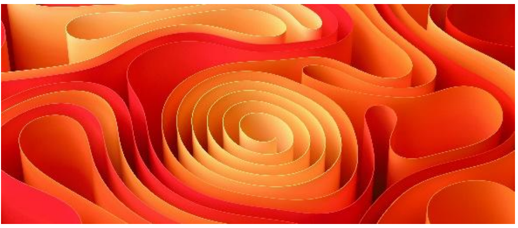
Pills

Regulatory/Supervisory Pills | N.148 October 2025



TOPICS:
Technology

SOURCE
Federal Reserve Bank of New York

FED NY: The Emergence of Tokenized Investment Funds and Their Use Cases

- This FED NY's article explores **the rise of tokenized investment funds**, which represent traditional financial assets - such as money market funds (MMFs) and private funds - on blockchain infrastructure. Unlike traditional financial systems where post-trade operations require multiple intermediaries, tokenized assets are updated via a shared, consensus-driven digital ledger, improving transparency and enabling real-time settlement. Tokenization also facilitates programmability, auditability, and potentially new financial use cases.
- In the U.S., leading examples of tokenized MMFs include Franklin Templeton's FOBXX, Circle/Hashnote's USYC, and WisdomTree's WTGXX. The largest tokenized private fund is BlackRock's BUIDL, with $2.5 billion in assets under management. This growth signals **increasing institutional interest, though regulatory opacity remains a concern**, particularly for private funds.
- Three primary **use cases** have emerged: 1) **Secondary Market Liquidity**: Tokenized shares can function beyond investment vehicles, enabling real-time liquidity via stablecoin exchange mechanisms. For example, BUIDL and FOBXX can be swapped instantaneously for USDC through smart contracts, integrating tokenized funds more deeply into digital asset markets; 2) **Reserve Assets in DeFi Products**: Tokenized funds are increasingly used as stable, yield-generating collateral. Ondo Finance's OUSG fund, for instance, uses shares in multiple tokenized MMFs - including BUIDL - as reserve assets. This enhances liquidity and provides 24/7 interoperability with stablecoins, surpassing the interest-free nature of stablecoins as a store of value; 3) **Collateral for Derivatives**: BlackRock's BUIDL is accepted by crypto prime brokers as collateral for derivatives trading. JPMorgan has even executed a derivatives transaction where tokenized MMF shares were pledged to Barclays, highlighting early crossovers into traditional finance.