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# Tokenized money market funds: The bridge to a new financial infrastructure

While money market funds are a mainstay in our current financial ecosystem, their inherent limitations are not compatible with the industry's requirements for a future onchain. Blockchain and tokenization allow for greater utility and new use cases that offer the potential to upend the existing system and approach.

## The confines of money market funds

Money market funds (MMFs), particularly US government money market funds, are a mainstay of the current financial ecosystem. They aim to provide a “safe haven” for investors looking to preserve cash in times of market uncertainty. They allow corporate treasurers and portfolio managers to optimize their cash management strategies. They offer yield-bearing options for brokerage clients looking to fund settlement accounts, and they often provide competitive returns for everyday investors over most savings and checking accounts.

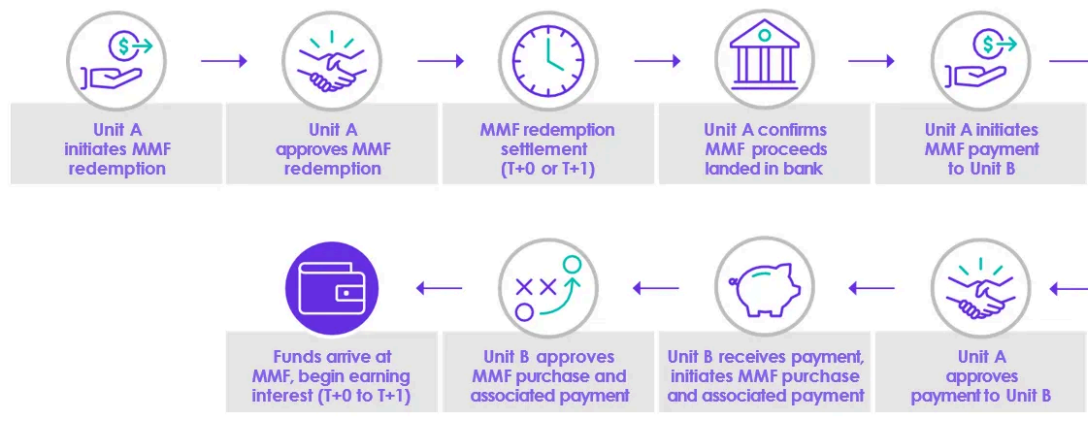
The Investment Company Institute (ICI) put total money market funds under management as of May 21, 2025, at just under \$7 trillion with institutional investors accounting for \$4.1 trillion and retail investors representing \$2.9 trillion in holdings.<sup>1</sup>

Yet, for all their benefits, today's money market funds exist within an account-based ecosystem and are subject to all the limitations inherent in today's financial market infrastructure. They are only available to trade during market hours. Shareholder records are only updated after trading for the day has been concluded. Investors eligible to receive yield are determined only once daily based on a start-of-day snapshot of shareholders. Yield is accumulated and paid out monthly in most cases. Minimum investment levels are relatively high, often requiring \$1,000 or more. Redemptions of money market fund shares take a minimum of 24 hours for investors to receive their cash and requests must be routed through an intermediary. Transferring fund shares from one investor to another can take several weeks and require significant paperwork.

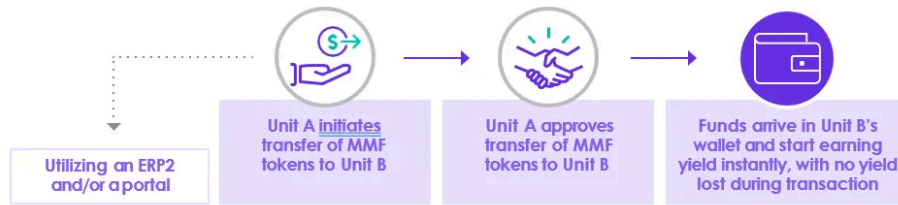
# Tokenization unlocks greater opportunity and utility

Tokenizing money market fund shares, utilizing cryptographically protected digital wallets to manage such investments, and administering the shareholder record on blockchain can help address many of these issues. Indeed, tokenized money market funds (TMMFs) allow for greater utility and new use cases that offer the potential to upend the existing system and approach.

## Traditional Money Market Fund



## Tokenized Money Market Fund



2. ERP: Enterprise Resource Platform: a software system that enables organizations to manage and integrate their functions, processes and workflows.

### WHAT ARE THE RISKS?

**All investments involve risk, including loss of principal.** There are risks associated with the issuance, redemption, transfer, custody and record-keeping of shares maintained and recorded primarily on a blockchain. For example, **shares that are issued using blockchain technology** would be subject to risks, including the following: **blockchain is a rapidly-evolving regulatory landscape**, which might result in security, privacy or other regulatory concerns that could require changes to the way transactions in the shares are recorded. The fund's **yield** may be affected by changes in interest rates and changes in credit ratings. These and other risks are discussed in the fund's prospectus.

In many ways, a tokenized money market fund is like a stablecoin. It seeks to maintain a net asset value of \$1.00 per share, is transferable wallet-to-wallet, can be posted as collateral on most crypto exchanges, and offers a direct on- and off-ramp to the traditional banking and financial system.

Yet, unlike stablecoins, tokenized money market funds are regulated securities, can pay yield directly to shareholders, and are only available to vetted participants that have passed KYC/AML checks. Moreover, the fund can only invest in a certain subset of assets that are detailed in the prospectus. There is complete transparency into the underlying holdings of the fund, assets are placed into safe keeping with third-party custodians, and investors are provided with daily reporting. These features are seen as offering better protection for investors over stablecoins, and as such, do not require the same over-collateralization for investors posting TMMFs as collateral.

## Advancing the utility of the MMF construct

Since 2017, Franklin Templeton has been building The Benji Technology Platform, our proprietary blockchain-integrated stack designed to facilitate trading, management, and administration of token-based investments. The platform is available as a white label technology for banks or asset managers to tokenize securities, or via one of several tokenized money market funds launched by Franklin Templeton for a variety of global institutional and retail use cases. Using this platform, Franklin Templeton launched the world's first US-registered mutual fund in 2021 using blockchain-integrated technology to process transactions and record share ownership. In 2024 the firm also leveraged the Benji Technology Platform to launch the first fully tokenized UCITS fund in Luxembourg, and secured regulatory approval to launch the first retail tokenized fund in Singapore in 2025.

The technology advancements available through the Benji Technology Platform have allowed Franklin Templeton to build never-before-available features and functionality, offering significant enhancements and new forms of utility onchain, including:

A solution to allow KYC compliant, permissioned wallet-to-wallet transfers on supported blockchain networks, as well as functionality to allow the purchase or redemption of tokenized securities using stablecoins

Instantly recorded changes in tokenized security ownership, rather than waiting to update the shareholder ledger on the next business day. Wallet-to-wallet transfers of tokenized securities can happen 24 hours a day, 7 days a week, 365 days a year

Intraday yield payments: dividends calculated precisely, down to the second, if a tokenized asset is transferred throughout the day

Yield that can be distributed to shareholders each calendar day, including weekends and holidays

Claw-back or replacement of tokenized securities moved illicitly or lost.

Self-custody of tokenized investments, so users can manage their own hot or cold wallets

These new capabilities mark a significant advancement in the utility of tokenized securities, and with the money market fund construct in particular. They democratize investors' ability to access and manage their assets, allowing for assets to be loaned, borrowed, staked, and utilized in liquidity pools. They eliminate the restrictions of having to wait for a 24-hour or longer settlement cycle, enabling securities to move at the speed and with the ease of money and be used as a form of payment or funding. With the programmable capabilities available on the Benji Technology Platform, the TMMF construct can now support new use cases in supply-chain management, trade financing, and enterprise resourcing that automate the release of payments based on specific data triggers within embedded smart contracts.

These functions demonstrate the power of using blockchain, tokenization, and digital wallets for re-wiring the global financial system.

## Navigating the nuance

To be clear, however, not all TMMFs are the same, and not all tokenization technologies can enable the same functionality.

Some leading TMMF issuers deliver tokenized securities solely as a back-up record of ownership. The asset that sits in a user's digital wallet is nothing more than a digital receipt. Actual ownership is still conveyed via a traditional fund share and recorded in a typical account structure kept by the transfer agent on an old-school mainframe-based system. Such TMMFs cannot convey the functionality promised by the blockchain. In some cases, the tokenized security may not even provide any native rights to the holder. Changes in ownership are not officially recorded until the off-chain ledger is updated, creating operational risks. For example, purchases

made on a Friday may show up as an asset in the user's wallet, but the holder does not officially own the fund until the following Monday, or even Tuesday if there is a 3-day holiday. Yields on these funds are paid into off-chain accounts in fiat currency, not into digital wallets via new token issuance.

Another set of TMMFs focus on short duration strategies that look to optimize yield by taking more risk in the portfolio. These funds often invest in corporate debt that is less secure than government issued securities and would be considered more akin to "prime" rather than "government" money market funds. Such investments are not seen as offering the same consumer protection and have higher inherent amounts of risk and a greater likelihood of seeing variance in their stated net asset value.

A third category of offerings often included in measurement of TMMFs is directly tokenized government bills or notes. These are single asset offerings that lack the benefit derived from active management of the underlying holdings to enhance the yield potential.

What the Benji Technology Platform offers is different. Understanding the nuances of the various offerings grouped under the TMMF category is a critical starting point for ensuring the optimal exposure and use of these new instruments. What is clear, however, is that the advances being made by moving this stalwart staple from the current financial ecosystem onto new rails is that the TMMF construct is likely to not only remain a key piece of industry infrastructure but take on new dimensions and importance.

Franklin Templeton's pioneering work on tokenization and the next-generation capabilities offered through our proprietary Benji Technology Platform are redefining investment operations, not just for our firm but for the industry. The power of emerging use cases is likely to speed the adoption of these new technologies and advance the shift from today's account-based economy to an increasingly dominant wallet-based financial ecosystem.

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## Endnote

1. Source: Investment Company Institute Release: Money Market Fund Assets, May 29, 2025.

## WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Blockchain and cryptocurrency investments are subject to various risks, including inability to develop digital asset applications or to capitalize on those applications, theft, loss, or destruction of cryptographic keys, the possibility that digital asset technologies may never be fully implemented, cybersecurity risk, conflicting intellectual property claims, and inconsistent and changing regulations. Speculative trading in bitcoins and other forms of cryptocurrencies, many of which have exhibited extreme price volatility, carries significant risk; an investor can lose the entire amount of their investment. Blockchain technology is a new and relatively untested technology and may never be implemented to a scale that provides identifiable benefits. If a cryptocurrency is deemed a security, it may be deemed to violate federal securities laws. There may be a limited or no secondary market for cryptocurrencies.

Digital assets are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, (such as theft, loss, or destruction of cryptographic keys), conflicting intellectual property claims, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. Portfolio managers, service providers to the portfolios and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the portfolio and their investors, despite the efforts of the portfolio managers and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the portfolios and their investors.

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