Demystifying Tokenization:
What Asset Managers Need to Know

Executive Summary

- Tokenization uses blockchain infrastructure to represent and manage ownership of traditional financial and digital-native assets onchain.
- For asset managers, tokenization may improve operational efficiency while supporting new approaches to product design and distribution.
- Industry momentum is growing, with PwC projecting tokenized fund assets to grow at a 41% compound annual growth rate to USD 715 billion globally by 2030.[1]
- Smart contracts tied to tokenized funds enable automation of functions such as compliance, transfers, distributions and redemptions.
- Tokenized funds and assets generally remain subject to traditional legal, regulatory and compliance requirements.

Bringing Clarity to Tokenization

Tokenization is emerging as an important area of exploration for asset managers as blockchain-based infrastructure begins supporting the issuance, ownership and servicing of traditional financial and digital-native assets. This Q&A explores what tokenization is, why it matters and key considerations for fund providers evaluating this space.

What Is Tokenization, and Why Should Asset Managers Care?

Tokenization creates a digital representation (token) of an asset, ownership interest or financial claim on a blockchain-based ledger. The underlying constituent may be familiar, such as a stock, bond, commodity or fund share. What differs from traditional finance (TradFi) is the infrastructure used to record ownership and support transfers and servicing.

For asset managers, tokenization introduces a new operating layer—or onchain rail—for investment products. By using a shared ledger rather than multiple intermediary records, firms

may gain greater visibility into ownership and transaction activity, helping to support fund servicing. Other potential benefits include the automation of certain functions, 24/7 transferability and integration with decentralized financial (DeFi) platforms, which may reduce operational time and costs. Expanded access to market participants who prefer or operate within blockchain-based markets, along with the ability to customize tokenized products, may help asset managers reach new pools of capital.

Why Is Tokenization Gaining Traction?

The tokenization ecosystem remains in its early stages, but it is no longer purely theoretical. Asset managers, infrastructure providers and other market participants are developing products, building capabilities and testing how traditional investment strategies can operate onchain. In fact, PricewaterhouseCoopers (PwC) expects tokenized fund assets to grow at a 41% compound annual growth rate to USD 715 billion globally by 2030, based on its 2025 survey of managers, distributors and investors. Of the managers surveyed, PwC discovered that 40% say tokenization will be their most important future product innovation.[1]

Part of the interest stems from demand for TradFi assets within DeFi ecosystems. Tokenized products may provide asset managers with another channel to reach investors, subject to applicable regulations and investor-eligibility requirements. At the same time, features such as fractional ownership and flexible transferability may provide market participants with access to strategies not otherwise available through traditional fund structures.

For many firms, the near-term opportunity is practical. Tokenization initiatives help asset managers gain experience with product design, custody, compliance, servicing and third-party relationships while DeFi market standards and regulatory frameworks continue to evolve.

What Can Be Tokenized?

A wide range of assets, funds and indices can be represented in tokenized form. They include equities, bonds, fund shares, private-market assets, commodities and certain physical assets, as well as the indices that define and track these markets.

Equities are a natural starting point, because their role in capital markets is widely understood. Fixed income has also gained traction onchain, particularly through tokenized Treasury and short-duration products that can provide digital-asset market participants with access to yield while supporting collateral and financing workflows.

[1] PricewaterhouseCoopers. June 4, 2026. "Minting the future: Why asset tokenization is accelerating."

Private market assets are attracting interest as well, as tokenization may support fractional ownership and more standardized recordkeeping. However, tokenization does not automatically create liquidity or reduce investment risk.

Index data can be delivered onchain too, but an index remains distinct from a fund or security that tracks it. Official index data serves as a governed reference point, while index-linked products introduce their own fees, structures and tracking characteristics.

What Does It Mean to Tokenize an Asset, Fund or Index?

Bringing an asset or fund onchain means that some aspect of its ownership, transfer, settlement or servicing uses blockchain-based infrastructure. Similarly, tokenized indices can make licensable index data available through DeFi platforms that can support onchain processes and controls.

The relationship between a token and an underlying asset can vary depending on how the product is structured. Some tokens may represent direct ownership or rights associated with an underlying asset, while others may provide indirect or synthetic exposure. Market participants should therefore understand the legal rights, economic exposure and protections associated with a particular tokenized product.

A token can also contain predefined operating rules through smart contracts, a capability commonly known as programmability. These rules may automate functions such as transfer restrictions, compliance checks, income payments, rebalances or redemptions.

Are Tokenized Assets Securities?

Tokenization does not, by itself, determine whether an asset is a security or change the application of securities laws. In January 2026, SEC staff outlined several models for tokenized securities, noting that their structures and the rights afforded to holders can vary. For example, an issuer may tokenize its own security, while a third party may issue a token linked to a security through a separate structure.[2]

The classification of a tokenized product therefore depends on its structure, the rights conveyed to holders and the applicable jurisdiction. Asset managers must still address traditional considerations such as issuance, redemption, custody, disclosure and holder protections, making legal and compliance review essential.

[2] U.S. Securities and Exchange Commission. Jan. 28, 2026. "Statement on Tokenized Securities."

Crypto-native tokens require separate analysis, because they may not represent traditional securities or real-world assets (RWAs). Their treatment depends on their design, use and governing law. Asset managers should therefore view tokenization as both a product development and compliance decision, rather than solely a technology initiative.

Are Tokenized Assets Similar to Digital-Native Assets?

It is important to distinguish tokenized financial assets from digital-native assets. A tokenized product linked to a bond may convey rights associated with the underlying bond or provide economic exposure through a different structure, depending on its design. By contrast, a crypto-native token originates within a blockchain ecosystem and may not reference a traditional asset. The legal rights, protections, risk profiles and performance characteristics can therefore vary significantly.

Current tokenization use cases largely reflect demand for access to traditional financial markets through the blockchain-based ecosystem. As more asset managers, investors, infrastructure providers and regulators participate in shaping the DeFi marketplace, the range of tokenized assets, funds and indices continues to expand.

How Does Tokenization Work in Practice?

Most tokenized assets and indices currently operate through a hybrid model. Portfolio management, custody and other core functions often remain within established financial infrastructure, while ownership records or transfers occur onchain. The underlying investment or index data can therefore remain traditional even as the ownership experience changes.

The S&P 500® provides a practical example. Licensed S&P 500 index data can be made available onchain to support tokenized, index-linked products. The difference lies in how licensed index data is distributed, not in how the index itself is governed or maintained. The 500® itself remains a benchmark rather than a tradable asset. Tokenized products that reference it are separate solutions with their own structures and characteristics.

It is important for asset managers to identify the provenance of onchain data. Market participants need confidence not only in the asset being represented, but also in how underlying reference data is sourced, governed, distributed and maintained across both traditional and onchain environments.

How Can Tokenization Apply across Different Markets?

The same principles demonstrated by the tokenized version of The 500 can apply to fixed income benchmarks such as the iBoxx USD Treasuries, where governed index data may support the development and operation of tokenized, index-linked products. Beyond traditional asset classes, digital asset-focused benchmarks, such as the S&P Digital Markets 50 Index, demonstrate how tokenization may support rules-based and governed frameworks for measuring an increasingly diverse digital asset market.

As digital assets and tokenized markets mature, many asset managers are moving beyond simply accessing them and increasingly seeking benchmarking tools that help them understand, measure and monitor these ecosystems. Just as benchmarks help market participants analyze traditional asset classes, they can also provide structure and context for assessing opportunities and risks across evolving digital asset markets.

The diversity of digital assets also highlights the importance of viewing them as a broad and evolving asset class rather than a small set of large constituents. As the ecosystem grows, asset managers may increasingly seek frameworks that distinguish between different sectors of the digital asset market and measure how those segments evolve over time.

Can Asset Managers Tokenize Existing Indices They Use?

Not necessarily. An existing index-data license typically covers a specific use case and does not automatically grant the right to place index data onchain or create a tokenized product based on that index. Tokenizing a fund, creating an index-linked token and making index data available onchain are distinct activities that may require separate licensing, infrastructure and operational considerations.

For example, Centrifuge, a provider of blockchain infrastructure for tokenized financial products, has developed a Proof-of-Index framework that uses a cryptographic commitment derived from official index data. This allows licensed products to demonstrate equivalence to a benchmark without the benchmark provider publishing the underlying composition data directly onchain. The approach helps preserve the governance, integrity and controlled distribution of benchmark data while enabling new onchain use cases.[3]

[3] S&P Dow Jones Indices. July 1, 2025. "The S&P 500® Onchain."

How Does Tokenization Support TradFi and DeFi Markets?

Tokenization can provide a bridge between TradFi and DeFi markets. By building products, strategies or services around tokenized assets and index data, asset managers can bring features familiar from traditional markets, such as transparent pricing, established governance and well-established asset classes, into blockchain-based market infrastructure that may appeal to a broader range of market participants. When evaluating tokenization, asset managers should focus on the capabilities it enables.

How Can Asset Managers Get Started?

Tokenization offers a new way to support familiar assets, strategies and indices through blockchain-based infrastructure. Its potential comes from capabilities such as a shared ledger, programmable rules, flexible transfer and integration with onchain financial applications.

Realizing that potential requires more than creating a token. Asset managers need a clear product strategy, reliable infrastructure, appropriate partners and trusted information. A practical starting point is to identify a market participant or operational need first, then determine whether tokenization may provide a better way to address it versus traditional methods.

Contact us to discuss how S&P DJI's tokenized indices can support index-based product development across traditional and on-chain markets.

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