

By Invitation - Blockchain boon

## Larry Fink and Rob Goldstein on how tokenisation could transform finance

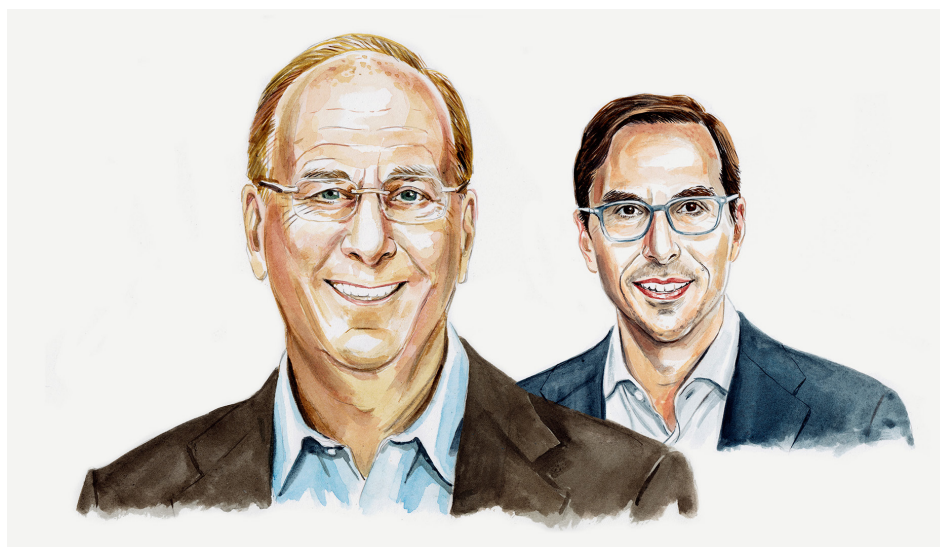
Ledgers haven't been this exciting since the invention of double-entry book-keeping

**F**IFTY YEARS ago money moved at the speed of mail. When one of us (Larry) started his career in 1976, trades were placed over the phone and settled with paper certificates sent by courier. In 1977 a technology called SWIFT brought standardised electronic messaging between banks, cutting transaction times from days to minutes. Today, trades between New York and London execute in milliseconds.

Now finance is entering the next major evolution in market infrastructure—one that could move assets faster and more securely than systems that have served investors for decades. It started in 2009 when Satoshi Nakamoto, a pseudonymous developer, launched bitcoin as a shared digital ledger that could record transactions without intermediaries. A few years later that same technology—the blockchain—sparked something even more transformative: tokenisation.

Tokenisation involves recording ownership on digital ledgers. It makes it possible for almost any asset, from real estate to corporate debt or currency, to exist on a single digital record that participants can independently verify. At first it was hard for the financial world—including us—to see the big idea. Tokenisation was tangled up in the crypto boom, which often looked like speculation. But in recent years traditional finance has seen what was hiding beneath the hype: tokenisation can greatly expand the world of investable assets beyond the listed stocks and bonds that dominate markets today.

Tokenising assets brings two broad benefits. First, it offers the potential to



settle transactions instantaneously. Today's markets operate on different settlement timelines, exposing buyers and sellers to the risk that one side might not fulfil its obligations. Standardising instantaneous settlement across global markets would be a leap beyond what SWIFT ever made possible.

Second, private-market assets still rely heavily on paper—manual processes, bespoke settlements and records that haven't kept up with the rest of finance. Tokenisation can replace paper with code, reducing the frictions that make assets costly and slow to trade. It can turn large, unlisted holdings such as real estate or infrastructure into smaller, more accessible units, broadening participation in markets long dominated by large institutions.

Technology alone won't remove every barrier. Regulation and investor safe-

guards will remain essential. But by lowering cost and complexity, tokenisation can give more investors more ways to diversify.

There are early signs of progress. Tokens that represent "real-world" traditional financial assets (stocks, bonds and so on) remain a tiny share of global equity and fixed-income markets but are growing fast—up roughly 300% in the past 20 months.

Much of the early adoption is happening in the developing world, where banking access is limited. Nearly three-quarters of crypto holders live outside the West. Meanwhile, the economies that built modern finance—America, Britain and the eu—are falling behind, at least when it comes to where the trading is happening. It's true that many of the companies best placed to lead the shift to a tokenised financial

system, including the dominant players in stablecoins, are American. But that early advantage isn't guaranteed.

If history is any guide, tokenisation today is roughly where the internet was in 1996—when Amazon had sold just \$16m-worth of books, and three of the rest of today's "Magnificent Seven" tech giants hadn't even been founded. Tokenisation could advance at the pace of the internet—faster than most expect, with enormous growth over the coming decades.

It won't replace the existing financial system any time soon. Think of it instead as a bridge being built from both sides of a river, converging in the middle. On one side stand traditional institutions. On the other are digital-first innovators: stablecoin issuers, fintechs and public blockchains.

The two aren't competing so much as learning to interoperate. In the future, people won't keep stocks and bonds in one portfolio and crypto in another. Assets of all kinds could one day be bought, sold and held through a single digital wallet.

The task for policymakers and regu-

lators is clear: help build that bridge—quickly and safely. The best approach isn't writing an entirely new rulebook for digital markets but updating the one we have so traditional and tokenised markets can work together.

We've seen how powerful that kind of connection can be. The first emerging-market exchange-traded funds (etfs) linked stockmarkets of more than 20 countries into a single fund, making global investing easier. Bond etfs did the same for fixed income, connecting dealer markets with public exchanges so investors could trade more efficiently. And now with spot bitcoin etfs, even digital assets are on traditional exchanges. Each of these innovations builds bridges.

The same principle applies to tokenisation. Regulators should aim for consistency: risk should be judged by what it is, not how it's packaged. A bond is still a bond, even if it lives on a blockchain.

But innovation needs guardrails: clear buyer protections to make sure tokenised products are safe and transparent; strong counterparty-risk stan-

dards to prevent shocks from spreading across platforms; and digital-identity verification systems so those who want to can trade and invest with the same confidence they have when swiping a card or wiring money.

In his new book on the 1929 stockmarket crash, Andrew Ross Sorkin revisits the failures that gave rise to the modern financial system. Some were technological: on Black Tuesday stock tickers fell hours behind, unable to keep up with the surge in trading. Others were institutional: a financial system that had raced ahead of the safeguards.

Tokenisation can modernise the infrastructure that still makes parts of the financial system slow and costly, bringing more people into the world's most powerful engine of wealth creation: the markets. But, as 1929 taught us, every expansion of access must be matched by updated safeguards. Tokenisation must do both: move faster and move safely, building trust as it goes. ■

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