

Tokenized bonds: Can new technology really cut costs and boost liquidity in the capital market?

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In recent years, the concept of “tokenization”—the conversion of assets into digital form or tokens that can be transferred, stored, or recorded on blockchain systems or distributed ledger technology (DLT) systems—has attracted steadily growing interest from capital markets worldwide. The technology is being piloted across a range of capital market activities, from issuance and offering, primary and secondary market trading, and recording of securities-holder registers, to securities settlement and delivery. The key concept underlying this technology is to place information and operational processes on digital systems that are immutable, verifiable, and capable of greater automation. This may help reduce redundancy, enhance efficiency, and expand opportunities for access to investment products.

One application that has attracted attention is tokenized bonds. According to data from the Association for Financial Markets in Europe (AFME), the Organisation for Economic Co-operation and Development (OECD), and Citi Institute, approximately EUR 4.71 billion in tokenized bonds were issued worldwide in 2025.¹ Although this represented only around 0.02% of total conventional bond issuance², the market has shown a trend of steady growth³. However, as tokenized bonds begin to be used in practice, a key question is whether the technology can genuinely deliver tangible benefits to issuers and investors.

Three studies by monetary and financial authorities, namely the Hong Kong Monetary Authority (HKMA) in 2023,⁴ the Bank for International Settlements (BIS) in 2025,⁵ and the European Central

¹ AFME. (2026). DLT-based capital market report: 2025 FY. [afme-dlt-report-2025-fy.pdf](#)

² OECD. (2026). Global Debt Report 2026.

https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/03/global-debt-report-2026_59d2d627/e9d80efd-en.pdf

³ Citi Institute. (2026). Tokenization 2030.

https://www.citigroup.com/rcs/citigpa/storage/public/Citi_Institute_GPS_Report_Tokenization_2030.pdf

⁴ Leung, V., Wong, J., Ying, A., & Wan, W. (2023). An assessment on the benefits of bond tokenisation (Research Memorandum 04/2023). Hong Kong Monetary Authority. <https://www.hkma.gov.hk/media/eng/publication-and-research/research/research-memorandums/2023/RM04-2023.pdf>

⁵ Aldasoro, I., Cornelli, G., Frost, J., Koo Wilkens, P., Lewrick, U., & Shreeti, V. (2025). Tokenisation of government bonds: Assessment and roadmap (BIS Bulletin No. 107). Bank for International Settlements. <https://www.bis.org/publ/bisbull107.pdf>

Bank (ECB) in 2026⁶, compared tokenized bonds with conventional bonds having similar characteristics. Although the sample sizes were relatively limited, the studies sought to answer two similar key questions. First, do tokenized bonds really generate efficiency gains for bond issuers by reducing issuance and borrowing costs? Second, do tokenized bonds improve liquidity in bond trading?

The first set of findings indicates that tokenized bonds can significantly improve efficiency and reduce issuance and borrowing costs for bond issuers. The HKMA found that issuance costs, in the form of underwriting fees, for tokenized bonds were, on average, 0.22 percentage points (ppt) lower, representing a 25.8% reduction compared with conventional bonds. The BIS, meanwhile, found that the underwriting spread for tokenized bonds was approximately 0.05 ppt lower, an 8.3% reduction compared with conventional bonds⁷. These cost savings may arise because tokenization digitizes processes and reduces the number of steps and intermediaries involved, such as underwriters, registrars, and settlement system operators, all of which entail associated costs.

The HKMA also found that borrowing costs, measured by the yield spread, were reduced by an average of 0.78 ppt, or 23.9% compared with conventional bonds. This is consistent with the ECB's findings, which showed an average reduction of 0.14 ppt, or 40.0% compared with conventional bonds. One possible explanation, related to the second set of findings, is that investors may be willing to accept lower yields if they believe tokenized bonds offer greater liquidity or if they value the opportunity to gain investment exposure to a nascent technology.

The second set of findings indicates that tokenized bonds are more liquid than conventional bonds. The HKMA, ECB, and BIS each found that the bid-ask spread narrowed by an average of 0.035 ppt, 0.05 ppt, and 0.11 ppt, respectively, representing reductions of 5.3%, 27.0%, and 36.7% compared with conventional bonds. This is because tokenization enables faster settlement and trading at any time.

The HKMA further suggested that fractionalization and broader access for retail investors could make the liquidity benefits even more pronounced. Under these conditions, the bid-ask spread could narrow by as much as 0.072 ppt, a reduction of 10.8% compared with conventional bonds. The HKMA also found that following the introduction of tokenized bonds, liquidity in the conventional bond market improved, with the bid-ask spread narrowing by an average of 0.049 ppt, or 8.5%

⁶ European Central Bank. (2026). Tokenised bonds: Assessing efficiency and liquidity in a nascent market. Macprudential Bulletin. https://www.ecb.europa.eu/press/financial-stability-publications/macprudential-bulletin/html/ecb.mpbu202604_03.en.html

⁷ Estimated from data in an BIS chart (2025), which shows the issuance cost, or underwriting spread, calculated as the difference between the price the underwriter pays the bond issuer and the price at which the bonds are offered to investors.

compared with the previous issuance. This suggests that the emergence of tokenized bonds may also contribute to price discovery across the broader market.

Nevertheless, these findings should be interpreted with caution, as the samples examined remain limited. Several other factors also warrant further consideration, but the available data are insufficient for a comprehensive comparative study. This is because the tokenized bond market has yet to fully mature, and many countries are still developing the necessary regulatory clarity, market ecosystem and infrastructure, and broader investor access.

In Thailand, the SEC places importance on leveraging innovation and technology to advance the Thai capital market. It has continued to monitor developments in tokenization and support the development of a Digital Securities Ecosystem. The SEC is also preparing rules to accommodate digital securities. These efforts aim to enhance Thailand's capital market infrastructure to support the transition to a digital future by reducing costs, increasing efficiency and transparency, and providing retail investors with greater access to investment products, in line with international trends, while ensuring appropriate investor protection. Ultimately, these efforts are intended to support a confident and sustainable digital transformation of Thailand's capital market.

Table: Comparison of Study Findings on Tokenized Bonds and Conventional Bonds

Aspects	HKMA	BIS	ECB
Efficiency gains			
Yield spread	Lower by 0.78 ppt (23.9%)*	-	Lower by 0.14 ppt (40%)*
Underwriting fee/spread	Lower by 0.22 ppt (25.8%)*	Lower by 0.05 ppt (8.3%)*	Higher by 0.04 ppt (9.3%)*
Liquidity gains			
Bid-ask spread	Lower by 0.035 ppt (5.3%)*	Lower by 0.11 ppt (36.7%)*	Lower by 0.05 ppt (27%)*

Sources: HKMA (2023), BIS (2025), ECB (2026)

Notes:

* Statistically significant.

** Statistically insignificant.

*** Estimated from data in a BIS chart (2025), which presents issuance costs, or underwriting spreads, calculated as the difference between the price the underwriter pays the bond issuer and the price at which the bonds are offered to investors. The HKMA and ECB, by contrast, use underwriting fees.