

# THE DIGITAL ASSETS EDGE

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UK AND US RELEASE JOINT STABLECOIN STATEMENT

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DO AI PAYMENTS RISK OPENING A REGULATORY CHASM?

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WHY STABLECOINS WILL SOON BE PART OF A MULTI-RAIL WORLD

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A MARKETS IN CRYPTO ASSETS RESTROSPECTIVE

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ISSUE 015 - JULY 2026

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## UNLOCKING ONCHAIN COLLATERAL

**M1X Global's Jordan Goldman  
considers why collateral  
remains the missing piece  
of tokenisation**

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## UK AND US RELEASE JOINT STABLECOIN STATEMENT

The UK and US governments have shared a combined statement on stablecoins, with the joint Transatlantic Taskforce for Markets of the Future, formed in September 2025, demonstrating their commitment to deepening collaboration on capital markets and digital assets. According to the statement, both governments view well-regulated stablecoins as having the potential to promote efficiency and competition in their respective financial systems, modernise financial market infrastructure, and improve cross-border payments and transactions.

They collectively emphasise the importance of promoting competition and innovation, protecting financial stability, safeguarding consumers, and maintaining public confidence in money in a financial ecosystem that includes multiple forms of currency.

Additionally, the US and UK governments affirm stablecoins as being a significant vehicle for innovation in digital money,

and they intend to foster competition and innovation through facilitative policies that allow the coexistence and circulation of multiple forms of digital money.

Both the public and private sectors will play key roles in the provision of money and payments, along with the modernisation of regulatory and supervisory policy.

Moreover, there is a shared objective to enable the adoption of well-regulated private digital money, such as stablecoins and tokenised deposits.

Eligible stablecoin reserves should encompass a “variety of high-quality, liquid assets”, with clear definitions in each nation’s respective regulatory framework.

Reserve, liquidity, and other prudential requirements should seek to mitigate risks and avoid needless fragmentation.

High standards are also intended to be set for the custody, segregation, and protection of stablecoin reserves.

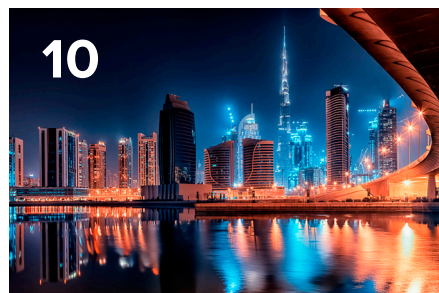
Furthermore, the UK and US authorities say they are committed to advancing regulatory approaches that promote both innovation and resilience without constraints that undermine commercial viability, create barriers to entry, or hinder competition.

Both governments have expressed support for clarity, predictability, and cross-border coordination in the event of any potential failure of a stablecoin issuer — such as insolvency or bankruptcy — aiming to create a framework that provides a legal claim on reserves, with priority ahead of other creditors.

They have affirmed the value of formal mechanisms that enable cross-border stablecoin activity as a feature of domestic regulatory and supervisory regimes, subject to regional legal processes.

Lastly, the UK and US have outlined their intentions to explore a clear pathway for stablecoins issued in one jurisdiction to be accessible in the market of the other.





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## **06 News Focus**

---

HSBC first company to pass BoE's Gate 2

---

## **10 News Focus**

---

Middle East Stablecoin Association incorporates in DIFC

---

## **14 News Focus**

---

Tether completes Hyundai cross-border settlement PoC

---

## **08 News Focus**

---

BitGo Prime adds Virtu Financial for expanded liquidity access

---

## **12 News Focus**

---

UK Wholesale Digital Markets Champion outlines tokenisation roadmap

---

## **16 Repo**

---

Jordan Goldman of M1X Global explains why collateral remains the missing piece of tokenisation and how continuous collateral movement could reshape the global repo market





20



32



24



28



36

## 20 DIGIT

Sophie Lessar and Paul Landless, partners at DLA Piper, discuss the FCA and Bank of England's call for input, and why the DIGIT gilt pilot matters

## 28 Treasury

As digital assets reshape financial infrastructure, Laurent Descout, CEO and co-founder at Neo, explores why stablecoins are becoming part of a multi-rail treasury world

## 36 Industry Appointments

Galaxy appoints Bandrowczak to board of directors

## 24 Agentic AI

AI agentic payments promise a continuous financial ecosystem operating at maximum efficiency, but taking the human out of the loop exposes a gaping regulatory chasm

## 32 Regulation

With the MiCA regulatory transition period ending, Matthew Challis explores the implications of a medley of digital asset regulations evolving into a unified framework

## 37 Industry Appointments

Bison Bank chooses Martins as Chief Crypto Officer



## HSBC FIRST COMPANY TO PASS BOE'S GATE 2

HSBC has become the first applicant to get approval from the Bank of England (BoE) to pass Gate 2 and go live in the UK's Digital Securities Sandbox (DSS).

HSBC Orion, HSBC's digital assets platform, will be able to operate within the DSS as a Digital Securities Depository (DSD) for digitally native bond issuance, servicing and settlement, including the DIGIT or digital gilt instrument, and corporate bonds.

Operated by the BoE and the Financial Conduct Authority (FCA), the DSS provides

a live, flexible regulatory environment to test and implement new technologies, including distributed ledger technology, for the issuance, trading, and settlement of securities in the UK.

Patrick George, global head of markets & securities services at HSBC, states: "We welcome the Bank of England's approval for HSBC Orion to be the first digital assets platform to go live in the Digital Securities Sandbox. Having been appointed earlier this year as the issuance platform provider for the DIGIT, we look

forward to the inaugural DIGIT pilot issuance, which will be a key event for digital assets in the UK."

Rachel Reeves, chancellor of the exchequer, announced, in her Mansion House speech, the timeframe for the first DIGIT issuance, expected early next year.

HSBC Orion has, to-date, enabled over US\$5 billion of digital bond issuances globally, supporting the movement of digital assets from an experimental stage to a mainstream market development.





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## BitGo Prime adds Virtu Financial for expanded liquidity access

BitGo Prime has added fintech and market maker Virtu Financial to its liquidity network in a bid to strengthen liquidity access and execution quality.

BitGo Prime offers clients access to aggregated liquidity through a single platform, with client assets held in custody with BitGo Bank & Trust, its US-regulated digital asset bank, or its Markets in Crypto-Assets (MiCA)-regulated entity, BitGo Europe.

Virtu provides multi-asset liquidity and transparent products across the investment cycle to global financial markets.

BitGo says adding Virtu to its network is indicative of its institutional trading expansion, strengthening the firm's ability to deliver liquid markets to institutional participants.

Commenting on the new addition, Adam Sporn, head of prime brokerage and US institutional sales at BitGo, says: "Clients continue to look for trusted partners that can provide deep liquidity, consistent execution, and operational reliability through all market conditions. Expanding our liquidity network with leading firms like Virtu is an important part of delivering a best-in-class trading experience for our clients."

Scotte Moegling, head of business development for digital assets at Virtu Financial, adds: "The addition of Virtu to BitGo's network reflects Virtu's continued commitment to expanding our presence across digital assets, allowing us to increase liquidity and provide institutional clients with the competitive pricing they have come to expect across other asset classes we participate in."

## SCRYPT expands stablecoin settlement infrastructure across East Africa

SCRYPT, a Swiss-licensed provider of institutional digital asset infrastructure, has expanded its stablecoin settlement infrastructure across four East African markets. The expansion adds settlement support for regional currencies: the Kenyan shilling, Tanzanian shilling, Rwandan franc, and Ugandan shilling, utilising the same infrastructure already used by SCRYPT clients for trading, custody, and treasury operations.

According to SCRYPT, the initiative is intended to allow banks, payment providers, and corporate treasury teams to move value in and out of the continent in real time.

The firm also aims to eliminate frictions typically associated with TradFi cross-border payments — such as local currency volatility, constrained bank dollar liquidity, and the slowness and expensiveness of correspondent banking — through the use of direct settlement corridors for regional currencies into stablecoins.

Commenting on the initiative, Norman Wooding, CEO of SCRYPT, says: "Across Africa, stablecoin adoption is driven by economic need, not speculation.

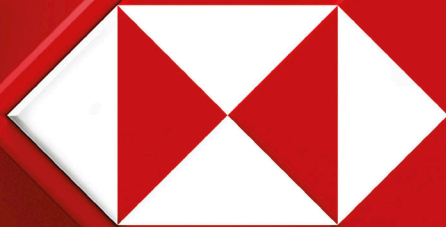
"Businesses here are not chasing yield; they are trying to pay suppliers and manage treasury without losing margin to a banking system that rations dollars."

Gabriel Titopoulos, managing director, markets and trading at SCRYPT, adds: "Until now, reaching stablecoins from local African currencies meant buying scarce dollars and incurring several layers of conversion costs.

"Firms and payment providers can now settle straight from local currencies through live corridors, with local partners."



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# MIDDLE EAST STABLECOIN ASSOCIATION INCORPORATES IN DIFC

The Middle East Stablecoin Association (MESA), a regional body dedicated to the digital currency type, has been incorporated as a non-profit organisation in the Dubai International Financial Centre (DIFC), which serves the Middle East, Africa, and South Asia.

With the incorporation, MESA will focus on what it deems responsible stablecoin adoption, policy dialogue, education, research, standards development, and international knowledge exchange.

The regional body says it exists to convene stablecoin issuers, infrastructure providers, and other market participants, and to engage policymakers and regulators, in support of the “safe, transparent, and interoperable

growth” of digital money across the Middle East.

It claims to operate in the public interest, not promoting, endorsing, or conferring commercial advantage on any individual organisation.

DIFC was selected as MESA’s place of incorporation due to its established legal framework for non-profit organisations, recognised financial ecosystem, and role as a global centre for digital finance.

Speaking on the initiative, Bhaskar Dasgupta, chairman of MESA, says: “MESA’s role is to help the region become a standard-setter rather than a standard-taker, aligning industry participants around credible

standards, informed policy dialogue and responsible innovation.”

Arif Amiri, CEO of DIFC Authority, adds: “We are pleased to welcome The Middle East Stablecoin Association to DIFC as it establishes the region’s first dedicated industry association focused on stablecoins, while also contributing to the development of the wider digital assets ecosystem.”

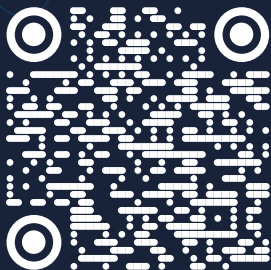
Kristiina Lumeste, co-chair of technology, innovation, and education at MESA, comments: “MESA will help bridge innovation and compliance by bringing market participants together around practical standards and shared understanding, so that digital money can develop in a way that is secure, transparent and globally aligned.”



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## UK Wholesale Digital Markets Champion outlines tokenisation roadmap

Chris Woolard, in his role as the UK's Wholesale Digital Markets Champion, has published his inaugural report to the Chancellor of the Exchequer. The paper sets out how the UK could potentially accelerate the adoption of tokenisation and other related technologies across wholesale financial markets, with the potential for significant economic growth for UK institutions.

Over the next 12 months, members of the cross-industry taskforce — which consists of 54 firms — will be working with Woolard and supported by the City of London Corporation to drive delivery of live end-to-end use cases, with an initial focus on tokenised repo.

According to the report, tokenisation of wholesale markets will boost the UK's competitiveness, generate additional liquidity and revenues, secure cost and capital efficiencies, enable innovation, and strengthen the resilience of the financial system.

It also highlights the fact that, despite “strong progress” through a number of pilots and small-scale commercial trials, growing international competition necessitates an accelerated pace to secure the UK's leading role in shaping the next generation of global market infrastructure.

The estimated US\$88 trillion valuation of tokenised real-world assets (RWAs) could result in up to £33 billion added to the UK's annual economic output and a further £14 billion in annual tax revenues by 2035.

Speaking on the report, Woolard says: “There is so much potential, technologically and economically, if the right actions are taken and decisions are made now to embrace and support tokenisation.”

Chris Hayward, policy chairman of the City of London Corporation, comments: “By accelerating the adoption of tokenisation across our wholesale markets, we can build the market infrastructure of the future, set global standards, and reinforce the UK's position as the world's leading international financial centre.”

Rachel Reeves, Chancellor of the Exchequer, adds that tokenisation will “make our markets even more competitive, attract investment to the economy, and drive growth across the UK”.

The paper also sets out a framework for industry-led practical action, in coordination with government and regulators, to transition from experimentation to scalable live markets, setting out clear priorities and actions identified through extensive industry engagement.

Primary issuance — including the Digital Gilt (DIGIT) programme — tokenised issuance, tokenised funds, payment rails for digital markets, legal and regulatory certainty, interoperability standards, financial crime compliance, tax neutrality, and resilience have all been highlighted as key facets in establishing the UK as a leader in tokenised finance.



## BridgePort begins pilot of DAMA

BridgePort, an institutional digital asset middleware coordination layer, will begin piloting the Digital Asset Master Agreement (DAMA), a common legal standard for off-exchange settlement (OES) relationships between trading firms, custodians, and exchanges. According to BridgePort, participants can utilise DAMA as a common starting point when establishing triparty settlement arrangements, forgoing the need to negotiate every new OES relationship from scratch. The legal agreement also consists of a configurable template, designed to allow counterparties to reflect their own regulatory, commercial, and operational requirements.

The firm has begun the formation of a working group of trading firms, custodians, and exchanges to pilot the legal standard across live OES relationships.

Due to its reusable format, BridgePort intends for DAMA to address the costly and time-consuming onboarding delays that occur when firms negotiate OES arrangements.

DAMA's standardisation coverage sets out safeguards and segregation terms for custody, defines how settlement credit is extended against collateral, addresses how operational failures are handled, and specifies what constitutes a default.



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# TETHER COMPLETES HYUNDAI CROSS-BORDER SETTLEMENT POC

Tether has completed a cross-border settlement proof of concept (PoC) between Hyundai operating subsidiaries, Hyundai Motor America (HMA) and Hyundai Motor de México (HMM).

The transaction took place through Axiom, a liquidity-as-a-service (Laas) provider, on the Avalanche blockchain network.

According to Tether, the PoC demonstrated that an enterprise cross-border transfer and verification process could be completed in an average of seven minutes, compared to TradFi transfers requiring in excess of three hours.

The first phase saw HMA convert US\$20,000 into USDT, Tether's stablecoin, which was then transferred to HMM before being converted back into US dollars, with the full process including international transfer and verification.

The PoC's next phase is set to explore further cross-border corridors and local currency settlement, with additional evaluation focused on stablecoins' ability to support broader enterprise payment and treasury workflows.

According to Tether, a company the size of Hyundai evaluating blockchain-based financial infrastructure for its treasury

operations is indicative of a broader shift in institutional finance.

Hyundai also led the design of the remittance structure and oversaw regulatory review, compliance considerations, accounting requirements, and the necessary operational framework to evaluate stablecoin-based settlement between overseas subsidiaries.

Commenting on the initiative, Paolo Ardoino, CEO of Tether, says: "Hyundai's initiative shows the growing demand for financial infrastructure that can help enterprises to move value across borders with greater speed, efficiency, and transparency."





## Webull subsidiary authorised under MiCA

Webull, a digital investment platform, has announced that its subsidiary, Webull EU, has received Markets in Crypto-Assets (MiCA) regulatory approval to provide digital asset services in the European Union.

Webull EU has been granted permission to provide regulated custody services for crypto assets to its regional clients, with investor protection and operational standards upheld by MiCA regulation.

Custody execution will be carried out in collaboration with Coinbase Luxembourg.

The firm says it plans to launch crypto operations in late 2026 and has initial authorisation for the Netherlands through the Autoriteit Financiële Markten, with wider EU passporting subject to approval.

Commenting on the licensing, Andries van Luijk, CEO of Webull Securities (Europe), says: "As one of the first dual-regulated investment firms to receive MiCA approval in the Netherlands, we are committed to providing our clients with secure and compliant access to digital assets under the EU's comprehensive regulatory framework."



## The Vault and P2P.org bring institutional staking into custody

The Vault and P2P.org have announced a strategic integration that brings native institutional staking to digital asset custody, allowing clients to stake supported assets directly from The Vault's platform. The Vault is embedding P2P.org's institutional-grade validator infrastructure natively into its platform to address the friction it says is caused by transferring assets out of custody to access staking infrastructure and is often operationally unacceptable for regulated entities.

Through the integration clients retain custody of their assets while accessing staking rewards through the same interface and workflows they currently use.

The integration launches with support for Ethereum and TRON, with additional networks to be added over time.

The Vault serves institutional clients including corporate treasuries, financial institutions, professional asset managers, family offices, and payment providers.

The P2P.org integration is part of the platform's broader product roadmap to consolidate custody, treasury operations, and yield-generating capabilities within a single regulated framework.

Alexander Loktev, chief revenue officer at P2P.org, notes: "Institutions increasingly want staking handled inside the environment they already control, through infrastructure they can actually underwrite. A non-custodial validator operation with a track record they can verify is what makes that possible. This integration puts that directly inside The Vault's custody environment, with no tradeoff between control and access."







# UNLOCKING ONCHAIN COLLATERAL

*Jordan Goldman, chief operating officer and president of M1X Global, speaks to Karl Loomes about why collateral remains the missing piece of tokenisation, the role of natively-issued digital sovereign bonds, and how continuous collateral movement could reshape the global repo market*

Tokenisation has become one of the most prominent themes in financial markets, with industry participants exploring everything from stablecoins and tokenised deposits, to money market funds (MMFs) and digital US Treasuries.

While much of the attention has focused on the cash leg of transactions, Jordan Goldman, chief operating officer and president of M1X Global, suggests the real challenge lies elsewhere.

“A repo is ultimately an exchange of cash for collateral,” Goldman explains.

“Most tokenisation work to date has focused on digitising cash, but tokenising only cash leaves you with half an onchain trade.”

For Goldman, the issue is straightforward; if cash moves onchain while collateral remains tied to traditional market infrastructure, many of the efficiencies promised by tokenisation fail to materialise.

Settlement remains constrained by the slowest leg of the transaction, preventing the industry from fully realising benefits such as

atomic settlement and continuous delivery-versus-payment (DvP).

He highlights the legal and operational complexity of collateral as a key reason why progress has been slower.

Questions around title transfer, rehypothecation rights, close-out netting, and bankruptcy protections must all be addressed before institutions can comfortably move collateral onto distributed ledger infrastructure.

According to Goldman, the consequences are already visible in the market.

Despite technological advances elsewhere, collateral velocity has declined from around 3 times before the global financial crisis, to approximately 2–2.4 times today — meaning larger pools of collateral are required to support the same level of activity.

## Digital native

As tokenised Treasury products continue to emerge, Goldman believes an important distinction exists between

tokenised representations of existing securities and instruments that are issued natively onchain.

Many current offerings, he notes, represent digital claims on assets held elsewhere, whether through fund structures or custodial arrangements. In these cases, the token and the underlying legal instrument remain separate.

USDM1, which M1X Global helped to develop with the Republic of the Marshall Islands government, takes a different approach.

Goldman describes it as a US dollar-denominated, blockchain-native sovereign bond, issued directly by the Government of the Republic of the Marshall Islands under New York law, and backed one-for-one by short-duration US Treasuries.

“The onchain instrument is the dematerialised bond,” he says.

“Title moves with the instrument.”

This structure, Goldman suggests, creates advantages beyond operational efficiency.



Because the instrument is designed around established sovereign debt principles and existing legal frameworks, it can fit within institutional collateral and capital treatment regimes in ways that many tokenised products cannot.

He notes that the structure supports sovereign look-through treatment for high-quality liquid assets (HQLA) under Basel standards and benefits from established US close-out netting protections.

For institutional market participants, Goldman says the legal structure ultimately matters as much as the technology.

## The cost of trapped collateral

The importance of collateral efficiency becomes particularly apparent when viewed against the scale of the repo market. Goldman points to the US repo market, which he says averages approximately US\$12.6 trillion in gross daily exposures, much of it secured by Treasury collateral.

Despite this scale, collateral continues to move through settlement cycles, custodial networks, and processing windows designed for a previous era.

As a result, Goldman argues, high-quality collateral frequently sits idle when it could be generating value. “Collateral still runs on legacy rails,” he says. “It remains trapped overnight, over weekends, or simply in the wrong place.”

The challenge has become more acute following the move to T+1 settlement in the US and the ongoing implementation of Basel 3.1 reforms, both of which increase pressure on institutions to source, substitute, and mobilise collateral more efficiently.

Continuous settlement, he notes, could dramatically improve collateral utilisation.

“Our analysis suggests that continuous, atomic settlement could roughly double effective collateral velocity, from around 2.2 times to 4.4 times,” he explains.

In practical terms, this would allow the same pool of collateral to support significantly more financing activity while reducing settlement fails, liquidity buffers, and funding costs.

## Interoperability and institutional adoption

While distributed ledger technology continues to evolve, Goldman believes interoperability remains one of the most important considerations for the future of tokenised collateral.

“Collateral is only useful if it can move to where it is needed,” he states.

However, he believes interoperability extends beyond simply connecting different blockchains. The greater challenge lies in ensuring legal certainty as collateral moves across platforms, custodians, and jurisdictions, preserving enforceability, title transfer rights, and netting protections throughout the process.

For this reason, Goldman believes the industry should focus less on creating entirely new frameworks, and more on ensuring compatibility with existing market standards.

“The most valuable interoperability is compatibility with the systems institutions already trust,” he says.

He highlights existing industry initiatives, including M1X Global and USDM1, participating in the International Swaps and Derivatives Association and Global Digital Finance working group examining tokenised collateral in US markets, as examples of how regulatory, legal, and operational questions are being addressed collaboratively.

## Building the next collateral ecosystem

Although tokenisation discussions frequently focus on stablecoins, tokenised deposits, and MMFs, Goldman views these products as serving a fundamentally different purpose within market infrastructure.

“The categories get grouped together, but they sit at different points in a trade,” he explains.

In his view, stablecoins, deposits, and tokenised cash products are primarily focused on the payment leg of a transaction, while sovereign bonds continue to serve as the collateral foundation of the financial system. That distinction becomes increasingly important as institutions seek to build fully digital market infrastructure. Even if tokenised cash becomes widely adopted, it still requires high-quality collateral against which transactions can settle.

“Sovereign bonds are the collateral that the financial system is actually built around,” Goldman says.

As tokenisation matures, he expects digital sovereign bonds, stablecoins, tokenised cash, and other real-world assets to coexist within a broader ecosystem, each serving distinct functions.

He notes that for M1X Global, the opportunity lies in creating a collateral instrument capable of operating continuously while retaining the legal certainty, capital treatment, and risk-management characteristics institutions require.

“Capital efficiency is driven by legal structure,” Goldman concludes.

“The goal is to provide sovereign collateral that moves at the speed of modern markets while maintaining the compatibility and enforceability regulated institutions depend on.” ■



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A hand is shown from the bottom, reaching upwards with the index finger pointing towards a complex, glowing digital network of white nodes and connecting lines that fills the upper half of the image. The background is dark with subtle, wavy patterns.

# **THE FUTURE OF TOKENISATION**

**Inside the UK's joint vision for wholesale markets**

***Sophie Lessar and Paul Landless, partners at DLA Piper, discuss the FCA and Bank of England's call for input, why the DIGIT gilt pilot matters, and what fixed income and derivatives desks should be doing about it right now***

***Why does a joint paper from the FCA and the BoE matter more than the usual run of consultations we have seen on this topic?***

**Sophie Lessar:** Because it's joint. That's not a small detail, it's signed by the heads of both authorities, and it signals a coordinated regulatory intent that the market hasn't had before. For a while, tokenisation in the UK has felt fragmented and experiment-led, pilots here, sandboxes there, without a clear sense of how it all knits together. This paper is explicit that phase needs to give way to scaled, end-to-end adoption. And crucially, it states plainly that it's regulatory uncertainty that has held things back until now. That's the authorities essentially saying: the brakes are coming off.

***What is the actual vision they are describing?***

**Lessar:** A digitally enabled wholesale ecosystem where tokenised securities, cash, and collateral move far more efficiently through the trade lifecycle — but anchored, importantly, in central bank money settlement. Think faster settlement, round-the-clock trading, automation through smart contracts, and the removal of duplicate ledgers and reconciliations that currently eat up so much operational cost. For debt instruments specifically, the long-term vision has smart contracts automating coupon payments and other corporate actions, and tokenised assets being accepted as margin and collateral, with the valuation, monitoring and even liquidation of that collateral automated through programmable features of the blockchain.

***What exactly is DIGIT, the tokenised gilt pilot?***

**Paul Landless:** DIGIT is the Digital Gilt Instrument pilot, a Treasury-led initiative to issue digitally native UK sovereign debt onchain. It's short-dated, it sits within the Digital Securities Sandbox, and it's deliberately kept independent of the government's main debt management programme. HSBC won the Treasury's tender for DLT services back in February 2026. What's notable is how seriously the Bank of England (BoE) and the Financial Conduct Authority (FCA) are backing it.

They're committed to supporting its success, including considering DIGIT's eligibility as collateral in the Bank's Sterling Monetary Framework operations. There's also an expectation that DIGIT will receive prudential treatment aligned with traditional gilts, provided the underlying risks are genuinely comparable.

***Why does a pilot this size matter to the wider market?***

**Lessar:** Because it's the first practical test of what the authorities call the coexistence model. This isn't about tokenised markets replacing traditional ones, it's about building the infrastructure so tokenised gilts and corporate bonds can sit alongside and integrate with their traditional equivalents, interoperable and fungible in economic substance. If DIGIT works, it becomes the proof point that everything else in the paper is built around.



**The expectation is that tokenised and non-tokenised infrastructure will ultimately be interoperable**

Paul Landless



***The Digital Securities Sandbox already has activity in it. What is happening there today?***

**Landless:** It's live and it's regulated — 16 entrants have already passed through Gate 1, working on issuance, trading, and settlement of tokenised securities. The Sandbox has set real activity thresholds too, between £8–13 billion for gilts, and £17–28 billion for sterling corporate bonds in aggregate.

So this isn't theoretical. The authorities are now working out the long-term regulatory path for Digital Securities Depositories operating within the Sandbox, including how firms transition smoothly to permanent authorisation, and whether the scope of UK Central Securities Depositories Regulation (CSDR) needs adjusting to accommodate it.

***Why is collateral the part you would flag as most significant for fixed income and derivatives desks specifically?***

**Landless:** Because it's where the near-term, tangible benefit sits. The authorities have committed to accepting tokenised assets as eligible collateral, in the Bank's own operations, at central counterparties (CCPs) under UK EMIR, and for uncleared OTC margin. We're talking about a market that moves trillions of pounds of collateral daily.

If tokenised gilts, corporate bonds, money market funds, and even gold can be posted and mobilised onchain, with programmable valuation and automated margin calls, that's a material reduction in the friction and settlement risk that's baked into current collateral processes.

My advice to anyone active in derivatives is to engage directly with the Bank's discussion paper on tokenised collateral eligibility at CCPs, expected in Q3 or Q4 this year, and with the parallel reform of uncleared margin rules under the replacement UK EMIR regime. That's where the practical value lands first.

***There is a principle in the paper about tokenised and non-tokenised assets receiving equivalent treatment. Can you tell us more about that?***

**Landless:** It's foundational. For Prudential Regulation Authority (PRA)-regulated banks, building societies, and designated investment firms, the PRA has confirmed tokenised assets should generally get the same prudential treatment as their non-tokenised equivalents, provided the legal rights are identical and the underlying risks are genuinely comparable.

A final framework for cryptoasset exposures will follow once the Basel Committee finishes its current targeted review. The expectation is that tokenised and non-tokenised infrastructure will ultimately be interoperable, which matters enormously for firms trying to build a business case internally, nobody wants to build tokenised infrastructure that gets penalised relative to the traditional equivalent.

***Settlement in central bank money is emphasised throughout. What is actually changing?***

**Lessar:** The principle is that wholesale settlement stays anchored in central bank money, consistent with the Committee on Payments and Market Infrastructures' (CPMI's) Principles for Financial Market Infrastructures (PFMI). Practically, the Bank is building a synchronisation service to enable atomic, instantaneous settlement between digital asset ledgers and central bank money held in real-time gross settlement (RTGS) accounts, targeting 2028.

Alongside that, RTGS and Clearing House Automated Payment System (CHAPS) operating hours are being extended toward near-24/7 settlement, with CHAPS opening from 01:00 starting September 2027. And the Bank will publish an assessment of tokenised central bank money, including the case for a wholesale CBDC, in 2027.



**Where do stablecoins fit into a settlement model built around central bank money?**

**Lessar:** The Sandbox already permits tokenised bank deposits for onchain settlement of securities, and that's shortly being expanded to allow certain stablecoins to be used for settlement within the Sandbox too. It's part of a broader assessment of their longer-term role once successful Digital Securities Depositories transition into the steady-state regulatory environment.

Alongside that, the FCA has just published policy statements and final rules for the UK stablecoin regime, together with prudential and safeguarding rules for qualifying cryptoassets. Safeguarding proposals have also been under review, with the authorities having weighed up market feedback on proportionality and the need for technology-agnostic regulation that doesn't get overtaken by the pace of the market.

**What are the core principles underpinning all of this, the things that do not change regardless of which technology is used?**

**Landless:** A handful stand out. There must always be an identifiable, regulated person accountable for each regulated activity in the value chain, tokenisation doesn't dissolve accountability. High standards for operational resilience and cybersecurity are preserved.

Orderly trading conditions are maintained, including the ability to halt trading or enforce short selling bans.

And technology neutrality is central, the regulatory treatment follows the risk of the activity, not the ledger it happens to run on. There's also a strong emphasis on interoperability, both domestically and internationally, and on minimising liquidity fragmentation, whether that's between tokenised and traditional securities, or between different tokenised versions of the same security. Same risk, same treatment.

**If you had to boil this down to three things market participants should take away, what would they be?**

**Landless:** First, collateral is where the near-term opportunity is most tangible, engage with the Bank's forthcoming discussion paper and the UK EMIR reform work now, not later. Second, this is a coexistence signal, not a replacement signal, the authorities are building public infrastructure so tokenised and traditional markets can sit side by side, and DIGIT is the live test case for that.

Third, the joint nature of this paper is itself the message, it's a statement of coordinated regulatory intent, and the authorities are explicitly asking industry not just for views on rules, but for concrete tokenisation proposals, inside or outside the Sandbox, that firms can use to support their own internal investment cases.

**What happens after the 3 July deadline and what should the market be watching for next?**

**Lessar:** The responses feed into a finalised cross-authority roadmap later this year, with specific rule changes expected to be consulted on largely through 2027. There's also an interesting procedural opportunity worth watching: under section 14 of the Financial Services and Markets Act 2023, the Treasury has to prepare a statutory report with the FCA and Bank on Digital Securities Sandbox activity by 10 January 2028.

If the authorities have had enough time to properly assess the Gate 2 entrants by then, there's a real case for accelerating that report and merging it with this new roadmap.

That report has to publicly assess how effective the Sandbox has actually been, so it could become a genuinely important vehicle for giving the market direction and confidence, rather than just a compliance formality. ■

**If the authorities have had enough time to properly assess the Gate 2 entrants by then, there's a real case for accelerating that report and merging it with this new roadmap**

Sophie Lessar





# THE INTELLIGENCE PROBLEM

***AI agentic payments promise a continuous, 24/7 financial ecosystem operating at maximum economic efficiency, but taking the human out of the loop exposes a gaping regulatory and insurance chasm. Matthew Challis explores***

For most of human history, in one way or another, we have dedicated swathes of time and energy to reducing our workload. From the invention of the wheel to the introduction of Microsoft Teams, humans have strived to take a little bit off their plates with each new technological advancement.

AI's vast and unprecedented adoption over the past five years has, in no small part, reshaped institutional finance; the technology has transitioned from the rigid, rule-based automations of yesteryear, developing into one comprising advanced neural networks and capabilities. With the increasingly prevalent shift towards a 'digitally native' financial world, one of the latest trends arrives in the form of AI agentic payments, wherein AI agents autonomously discover, negotiate, and even execute purchases on behalf of firms.

DeFi markets are defined by their programmability and 24/7 nature, which are frequently cited as the most desirable aspects of the digital assets space. Traditional cross-border B2B payments are far from frictionless. Operating delays and the constraints of TradFi working hours can result in a myriad of issues for any party at any stage of a transaction

— from approval setbacks to interventions around execution.

What AI agentic payments set out to do, according to AI-powered financial operations platform Ramp, is sit somewhere between an automatic payment and a human-judged one, combining the former with the latter.

It comes as little surprise, therefore, that, with such a promising and capable technology, B2B fintech platform Galileo projects that, by 2032, the agentic payment will grow from US\$7 billion to US\$93 billion, and Bain & Company, a management consultancy, estimates that the US agentic commerce market could reach US\$300–500 billion by 2030, representing 15–20 per cent of domestic e-commerce volume.

But without human intervention, how can institutions rest assured that their money is in safe hands? What about the decrease in security? Are the AI agents even capable of human judgment?

Most importantly, what happens when something invariably goes south, and who or what is to blame when that happens?

## Judgment calls

Fundamentally, AI systems are at a crossroads with the foundational infrastructure of banks and payment networks. TradFi rails are inherently and deliberately deterministic, designed with predictable rules and fixed legal certainties, defined by binary execution methods. Conversely, AI seeks to be probabilistic, adaptive, and heuristic, with malleable decision-making and learning capabilities, intended to mimic human judgment.

Within this mishmash of operational intentions lies a great hurdle for banks: as AI is moved from pilot programmes into production, how do you integrate an adaptive intelligence into a system that has zero tolerance for errors?



In the view of Robin Hasson, global head of reconciliations at SmartStream, the solution is not to compromise on either front and to establish a clear architectural division. “Banks don’t move from pilot to production by making the rails smarter,” he argues. “They do it by making the operational layer around the rails more intelligent while keeping its outputs strictly deterministic.” Hasson believes that the instinct to push AI agents into settlement itself “is the wrong one” and advocates allowing agents to be, themselves, intelligent on rails that are kept “deliberately dumb”.

To combat the potential for errors, Hasson insists that every AI-produced proposal must clear a hard, code-enforced gate before it can carry any weight.

Tony Livesey, chief technology and product officer at AutoRek, echoes the sentiment of separated responsibilities. “The key is not to make the clearing rail probabilistic,” he warns. “The rail must remain deterministic. The AI layer should never be the final source of truth for payment, execution, entitlement, limit checking, settlement instruction, or legal finality.”

Without a plethora of mandated audits — deterministic control gates, entitlement checks, mandate validation, sanctions screening, liquidity checks, exposure limits, dual control thresholds, and immutable audit capture — Livesey believes that AI should sit not inside the clearing finality mechanism, but above it, acting as an orchestration and decision-support layer.

Itai Turbahn, vice president of embedded wallets at Fireblocks, does, too, support the notion that separation is fundamentally key if AI agents are to become a mainstay in institutional finance. He believes that agents must abide by strict rules: the agent proposes; the policy layer enforces. Only transactions that meet predefined parameters ever actually reach settlement. “The key principle is that probabilistic thinking happens upstream of the guarantee, never inside the settlement process itself,” Turbahn explains.

## Autonomy or control?

In theory, AI agents sit at the intersection of a dilemma for institutional risk management teams — how much autonomy do they give the agent, and how much control can they retain for it to still serve a useful purpose?

Hasson challenges this as a false dichotomy. Instead, he believes that the “more useful idea is bounded in autonomy: the agent stays autonomous within the box, and risk owns the box”.

Conceptually, bounded autonomy affords risk officers the ability to set hard parameters without sacrificing the intelligence of the machine agent. In practice, an agent control layer enforces strict pre-trade limits, real-time exception detection, and automated circuit-breakers tied to exposure thresholds, all in a bid to limit the agent’s physical reach rather than its reasoning ability. If an agent were to propose a trade that would breach its hard-coded limits, the execution of said trade would fail before ever reaching the intended venue. The agent would then have to replan its strategy within permitted boundaries.

Hasson cites the Knight Capital disaster of 2012, in which the firm lost US\$440 million in a mere 45 minutes, due to deterministic code that was executed without appropriate safeguards, such as a kill switch, in place. He warns that if AI agents exist without the necessary cautionary frameworks, it is “the same failure on a faster clock”.

The consensus among senior digital assets leadership is therefore one where policy layer controls are based on rigid, predefined rules above all else. Instead of trusting the agent wholly, autonomy is instead defined as the ability to operate effectively within clear, circumscribed boundaries. Institutions, like Fireblocks, are leveraging Multi-Party Computation (MPC) — cryptographically splitting private keys across multiple mathematical parties. In doing so, Turbahn

explains, “an agent may participate in initiating an action, but it never has unilateral control of the signing process”.

The Agent Payments Protocol (AP2) — launched by Google, Coinbase, and over 60 other industry institutions — is an open-source standard designed to enable AI agents to independently transact, manage wallets, and interact with digital assets on behalf of their deployer. The protocol, which uses cryptographically signed mandates as tamper-proof evidence of a user’s given instructions, is designed to answer three critical questions surrounding authorisation, authenticity, and accountability. Its purpose is simple: to act as verifiable, undeniable proof of both user intent and authority.

For wholesale capital markets, however, AP2 permissions sit far too close to the threshold of a consumer-level checkout tool instead of something able to be fully utilised in an institutional-grade workflow or framework. Livesey argues that the industry needs to move from “the user clicked approve” to “the user granted a verifiable, revocable mandate”.

## Who’s to blame?

Regulatory compliance is often unable to keep up with the pace at which the industry moves. Authoritative bodies currently mandate explicit authorisation for transaction approval. For AI agentic payments to become viable at scale, the industry must develop cryptographically signed, machine-readable policies and open protocols.

But once those protocols are configured and the keys themselves are mathematically split, who carries the liability if an autonomous agent causes a large-scale monetary loss or compliance breach?

TradFi banking rails and regulations are built on centuries-old fundamentals, with accountability rules designed for human

actors. Such a large-scale infrastructure shift leaves a gap in the regulatory frameworks and overall landscape. The lack of clarity poses itself as a major bottleneck for Tier-1 institutions. In the eyes of Livesey, without clear liability allocation, “autonomous limits will remain constrained because no board will accept open-ended ambiguity on who is responsible when an agent causes loss, breach, or market disruption”.

Turbahn emphasises that, without a human in the loop, the question that remains to be seen is “who carries the risk when something goes wrong”? He believes that crypto “will be ready before the insurance and liability frameworks are” and that the gap itself is what imposes limits on human-free, unsupervised AI learning, not the technology.

## Changing the regulatory landscape

Traditional compliance frameworks, like Know Your Customer (KYC) and Know Your Business (KYB), while sufficiently capable of deterring and preventing human bad actors, are ill-equipped to deal with the autonomous nature of AI agents. Without the necessary data to build a profile, agents inherently bypass a significant transaction security layer.

The verifiable Legal Entity Identifier (vLEI), promoted by the Global Legal Entity Identifier Foundation (GLEIF), has emerged as the base layer for machine recognition. It functions as a way for counterparties to computationally verify the identity and legal authority of an individual or software engineer who is acting on behalf of an institution.

However, Livesey argues that corporate identification alone is insufficient in satisfying capital market compliance, and the industry requires a layered infrastructure for Know Your Agent (KYA), the agentic extension of traditional KYC and KYB frameworks. He believes that, for KYA to be effective, it must verify a plethora of identifiers: agent

designations and model; software versions and code integrity; an operator’s real-world identity; permitted operational functions and the cryptographic mandate chain; real-time wallet-to-account binding; dynamic sanctions and counterparty screening; behavioural monitoring to detect model drift or anomalous transaction patterns; and real-time revocation and quarantine capabilities.

The challenge in implementing such a robust framework, Turbahn says, “is connecting existing compliance infrastructure to a new identity and authorisation model designed for autonomous systems”. While the intended agentic output remains equivalent to that of a human actor, how enterprises navigate the path to reach that destination is fundamentally different. Without a plug-and-play compliance architecture, it is therefore not institutionally viable to adopt a potentially volatile transaction model.

There is another risk that lingers in the minds of compliance teams: algorithmic coupling. If, for instance, multiple Global Systemically Important Banks (G-SIBs) and buy side institutions deploy payment and trading models trained and optimised on similar or the same AI models, the market, theoretically, risks a stark and potentially dangerous loss of behavioural diversity.

Under normal market conditions, these models would likely operate with the anticipated speed and efficiency of agentic AI. Under stress, however, a hypothetical “monoculture” of AI models could trigger synchronised capital flight or self-reinforcing liquidity withdrawal, at speeds too fast for human intervention, in a manner that might not be picked up on straight away. Turbahn views this as one of the most significant dangers. “We’ve seen this movie before with the 2007 quant deleveraging and the algo flash crashes since,” he says. “The difference now is that it happens faster, and there are fewer humans in the loop to pause and second-guess.”

In response to the potential dangers and failure points associated with the technology, Livesey proposes more essential safeguards that must operate on both an institutional level and across broader market infrastructures. He advocates for model diversity, execution randomisation and throttling, pre-trade market impact controls, institutional-level concentration limits, market-level circuit breakers, and regulatory observability. Without them, the market risks another catastrophe, akin to Knight Capital.

## How viable?

If the ecosystem can overcome these not-insignificant regulatory and technological hurdles, capital markets may enter a new, transformational era. A continuous, 24/7 financial ecosystem, with markets that clear almost instantaneously, at a speed close to theoretical maximum economic efficiency. Humans, for all our capabilities, are burdened with un-optimisable faults: sleep, families, social lives, office hours, and manual settlement windows. AI agents, by their very nature, do not succumb to such limitations.

But this transition does not imply “markets without humans”. Rest assured, the human role will remain, although in a slightly different capacity. Instead of manual transaction execution, objective writing, and higher-level system design, the general oversight of agents will be the new, crucial role.

The future, Livesey says, belongs to “controlled autonomy”. Platforms that succeed will be built on governed frameworks — such as AutoRek’s ARIA governance model or SmartStream’s deterministic Air reconciliation engine — ensuring that even as financial speed approaches real time, safety remains fully anchored in human hands.

And, as Turbahn points out: “Whoever writes the mandate holds the power, not whoever runs the fastest agent.” ■





# The case for stablecoins in a multi-rail treasury world

As digital assets reshape financial infrastructure, Laurent Descout, CEO and co-founder at Neo, explores why stablecoins are becoming part of a multi-rail treasury world and why treasurers should focus on use cases that add value, not complexity

As 2026 unfolds, digital assets are continuing to move into mainstream finance. A Ripple survey found that digital assets are now seen as a strategic necessity rather than an optional innovation, with seven in ten global finance leaders saying firms need to offer digital asset solutions to remain competitive.

Within digital assets, stablecoins are emerging as the most practical and scalable use case. The market has now grown to more than US\$300 billion, with rising transaction volumes and increasing corporate interest.

Stablecoins are no longer being discussed only as a crypto innovation but are increasingly being assessed for practical payment and collection use cases.

But for corporate treasurers, the question is where stablecoins can be genuinely useful.

Stablecoins should not be seen as a universal replacement for fiat payments. Their strongest role is more specific. They can help businesses collect, hold and transfer value in markets where access to major currencies is difficult, expensive, or unreliable.

As treasury becomes increasingly multi-rail, with traditional fiat, instant payments, stablecoins, and eventually central bank digital currencies coexisting, treasurers need to understand where each rail adds value.

Stablecoins have a role to play, but only when they solve a real problem rather than add another layer of operational complexity.

## Why stablecoins are becoming a treasury priority for payments

For corporate treasurers, stablecoins are becoming most valuable as a way to collect payments in markets where access to major currencies is difficult, expensive, or unreliable.

Stablecoins offer near-instant, low-cost cross-border settlement by reducing reliance on multiple intermediaries. However, their strongest treasury value is not simply speed. It is their ability to support international collection in markets where access to major currencies is limited, costly, or unreliable.

In many economies, access to major currencies such as the US dollar is limited, expensive, or operationally difficult. Businesses may face liquidity constraints, inefficient banking rails, high conversion costs, or delays when collecting international payments through traditional channels.

In these markets, stablecoins offer security, immediate access, and ease of use, while also providing the reassurance of being pegged to a globally recognised currency such as the US dollar.

This helps explain why adoption has been particularly strong across parts of Africa, Latin America, and other economies in the Global South. Stablecoins are filling the gaps left by traditional financial infrastructure by giving businesses and individuals a practical way to collect, hold, and transfer value.

## Where fiat still has a role to play

However, stablecoins are not always the answer. Where fiat rails are already well established, such as large USD treasury payments, they may not deliver a radical improvement.

In many cases, well-labelled fiat payments can already settle in minutes, reducing the speed advantage often associated with stablecoins. There is also a practical consideration. Many exporters and suppliers need to receive fiat US dollars to support working capital facilities, repay financing lines or maintain trade finance arrangements.

In those cases, introducing a stablecoin leg can add conversion steps, compliance checks, and potential delays rather than simplifying the process. This is why treasurers need to be selective. Stablecoins may be highly effective for collection in markets where access to USD is difficult, but they are not necessarily the right tool for every large corporate payout.



## Regulation and global momentum are accelerating

The increasing interest in stablecoins is prompting regulators to step in with new compliance frameworks. This is important because trust, transparency and safeguarding are essential if stablecoins are to play a greater role in mainstream finance.

**“Even where stablecoins can make international payments faster, cheaper, and simpler, the main challenge for treasurers remains operational complexity”**

The UK is currently taking steps to support digital assets, with initiatives to regulate stablecoins for their use in payments in the works.

Implemented effectively, this would help to support adoption and ensure the UK remains competitive with the EU and US, where frameworks are already further advanced.

In the US, the GENIUS and Clarity Act mark important steps towards a federal framework for stablecoins and wider digital asset regulation.

In Europe, the EU’s Markets in Crypto-Assets (MiCA) has harmonised rules for digital assets across member states, with a focus on market integrity and consumer protection.

Most frameworks deal primarily with token issuance, reserve management, safeguarding and market integrity.

These are necessary foundations, but they do not fully address stablecoins’ role as a means of payment, despite payments being one of their most important use cases.

This matters because if stablecoin payments face the same compliance controls as traditional cross-border payments, both from regulators and receiving banks, the speed of settlement can be affected. The asset may move instantly onchain, but the payment can still be slowed by the surrounding compliance infrastructure.

For stablecoins to reach their full potential in treasury, regulation needs to move beyond legitimacy and address real-world payment usability.

## Navigating the operational complexity

Even where stablecoins can make international payments faster, cheaper, and simpler, the main challenge for treasurers remains operational complexity.

For many treasurers, using stablecoins for payments requires opening an external wallet to hold these digital assets. This exposes them to the operational challenges associated with holding crypto, including volatility, wallet management, custody risk, and integration with internal accounting systems.

This has signalled a growing need for innovative fintech solutions where businesses can accept stablecoin payments and immediately convert them into fiat currency, without ever having to hold the asset.

In this model, stablecoins can be used as an efficient collection rail, while the business receives the currency it needs for treasury, working capital and reporting purposes.

**“For large cross-border transfers in USD, stablecoins may not necessarily deliver significant benefits”**

## A growing role, not a standalone solution

The question is no longer whether stablecoins have a role to play in treasury, but how businesses can access their benefits without taking on unnecessary operational complexity.

For treasurers, the priority should be exploring the use cases and context where stablecoin payments will be most valuable.

For large cross-border transfers in USD, stablecoins may not necessarily deliver significant benefits.

This is because these fiat transactions often already settle in a matter of minutes, and exporters and suppliers also need to receive fiat US dollars to support working capital and trade finance arrangements.

However, in the case of slightly smaller payments, or those not occurring in USD, the benefits for stablecoins are significant — faster, cheaper transactions that are easy to collect. ■

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# THE TRANSITION PERIOD

A MiCA retrospective





***With the Markets in Crypto Assets regulatory transition period ending on 1 July 2026, Matthew Challis explores the implications of a medley of digital asset regulations evolving into a unified framework, the hidden costs placed on fintech startups and crypto-native firms, and how big banks are benefiting the most***

The European Securities and Markets Authority (ESMA) called for unauthorised crypto-asset service providers (CASPs) to cease their EU market operations by 1 July 2026.

Under Article 143, the Markets in Crypto-Assets (MiCA) transitional period officially came to an end, bringing a definitive close to the medley of regional exemptions that had historically allowed virtual asset service providers (VASPs) to operate throughout Europe.

The weeks preceding 1 July saw ESMA issue an uncompromising directive, in which the regulator called upon all unauthorised CASPs to initiate their orderly wind-downs.

Firms could no longer onboard EU clients and were subject to strict deadlines by which residual client positions were closed automatically, nor could they continue with marketing.

ESMA made it abundantly clear that a pending application is not permission to operate within the continent, and the outsourcing of custody



services to unauthorised third parties was to remain strictly prohibited.

But the 1 July cessation of unauthorised market activity had one overarching objective: to end the era of fragmented regulatory regimes and unite the European Economic Area (EEA) under MiCA as the single, unyielding gateway to the region's digital asset market.

## What happened?

The publicly available CASP register paints a detailed picture of the impact of ESMA's deadline. In December 2025 — coinciding with shorter national transitional windows implemented by specific EU member states, including Germany and Ireland — a wave of 44 firms were authorised under MiCA, a then-record. But this was superseded in June 2026, with 72 companies receiving authorisations in a single month as institutions scrambled to beat the 1 July outer boundary.

The logic behind this rush was remarkably straightforward: along with avoiding associated regulatory sanctions, the deadline was a race for market continuity and first-mover advantage. Under MiCA, obtaining authorisation from a single national competent authority — such as Luxembourg's Commission de Surveillance du Secteur Financier (CSSF) or France's Autorité des marchés financiers (AMF) — unlocks passporting rights spanning all 30 countries of the EEA.

Rather than navigating a fragmented, country-by-country filing process, an institution can now passport its services across the entire EEA through a singular home-state license. This pathway has spawned a geographic concentration of capital, and authorisations have clustered heavily in a handful of highly respected jurisdictions. Germany leads the Union with 61 approved entities, followed by France with 31, the Netherlands with 28, and Cyprus and Malta tied with 22 each.

## Shifting tides

For Nikolas Demetriade, a regulatory compliance specialist at CPDs.Academy, the transitional period coming to a close marked the end of the era for “fragmented national regimes”, with MiCA cementing itself as the “single gateway to the EU crypto-asset market”.

But perhaps the most striking facet of the transitory period's end is the stark demographic shift among licensed entities.

TradFi financial incumbents — who have historically been hesitant to enter this, in their view, new and unknown market — have moved into the regulated crypto perimeter, absorbing the market footprint that once belonged to offshore or lightly regulated entities.

ESMA facilitated the transition for significant market players, as under Article 60 of MiCA, existing credit institutions and investment firms are provided a streamlined “opt-in” pathway. Instead of undergoing the full, several-month-long application process that is necessitated for new CASPs, established banks need only provide their home regulator with 40 days' notice prior to commencing their digital asset services. As such, commercial banks have hastily swallowed up approximately 20 per cent of the entire CASP register, according to Ledger Insights, an enterprise blockchain and DLT industry news publication and research portal.

This influx itself is visible across the continent: Spain's BBVA and CaixaBank, Germany's Commerzbank, France's CACEIS Bank, and Standard Chartered Luxembourg can all be found within the MiCA register.

The banking trend continued up to the end of the transition period, with both private and TradFi names added to the ‘authorised’ list. Portugal's Bison Bank, Croatia's state-owned bank Hrvatska poštanska banka (HPB), Liechtenstein's Kaiser Partner Privatbank,

and two cooperative German banks, Volksbank Schwarzwald-Donau-Neckar and Raiffeisenbank Auerbach-Freihung, all having received approval from ESMA preceding 1 July.

As a result of Article 60, these large institutions are fundamentally reshaping the market's maturity; digital assets now operate within a traditional, supervised perimeter.

## The cost of MiCA

While regulatory clarity in and of itself is a net positive, the operational and financial reality of comprehensive compliance structures is fundamentally reshaping the digital assets ecosystem. The staggering cost of entry is driving rapid market consolidation, as MiCA compliance is, unsurprisingly, a capital-intensive undertaking. Patrick Gruhn, CEO of Perpetuals.com, an AI-powered fintech, claims that MiCA operating costs can reach as much as €700,000 in the first year and a further €250,000 annually thereafter for small firms, with figures for large exchanges running into several million per year. On top of these costs, MiCA requires a robust risk structure, physical office space, local personnel, strict capital reserves, and watertight custody policies, all of which may be a grave undertaking for smaller companies seeking to enter the market.

Yuliya Barabash, managing partner at SBSB Fintech Lawyers, believes that MiCA “underestimated business scale”. She argues that the framework created “one set of rules for everyone”, but not every crypto business is created equal, and “reviewing a local startup is very different from reviewing a global exchange operating across dozens of jurisdictions”. She believes that MiCA has had the opposite effect on the market, in that it was a process that was supposed to “create certainty”, but has instead become “one of the biggest commercial risks for crypto businesses”.

The framework itself was designed for deep pockets and excess capital, allowing established firms to meet the requirements with relative ease, leaving early-stage fintechs and crypto-native startups out to dry.

When the cost of regulatory architecture rises faster than expected returns, rational actors are forced to look elsewhere, often migrating to jurisdictions like Canada, shutting down entirely, or choosing to operate under the umbrella of an already-licensed CASP. Regulatory arbitrage has been replaced by an ecosystem dominated by heavily capitalised, compliance-first institutions.

Barabash notes that firms do not choose to operate from somewhere like Canada because it is better “in some abstract sense”; they do it because regulation, like any other cost, “has to be paid out of real money and real organisational capacity”.

“This matters because crypto projects are often not giant corporations with endless cash and in-house legal volcanoes,” she says. “They are startups, which, as a rule, do not enjoy spending their early life savings on office space, local staff and regulatory architecture before they have even figured out whether people want the product.”

## Stablecoins

The consolidated landscape has birthed an institutional practical focus, in which stablecoins are to serve as the bridge for market access and digital liquidity. Legacy TradFi players are establishing bank-grade alternatives to the dollar-denominated stablecoins that have historically dominated the market.

One such example comes from Societe Generale-FORGE (SG-FORGE), which secured its Electronic Money Institution (EMI) license from France’s prudential regulatory authority to restructure its EUR CoinVertible (EURCV).

Jean-Marc Stenger, CEO of SG-FORGE, believes: “Robust and regulated stablecoins are essential for the proper functioning, security, and institutionalisation of crypto-asset markets.”

Yet, deploying a bank-backed stablecoin onto public networks introduces a difficult compliance paradox, in which, to achieve the deep liquidity necessary to compete with non-bank, dollar-backed giants — like Tether’s USDT or Circle’s USDC — the firm has supposedly designed EURCV to meet all the capabilities of an “open stablecoin”, prioritising “free transferability without whitelisting restrictions” so it can be integrated into public DeFi protocols.

For a regulated bank, this is a very risky operational decision as, without strict, address-level whitelisting, a bank is unable to perform continuous sanctions screening or identity verification on the parties holding its liability. Instead, it swaps the deterministic control of a supervised banking perimeter for the open-market effects of public chains.

Furthermore, multichain expansion — such as the deployment of EURCV across Ethereum, Solana, XRP Ledger, and Stellar — fragments liquidity. To prevent localised depegging and guarantee that an institutional treasurer can redeem a token for cash instantly on any network, the bank must rely on partnerships with crypto-native market makers, like Wintermute, to artificially support market depth and absorb cross-chain volatility. This introduces external, non-bank dependencies directly into the core settlement loop.

## The next regulatory boundary

Even with the industry beginning to adapt to the post-transition market state of MiCA, the regulatory boundary is already beginning to move. The European Commission’s targeted consultations suggest that the rules may eventually be reshaped to align more closely

with international developments — the US’s GENIUS Act being, perhaps, the most notable. Additionally, the pressing issues of stablecoin equivalence and third-country recognition, coupled with the need for highly fluid cross-border market access, are all still at the institutional forefront.

On the immediate horizon, the ambiguity between native crypto-assets and tokenised traditional instruments, such as onchain bonds and equities, remains a pressing challenge. Stefano Chierici, senior product manager of financial information at SIX, warns that if these onchain versions of TradFi assets are brought within MiCA’s scope, “banks and other regulated institutions could face an additional compliance layer for instruments already covered by existing securities regulation”.

This theoretical overlap sheds light on the increasing necessity of high-quality regulatory and reference data that spans the digital asset value chain. For banks to have compliance-ready operations in such a landscape, they must be able to accurately identify and understand what they are trading, which overlapping rules apply, and, above all, ensure compliant reporting.

Ultimately, the passing of the 1 July transition period has proven that controlled autonomy is the only viable path forward for institutional digital finance. MiCA, by establishing a unified regulatory perimeter, has removed the ambiguity that once plagued the market and resulted in institutional hesitation. Rather than an ecosystem dominated by potentially murky offshore startups, TradFi giants and highly compliant operators have been given the tools necessary to lead the way in this regulation-first approach.

For those who cannot afford to pay the newfound cost of EU operations, the gateway is now closed. But for those who remain standing, a new era of institutional-grade digital finance has officially been ushered in. ■





## Galaxy appoints Bandrowczak to board of directors

Galaxy Digital, a provider of digital assets and data centre infrastructure, has appointed Steven Bandrowczak to its board of directors and as a member of the board's audit committee.

He will serve as an independent director, bringing almost four decades of experience to the position — spanning IT, data infrastructure, logistics, and enterprise services — including as CEO of both Alight Solutions and Xerox.

Bandrowczak was also responsible for the development of an enterprise AI operating model built around autonomous agents.

He holds a bachelor's degree in computer science from Long Island University and a master's degree in technology management from Columbia University.

Speaking on the appointment, Micaheul Daffey, chair of Galaxy's board of directors, says that Bandrowczak has "led public companies through reinvention, managed dozens of transactions, and built lasting leadership teams along the way".

He adds: "His governance experience and operating discipline will strengthen how we oversee growth and manage risk as Galaxy scales."

Bandrowczak comments: "Galaxy is at the forefront of the two most transformative forces of our time: digital assets and data centre infrastructure.

"I've spent my career helping large organisations navigate exactly that kind of change, and I'm looking forward to working with Mike and the board to support Galaxy's continued growth."

## Bison Bank chooses Martins as Chief Crypto Officer

Portugal's Bison Bank has integrated with its subsidiary, Bison Digital Assets, to form a single combined institution. The firm says the combination is indicative of its belief that cryptoassets and TradFi banking are not separate entities but are "different dimensions of the same financial infrastructure".

Bison Bank is also authorised to provide digital asset services in the European Union under the Markets in Crypto-Assets (MiCA) regulation.

Following the merger, Ricardo Martins will transition into the role of chief crypto officer, head of the operations and data department at Bison Bank, from his position as chief crypto officer at Bison Digital Assets.

Martins will serve as Bison Bank's in-house expert on cryptoassets, providing strategic oversight and advisory support to management and other relevant departments as the bank seeks to develop and expand its digital asset capabilities.

As head of operations, Martins will also be responsible for assisting the bank in scaling its operations, leveraging data as a strategic asset, and driving innovation.

Commenting on his appointment, Martins says that, within the new combined entity, he looks forward "to contributing to the next phase of our journey and helping transform innovation into sustainable, scalable financial services".

## Fisher joins IRACE Digital

IRACE Digital, a hybrid institutional bank, has appointed Jennifer Fisher to the role of global head of custody and trading.

One of her main responsibilities will be leading IRACE Digital's operations team into the digital assets space.

Fisher joins IRACE Digital after four years with Zodia Custody, most recently as director of client services.

She also spent six years at Citi in multiple positions, including as a senior securities analyst.

Fisher holds a bachelor's degree in tourism marketing from Technological University Dublin.

## Ripple appoints Parfitt

Ripple, a provider of blockchain-based enterprise solutions, has appointed Tom Parfitt as a liquidity analyst, following a year-long stint at MAS Group as senior operations executive. His duties will include focusing on liquidity management and supporting the growth of RLUSD, Ripple's US dollar-pegged stablecoin.

Parfitt brings over five years of financial services sector experience, having previously spent time with Finalto and Bank of China.

He holds a bachelor's degree in economics and banking from Manchester Metropolitan University.

Commenting on his appointment, Parfitt says that he is "excited for the opportunities and challenges ahead and looking forward to learning from the talented team".

## El Houayek chosen as country managing director of CACEIS in Luxembourg

Ramy El Houayek has been appointed as country managing director of CACEIS in Luxembourg.

He brings 19 years experience at CACEIS, having worked in leadership roles across fund services and fund administration.

El Houayek launched his career in 2000 as a consultant at Eurogroup Consulting and was promoted to manager in the banking, finance, and asset management sector.

He first joined CACEIS in 2007, before being appointed as head of IT banking and accounting in 2008 for the French market.

He later worked as head of IT fund administration in France at the firm from 2010.

For the next six years El Houayek served as head of fund administration France from 2013 and joined the management committee of CACEIS Bank France/CACEIS fund administration.

Next, El Houayek was chosen as global head of operation fund services at CACEIS in 2019.

Most recently he served as global head of the firm's business unit fund services.

## Kinexys by J.P. Morgan chooses Sampaio

Kinexys by J.P. Morgan has appointed Luis Sampaio to the position of product director, where he will lead product strategy and innovation. He will transition into his new role from his current position as product head within the firm's treasury services and FX payments arm.

Sampaio brings over 15 years of financial services experience with him, including stints at Mastercard, SWIFT, and BNP Paribas.

He holds a bachelor's degree in economics from the Universidade do Porto and a master's degree in finance from the NOVA School of Business and Economics. ■

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## tonic

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2. (noun) a trusted bridge between TradFi and DeFi domains, that accelerates digital asset benefits for our clients

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