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Technology

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[Global Financial Markets Association](#)

GFMA: Report on the Role of Digital Money in Capital Markets

- The report analyses the implications of emerging forms of digital money - particularly central bank digital currencies (CBDCs), tokenised bank deposits and stablecoins - for capital market functioning, efficiency and financial stability. The report adopts a market structure perspective, focusing on **how digital money could reshape settlement processes, liquidity management and collateral usage** across financial markets.
- The report highlights that current capital market infrastructure relies heavily on layered intermediation and delayed settlement, which generate counterparty, liquidity and operational risks. Digital money, when combined with distributed ledger technology (DLT), has the potential to enable atomic settlement - simultaneous exchange of assets and cash - thereby reducing settlement risk and improving capital efficiency. **Tokenised deposits** issued by regulated banks are presented as a particularly promising instrument, as they could combine programmability with existing regulatory safeguards and integration into the banking system.
- **CBDCs** are assessed as offering risk-free settlement assets but raising design and implementation challenges, including scalability,

privacy and potential disintermediation of banks. **Stablecoins**, while capable of supporting innovation, are viewed as posing greater risks due to potential fragmentation, credit concerns, and weaker regulatory frameworks.

- The report emphasises that **the benefits of digital money depend on interoperability across platforms, standardisation of token formats and alignment with existing legal and regulatory frameworks**. Without these, there is a risk of market fragmentation, reduced liquidity and operational complexity. It also notes that widespread adoption could alter banks' funding models and liquidity management practices, particularly if deposits migrate to alternative digital instruments.
- From a policy perspective, the report underscores **the importance of a coordinated regulatory approach** that ensures financial stability while enabling innovation. Key priorities include establishing clear legal definitions of digital assets, ensuring robust prudential treatment and promoting cross-border harmonisation.

