

State of Real-World Assets (RWA)

Positioning, Regulation, and Institutional Market Outlook

Building the Next Generation of Institutional-Grade
Digital Asset Infrastructure

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Executive Summary

Real-world assets (RWA) are transitioning from early on-chain experimentation to a phase of institutionalization. Unlike crypto-native narratives driven by market cycles or technological novelty, RWA focus on restructuring existing financial assets, cash flows, and legal rights within compliant, blockchain-based infrastructure. As the market enters the 2024–2026 cycle, the long-term viability of RWA is increasingly determined by regulatory clarity, institutional participation, and integration with established financial systems.

Across major jurisdictions, regulatory frameworks for RWA are becoming more defined. In the United States, recent legislative and regulatory developments signal a shift from prolonged enforcement-led uncertainty toward clearer asset classification and jurisdictional boundaries, positioning the U.S. as a likely anchor market for institutional-grade RWA. In the European Union, the implementation of MiCA provides a unified and executable compliance framework, offering legal certainty at the cost of higher entry thresholds and establishing Europe as a structured environment for professional and institutional participation.

From a market structure perspective, RWA have evolved into a multi-asset on-chain capital market, with tokenized U.S. Treasuries serving as a foundational layer, alongside growing adoption of private credit, commodities, and institutional fund products. For institutions and high-net-worth clients, the strategic value of RWA lies in improved asset efficiency, programmable financial structures, and compliant global distribution, positioning RWA as a core component of next-generation asset allocation rather than a speculative asset class.

About This Report

BitMart

[BitMart](#) is a globally licensed cryptocurrency exchange serving institutional and retail clients across 180+ countries. As part of its commitment to advancing institutional-grade digital asset infrastructure, BitMart's Strategic Research function initiated and coordinated this report to provide a rigorous, cross-industry perspective on the evolving RWA landscape. BitMart does not provide investment advice; this report is intended for informational and educational purposes only.

Co-Authors & Contributors

This report was developed in collaboration with industry participants across digital asset infrastructure, investment, and tokenized financial markets. Contributing organizations provided market insights, regulatory perspectives, and practical observations based on their operational experience in RWA-related sectors.

Plume

[Plume](#) is the leading real-world asset (RWA) network. It enables asset issuers and institutions to deploy onchain assets through its native infrastructure and grow those assets through its flagship real-world yield protocol Nest. As the ecosystem with the largest active wallet base in the RWA sector and 200+ projects, Plume is shaping the next generation of onchain capital markets.

Coinchange

[Coinchange](#) is a digital asset platform focused on delivering compliant yield solutions and structured earn products for institutional and professional clients. The team contributed perspectives on the evolution of tokenized fixed-income instruments, stablecoin-backed yield strategies, and the role of regulated on-chain assets within institutional portfolio construction.

Block Street

[Block Street](#) is a digital asset infrastructure provider specializing in liquidity solutions for tokenized assets. The team contributed technical and market insights on tokenized asset liquidity, collateralization frameworks, and the integration of RWA into on-chain financial systems.

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I. RWA Market Introduction: From Narrative-Driven Growth to Institutional Financial Structures

Real-world assets (RWA) are currently at a critical inflection point in the evolution of crypto finance. Unlike crypto-native narratives such as DeFi, NFTs, or meme assets, the core value of RWA does not lie in technological novelty itself. Instead, RWA focuses on reconstructing and mapping existing traditional financial assets, cash flow structures, and legal rights onto blockchain-based systems. In essence, RWA represents a form of “on-chain financial structure reorganization,” the development of which is not driven by short-term market sentiment but is highly dependent on whether regulatory frameworks permit its existence as a legitimate and sustainable financial form.

Entering the 2024–2026 cycle, regulatory attitudes toward crypto assets across major global jurisdictions have undergone a structural shift. In the United States, the regulatory approach is gradually transitioning from enforcement-led oversight toward rule reconstruction. The European Union has taken the lead in formalizing a comprehensive regulatory framework through MiCA, while traditional financial institutions are, for the first time, entering on-chain asset issuance and settlement systems as native participants. Collectively, these developments signal that RWA is moving beyond its early experimental phase and entering a new stage of financial infrastructure construction, one defined by compliance as a prerequisite and institutional frameworks as its foundation.

Against this backdrop, the long-term value of RWA is no longer determined by narrative momentum, but by its ability to integrate into existing financial and regulatory systems. RWA models with genuine durability must be built upon clearly defined issuing entities, the separation of asset custody and settlement, continuous information disclosure, and robust investor protection mechanisms. Only under such conditions can RWA attract meaningful participation from institutional investors and high-net-worth capital.

II. The U.S. Regulatory Environment for RWA: A Structural Shift from Enforcement-Led Oversight to Rule-Based Formation

2.1 The Resolution of a Core Tension: Long-Standing Uncertainty Under U.S. Securities Law

For an extended period, regulatory uncertainty surrounding crypto assets in the United States has not stemmed from the absence of law, but from a structural mismatch between the application logic of securities law and the nature of blockchain-based assets. The U.S. Securities and Exchange Commission (SEC) has relied primarily on the Howey Test as its core analytical tool, treating the determination of whether an asset constitutes an “investment contract” as the sole gateway to securities classification. However, the Howey Test was

developed in the mid-20th century to assess traditional agricultural investment arrangements and was never designed to address highly programmable, evolving, on-chain assets.

This structural tension is further amplified in the context of RWA. On one hand, RWA are often backed by real-world financial assets or income rights that may already fall under existing securities, investment, or banking regulatory frameworks. On the other hand, when these rights are tokenized and circulate on-chain, U.S. law has long lacked clear precedent on whether such on-chain representations constitute a new securities issuance or a form of “re-securitization.”

Over the past decade, U.S. regulators have largely pursued a strategy of “establishing boundaries through enforcement,” rather than clarifying rules through legislation. This environment of prolonged uncertainty has compelled many RWA projects to issue outside U.S. jurisdictions or to deliberately exclude U.S. investors, effectively constraining the pace of innovation in on-chain financial infrastructure within the United States.

2.2 A Legislative Inflection Point: The Institutional Significance of the GENIUS and CLARITY Acts

This long-standing stalemate reached a substantive turning point in 2025. In July 2025, the U.S. Congress passed the GENIUS Act and the CLARITY Act in succession, marking the first systematic federal-level response to the regulation of digital assets and tokenized financial instruments.

The GENIUS Act focuses on stablecoins, providing clear legal definitions, eligibility criteria for issuers, and reserve asset requirements. The Act mandates that all compliant stablecoins maintain 100 percent reserves in highly liquid assets, limited to cash, short-term U.S. Treasury securities, and cash-equivalent instruments. These reserves must be held by qualified custodians and subject to continuous auditing. This framework not only brings stablecoins out of a long-standing regulatory gray area, but also establishes a critical institutional foundation for RWA. Tokenized Treasury instruments, money market products, and private credit assets are formally recognized as eligible underlying reserve assets within the compliant stablecoin ecosystem.

The CLARITY Act carries even broader implications. For the first time at the federal level, it delineates the regulatory division of authority between the SEC and the Commodity Futures Trading Commission (CFTC), introducing “blockchain maturity” as a core criterion for determining regulatory jurisdiction. Under this framework, digital assets are no longer uniformly treated as securities. Instead, depending on whether the underlying network has achieved sufficient decentralization, assets are classified either as “digital commodities” under CFTC oversight or as “investment contract assets” subject to SEC regulation. At its core, this design acknowledges the dynamic and evolving nature of blockchain networks, recognizing that regulatory classification should not be permanently fixed at issuance.

2.3 From the Howey Test to “Substance Over Form”: A Shift in SEC Regulatory Philosophy

Alongside legislative progress, a fundamental shift has also occurred within U.S. regulatory philosophy. In 2025, the SEC articulated a new supervisory framework under “Project Crypto,” systematically outlining an updated regulatory approach grounded in the principle of “substance over form.”

The SEC explicitly clarified that crypto tokens themselves are not a statutory category under securities law. Regulatory analysis should focus on the legal rights and economic functions represented by a token, rather than the mere fact that it exists on a blockchain. More importantly, the SEC formally acknowledged that investment contracts can be fulfilled, mature, and terminate. This recognition implies that even if a token constitutes an investment contract at the time of issuance, it should not be permanently labeled as a security once the network matures and control becomes sufficiently decentralized.

Within this framework, the SEC categorizes digital assets into four groups: digital commodities, digital instruments, digital collectibles, and tokenized securities. Most assets directly relevant to RWA—such as on-chain debt claims, representations of asset ownership, and settlement or clearing tokens—are classified as “digital instruments” or “digital commodities,” rather than being automatically treated as securities. Only tokenized forms that are substantively equivalent to equities, bonds, or fund shares continue to fall under securities regulation. The establishment of this classification system provides RWA with a clear regulatory position for the first time: RWA are not inherently securities, but rather on-chain financial instruments subject to differentiated regulation based on asset characteristics.

2.4 Direct Implications for RWA: A High-Threshold, Low-Uncertainty Institutional Anchor

Under the new regulatory architecture, the U.S. RWA market exhibits a distinct profile: significantly higher compliance thresholds, coupled with markedly reduced regulatory uncertainty. Stringent requirements around disclosure, custodial segregation, and anti-money laundering increase compliance costs, but simultaneously provide clarity regarding asset legal status, issuance pathways, and regulatory oversight.

This environment is inherently better suited to institutional and high-net-worth participants rather than retail-driven projects. Traditional financial institutions such as BlackRock, Franklin Templeton, and JPMorgan increasingly view RWA as “on-chain equivalents of ETFs” or as upgrades to existing financial infrastructure. Through regulatory exemptions and sandbox mechanisms, these institutions are progressively introducing tokenized Treasury instruments, money market products, and fund shares into on-chain systems.

From a global perspective, the United States may not be the earliest retail market for RWA adoption, but it is highly likely to become the ultimate anchor market for institutional-grade RWA. Supported by the stablecoin framework established under the GENIUS Act and the asset

classification regime defined by the CLARITY Act, RWA are being integrated into a dollar-dominated on-chain financial system, positioning them as a critical bridge between traditional finance and digital asset markets.

This regulatory clarity has directly accelerated the transition from exploratory pilots to institutional allocations. Where regulators provide clear asset classification, defined licensing pathways, and established disclosure standards, compliant products can be launched faster, and institutions can participate without taking open-ended legal risk. The shift is most visible in tokenized government bonds and money-market products, where existing securities frameworks map cleanly onto on-chain issuance. Conversely, where regulatory treatment remains ambiguous, RWA initiatives tend to remain constrained within limited pilot programs or offshore structures, with slower capital formation. Importantly, regulatory clarity does not only unlock supply—it raises institutional expectations around market structure. As compliant RWA products enter the market, institutions increasingly demand institutional-grade execution, pricing integrity, and liquidity management rather than retail-style trading mechanisms. As regulation matures, the competitive advantage shifts from simple token issuance capability toward full-stack compliance, liquidity design, and institutional integration.

2.5 Global Regulatory Convergence: SPE Structures, Securities Classification, and Substance-Based Frameworks

A foundational structural consideration shapes how RWA are regulated across all jurisdictions: most tokenization pathways rely on special purpose entities (SPEs) that issue tokenized liabilities backed by underlying asset holdings or their economic value. These structures are most commonly interpreted as securities under existing law. However, legacy securities frameworks were designed around the assumption that intermediaries are necessary — or at least optional — making them structurally ill-suited for tokenized environments where disintermediation, composability, and programmable settlement are core features. The result is a growing recognition across jurisdictions that RWA-specific frameworks must preserve the core investor protection goals of securities regulation while accommodating the operational realities of tokenization, including automation, easier distribution, and greater capital efficiency.

This tension has accelerated a broader shift toward "economic substance over form" as the dominant regulatory philosophy. Rather than classifying assets based on their technological wrapper, regulators increasingly focus on the underlying economic rights and legal nature of the instrument. In the United States, the SEC's Project Crypto framework explicitly affirms that blockchain representation does not alter an asset's legal character — it is the economic substance that determines regulatory treatment. This approach aligns with established Supreme Court precedent and represents a meaningful departure from prior enforcement-heavy postures. Beyond the U.S., major financial hubs in Asia have adopted analogous principles: Hong Kong's Securities and Futures Commission applies a "same business, same risks, same rules" standard, while tokenization frameworks in Bermuda, Japan, and Singapore similarly ground regulatory classification in economic function rather than technical form. Collectively, these developments point toward a gradual global convergence on substance-based RWA regulation

— one that lowers jurisdictional arbitrage opportunities while raising the floor for compliant issuance standards worldwide.

III. The EU Regulatory Environment for RWA: Executable Compliance Templates and Institutional Boundaries Under the MiCA Framework

At a structural level, the regulatory approaches of the United States and the European Union reflect a meaningful convergence in philosophy, even as their architectures differ. The GENIUS Act and CLARITY Act mark the U.S.'s deliberate shift away from enforcement-led oversight toward purpose-built frameworks — aligning with MiCA's foundational logic of establishing clear rules first, then enforcing them consistently. The key distinction lies in architecture: MiCA operates as a single, directly applicable regulation across all EU member states, offering a unified compliance template, while the U.S. distributes authority across the SEC, CFTC, and banking regulators based on asset classification. This produces a more complex but potentially more adaptive system, better suited to the heterogeneous nature of RWA asset types. Against this backdrop, the EU's approach warrants closer examination.

Within this comparative context, the European Union has adopted a more institutionalized and ex ante regulatory pathway in the crypto asset and RWA space. The introduction of the Markets in Crypto-Assets Regulation (MiCA) marks the implementation of the world's first unified regulatory framework that covers major categories of crypto assets and carries direct legal effect across an entire economic bloc. For RWA, the significance of MiCA does not lie in regulatory leniency or the stimulation of short-term innovation cycles, but rather in its ability to define clear, executable institutional boundaries around which types of tokenized assets can exist sustainably within a compliant framework.

3.1 MiCA's Institutional Positioning: Not Encouraging Innovation, but “Permitting Existence”

MiCA is not a regulation designed primarily to incentivize innovation. Its underlying logic is better understood as the creation of an institutional “container” that allows crypto assets to be interpreted, supervised, and managed within the existing financial regulatory architecture. Under the EU's regulatory philosophy, crypto assets are not treated as a special class deserving exceptional treatment, but rather as financial instruments that must be integrated into established frameworks for financial stability, consumer protection, and anti-money laundering. This positioning is particularly critical for RWA.

At the EU level, MiCA is the first framework to explicitly clarify:

- Under what conditions tokenized assets may be lawfully issued, distributed, and traded;
- Which responsibilities must be borne by clearly identifiable issuing entities;

- Which product structures are more appropriately positioned as professional or institutional investment instruments, rather than mass retail offerings.

Unlike the U.S. debate over whether an asset constitutes a security, MiCA does not seek to redefine asset nature. Instead, it provides predictable compliance pathways through asset classification and responsibility allocation.

3.2 Establishment of a Unified Regulatory Framework and Its Core Components

As an EU-level Regulation, MiCA has direct legal effect across all 27 member states, replacing the previously fragmented landscape of national crypto regulations. This design establishes a critical institutional foundation for cross-border RWA initiatives through the so-called “passporting mechanism,” whereby authorization in one member state generally permits operations across the entire EU.

From a regulatory scope perspective, MiCA primarily governs two categories of entities:

- Crypto-asset issuers, including issuers of stablecoins and other crypto assets;
- Crypto-asset service providers (CASPs), such as exchanges, custodians, brokers, and wallet service providers.

In terms of asset classification, MiCA categorizes crypto assets into three groups:

- Electronic Money Tokens (EMTs), primarily corresponding to single-fiat-pegged stablecoins;
- Asset-Referenced Tokens (ARTs), pegged to a basket of assets or value indicators;
- Other crypto assets, including Bitcoin, Ethereum, and utility tokens.

Although this classification system was not designed specifically for RWA, it provides a practical compliance template for most RWA products. The existence, verifiability, and redeemability of underlying assets, as well as clarity around income streams and maturity structures, become central regulatory considerations under this framework.

3.3 Structural Reshaping of the Stablecoin Market Under MiCA

MiCA’s regulation of stablecoins represents its most substantively impactful component and indirectly shapes the trajectory of RWA development in the EU. Beginning in 2024, stablecoin provisions entered into force, fundamentally altering issuance models. Partially reserved or algorithmic stablecoin structures no longer have legal standing within the EU. Issuers are required to maintain 100 percent reserve backing and comply with stringent audit, capital, and governance requirements.

More critically, MiCA explicitly prohibits compliant stablecoin issuers from paying interest to token holders. This provision fundamentally alters the economic model of stablecoins and

diminishes their appeal as “deposit-like” products. While this design reflects the EU’s heightened sensitivity to financial stability risks, it simultaneously removes significant regulatory obstacles for traditional financial institutions entering the stablecoin-based settlement and RWA clearing space.

Within this framework, euro-denominated stablecoins attain a clear and unified legal status for the first time. Compared to a market long dominated by U.S. dollar-denominated stablecoins, MiCA creates institutional conditions for local-currency settlement of euro-denominated assets and RWA products. This development is widely viewed as a strategic step toward advancing Europe’s digital financial sovereignty.

3.4 Direct Implications and Institutional Boundaries for RWA Under MiCA

It is important to emphasize that MiCA’s direct constraints on RWA are relatively limited. This is not a regulatory oversight, but a deliberate legislative choice. RWA fundamentally represent on-chain mappings of traditional financial assets, such as equities, bonds, funds, and real estate, all of which are already comprehensively regulated under existing securities and financial laws. During the drafting process, MiCA intentionally avoided direct conflict with these established frameworks, focusing instead on crypto-native assets and their associated service providers.

This approach results in a clear regulatory division of labor, while simultaneously creating a multi-layered compliance structure in practice:

- At the underlying asset level, supervision remains with national securities regulators (such as BaFin in Germany or the AMF in France);
- At the token issuance and custody level, MiCA requirements apply to crypto-asset issuers and service providers;
- At the trading and cross-border circulation level, additional rules apply, including anti-money laundering, capital movement, and tax compliance regimes.

For RWA projects, this structure implies higher compliance costs, but also significantly reduces legal uncertainty. Compared to regulatory gray zones, the EU functions as a market with clear rules and elevated entry thresholds.

3.5 Three Compliance Constraints of Substantive Importance for RWA

From a practical standpoint, MiCA imposes three compliance constraints with long-term implications for RWA.

First, issuer accountability is significantly strengthened. RWA projects must have clearly identifiable issuing entities, defined asset custody arrangements, and ongoing disclosure obligations, effectively eliminating the possibility of “shell-based decentralized issuance” models.

Second, asset backing and redemption mechanisms become central to compliance. Whether structured as ARTs or EMT-like products, verifiability of underlying assets, clarity of redemption pathways, and full disclosure of income characteristics and maturities are now prerequisites for EU market entry.

Third, distribution channels and investor protection receive heightened regulatory emphasis. In practice, RWA in the EU are far more likely to exist as professional or institutional products rather than broad retail offerings. While this orientation limits short-term scale expansion, it materially enhances institutional stability and long-term viability.

3.6 Institutional Outcome: Europe as a Regulatory “Testbed” for RWA

The practical consequence of MiCA is not an explosive expansion of RWA markets, but the emergence of an effective screening mechanism. On one hand, RWA projects lacking real asset backing or relying excessively on narrative-driven models are rapidly excluded from the compliant ecosystem. On the other hand, projects with strong compliance capabilities and deep integration with traditional financial institutions gain institutional advantages.

Complementing MiCA are the EU’s DLT Pilot Regime and the Digital Operational Resilience Act (DORA), which impose constraints on ICT risk. Together, these frameworks allow RWA to test end-to-end issuance, trading, and settlement processes within controlled environments. This “rules-first, pilot-validated” approach positions Europe as a global institutional testing ground for RWA, rather than a speculative hotspot.

From a long-term perspective, the EU has not sought to compete on speed in the RWA race. Instead, it has prioritized unified rules, risk-based supervision, and cross-border coordination to construct a scalable and sustainable compliance infrastructure. This model provides institutional investors and high-net-worth participants with clear expectations and offers a regulatory template that other jurisdictions may reference in shaping their own approaches to RWA.

Major Asian financial centers offer a useful point of comparison. Hong Kong, Singapore, and Japan have each adopted substance-over-form frameworks that are philosophically aligned with both the U.S. and EU models, while following a distinctly sandbox-oriented and institutionally driven path. Hong Kong's SFC regulates tokenized securities under the Securities and Futures Ordinance on a "same business, same risks, same rules" basis, alongside parallel progress on stablecoin licensing and dedicated RWA guidance. Singapore's MAS applies the Securities and Futures Act, with Project Guardian serving as its primary vehicle for supervised tokenization pilots, emphasizing institutional adoption and cross-border interoperability. Japan has amended its Financial Instruments and Exchange Act to formally accommodate tokenized assets, while permitting banks to issue stablecoins under strict reserve requirements. Compared to MiCA, these jurisdictions lack regional harmonization but have often moved faster in operationalizing specific RWA use cases. The net result is a global regulatory landscape in which substance-based classification has become the dominant paradigm — even as the structural mechanisms for implementing it vary significantly by jurisdiction.

IV. Non-Regulatory Barriers to Institutional RWA Adoption

Despite clear regulatory momentum and compelling economic drivers, large-scale institutional adoption faces persistent non-regulatory barriers. These challenges are primarily technical and operational in nature, reflecting the nascent state of blockchain-based financial infrastructure relative to traditional capital markets.

4.1 Liquidity Fragmentation and Execution Quality

The most significant technical barrier is the fragmentation of liquidity across incompatible blockchain networks. As of early 2026, tokenized assets are distributed across public blockchains (Ethereum, Avalanche, Polygon), private permissioned ledgers (JPMorgan's Onyx, Goldman Sachs' GS DAP), and hybrid infrastructures. This fragmentation creates liquidity silos that undermine the network effects essential for institutional-scale markets.

Most RWA markets today exhibit a persistent "fragmentation tax" in the form of wide bid-ask spreads, shallow market depth, and inconsistent price discovery. The same underlying asset may exist in multiple token standards, across multiple chains, and on multiple trading venues, each with its own liquidity pool. Static automated market maker (AMM) pools can support small, retail-driven flows, but they struggle under institutional order sizes and stress conditions. Large tickets require deeper order books, tighter spreads, reliable execution, and cross-venue routing capabilities.

Without seamless interoperability, institutions face:

- **Liquidity bifurcation:** Assets locked on one network cannot easily access counterparties or trading venues on another, reducing market depth and widening spreads.
- **Operational complexity:** Treasury and operations teams must manage multiple wallet infrastructures, custody solutions, and settlement rails, increasing operational risk and cost.
- **Collateral inefficiency:** Tokenized assets held on one chain cannot be readily pledged as collateral against obligations on another, limiting the capital efficiency gains that tokenization promises.

For RWAs to scale meaningfully, markets require liquidity aggregation across issuers and chains, institutional-grade execution routing, active market-maker participation, and capital-markets-style order book depth. Industry initiatives—such as SWIFT's blockchain interoperability experiments, the DTCC's tokenized collateral network, and emerging omnichain standards—are addressing these challenges, but widespread implementation remains 12–24 months away. Platforms focused on unifying fragmented liquidity sources and optimizing execution quality represent a critical infrastructure layer. Without credible secondary market liquidity, tokenization improves form—but not function.

4.2 Custody and Settlement Infrastructure Gaps

While regulatory frameworks now permit institutional custody of digital assets, the operational infrastructure remains immature relative to traditional securities services. Most institutional custodians lack integrated support for both tokenized assets and the smart contract interactions required for yield generation, collateral management, and DeFi protocol access.

This creates a "custody gap": institutions can hold tokenized securities in cold storage, but cannot actively deploy those assets into yield-generating strategies without introducing counterparty risk through unregulated intermediaries. Bridging this gap requires either:

- Direct protocol integration by regulated custodians, which remains limited; or
- Segregated wallet infrastructure with programmatic controls that satisfy institutional security and compliance requirements.

Beyond custody, tokenization often digitizes the asset wrapper but leaves the underlying operational stack unchanged. Custody, reconciliation, corporate actions, and settlement may still rely on traditional off-chain workflows. This creates a structural mismatch: 24/7 on-chain trading operates against limited-hour off-chain settlement systems. During periods of market volatility, this mismatch becomes acute—turnover slows, risk hedging becomes harder, and liquidation mechanisms can face delays.

Across institutional portfolios, there is growing demand for "non-custodial" or "self-custodial" options where institutions retain direct control of assets and private keys while accessing managed strategies—reflecting a preference for transparency and risk segregation over traditional third-party custody models. Until the full lifecycle of tokenized assets—issuance, settlement, custody, and reporting—is operationally synchronized, scale remains constrained.

Beyond infrastructure gaps, a more fundamental legal risk concerns asset enforceability. In most tokenization structures, the token represents a claim against an SPE or issuer rather than direct legal title to the underlying asset. In bankruptcy or cross-jurisdictional scenarios, the alignment between on-chain rights and off-chain legal reality cannot be assumed — enforcement mechanisms vary significantly across jurisdictions, and existing insolvency frameworks were not designed with tokenized claim structures in mind. Until legal certainty around token-based ownership and creditor rights is established across major jurisdictions, this enforceability gap remains one of the most structurally significant risks facing institutional RWA participation.

4.3 Risk Management and Liquidation Infrastructure

Large-scale institutional adoption requires more than token standards and custody solutions—it requires resilient market mechanics capable of absorbing volatility and clearing risk at scale. Leverage, lending, and secondary trading amplify both opportunity and risk.

Without reliable pricing oracles, stress-tested liquidation pathways, cross-venue risk clearing mechanisms, and institutional-grade margin frameworks, volatility becomes destabilizing rather

than absorptive. Institutions ultimately care less about whether an asset is tokenized and more about whether the market can clear risk in size during drawdowns. A market that cannot absorb institutional-sized flows during stress is likely to remain structurally retail. The absence of these mechanisms is not merely an operational inconvenience—it is a barrier to capital deployment at scale.

4.4 Institutional Integration and Operational Resilience

Tokenized assets must integrate cleanly with existing institutional workflows, including accounting systems, treasury management tools, risk engines, custody infrastructure, and compliance reporting frameworks. If tokenized RWAs require parallel processes or manual reconciliation, adoption remains limited to pilot programs rather than core allocations. Institutional adoption accelerates when tokenized assets can plug seamlessly into existing balance sheet and reporting systems.

Beyond smart contract security, institutions evaluate governance design, upgrade authority controls, incident response procedures, market surveillance standards, and operational continuity. Markets perceived as experimental, thinly governed, or overly dependent on small teams struggle to attract durable capital. Institutional-scale RWA markets must resemble capital markets—not crypto-native experimentation. This includes clear governance structures, transparent decision-making processes, and operational resilience that meets the standards of traditional financial infrastructure.

V. Strategic Opportunities for Institutions and High-Net-Worth Clients: How RWA Is Becoming the Next-Generation Asset Allocation Infrastructure

5.1 Market Structure and Asset Landscape

From a market structure perspective, by 2026 the RWA ecosystem is no longer defined by isolated single-asset experiments, but has evolved into a mature, multi-asset landscape advancing in parallel. On-chain U.S. Treasuries have emerged as the “base money” of the RWA market. Beyond serving as a source of low-risk yield, they play a more critical role as a credit anchor for the on-chain financial system. Built on this foundation, asset classes such as private credit, commodities, and institutional funds are expanding rapidly, gradually forming a yield curve that spans multiple risk tiers.

Within this structure, private credit represents the most natural extension for institutional capital, bridging the gap between the risk-free rate and credit spreads. Commodity tokenization, anchored initially in gold, is beginning to expand toward a broader range of real assets. Meanwhile, the on-chain issuance of institutional funds signals a structural shift: traditional asset managers are increasingly treating blockchain not as an experimental channel, but as a formal issuance and distribution infrastructure. Collectively, these developments indicate that RWA is

transitioning from “point-based innovation” to a full-spectrum on-chain capital market with a comprehensive asset taxonomy.

The true breakthrough of RWA lies not merely in the tokenization of assets, but in the emergence of a “programmable capital market” paradigm. Traditional financial assets have long existed within siloed systems, with settlement, custody, and usage scenarios tightly fragmented. Tokenized RWA, by contrast, leverage standardized smart contract frameworks to enable atomic composition and reuse of assets across protocols and use cases. A single Treasury or credit asset can simultaneously function as collateral, a yield-generating instrument, a derivatives underlying, or a cross-chain liquidity asset, dramatically improving capital efficiency.

This “one asset, multiple uses” characteristic transforms RWA from digitized representations of traditional assets into foundational building blocks that can be embedded within more complex financial structures. For institutional strategies, this introduces a level of flexibility that is difficult to achieve within traditional financial markets.

5.2 Institutional Adoption: An Operational Perspective

From an infrastructure perspective, the institutional case for RWA is also shaped by a distribution dynamic that is unique to on-chain markets. For asset issuers — fund managers and institutional originators — tokenization opens an entirely new distribution channel by making their products accessible to the trillions of dollars in stablecoins and crypto-native capital currently sitting idle on-chain. This unlocks cross-border access to investor pools that were previously unreachable through traditional distribution infrastructure. For institutional investors, exchanges, and crypto-native financial institutions, RWA conversely represent a source of real-economy yield that can be deployed in a compliant, on-chain manner — historically unavailable in a market dominated by volatile crypto-native assets. This dual dynamic, supply-side distribution expansion meeting demand-side yield need, is a key structural driver of institutional momentum in the RWA space.

While regulatory clarity—exemplified by the GENIUS Act, CLARITY Act, and MiCA—establishes the permissibility of real-world asset tokenization, institutional adoption is ultimately driven by economic imperatives that extend far beyond compliance. Based on operational experience from digital asset platforms managing multi-strategy portfolios for institutional clients, four primary drivers are accelerating institutional capital deployment into RWA infrastructure in 2026.

Yield Enhancement in a Compressed Environment

The persistent gap between on-chain yields and traditional money market rates continues to attract institutional attention. As of early 2026, selected tokenized Treasury and private credit strategies have often offered 150–300 basis points of additional yield over comparable off-chain instruments, net of fees, depending on liquidity conditions and strategy design. This spread reflects not technological novelty, but structural efficiency: programmable settlement eliminates intermediary layers, while 24/7 market access reduces liquidity premiums embedded in traditional T+1 or T+2 settlement cycles.

However, sophisticated allocators distinguish between "yield" and "risk-adjusted yield." Institutional clients increasingly prioritize transparency in yield composition—specifically, the ability to attribute returns to identifiable sources such as funding rate differentials, basis spreads, or protocol fees—over headline APY figures. This shift toward granular risk attribution marks a maturation from the speculative yield-seeking of prior cycles to institutional-grade portfolio construction.

Operational Efficiency and Capital Velocity

The second driver is operational: tokenized assets compress settlement cycles from days to minutes, fundamentally altering working capital dynamics. For corporate treasuries and asset managers, the ability to sweep excess balances into yield-bearing instruments in real time—rather than maintaining pre-funded nostro accounts or overnight repo lines—translates directly to balance sheet efficiency.

Beyond speed, programmability enables atomic settlement and conditional execution that is impractical in traditional infrastructure. Smart contract-based collateral management, for instance, allows for dynamic margining and automatic rebalancing without manual intervention or counterparty negotiation. These capabilities are particularly valuable for institutions managing multi-jurisdictional liquidity pools or operating across time zones.

5.3 Core Value Proposition for Institutional Capital

From an institutional perspective, the core value of RWA does not stem from its "on-chain" label, but from three tangible capabilities: enhanced asset efficiency, programmable yield structures, and globally compliant distribution. Tokenization enables faster settlement, finer-grained asset fragmentation, and reduced cross-border friction. Yield distribution, maturity profiles, and seniority rules can be encoded directly into smart contracts, lowering operational costs and counterparty risk. Within compliant frameworks, on-chain issuance and circulation also open access to non-domestic capital pools.

For high-net-worth clients, the focus similarly shifts away from extreme yield in favor of stability, legal and tax certainty, and correlation characteristics relative to existing portfolios. Under this logic, on-chain Treasuries, money market instruments, private credit, and verifiable cash-flow-generating assets are increasingly positioned as "low-volatility anchor assets" within digital asset portfolios.

The current RWA market is coalescing around a clear "dual-engine" structure. On one side, traditional financial institutions and compliant issuers provide high-quality asset supply and settlement infrastructure. On the other, ongoing technological and product innovation continues to lower participation barriers, enabling a broader set of institutional clients and high-net-worth capital to access on-chain markets with reduced friction. Declining minimum investment thresholds, near-instant redemption mechanisms, and advances such as account abstraction are steadily removing usability barriers for non-crypto-native participants.

Viewed over a longer horizon, the significance of RWA extends beyond the creation of a new asset category. It represents a structural reconfiguration of the crypto market itself—shifting from a landscape dominated by high volatility and sentiment-driven dynamics toward a multi-layered financial market centered on yield, allocation, and asset management. This structural transformation constitutes the fundamental strategic opportunity for institutional and high-net-worth participation in the RWA ecosystem.

5.4 Portfolio Diversification and Correlation Management

The third driver relates to portfolio construction. Tokenized RWAs offer correlation characteristics distinct from both traditional fixed income and crypto-native assets. Tokenized private credit, for example, provides exposure to middle-market lending yields with durations and risk profiles that are decorrelated from public credit markets. Similarly, tokenized commodities and real estate offer fractional access to previously illiquid asset classes.

For institutional allocators, this expands the investable universe without requiring new operational infrastructure — provided that custody, reporting, and risk management frameworks are compatible with existing institutional processes. The emergence of tokenized fund-of-funds and multi-asset RWA portfolios further simplifies access to diversified exposure.

Client Demand and Competitive Positioning

The fourth driver is client-driven. Asset managers, wealth platforms, and corporate treasuries report increasing inbound demand from end clients — particularly in emerging markets and among digital-native corporations — for yield-bearing digital asset products. Institutions that fail to develop RWA capabilities risk ceding market share to crypto-native competitors or fintech platforms that have already integrated tokenized yield products into their offerings.

Critically, this demand is not limited to speculative exposure. Institutional clients seek "digital cash equivalents" — regulated, liquid, transparent instruments that can serve as collateral, settlement vehicles, or reserve assets within broader portfolios. Tokenized money market funds and Treasuries, with their T+0 settlement and on-chain auditability, directly address this need.

5.5 The Convergence of Traditional and On-Chain Finance: A Forward Outlook

Looking toward 2026 and beyond, the institutional RWA market is entering a phase of convergence rather than disruption. The question is no longer whether tokenized assets will ultimately achieve institutional adoption, but how quickly traditional financial infrastructure can adapt to accommodate programmable, on-chain assets within existing regulatory and operational frameworks.

Three developments are likely to determine the pace of this convergence:

First, interoperability standards must mature to the point where tokenized assets can move seamlessly across public and private networks without fragmenting liquidity or introducing security vulnerabilities. Progress on this front by DTCC, Swift, and major custodians will likely be a key indicator of institutional readiness.

Second, custody and prime brokerage services must evolve to support active management of tokenized assets, including smart contract interaction, yield harvesting, and collateral management — while maintaining the security, insurance, and regulatory compliance that institutional clients require.

Third, data and reporting standards must align on-chain transparency with traditional portfolio management and accounting systems, enabling institutional allocators to incorporate tokenized assets into existing investment processes without bespoke reconciliation or manual intervention.

The institutions that thrive in this environment are likely to be those that treat RWA not as a speculative experiment, but as a fundamental upgrade to financial infrastructure — one that requires the same discipline in risk management, compliance, and operational excellence that defines traditional asset management. The regulatory clarity achieved in 2025 provides the foundation; the next 24 months will likely determine which institutions can operationalize that clarity into scalable, sustainable market participation.

Key Institutional Takeaways (2026–2028)

Based on our analysis of regulatory developments, market structure evolution, and operational barriers, we identify the following strategic conclusions for institutional participants:

1. Regulatory Concentration RWA adoption is likely to concentrate among regulated issuers with clear legal status, not protocol-native structures. The GENIUS Act and MiCA frameworks structurally favor traditional financial institutions entering on-chain markets over decentralized issuance models.

2. Stablecoin Infrastructure as Velocity Determinant Compliant stablecoin frameworks—exemplified by the GENIUS Act and MiCA—will determine RWA market velocity and depth. Dollar-denominated and euro-denominated settlement rails are bifurcating into distinct ecosystems with independent liquidity pools and regulatory anchors.

3. Custody and Interoperability Define Competitive Moats Institutional winners will be those solving custody-settlement integration and cross-chain interoperability. These technical barriers, not regulatory constraints, now define competitive advantage and long-term market positioning.

4. Legal Enforceability as a Structural Risk Floor In most tokenization structures, tokens represent claims against an SPE or issuer rather than direct legal title to the underlying asset. Until creditor rights and insolvency frameworks align with tokenized claim structures across major jurisdictions, enforceability risk remains a binding constraint on institutional scale.

5. Global Regulatory Convergence Raises the Floor Substance-over-form classification is becoming the dominant paradigm across the U.S., EU, and major Asian hubs including Hong Kong, Singapore, and Japan. Jurisdictional arbitrage opportunities are narrowing; compliant issuance standards are rising globally.

6. Convergence Over Disruption The market trajectory favors hybrid infrastructure integrating traditional and on-chain settlement rails, rather than wholesale replacement of legacy systems. Institutions treating RWA as infrastructure upgrades—not speculative experiments—are positioned to capture long-term value.

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