Cyprus at the Forefront:

How Tokenization is Reshaping Capital Markets

"The infrastructure to reshape capital markets already exists.
The regulation has arrived. The only question left is who moves first."

Alexis Nicolaou | CEO
Kreston ITH | Digital Assets

Why Cyprus is better positioned than it thinks

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- **EU Member State**

  Existing EU financial services law applies to tokenized securities and financial instruments.

- **Regulated Infrastructure**

  Investment firms, EMIs, payment institutions already in place, plus all types of professionals.

- **Established International Business Ecosystem**

  Funds, holding structures, professional services — the foundation is already built.

- **Geographic Bridge**

  Europe, Middle East, Africa. A natural hub for cross-border digital finance.

Cyprus doesn't need to build from scratch. It needs to extend what already exists.

Tokenization is no longer a pilot. It's a market.

Estimates for tokenized assets by 2035 range into the trillions

Boston Consulting Group

Major global institutions already launching and operating tokenized products

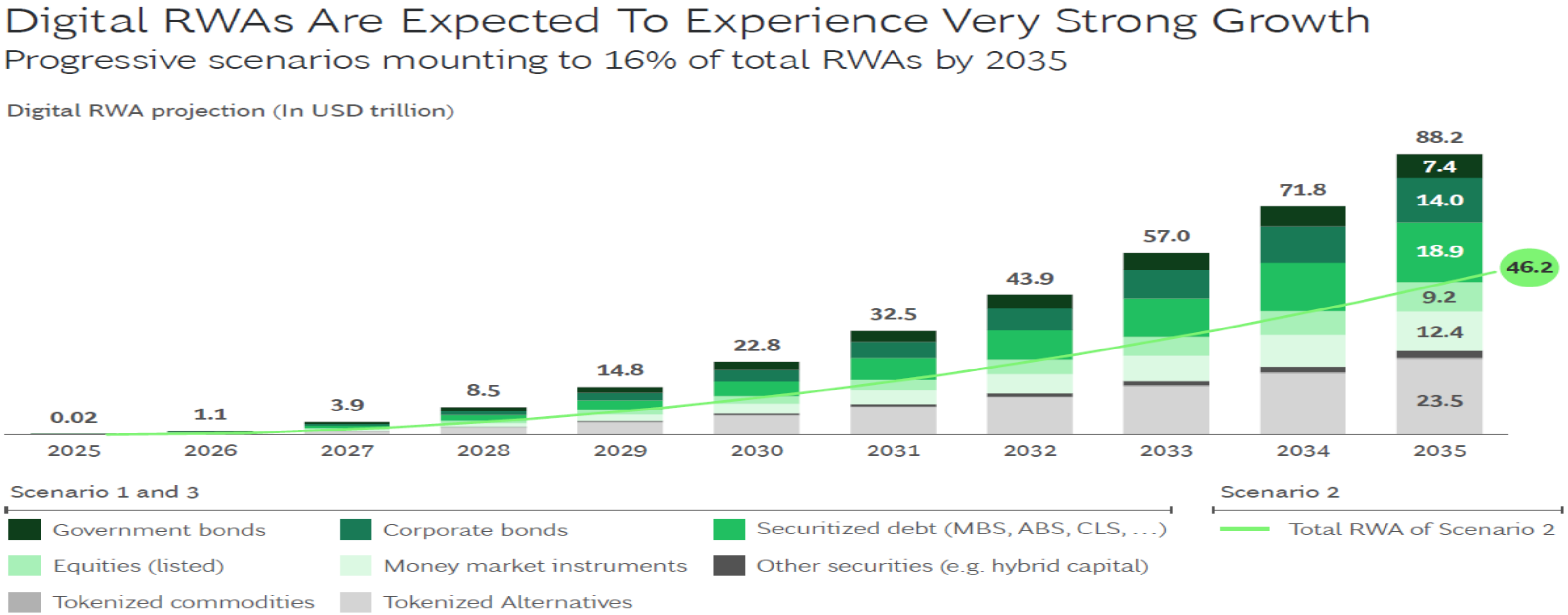
BlackRock · JPMorgan · Franklin Templeton

Tokenized bond issuances already completed

World Bank · European Investment Bank

This is not on the horizon. It is already here — and accelerating.

Poised for Growth



Source: BCG analysis.

> "I do believe we're just at the beginning of the tokenization of all assets, from real estate to equities to bonds—across the board."
>
> **LARRY FINK ON CNBC, OCT 14, 2025**

Potential by 2035

Asset Class Tokenization Potential by 2035 (Estimated)

ASSET CLASS	PENETRATION (%)	RATIONALE
Government bonds	3%–5%	Highly standardized, politically sensitive, CCP-anchored; tokenization limited to bills, repos, and selected wholesale pilots
Corporate bonds	10%–15%	Strong case in private placements, EMTNs, short-dated issuance; public benchmarks migrate slowly
Securitized debt (MBS, ABS, CLOs, etc.)	20%–30%	Structuring complexity, life cycle events, and opacity make this one of the strongest candidates
Equities (listed)	3%–7%	Governance, market structure, and exchange incumbency constrain adoption; limited to private-to-public transition and niche venues
Money market instruments	25%–40%	Operationally intensive, balance-sheet heavy, already short-dated and institutional—prime for on-chain issuance
Other securities (hybrid capital, etc.)	15%–25%	Bespoke terms and lower liquidity favor programmable issuance
Commodity funds	40%–50%	Strong growth in tokenized precious metals observable for a crypto-savvy customer base
Alternatives	25%–35%	Increasing accessibility of alternatives for a larger client base, tokenization of new assets (private credit, real estate)

Source: BCG analysis.

Long-term vision for tokenisation in selected UK wholesale markets

Pre-trade

Client onboarding and due diligence

- **Clean markets**, with low levels of financial crime and strong **market integrity controls**
- Firms can access **verified, immutable client records**, drastically reducing checks and document gathering
- Portable, permissioned **ID profiles** can be used by clients
- Smart contracts help validate KYC update information

Product design and issuance

- Securities can be **natively issued** onto eligible, private and public DLTs
- Tokenisation supports **the real economy** through more effective primary issuance of equity and debt
- **Smart contract workflows** facilitate allocation, book building and disclosure processes
- Fractionalised issuance **expands investor access**
- More **personalised portfolios** enabled by composability

Trading, execution & settlement

Trading and exchange

- **Real-time**, on-chain **matching** (at least for some asset classes and trading needs)
- **Extended** (or 24/7) **trading** available to investors
- Efficient price discovery and automatic reporting supported by **on-chain trade tape data**
- A **broader range of assets can be transferred**, supporting market participation at scale

Clearing and settlement

- Tokenised assets used as margin
- Shared access to '**golden source**' ownership data
- **Faster settlement** (automatic DvP) available where appropriate
- **Interoperable settlement infrastructure** allowing access to a range of on-chain payment assets
- Tokenised and non-tokenised asset infrastructures **interoperate**

Cross-lifecycle activities

Risk and collateral management

- Reduced collateral requirements (faster settlement)
- Fungible use of **tokenised assets** as collateral
- Programmable features of blockchains used to **automate collateral valuation, monitoring, liquidation**
- Investors can transact in tokenised assets with **confidence**, supported by **high quality collateral** and **risk controls**

Asset safekeeping and administration

- Secure, **institutional-grade** digital asset **safeguarding** solutions
- **Smart contracts** used to automate dividend **and** coupon **payments**, subscriptions and redemptions, and other **corporate actions**
- Reports and **reconciliations** rationalised

Financial Conduct Authority | Bank of England

"Tokenisation could be one of the most consequential changes to wholesale financial markets for decades. The Bank and FCA recognise the potential benefits tokenisation can deliver for UK markets including operational efficiencies, improved liquidity, risk reduction, and enhanced transparency."

The assets that tokenization unlocks

Real Estate

€10M → 1,000 investors

A single asset requiring one buyer today can be fractionalised into thousands of tokens — potentially improving access to traditionally illiquid property assets

Private Equity & Funds

€500K → accessible fractions

Minimum ticket sizes that locked out most investors shrink dramatically. The capital base broadens. Returns become more widely distributed.

Infrastructure & Bonds

EIB already issued tokenized bonds

The European Investment Bank has issued tokenized bonds on blockchain. This is not theory — it is precedent.

From illiquid to investable — that is the structural shift tokenization delivers.

Three things tokenization changes

01 **Liquidity**

Tokenization can improve transferability and secondary market access for traditionally illiquid assets.

02 Access

Assets previously exclusive to institutional investors open to a broader base. Capital formation changes structurally.

03 **Efficiency**

Certain settlement processes can move from T+2 toward near real-time execution.

This is not a technological experiment. It is a structural change in how capital markets operate.

The Legal Framework Behind Tokenization

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MiFID II, Prospectus Regulation, AIFMD, UCITS, Market Abuse Regulation and DLT Pilot Regime.

Blockchain simply a new layer of infrastructure. Legal rights represented by token remain critical factor.

Not about creating a new asset class but representing existing rights through a more efficient technological mechanism.

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How a Tokenization Structure Works

Asset → SPV/Issuer → Tokens → Investors → Secondary Market.

Blockchain sits within a wider ecosystem of legal agreements, governance structures, investor protections and reporting obligations.

Technology enables the process, but structure makes it work.

The Tokenization Journey

Feasibility → Structuring → Issuance → Fundraising → Secondary Trading → Ongoing Reporting

Long-term governance and investor management are often more important than the initial launch itself

Tokenization doesn't threaten this ecosystem. It extends it.

Accountants & Auditors

New frameworks for valuation, financial reporting, and assurance of tokenized assets.

Lawyers

New legal structures for asset ownership, token issuance, and transfer of rights.

Fund Managers

Access to new asset classes, broader investor base, and improved liquidity profiles.

Bankers

New models around settlement infrastructure, custody models, and institutional-grade digital asset services.

This is not disruption. It is expansion — for everyone in this room.

Target Clients We Should Be Advising

- real estate groups
- fund managers
- private equity managers
- infrastructure projects
- family offices
- financial institutions

- alternative financing models
- broaden investor access
- liquidity solutions
- new capital sources
- holding large illiquid assets
- innovative investment products

Not hypothetical opportunities but realities!

Why This Matters for Cyprus

01

Economic Opportunity

New revenue streams across legal, compliance, fund administration, custody, and advisory services.

02

Regional Positioning

Cyprus is well-positioned to strengthen its role as a regulated digital finance hub between Europe, the Middle East, and Africa.

03

Long-Term Market Advantage

The firms building expertise today are likely to shape the next generation of financial market infrastructure.

The question is not if. It's when — and whether you're ready.

Three things to take from this room:

Tokenization is already restructuring capital markets globally — not in theory, in practice.

Cyprus has the infrastructure, the regulation, and the geographic position to lead.

The professionals who understand this now will define the market tomorrow.

At Kreston ITH's Digital Asset Unit, this is exactly what we help institutions navigate — from strategy to execution.

Speak to our team

- SCAN TO CONNECT