

Call to Action: Navigating the Rise of Digital Equities and Tokenization

As capital markets continue to evolve, digital equities and tokenization are emerging as a transformative force across trading, settlement, and post-trade operations. What began as experimental blockchain initiatives has now entered regulated environments, highlighted by the passage of the GENIUS Act in 2025¹, and the expected CLARITY Act in 2026² that have converted digital assets into an institutional-grade asset class and settlement layer. While tokenization introduces new infrastructure and operational requirements, it does not alter the fundamental regulatory obligations governing securities. Firms should also prepare for a hybrid operating model where distributed ledger technology (DLT) is integrated alongside traditional systems, either traditional trading systems settling via tokens, or token exchanges settling natively, and the ability to make the related payments via stablecoins or tokenized deposits. This shift presents both opportunity for real-time settlement, and complexity for firms to reassess their systems, operations, and control frameworks.

1. What are Digital Equities and Tokenization?

Digital equities are equity securities that are issued, recorded, or transacted using DLT, enabling ownership to be represented in digital token form rather than solely through traditional book-entry systems³. Tokenization is the process of converting an existing financial instrument into a digital representation that can be transferred, settled, and managed on a blockchain or similar infrastructure⁴. At its core, tokenization introduces a new recordkeeping and transfer mechanism for equities. Instead of relying exclusively on layered intermediaries to maintain

ownership records and facilitate settlement, distributed ledgers can serve as a synchronized, tamper-resistant record of transactions⁵. However, in current market implementations, this functionality is typically integrated with existing systems of record rather than replacing them.

In practice, digital equities exist across three primary models:

- **Tokenized (wrapped) equities**
 - Traditional shares that are digitally represented, typically backed 1:1 and linked to existing custody and settlement frameworks
- **Synthetic tokenized exposure**
 - Instruments that replicate the economic performance of

equities but may not confer full legal ownership or shareholder rights

- **Native digital equities** – Securities issued directly on blockchain infrastructure, where the distributed ledger is either integrated with or serves as the authoritative ownership record

A key distinction in today's market is that most tokenized equities operate within a hybrid structure, where blockchain facilitates certain functions such as transfer and settlement, while core legal ownership, regulatory reporting, and investor protections remain governed by existing frameworks overseen by the Securities and Exchange Commission (SEC)³. As a

result, tokenization should be understood not as a new asset class, but as an evolution in how equities are represented, processed, and serviced across their lifecycle.

2. Why are Digital Equities Important?

Digital equities are important because they address long-standing inefficiencies embedded within the capital markets lifecycle while enabling new capabilities that are difficult to achieve within traditional infrastructure. By leveraging DLT, tokenization introduces the potential for near real-time settlement, reducing counterparty exposure and improving capital efficiency by shortening the time between trade execution and final settlement⁵. At the same time, the use of a shared ledger model can significantly reduce operational complexity by minimizing the need for reconciliations across multiple systems, thereby streamlining post-trade processes such as clearing, custody, and reporting.

In addition, tokenization enables a level of programmability that allows key lifecycle events, including dividends, corporate actions, and transfer restrictions, to be embedded directly into the asset itself through smart contracts. This reduces reliance on manual intervention and improves consistency in execution. From a data perspective, the nature of distributed ledgers enhances transparency, auditability, and data lineage, supporting more robust regulatory reporting and oversight⁵.

Looking ahead, tokenization also introduces the potential for expanded market access through fractional ownership and broader investor participation, as well as the possibility of extended trading windows⁶. However, these benefits should be considered alongside ongoing challenges, including regulatory requirements, integration with legacy systems, liquidity fragmentation, and operational risks related to digital custody and smart contract integrity. The importance of digital equities lies not only in their potential efficiency gains, but in their ability to reshape the underlying infrastructure of capital markets in a controlled and regulated manner.

For major institutions, the digital asset journey is evolving from market participation to enterprise integration. What began with selective exposure to digital assets is now expanding into tokenization, as firms explore how products such as tokenized securities, tokenized cash solutions, and tokenized money market funds can fit within existing operating models. The strategic imperative is not simply to launch new digital products, but to integrate them into core infrastructure, governance, and client offerings in a way that is scalable, compliant, and interoperable with traditional financial systems. In that sense, tokenization is becoming less a standalone innovation agenda and more a practical pathway for institutional modernization.

3. The Call to Action: Preparing for Digital Equity Adoption

As tokenization continues to gain traction, the capital markets landscape is expected to evolve toward a more integrated, digitally enabled ecosystem. In the near term, adoption will likely remain incremental, with tokenized equities coexisting alongside traditional securities within established market structures. However, increased participation from exchanges, custodians, and clearinghouses is expected to drive greater standardization, interoperability, and scalability across platforms⁵.

A critical question now is not simply whether digital asset infrastructure will scale, but how different tokenized systems will interoperate across exchanges, custodians, settlement networks, and payment rails. The long-term winners are unlikely to be those with the most isolated blockchain environment, but those that can connect digital and traditional infrastructure in a way that preserves regulatory oversight, supports cross-platform portability, and balances national policy objectives with the need for globally competitive capital markets. In that sense, interoperability is becoming a strategic design principle: essential both to maintaining market integrity within jurisdictions and to avoiding fragmentation across them.

Regulated pilots are likely to expand in scope, paving the way for broader institutional adoption and more seamless integration

with post-trade infrastructure. Recent market developments suggest that tokenized representations of select real-world assets can be introduced in controlled production environments, while maintaining the same entitlements, investor protections, and ownership rights as traditional book-entry securities.

A settlement-focused tokenization model is emerging that modernizes existing market infrastructure rather than replacing it. Under the SEC's no-action relief, blockchain-enabled settlement for registered equity securities can coexist with traditional book-entry settlement, allowing tokenization to function as an extension of the current framework. In practice, positions may move between conventional book-entry records and digital omnibus structures, enabling shares to be tokenized into registered wallets and, through burn-and-remint processes, converted back into traditional form, while participants remain responsible for client-level allocation. Importantly, central oversight would remain critical through the approval of supported blockchains, the definition of operating procedures, and control over functions such as corporate actions, participant instructions, and token lifecycle events, supported by reconciliation capabilities designed to confirm the reliability of the block settlements. At the same time, the

model preserves clear constraints: settlement speed would depend on blockchain consensus, tokenized positions do not appear to fit within current collateral framework, and transfers across custodians would occur through controlled workflows rather than unrestricted wallet portability. Compared with more expansive market models focused on 24/7 trading and fully on-chain settlement, tokenized settlement appears deliberately phased, prioritizing regulatory control, recordkeeping integrity, and operational stability over immediate disintermediation.

Broader market activities further reinforce the direction of travel toward regulated tokenized securities infrastructure.

As the ecosystem matures, firms can expect increasing regulatory clarity, heightened expectations around governance and controls, and a gradual shift toward real-time data processing and event-driven architecture.

Organizations that proactively invest in these capabilities should be better positioned to adapt as tokenization moves from controlled pilots to broader market adoption.

To support this transition, Deloitte has observed several practical focus areas:

- **Develop a Hybrid Operating Model** - Integrate tokenized asset capabilities within existing infrastructure rather than pursuing full-scale replacement

- **Enhance Data Architecture and Lineage** - Implement event-driven data pipelines and strengthen data lineage frameworks to support real-time processing and auditability
- **Strengthen Governance and Controls** - Establish robust frameworks for digital asset custody, smart contract oversight, and regulatory compliance
- **Prioritize High-Value Use Cases** - Focus on areas with immediate impact, including collateral mobility, private markets, and tokenized funds
- **Improve Reconciliation and Exception Management** - Adapt control frameworks to address hybrid environments where on-chain and off-chain data must coexist
- **Align with Market Infrastructure and Regulatory Developments** - Engage with ecosystem participants, and monitor evolving regulatory expectations
- **Invest in Scalable Integration Capabilities** - Leverage application programming interfaces (APIs) and microservices to enable interoperability between legacy platforms and distributed ledger systems

This paper can be viewed as a practical extension of the themes introduced in *From Vaults to Virtual*⁷, which argued that tokenization is gaining traction not through wholesale market disintermediation, but through controlled modernization of existing financial infrastructure. Emerging settlement models illustrate a shift in practice: digital asset functionality is being introduced in a manner that preserves established market structure, regulatory safeguards, and operational oversight while incrementally improving settlement efficiency, transparency, and interoperability.

¹ [Text - S.1582 - 119th Congress \(2025-2026\): GENIUS Act | Congress.gov | Library of Congress](#)

² [Fact Sheets - Market Structure.pdf](#)

³ [U.S. Securities and Exchange Commission, "Statement on Tokenized Securities" \(January 30, 2026\)](#)

⁴ [World Economic Forum, "Asset Tokenization in Financial Markets"](#)

⁵ [Bank for International Settlements, "Annual Economic Report 2025: Tokenisation"](#)

⁶ [IOSCO, "Tokenization of Financial Assets" \(Final Report, November 2025\)](#)

⁷ [bda-pov-from-vaults-to-virtual-vfinal.pdf](#)

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