



TOPICS:

Technology

SOURCE:

European Central Bank

ECB: Tokenised Bonds - Assessing Efficiency and Liquidity in a Nascent Market

- The study evaluates **whether distributed ledger technology (DLT) enhances bond market efficiency and liquidity**, based on an empirical analysis of a novel dataset of tokenised and conventional bonds.
- The study finds that **tokenised bonds** - while still representing a small and early-stage market - demonstrate measurable **improvements in key performance indicators**. Using a matched-sample methodology to ensure comparability, the authors show that tokenised bonds reduce borrowing costs, with yield spreads at issuance approximately 0.14 percentage points lower than conventional equivalents (a 40% relative reduction). This suggests improved issuance efficiency, potentially driven by **automation, reduced intermediation and investor appetite** for innovative instruments. However, **operational cost savings are not yet evident**, as underwriting fees remain slightly higher and statistically insignificant, reflecting transitional frictions and infrastructure costs.
- **Liquidity analysis**, based on bid-ask spreads, indicates that tokenised bonds exhibit tighter spreads -

around 0.05 percentage points lower (a 27% reduction) - implying lower transaction costs and improved market liquidity. These gains are primarily observed in institutional markets; results for retail-accessible tokenised bonds remain inconclusive due to limited sample size.

- **Market development remains concentrated and experimental.** Issuance has accelerated significantly since 2023, with 88% of tokenised bonds issued in the past three years and a strong European focus, particularly in Germany. Corporate issuers dominate, and most participants are testing the market rather than scaling issuance.
- From a **regulatory and policy perspective**, the findings highlight that realising the full benefits of tokenisation depends on scalable infrastructure, regulatory adaptability and broader market participation. Initiatives such as the EU DLT Pilot Regime and central bank experiments are critical enablers, but further adjustments may be required to support interoperability and adoption.

