging with DLT—should be avoided or reassessed.

By anchoring future policy reforms to these core principles, the EU can transition from temporary experimentation to a permanent regulatory regime, making Europe a leading jurisdiction for DLT development, innovation, and large-scale commercial deployment.

05

Concrete strategic proposals:
the 10–point roadmap to scale

To translate our strategic principles into market reality, the European Union requires an ambitious, disciplined and sequenced action plan with a concrete timeline. We can no longer rely on fragmented legislative updates or isolated technological experiments that lack commercial viability. Europe must endorse a comprehensive overhaul of our financial infrastructure, driving the transition from a pilot phase to permanent and commercial-scale deployment. **Europe needs a vision for the future of the financial markets.**

To achieve this, this strategy adopts a **10-Point Policy Roadmap** designed to deliver full technological neutrality and economic equivalence for digital assets. The execution of this roadmap could be overseen by a newly created **High-Level Digital Markets Task Force**—uniting the Commission, the Eurogroup, the ECB, ESAs, and the private sector to ensure that monetary policy, market regulation, innovation and prudential supervision are closely coordinated, while enhancing the role of the euro.

FIGURE 4 High-Level Digital Markets Task Force



While the European Commission's Market Integration and Supervision Package (MISP), proposed on 4 December 2025, introduces some welcome advancements for digital assets—such as targeted amendments to improve the DLT Pilot Regime and the introduction of experimental settlement schemes—its overarching focus remains firmly on driving efficiency and integration within traditional, legacy capital markets. Consequently, the package falls short of comprehensively adapting the broader existing financial directives and regulations to the structural and operational realities of a fully functioning DLT ecosystem. There is no silver bullet, but a combination of actions and clear steps towards the right direction.

The roadmap is strictly sequenced into two operational phases: Phase I (Immediate “Quick Wins”) and Phase II (Permanent infrastructure changes).

5.1 · PHASE I Immediate “Quick Wins” and unlocking liquidity 2027–2028

In the short term, the priority should be to remove the immediate regulatory frictions that penalize institutional participation and artificially trap capital. Without these quick wins, regulated financial institutions have no commercial incentive to scale their digital asset operations.

- 1 **Updating the DLT Pilot Regime:** A pilot regime with transaction ceilings is fundamentally incompatible with institutional scale. To incentivize participation, the EU must immediately remove or at least massively increase the current thresholds for issue size and market capitalization. In this regard, the MISP is the operational tool. The Commission’s December 2025 proposal already points in this direction;³⁶ the final thresholds and the time limit on licences should not recreate the ceiling. Crucially, the framework must also provide a predictable, streamlined exit path: to prevent a regulatory “cliff-edge” when scaling beyond the sandbox, the MISP should introduce simplified, accelerated licensing procedures that ensure a smooth and rapid transition into permanent FMI authorisation.
- 2 **Achieving central bank collateral eligibility:** Since 30 March 2026 the Eurosystem accepts marketable assets issued in CSDs using DLT-based services, provided they settle in CSD Regulation-compliant systems reachable via T2S. This is a welcome first step, but material gaps remain: assets issued and settled natively on DLT platforms, including DLT market infrastructures operating under the Pilot Regime, are not eligible; the Eurosystem has only indicated a staggered approach, with no timeline; and eligibility is tied to infrastructure whose operating hours and settlement model were not designed for 24/7 markets. These gaps limit the economic value of DLT-based securities.³⁷ The Eurosystem should therefore extend eligibility to DLT-based securities issued under the Pilot Regime—and non-pilot equivalents—as eligible marketable collateral, with a clear timeline and in step with the legal changes proposed here. This is a foundational prerequisite to unlock trapped capital and stimulate intraday repo markets.
- 3 **Proportionate prudential treatment:** Existing capital and liquidity regulations currently punish banks for utilizing innovative technologies. Efforts should focus on promoting a technology-neutral regulatory framework that revises current prudential rules, while ensuring that DLT-based securities benefit from full eligibility as High-Quality Liquid Assets (HQLA), based on their economic characteristics and not the technology in which they are issued.
- 4 **Anchor supply from public issuers:** Regulation alone does not create liquidity; issuers do. Other jurisdictions are using sovereign issuance to seed their markets: the UK Treasury is preparing its digitally native DIGIT gilt,³⁸ and Singapore’s central bank has begun issuing tokenised bills settled in wholesale CBDC.³⁹ The ECB has itself begun preparatory work to invest a small portion of its own funds in tokenised euro-denominated debt of euro area governments, regional authorities, agencies and European supranational institutions, with

purchases settled through Pontes. The EU should follow with a coordinated programme in which the European Commission, the EIB and the ESM, together with willing Member State debt management offices, issue benchmark-sized tokenised bonds on Pontes-connected platforms during 2027 under a common issuance template. This would give the market its first deep, high-quality collateral and test the legal framework in practice.

5.2 · PHASE II

**Permanent market architecture and
wholesale cash****2029–2031**

Ahead of the expiration of the Pilot Regime in 2029, the EU should be designing the implementation of a permanent, accommodative regulatory regime for digital Financial Market Infrastructures (FMIs). This phase focuses on deep, wide and structural legislative amendments.

5

Comprehensive legal certainty: Harmonised custody rules and settlement finality: Fragmented national laws regarding the safekeeping of digital assets prevent widespread custodian connectivity across the Single Market. The EU should actively promote a harmonisation of national custody legislation in the EU to ensure DLT-based securities receive the exact same insolvency protection and legal treatment as traditional financial instruments. Also, to protect market integrity, DLT-based transactions must be shielded from insolvency clawbacks. The Settlement Finality Directive (SFD) should be updated so that decentralized DLT settlement systems legally qualify as Securities Settlement Systems (SSS), thereby guaranteeing that transfer orders on a blockchain are legally binding and final. In this regard, the MISP could serve the purpose of an operational tool.

6

Permanent cash settlement solutions: The realization of true DLT efficiency depends on achieving simultaneous, on-chain Delivery-versus-Payment (DvP). To this end, there is a strategic need for the evolution of wholesale central bank money settlement solutions—such as the Eurosystem’s Pontes, live since 21 September 2026,⁴⁰ and Appia—into permanent and scalable infrastructure, with settlement finality and longer operating hours as the ECB’s own roadmap foresees for 2027-2028.⁴¹ Concurrently, financial stability and robust digital markets require definitive regulatory clarity to enable cash settlement through both public and private on-chain payment means with direct or indirect access to central bank money ensuring that these different forms of money can operate in a secure and integrated manner. Central bank money, tokenised commercial bank deposits and e-money tokens should be convertible at par and settle through interoperable infrastructure, so that the choice of settlement asset never fragments liquidity.

7

A common set of rules for issuance and investing: A 28th regime for the issuance of, and investment in, securities is necessary to eliminate the bottlenecks that Europe will face in achieving the goal of a tokenized economy. It seeks to simplify and harmonize the issuance of assets through a unified set of rules that issuers and investors can voluntarily opt into, regardless of their jurisdiction. By acting as a “virtual 28th Member State” solution, this model not only eliminates the costs, delays, and uncertainties derived from navigating 27 different legal systems, but it also adopts a technology-neutral stance that allows for its application in both traditional infrastructures and DLT systems.

8

Systemic resilience by design: Atomic, instantaneous settlement and 24/7 continuous trading unlock major efficiency gains by freeing capital traditionally held for T+X settlement windows. To fully capture this potential without introducing new vulnerabilities, the regulatory framework must proactively embed systemic resilience into market architecture. First, to mitigate liquidity friction from the loss of multilateral netting in T+0 settlement, platforms should integrate programmable batching and Liquidity Saving Mechanisms (LSMs), automated algorithms that queue and offset trades to optimize intraday liquidity. Second, to prevent automated fire sales driven by smart-contract composability and unchecked collateral reuse, frameworks must enforce on-chain circuit breakers, dynamic liquidity buffers, and prudential haircuts on repledged tokenised collateral. ESMA's call for evidence of 9 October 2026 on the use of tokenised collateral by central counterparties, open until 15 January 2027, is the natural vehicle to develop these safeguards for CCP collateral, and European policymakers and market participants should engage with it.⁴² Third, because cross-chain connectivity introduces critical operational vectors, bridges and oracle networks must meet stringent DORA and CPMI-IOSCO cybersecurity and auditing standards.⁴³ Finally, to eliminate supervisory blind spots during high-velocity trading, authorities must transition from static end-of-day reporting toward real-time intraday exposure tracking through SupTech analytics and supervisory nodes. Rather than a constraint, this comprehensive resilience design turns settlement speed into a structural European advantage.

9

Global interoperability and preventing fragmentation: Europe needs to pursue “full market interoperability” to capitalize on the profound advantages of cross-jurisdictional transactions. The European strategy must not aim to build a closed, protectionist island, but rather an open infrastructure that global markets want to connect to. To achieve this, the EU must mandate the adoption of universal network interoperability standards. Crucially, European institutions and infrastructures, building on the Eurosystem's existing participation through the Banque de France, must step up their involvement in global consortia—such as the BIS *Project Agorá* described above—where a concrete European position on standards, legal finality and access rules would carry real weight.

10

Future-proofing settlement functions and modernising record-keeping: Current regulations (CSDR)⁴⁴ mandate highly centralized settlement, which is at odds with DLT's shared-ledger architecture. A permanent unbundling of CSD core services would allow decentralized settlement where notary, maintenance, and settlement functions are regulated by function and performed by different eligible actors. There is a need to ensure that assets recorded on a DLT have the same legal protection as traditional assets under the “book-entry form” traditional requirement.

06

Conclusion: from pilots to a European market



Europe does not lack initiatives, institutions or expertise. It wrote the first rulebook, it has made central bank money available to DLT platforms, and its banks and infrastructures are building euro-denominated tokens. What it lacks is the decision to connect these pieces into one market architecture, with someone accountable for the whole.

That decision cannot wait for the end of the legislative cycle. Over the next twelve months the Eurosystem will enhance Pontes and take further decisions on collateral, ESMA will assess tokenised collateral at central counterparties, and the Commission will complete its review of MiCA.^{45 46 47} If these are treated as separate files, Europe will once again regulate well and scale late. If they are treated as one agenda, Europe can be the jurisdiction where tokenised markets settle on a robust two-tier monetary architecture, under one set of rules and open to the world.

THREE STEPS What this paper asks the European institutions

1

Adopt a common European strategy for tokenised markets, with a named owner

2

Complete the Eurosystem's collateral and settlement agenda

3

Launch a programme of tokenised public issuance that gives the market its first benchmark assets

This paper invites the Commission, the Eurogroup and the ECB, together with the European supervisory authorities, to take three steps: adopt a common European strategy for tokenised markets, with a named owner, full accountability and transparency across its mandate; complete the Eurosystem's collateral and settlement agenda; and launch a programme of tokenised public issuance that gives the market its first benchmark assets. Liquidity shows hysteresis: markets tend to stay where they first settle. The choice is whether Europe shapes the architecture of tomorrow's global finance or adapts to one built elsewhere. This paper is meant as a first stone. What is built on it is for Europe's institutions to decide, and the window to decide is open now. The international momentum is clear: as highlighted in the October 2026 IMF *Global Financial Stability Report*, scaling tokenised finance is now a central debate for global financial stability. Europe has already laid substantial foundations, and it now has both the opportunity and the responsibility to unite these initiatives into a cohesive strategy that combines innovation, resilience and global leadership.

Liquidity shows hysteresis: markets tend to stay where they first settle.

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Notes



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A Tokenised Vision for EU Financial Markets

MEP Fernando Navarrete Rojas

