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## TOKENIZING TRADITIONAL MARKETS

*Traditional financial services firms are beginning to implement tokenization initiatives to increase speed and efficiency, offer new products, and access a broader customer base. When firms tokenize real-world assets on a blockchain, they must consider the regulatory implications and risks associated with tokenization. This article examines the concept of tokenization, the current regulatory implications for creators of tokenized assets, and the application of existing SEC and CFTC rules and regulations to those who hold, transfer, or otherwise transact in tokenized assets under the existing legal and regulatory framework. As this framework evolves under the Trump Administration, the industry may benefit from more legal certainty related to tokenized RWAs.*

By Sarah Riddell, Cheryl Isaac, Rich Kerr, and Joshua Durham\*

Tokenization of real-world assets (“RWAs”)<sup>1</sup> has the potential to bring a sea change to the financial services industry. By 2030, some predict that 5-10 percent of all assets will be held in digital form, with the market for tokenized assets reaching between \$10 trillion and \$16 trillion.<sup>2</sup> Among the many reasons for the trend towards tokenization is that tokenized assets can be transferred with more speed, efficiency, and transparency than traditional assets, while also reducing or eliminating the costs of intermediaries.<sup>3</sup> The simultaneous execution and

settlement of tokenized trades may be able to foster the growth of continuous (24/7) trading.<sup>4</sup> By tokenizing RWAs, these assets can be fractionalized to enable broader access by investors to new types of asset classes.<sup>5</sup> Investments in wine, art, and other RWAs can be made by multiple persons when the asset is fractionalized.<sup>6</sup>

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<sup>1</sup> RWAs in this context include U.S. Treasuries and other securities, real estate, commodities, infrastructure, natural resources, art, and other similar assets.

<sup>2</sup> CHAINLINK, *Beyond Token Issuance* (Apr. 2024), <https://go.chain.link/reports/tokenized-asset-report>.

<sup>3</sup> ORG. FOR ECON. COOP. & DEV., TOKENISATION OF ASSETS AND DISTRIBUTED LEDGER TECHNOLOGIES IN FINANCIAL MARKETS, OECD Bus. & Fin. Pol’y Papers, No. 75, 8, 16 (Jan. 9, 2025), <https://www.oecd.org/en/publications/tokenisation-of-assets->

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*footnote continued from previous column...*

and-distributed-ledger-technologies-in-financial-markets\_40e7f217-en.html.

<sup>4</sup> GLOB. FIN. MKTS. ASS’N, IMPACT OF DISTRIBUTED LEDGER TECHNOLOGY IN GLOBAL CAPITAL MARKETS, 12, <https://www.gfma.org/wp-content/uploads/2023/05/impact-of-dlt-on-global-capital-markets-full-report.pdf>.

<sup>5</sup> *Id.* at 51.

<sup>6</sup> *Id.*

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