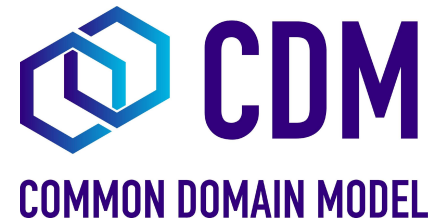


**Common Domain Model - Tokenization Use Case Overview  
2026**



# What is Tokenisation?

- **What is Tokenisation?**

- Tokenisation is the technological and legal process of representing assets as digital tokens on a DLT-base system.
- Tokenisation is relevant for both the legal characterisation of the asset itself and the settlement mechanisms used for its transfer.

- **Tokenisation Structures?**

- Tokenisation is not a single, uniform process; it varies across both technology and law, requiring careful assessment of both aspects together:
  - Different DLT architectures and technological implementations can lead to different legal outcomes, even when they appear similar to users.
  - Legal recognition and enforceability in turn may depend on the token's structure, particularly how rights are attached and enforced.

- **Operational Impact?**

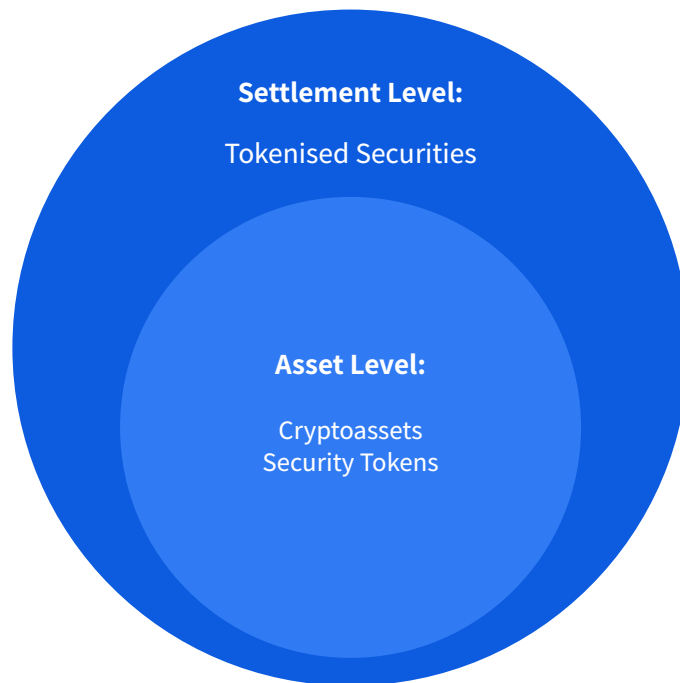
- Small differences in functionality can result in significant legal distinctions in how a token is recognised and how and when settlement takes place.

# Tokenisation Structures

01	<b>Cryptoasset</b>	A token that exist entirely on-chain, independent of legal systems.
02	<b>Security Token</b>	A token that exists entirely on-chain but which satisfies the applicable legal or regulatory definition of a security or financial instrument under local law.
03	<b>Tokenised Security</b>	A “Digital Twin” token that represents an underlying security or financial instruments issued on a different platform (e.g., a traditional CSD or registrar)

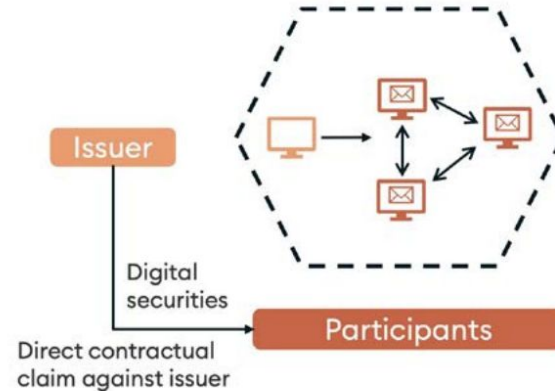
Definitions from CFTC GMAC Digital Assets Classification Approach & Taxonomy, March 2024

- The appropriate level of modelling depends on whether the asset itself is a token, or whether tokenisation is used only as a settlement mechanism
- In the **CDM Tokenised Assets Working Group**, we have adopted a layered approach:
  - Asset-level tokenisation,
  - Settlement-level tokenisation.



# Asset Level

- At the asset level, the **token** is the **asset**.
- It defines legal ownership and embeds rights and obligations directly in a digital form.
- To model at the asset level, the CDM may need to be expanded to capture the relevant blockchain networks and legal frameworks that govern the token.

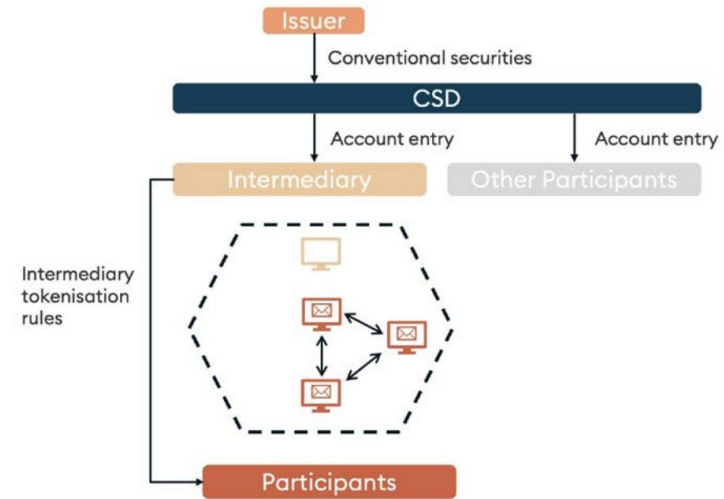


**In this model, the issuer directly records digital securities on a distributed ledger either as registered securities or digital bearer instruments.**

*Source: Legal Statement on Issuance and Transfer of Digital Securities under English Private Law, UKJT*

# Settlement Level

- In contrast, settlement-level tokenisation treats the token as a means of transfer, not the asset itself.
- The legal and economic nature of the off-chain asset remains unchanged, but the token acts as a **programmable settlement rail**.
- Here, the CDM must support new forms of settlement logic, such as atomic delivery and smart contract execution, without necessarily altering the legal characterisation of the off-chain asset.



In this model, an intermediary holds conventional securities and issues legally-linked tokens, with transactions recorded on a distributed ledger and governed by a shared rulebook.

*Source: Legal Statement on Issuance and Transfer of Digital Securities under English Private Law, UKJT*