

Beyond Tokenization: Building Trusted Digital Capital Markets

A Framework for Market Infrastructure, Intelligence and Institutional Adoption

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Abstract

Tokenization has moved from technical experimentation toward financial-market implementation. Securities, investment funds, deposits and other financial claims can increasingly be represented on programmable infrastructure. Yet the ability to tokenize an asset does not by itself create a functioning digital capital market.

This paper argues that the next phase of tokenization should focus less on what can be tokenized and more on what infrastructure is required for tokenized assets to become trusted, liquid and institutionally usable markets. It proposes a seven-layer Digital Capital Market Infrastructure Framework comprising legal and regulatory foundations; asset and issuance architecture; custody and control; market access and distribution; settlement and interoperability; market intelligence and observability; and institutional trust and assurance. Unlike system-wide architectural visions such as the BIS's Finternet and unified ledger proposals, this framework functions as an operational diagnostic: a tool for assessing whether a specific tokenized instrument or market is institutionally ready today, and it isolates market intelligence and observability as infrastructure in its own right.

The paper advances three propositions. First, tokenization digitizes assets, while digital capital markets digitize financial ecosystems. Second, on-chain transparency is not equivalent to institutional market transparency: public ledger data can make individual transactions technically visible while market information remains fragmented across instruments, issuers, networks, intermediaries and jurisdictions. Third, technological networks and settlement infrastructure can become increasingly global while financial products remain substantially jurisdictional; digital capital markets therefore require both cross-network asset intelligence and jurisdiction-specific market infrastructure.

The policy challenge is not simply to move existing financial instruments onto new technological rails. It is to ensure that legal rights, money, markets, information and trust evolve together. Only then can tokenization progress from isolated issuance toward durable digital capital markets.

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1. Introduction: Beyond Tokenization

Tokenization has become a central theme in the modernization of financial markets. Financial institutions, governments, asset managers and market-infrastructure providers are exploring how conventional financial claims can be issued, recorded, transferred or settled on programmable infrastructure. The Bank for International Settlements (BIS, 2025) has described tokenization as having the potential to integrate messaging, reconciliation and asset transfer into a more seamless process, while projects involving tokenized money and securities are increasingly moving from conceptual work toward real-value experimentation.

The debate, however, has often concentrated on the asset itself: can a bond, a fund, a deposit, a commodity or a property interest be tokenized? These questions remain important, but they are no longer sufficient. The more consequential question is what infrastructure must exist around a tokenized asset for it to function as part of a trusted capital market.

A conventional security does not derive its investability merely from the existence of the instrument. Behind it sits an extensive institutional architecture: law, disclosure, custody, distribution, exchanges, market makers, clearing, settlement, market data, valuation, collateral arrangements, surveillance, operational controls and dispute-resolution mechanisms, all of which reduce uncertainty and allow capital to move. Tokenization can change how some of these functions are delivered, but it does not eliminate the underlying economic need for them. Indeed, tokenization can initially make the architecture more complex: a financial instrument may be legally constituted in one jurisdiction, represented on several technological networks, distributed through intermediaries in other jurisdictions, held through a combination of digital and traditional custody arrangements, and settled using a form of money that resides on yet another infrastructure layer. A technically successful token therefore does not necessarily imply the existence of a successful market.

This distinction motivates the central proposition of this paper:

Tokenization digitizes assets. Digital capital markets digitize financial ecosystems.

The transition from one to the other requires a broader infrastructure perspective. The Financial Stability Board (FSB, 2024) has similarly cautioned that, although tokenization may improve efficiency, transparency and access, many anticipated benefits remain unproven and can be accompanied by operational complexity, liquidity pressures, legal uncertainty and interconnectedness. It has also highlighted persistent data and information gaps as tokenized activity develops. The challenge, in other words, is not simply technological adoption; it is market formation.

This paper proposes a seven-layer Digital Capital Market Infrastructure Framework for analysing that transition: (1) legal and regulatory foundations; (2) asset and issuance architecture; (3) custody and control; (4) market access and distribution; (5) settlement and interoperability; (6) market intelligence and observability; and (7) institutional trust and assurance.

This framework is distinct from, though complementary to, the BIS's own Finternet and unified ledger proposals. The Finternet vision, as articulated by Carstens and Nilekani (2024), identifies three necessary components for a future financial system: an efficient economic and financial architecture, the application of digital technology, and a robust legal and governance framework. The unified ledger concept, elaborated further in the BIS Annual Economic Report 2025, focuses primarily on integrating tokenized central-bank reserves, commercial-bank money and financial assets on a shared programmable platform (BIS, 2025). Both are macro-level architectural visions for how the financial system as a whole could ultimately be redesigned. The framework proposed here operates at a different altitude: it is not a proposal for system-wide redesign, but a diagnostic tool for assessing whether a specific tokenized instrument, platform or market is institutionally ready today, under existing legal and monetary arrangements. It also treats market intelligence and observability as a distinct infrastructure layer in its own right, a function referenced only indirectly, if at all, in existing architectural proposals, despite its practical importance to investors, supervisors and market participants.

The framework is deliberately functional rather than technology-specific. A jurisdiction may choose public, permissioned or hybrid infrastructure. Assets may be recorded through blockchains, traditional registries or combinations of both. Settlement may use central-bank money, commercial-bank money, tokenized deposits, regulated private money or existing payment rails. What matters is whether the complete system can reliably answer seven fundamental questions: What legally exists? What does the digital representation actually represent? Who owns or controls it? Who can access and transact in it? How does payment and settlement occur? How can the market be understood? Why should institutions trust the system? Those questions define the infrastructure challenge beyond tokenization.

2. The Institutional Adoption Gap

Tokenization can make an asset technically transferable without making it institutionally investable. This distinction creates an institutional adoption gap between technological feasibility and capital-market readiness. Large regulated investors do not evaluate financial instruments solely by asking whether a transaction can be executed. They must also determine whether an instrument can be legally owned, valued, custodied, settled, reported, risk-managed and exited within acceptable regulatory and operational parameters. Five gaps are particularly important.

2.1 Legal certainty

A digital representation must correspond to an enforceable financial right. Technical control over a token does not necessarily answer questions concerning beneficial ownership, issuer obligations, insolvency, priority of claims or applicable law, questions that are particularly important where tokenized instruments operate across borders. The Wharton Stablecoin Toolkit illustrates the broader problem in the context of digital money: technical control and legal ownership do not always coincide, and the treatment of digital assets continues to vary across property, commercial, insolvency and conflict-of-laws frameworks (Wharton Blockchain and Digital Asset Project [Wharton BDAP], 2026). It similarly notes that strong on-chain evidence of control does not automatically create universally recognized and enforceable property rights off-chain (Wharton BDAP, 2026). The lesson extends beyond stablecoins: a token is not a substitute for legal architecture.

2.2 Market access

Tokenization can reduce technological barriers to access without necessarily removing legal or economic barriers. A financial instrument may technically be divisible into small units and transferable around the clock, yet remain subject to securities regulation, investor-eligibility requirements, distribution restrictions, know-your-customer requirements, suitability standards, tax rules and cross-border marketing limitations. Tokenization should therefore not be equated automatically with democratization. Greater technical accessibility may expand distribution in some markets, but only when the surrounding legal and commercial infrastructure permits it.

2.3 Liquidity

Transferability is not liquidity. An asset that can move between digital wallets within seconds may still have few willing buyers or sellers. Liquidity depends on deeper market characteristics: participation, pricing, market making, information, product familiarity, collateral usability, settlement certainty, concentration and confidence. This distinction matters because tokenization is sometimes measured principally through issuance or outstanding value, yet a market can experience substantial issuance while displaying limited secondary activity. The development of tokenized capital markets should therefore be assessed through market behaviour, not only the amount of assets represented digitally.

2.4 Settlement

Every securities transaction ultimately involves two sides: the asset, and the money used to pay for it. Tokenizing only one side leaves an incomplete architecture. This explains why experiments in tokenized securities are increasingly accompanied by work on tokenized deposits, central-bank money and other forms of digital settlement. The BIS's work on unified ledgers explicitly connects tokenized financial assets with tokenized forms of money, while Project Agorá has demonstrated atomic settlement using tokenized commercial-bank deposits and central-bank reserves across currencies and jurisdictions (BIS, 2025; BIS & Institute of International Finance [IIF], 2026).

2.5 Information

Finally, institutional markets require information infrastructure. Public blockchains may expose large quantities of transaction data, but raw transaction data is not equivalent to market intelligence. Relevant information may remain distributed among legal issuers, blockchain networks, transfer agents, custodians, trading venues, settlement providers, regulatory databases and conventional financial-market systems. This produces a paradox:

A market can become more technically transparent while becoming harder to understand as a whole.

Resolving that paradox requires infrastructure beyond issuance.

3. A Digital Capital Market Infrastructure Framework

The framework proposed here treats digital capital markets as an interconnected system of seven functional layers. The layers are not intended to imply a fixed technological sequence; in practice, several may operate simultaneously or be provided by the same institution. Their purpose is analytical: each solves a distinct problem required for institutional market formation.

Layer	Core question
1. Legal & Regulatory Foundations	What legally exists?
2. Asset & Issuance Architecture	What does the token represent?
3. Custody & Control	Who owns or controls it?
4. Market Access & Distribution	Who can participate?
5. Settlement & Interoperability	How does value move?
6. Intelligence & Observability	What is happening in the market?
7. Trust & Assurance	Why can institutions rely on it?

Layer 1: Legal and Regulatory Foundations

The first layer defines the legal reality beneath the digital representation. It determines matters such as recognition of digital financial instruments, property and contractual rights, securities-law classification, issuance requirements, transfer restrictions, investor protection, insolvency treatment, governing law, settlement finality and regulatory responsibility. This layer matters because technological ownership and legal ownership may not always be identical: the applicable legal architecture must establish how control over a digital representation connects to enforceable rights against issuers, custodians and third parties. The underlying question is straightforward: if the technology fails, an intermediary fails, or a dispute arises, what does the investor legally own? Until that question can be answered with sufficient certainty, institutional adoption remains constrained.

Layer 2: Asset and Issuance Architecture

The second layer defines what has actually been tokenized. Digital representations can embody very different economic structures: a token may represent a direct security, an interest in a fund, beneficial ownership of an asset, a contractual claim, an interest in a special-purpose vehicle, collateralized exposure, or synthetic exposure to an underlying asset. Two digital instruments referencing the same underlying asset can therefore carry very different legal rights and risks. This is particularly important for tokenized equities: a digital instrument referencing a listed share may represent legally recognized ownership of that share, an interest in a vehicle holding shares, or merely contractual price exposure. These structures should not be treated as equivalent simply because their market value references the same underlying company. Institutional digital markets therefore need clear metadata concerning both the underlying asset and the legal structure of the tokenized instrument. Tokenization is a representation technology; it does not remove the need to understand the claim.

Layer 3: Custody and Control

The third layer concerns possession, control and recordkeeping. Tokenized financial instruments may involve self-custody, regulated digital-asset custodians, securities custodians, transfer agents, central securities depositories, smart-contract-based control, or hybrid arrangements. This creates an important distinction:

The blockchain record may be evidence of ownership without necessarily being the complete authoritative ownership record.

Some structures may use a distributed ledger as the legal system of record. Others may use blockchain activity as one component of a broader transfer-agent or registry infrastructure. Still others may maintain authoritative off-chain records and use tokens primarily for transfer or settlement functionality. A robust market therefore needs transparency not merely about the token balance, but about which record has legal authority.

Layer 4: Market Access and Distribution

A market requires investors. This layer connects assets to capital through broker-dealers, banks, exchanges, investment platforms, fund distributors, institutional marketplaces, wallets, onboarding systems and cross-border distribution arrangements. Tokenization may reduce certain operational frictions and enable new distribution models, including smaller denominations or programmable investor restrictions, but distribution remains a regulated financial function. The question is not simply whether the token can move; it is whether a given investor can legally and operationally acquire, hold, transfer and exit the financial instrument. This distinction will remain important even where the underlying technology becomes globally accessible.

Layer 5: Settlement and Interoperability

This layer connects asset transfer with payment. The objective of a capital-market transaction is not merely to transfer a digital object; it is to exchange a financial asset against money with sufficient certainty that neither party is exposed unnecessarily to settlement risk. Possible forms of settlement include existing commercial-bank money, real-time payment infrastructure, tokenized deposits, regulated private digital money, central-bank money, and future programmable settlement arrangements. The BIS has argued that combining tokenized central-bank reserves, commercial-bank money and financial assets could allow contingent execution and atomic delivery-versus-payment, reducing reconciliation and settlement frictions (BIS, 2025).

Recent work also demonstrates an important design principle: interoperability does not necessarily require every jurisdiction to surrender control to one global ledger. Project Agorá, for example, has tested an architecture incorporating shared functionality alongside jurisdiction-specific ledgers for central-bank reserves, preserving domestic control while enabling cross-border settlement (BIS & IIF, 2026). The broader lesson for digital capital markets is that interoperability does not require institutional uniformity; systems can connect while retaining different legal, monetary and regulatory domains.

Layer 6: Market Intelligence and Observability

This is one of the least developed layers of emerging tokenized markets. Market intelligence converts fragmented activity into information that investors and policymakers can interpret: outstanding issuance, changes in supply, issuance and redemption activity, transaction activity, market concentration, distribution across networks, liquidity indicators, settlement activity, issuer classification, asset classification, jurisdictional mapping and market-development benchmarking.

The conceptual distinction is important:

Transparency describes whether information can be seen. Observability describes whether the state and behaviour of the market can be understood from that information.

A public blockchain can provide transparency at the transaction level while the market remains difficult to observe at the asset or ecosystem level. The Financial Stability Board has already identified data and information gaps as an issue for authorities assessing tokenization and has called for a better understanding of how tokenized activity fits within legal, regulatory and supervisory frameworks (FSB, 2024). As the market scales, observability should therefore be treated as market infrastructure, not merely analytics.

Layer 7: Institutional Trust and Assurance

The final layer determines whether participants can rely on the system as a whole. It encompasses governance, cybersecurity, operational resilience, smart-contract controls, data integrity, independent assurance, auditability, disclosure, model risk, incident management and regulatory supervision. Blockchain technology can reduce reliance on certain intermediaries while simultaneously introducing new dependencies on software, infrastructure providers, keys, oracles and smart contracts. Trust is therefore not removed; it is redistributed. Institutional markets need mechanisms capable of determining whether these new dependencies operate as expected and whether failures can be detected, contained and resolved.

The seven layers are therefore complementary. A technically sophisticated settlement system cannot compensate for uncertain legal rights. Perfect legal documentation cannot create liquidity. Public transaction data cannot replace coherent market intelligence. And an efficient token cannot create institutional trust on its own.

4. Money and Assets Are Different Infrastructure Layers

One of the most important distinctions in digital capital markets is between tokenized financial assets and tokenized money. The former represents investment claims; the latter facilitates payment, liquidity and settlement. Conflating the two can obscure their different economic functions. Prior work has similarly argued that crypto-based financial instruments should be analysed according to their economic function and market structure rather than by applying traditional financial labels mechanically (Ang, 2025).

A tokenized bond, fund or security gives the investor exposure to an asset or issuer. A tokenized form of money primarily provides a means of transferring value. The Wharton Stablecoin Toolkit reaches a related conclusion in its analysis of stablecoins: instruments that appear technologically similar can differ materially according to reserve composition, redemption design, custody architecture and legal structure (Wharton BDAP, 2026).

Digital-capital-market design should therefore ask two separate questions: how should the asset be represented, and what form of money should settle it? Stablecoins are one possible answer to the second question, but not the only one. Tokenized commercial-bank deposits, central-bank settlement assets and existing banking infrastructure can also perform settlement functions. The BIS has expressed reservations

about relying on stablecoins as the foundation of the monetary system and instead emphasizes architectures anchored in central-bank money and regulated commercial-bank deposits (BIS, 2026), though other jurisdictions may nevertheless permit regulated private digital money for particular purposes.

The broader point is more important than choosing one model:

Tokenized markets require the asset layer and the money layer to develop together.

A market in which securities can move instantly but money cannot follow efficiently remains incomplete. Conversely, highly efficient digital money without investable financial assets produces a payment network, not a capital market. Digital capital markets emerge when the two become interoperable within credible legal and institutional structures.

5. From On-Chain Transparency to Market Observability

A common assumption in digital finance is that public blockchains create transparent markets by default. This is only partly true. A blockchain may reveal transaction histories, wallet balances, token supply, contract interactions and movement between addresses, properties that are valuable, but that do not necessarily answer the questions an institutional investor or regulator ultimately asks: who is the beneficial owner? What legal rights does the token confer? Was a transfer a purchase, redemption, collateral movement, treasury transaction or internal rebalancing? Does an economically identical representation exist on another network? Is the supply visible on one ledger the entire outstanding amount of the financial product? What is the authoritative record of ownership? Which jurisdiction governs the instrument? Which investors are legally permitted to hold it?

The difference can be expressed as follows:

On-chain visibility is transaction transparency. Institutional transparency is market context.

Tokenized markets require both.

5.1 The multi-network problem

A financial instrument can increasingly be represented across more than one technological network. From the perspective of any individual blockchain, activity may appear complete; from the perspective of the financial instrument, it is fragmented. This produces two distinct analytical questions: what is happening to this digital representation on this network (network-level activity), and what is happening to the financial instrument across every environment in which it is represented (asset-level activity)? A mature digital capital market will increasingly require the second.

5.2 Authoritative data and observable data

A further distinction is required between authoritative records and independently observable data. A legal issuer, transfer agent or regulated registry may maintain the definitive record of ownership, while public blockchain infrastructure may nevertheless expose useful information concerning supply, issuance, redemption and transaction activity. These sources should not be conflated. Market intelligence should identify provenance explicitly (issuer-reported, registry-derived, independently observed on-chain, calculated or derived, or externally verified) because confidence in a metric depends partly on how it was produced. A token balance observed independently on-chain can provide strong evidence that a digital object exists at an address; it may provide much weaker evidence concerning the beneficial owner's identity, the status of an off-chain reserve, or the enforceability of the associated legal claim.

5.3 Observability as infrastructure

Traditional capital markets devote significant resources to information infrastructure. Investors rarely reconstruct an entire market from individual settlement records; instead, data vendors, exchanges, issuers, registries, rating agencies, benchmarks and financial institutions transform raw information into usable market intelligence. Tokenized capital markets will require an analogous function. The infrastructure may look different because much of the underlying data can be machine-readable and directly observable, but the economic requirement remains: the market needs to know what exists, where it exists, how much exists, how it is changing, where activity occurs, what the instrument represents, which jurisdiction governs it, and how the activity relates to the wider financial system. This is why market observability should be considered part of digital financial infrastructure rather than an optional dashboard layered on top of it.

6. Global Networks, Jurisdictional Capital Markets

Tokenization creates an apparent contradiction: the infrastructure can be global, but the financial instrument remains jurisdictional. A public blockchain does not have a securities regulator, bankruptcy court or investor-compensation scheme. Financial instruments do. This leads to a second central proposition of this paper:

Tokenization globalizes financial infrastructure faster than it globalizes financial law.

An instrument represented on globally accessible infrastructure may still have a legal issuer, an issuance jurisdiction, a governing law, regulated intermediaries, investor restrictions, disclosure obligations, custody requirements, tax consequences and supervisory authorities. The network on which the token operates should therefore not be confused with the jurisdiction of the financial instrument. A blockchain network is a technological network, not, by itself, a financial jurisdiction. This becomes especially important as assets, money and investors increasingly occupy different parts of the infrastructure.

Consider a generic structure: a regulated investment product is constituted under the laws of Jurisdiction A; its digital representation operates on technological networks accessible globally; a financial institution in Jurisdiction B distributes the instrument to eligible investors; settlement occurs using digital money issued under the framework of Jurisdiction C. The resulting transaction is technologically integrated but legally multi-jurisdictional. Market infrastructure must therefore operate across two dimensions.

The **global infrastructure dimension** includes blockchain networks, interoperability protocols, globally circulating digital settlement instruments, messaging standards, cross-border custody, common technical standards and shared data infrastructure. The **jurisdictional market dimension** includes securities law, product authorization, issuance, distribution permissions, investor eligibility, settlement-finality rules, supervision, taxation and enforcement.

The emerging digital financial system is therefore unlikely to become one borderless capital market. A more plausible structure is globally connected technological and settlement infrastructure supporting jurisdictionally governed financial markets. This architecture is already visible in official experimentation: Project Agorá has demonstrated cross-border tokenized settlement while preserving jurisdiction-specific central-bank ledgers and domestic control (BIS & IIF, 2026). The principle can extend beyond money: interoperability should allow markets to connect without requiring legal systems to become identical.

6.1 Implications for market intelligence

This also changes how tokenized markets should be measured. A single variable labelled "country" is insufficient. At minimum, market infrastructure may need to distinguish issuance jurisdiction, jurisdiction of the underlying asset, issuer domicile, permitted distribution markets, custody jurisdiction, settlement jurisdiction and technological network. Not every dimension will be observable for every transaction, and that limitation should be acknowledged rather than hidden. The result is a more realistic model of digital capital markets: assets remain legally grounded while activity becomes technologically distributed.

7. From Tokenized Assets to Capital-Market Development

Tokenization is frequently discussed as a new asset class. That framing can be misleading; it may be more economically important as a new infrastructure channel for existing assets. A government bond remains a claim on the state; a corporate bond remains a debt obligation; a fund remains a collective investment structure; an infrastructure asset continues to derive its value from the underlying project. Tokenization does not automatically increase the intrinsic economic value of these assets. What it can potentially change is their market utility.

Subject to appropriate legal and market design, digital representation may support wider distribution, fractional participation where appropriate, shorter settlement cycles, automated servicing, more efficient collateral use, integration with programmable money, new distribution channels and greater cross-border connectivity. This distinction matters particularly for economies seeking to deepen domestic capital markets: the opportunity is not necessarily to manufacture new underlying value through technology, but to make existing financial and productive assets more investable, more distributable, easier to settle and more connected to capital. Realizing those benefits, however, depends on all seven infrastructure layers described above.

Fractionalization without distribution does not create demand. Instant transfer without legally final settlement does not eliminate risk. Global technological accessibility without regulatory permission does not create cross-border market access. Public transaction data without interpretation does not create investor confidence. Tokenization should therefore be considered an infrastructure strategy, not simply an issuance strategy.

8. Measuring Digital Capital-Market Readiness

If issuance alone is insufficient, then tokenized market development should not be measured principally by tokenized assets outstanding. A larger number may indicate technological adoption; it does not necessarily indicate a functioning capital market. A more meaningful assessment should examine whether the infrastructure around the assets is becoming institutionally usable. This paper proposes five questions as a simple Digital Capital Market Readiness Test:

1. **Can institutions legally own it?** Are the investor's rights clear, enforceable and robust through insolvency or dispute?
2. **Can institutions access and exit it?** Are distribution, trading and redemption arrangements sufficiently developed?
3. **Can transactions settle safely and efficiently?** Is there credible settlement money and legal finality?
4. **Can participants understand the market?** Are issuance, activity, liquidity, concentration and risk sufficiently observable?
5. **Can institutions trust the operating environment?** Are governance, cybersecurity, operational resilience and assurance appropriate for regulated capital?

These questions shift attention from token quantity to market quality, and create a more useful framework for governments and financial centres evaluating tokenization initiatives. A pilot that issues a technically sophisticated token but cannot answer these five questions may demonstrate technological capability without establishing capital-market readiness.

9. Policy Implications

The framework suggests several implications for policymakers, regulators and financial-market infrastructure providers.

Move beyond issuance-led policy. The number or value of tokenized instruments should not become the primary measure of success. Policymakers should examine whether issuance is accompanied by distribution, liquidity, settlement, information and institutional participation.

Build the money layer alongside the asset layer. Tokenized securities require credible settlement arrangements. Experiments involving assets should therefore consider payment and settlement architecture from inception rather than as a later-stage integration problem.

Treat legal architecture as infrastructure. Code does not replace commercial law. Tokenized markets need clear treatment of ownership, transfer, insolvency, governing law and settlement finality. The Wharton analysis of stablecoins demonstrates how materially economic outcomes can depend on such legal foundations (Wharton BDAP, 2026).

Design interoperability across institutions, not merely blockchains. The most important interoperability problem is broader than moving a token between technological networks. Digital markets must connect

assets, money, custodians, legal systems, regulated intermediaries and information. Technical bridges alone cannot solve institutional fragmentation.

Preserve jurisdictional accountability. Global infrastructure should not be mistaken for the disappearance of national financial markets. Jurisdictions will continue to determine legal rights, market access, monetary arrangements and investor protection, so cross-border digital markets must reconcile interoperability with regulatory sovereignty.

Build observability from inception. Authorities should avoid recreating a familiar problem in a new technological form: markets scaling faster than their information infrastructure. The FSB has already identified data gaps as an area requiring attention as tokenization develops (FSB, 2024). Observability should therefore be incorporated into market design early enough to support supervision, risk monitoring, market benchmarking, policy evaluation and institutional decision-making.

Evaluate economic additionality. Not every asset benefits equally from tokenization. The FSB notes that many potential efficiency and access benefits remain unproven and may involve trade-offs (FSB, 2024). Tokenization initiatives should therefore answer a simple question: what specific market friction does digital representation solve? Possible answers may include settlement delay, inefficient servicing, distribution constraints, collateral mobility, fragmented ownership records or lack of market access. Where the answer is simply "the asset can be placed on a blockchain," the economic case may remain incomplete.

10. Conclusion

Tokenization has demonstrated that financial assets can increasingly operate on programmable infrastructure. That is an important technological achievement, but it is not the end state. The next stage is the construction of digital capital markets capable of supporting meaningful institutional activity. Such markets require more than tokens. They require enforceable legal rights, coherent asset structures, trusted custody, effective distribution, reliable settlement, interoperability, market intelligence and institutional assurance.

The challenge can therefore be summarized in one distinction:

Tokenization digitizes assets. Digital capital markets digitize financial ecosystems.

Three consequences follow. First, issuance should no longer be treated as a sufficient measure of progress. Second, technical transparency should not be confused with institutional market transparency; as activity fragments across issuers, networks and intermediaries, market observability becomes a form of infrastructure in its own right. Third, tokenization does not eliminate jurisdiction: technological networks and parts of the settlement layer may increasingly operate globally, while financial instruments continue to derive their rights, permissions and protections from national legal and regulatory systems.

The digital capital market of the future will therefore not be defined simply by whether assets are "on-chain." It will be defined by whether those assets can be legally recognized, institutionally accessed, safely settled, coherently observed and trusted at scale. That is the infrastructure challenge beyond tokenization.

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