TOKENIZATION'S IMPACT ONTHE SECURITIES INDUSTRY PROFIT POOL

In our last article, we examined the technology plumbing required to make tokenized markets work. We now ask the question that lies beneath it: as tokenization strips friction from the securities business, where does the profit pool go and who is left standing to collect it?

The US equity market is worth roughly $68 trillion. The portion on-chain in tokenized form is a rounding error against that, well under one-hundredth of one percent. Every credible forecast describes the same future anyway. Standard Chartered projects that tokenized real-world assets will reach $30.1 trillion by 2034; McKinsey and ARK put nearer-term 2030 estimates between $2 trillion and $11 trillion. None of them describes tokenization replacing the traditional market. They describe a tokenized layer large enough to matter, sitting alongside a traditional layer that still dominates.

The combined revenue of that industry — investment banking, sales and trading, post-trade services — is somewhere north of $400 billion a year, according to third-party estimates. Tokenization will not change that total much in the near term. What it will do is change what the money is paid for.

For fifty years, the securities industry has earned event-revenue fees for the discrete events in which an asset participates: a trade, a settlement, a transfer, a corporate action, a redemption. Every event exists because the friction it crosses is non-trivial, and every fee is the friction premium. Tokenization removes specific frictions, thereby compressing event fees in proportion to the friction it removes.

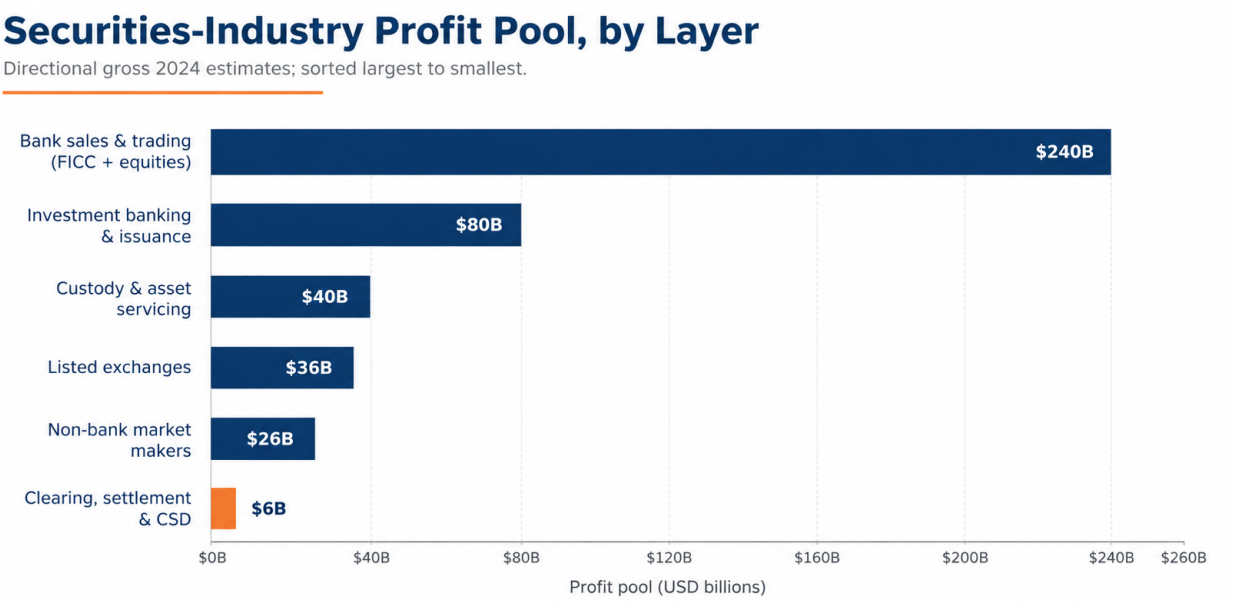
At the same time, it does something else. It makes the position itself programmable, a security whose rights of transfer, collateral pledge, redemption, and distribution execute as code rather than through messaging between intermediaries. A programmable position generates a different category of revenue: “state” revenue, earned from what the asset is in its current state and can do while in that state. A tokenized money market share is, simultaneously, a yield-bearing instrument, a collateral asset that can be pledged against a derivatives position, a liquidity claim redeemable on demand, and a corporate action-bearing security whose distributions execute on-chain without a paying agent. The keyword being programmable - to record the owner of the asset, its usage as collateral, transferability, etc.

THE STACK EARNS A FRICTION PREMIUM

Think of these profit pools as a stack, and each layer earns for a different reason. The chart below sizes the layers. Treat the figures as a directional estimate rather than audited totals, but they show roughly where the money sits. Read across the stack, and one thing connects every layer. The Central Counter Party (CCP) gets paid because settlement isn't instantaneous. The Central Securities Depository (CSD) gets paid because trust in the record is expensive. The custodian gets paid because operational complexity is real. The dealer gets paid because liquidity costs money. The exchange gets paid because matching is a network effect. Every revenue line in the pool exists because of a specific friction underneath it, and the rent is the friction premium.

Tokenization works on exactly those frictions. Atomic DvP removes settlement risk. A shared ledger removes the recordkeeping gap. Programmable collateral removes mobility friction. Smart-contract corporate actions remove paying-

agent costs. Not every pool compresses at the same speed — settlement may go first, custody later, collateral management later still. Over time, though, every layer whose economics depend on friction faces compression pressure on the rent. What is, of course, unknown is the rate at which these changes will occur, given how institutions adopt new technologies.



The securities-industry profit pool, by layer. Bank sales-and-trading (FICC and equities) is by far the largest single block at roughly $240 billion, followed by investment-banking and issuance fees near $80 billion, custody and asset servicing around $40 billion, listed exchanges around $36 billion, non-bank market makers around $26 billion, and clearing and settlement around $6 billion. Figures are a directional, gross estimate built from 2024 public filings and industry sources.

Sources: BCG Capital Markets Update 2024/2025; Coalition Greenwich Competitor Analytics FY24; company 2024 filings.

WHAT GETS PRESSURED

The 2025–2026 regulatory cycle settled the question of whether to engage. A March 2026 joint interpretation from the SEC and CFTC made the operative principle plain: a tokenized traditional security remains a security within the SEC's jurisdiction, and the DTC tokenization pilot raised the question for every broker-dealer participating in US clearing whether it has built a digital-asset strategy. Participation has become structural; the only variable left is which seat each firm holds when the redistribution happens.

We believe that the industry may restructure along a friction-to-state axis: Revenues tied to time, opacity, and intermediation are likely to compress, while revenues tied to asset "state" (programmability, collateral utility, workflow integration) may expand.

- **Clearing and settlement** will likely be most affected. This is the smallest block in the chart — DTCC generated roughly $2.5 billion in revenue in 2024, and the clearing-and-CSD layer runs around $6 billion all in — but it earns the most legible friction premium of any layer. Atomic DvP and tokenized collateral reduce float and timing-based income, but CCPs retain durable value in netting, default management, and capital efficiency services (which means not a full collapse of the economics). DTCC's response — tokenizing on Canton, co-chairing the Canton Foundation alongside Euroclear, running the July pilot — is rational defense.

- **CUSTODY BIFURCATES**. The custodians earn because investors can't safely hold their own securities at institutional scale, and that business may split into two areas. Safekeeping of securities is commoditized on shared ledgers, while higher-value services—asset servicing, collateral transformation, tax, and reconciliation across on- and off-chain states—become the core growth engine.

- **EXCHANGE'S REVENUE MIX CHANGES**. Exchanges remain structurally important due to regulation and institutional flow, but revenue mix shifts away from matching toward data, connectivity, and operating tokenization rails.

- **BROKERS AND DEALERS COMPRESS**. This is the largest block on the chart by a wide margin: bank sales-and-trading desks earned roughly $240 billion in 2024. Public order books and AMM curves narrow spreads, and transparent execution erodes the value of routing-as-a-service, squeezing that model on both sides. However, the ability to trade digital and traditional assets could also mean more services to offer and an opportunity to diversify revenues. More venues and more arbitrage paths only widen the gap for whoever has the infrastructure. The state-revenue play here is cross-margining: collateral that can sit against multiple positions across multiple venues simultaneously is a state product, and the prime brokers that can offer it will price it as such.

- **ASSET MANAGERS AND ISSUERS ENTER A NEW REVENUE LINE.** Asset managers and issuers gain a new monetization layer: "yield plus utility," where tokenized assets function as programmable collateral embedded across trading, financing, and payments workflows. Most of the recent growth reflects demand the untokenized model would never have captured: tokenized US Treasuries reached roughly $15 billion by spring 2026, the broader tokenized RWA market reaching about $31 billion — up roughly 4x in a year — with Circle's USYC overtaking BlackRock's BUIDL for the top spot as collateral use accelerated.

- **STABLECOIN ISSUERS EARN THE CLEANEST STATE REVENUE IN THE ENTIRE STACK**. The GENIUS Act, signed in July 2025, gave payment stablecoins a federal framework, and the economics it legitimized are striking. Tether's 2025 net profit topped $10 billion, almost entirely earned on a reserve portfolio holding roughly $122 billion in US Treasuries inside a $193 billion book; Circle reported $2.7 billion in revenue, up 64%, on $75 billion of USDC. Stablecoin issuers capture the clearest state-revenue model—reserve-backed, programmable dollars generating carry—though increasing competition and regulation may compress margins over time.

These outcomes are constrained by non-technical factors as well: Latency will persist where firms optimize capital over speed, regulatory capital treatment will shape adoption, and interoperability across fragmented ledgers will determine who captures value.

The end state is not disintermediation but reintermediation: value accrues to players who control asset state, capital efficiency, and client workflow, rather than those who monetize time and friction.

What the layers share is the direction of travel, not the destination. We know the pool is being redistributed. We do not yet know, in most layers, whether the winner is the incumbent that adapts or the native that scales — or what the net looks like once each player's losses and gains net out. That uncertainty is the honest center of the story, not a footnote to it.

NEW REVENUE OPPORTUNITIES

The dominant narrative frames tokenization as a fight over an existing revenue pool; the more important shift is the creation of entirely new revenue lines.

Three categories emerge net-new:

1. Infrastructure fees (issuance, transfer agency, settlement rails)

2. Native businesses with no legacy analog (stablecoins, on-chain prime, protocol fee capture)

3. Expanded addressable markets via fractionalization (private credit, real estate, IP, secondaries)

Tokenization increases not just how revenue is split, but how many participants can earn from an asset by making it accessible, programmable, and usable in more contexts. The deeper disruption is to time: instant settlement and programmable money erode system-wide float, compress working capital cycles, and push treasury, funding, and liquidity management into continuous operation. That time compression enables new products tied to asset behavior (real-time collateralization, dynamic liquidity, automated financing), creating revenue streams that did not previously exist, compelling organizations to revisit their operating models.

Market structure is already aligning: DTCC, Clearstream, and Euroclear are targeting outcome equivalence across traditional and DLT rails, while DTCC's 2026 pilot brings tokenized equities, ETFs, and Treasuries into production scope. Incumbents are acquiring or building tokenization capability (DTCC on Canton, LSEG digital settlement venue, SWIFT extending to blockchain) rather than ceding the stack. Natives are gaining regulated access (Ripple's acquisition of Hidden Road, Securitize's public listing, Bullish's acquisition of a transfer agent) to plug into core market infrastructure. The scarce advantage is combining distribution (client relationships, regulatory licenses) with cross-environment architecture; few players have both, so M&A becomes the fastest path to close the gap.

CONSUME, COMPETE, OR OWN

The strategic question is no longer whether to engage—regulation, clearing pilots, and economics have settled that—but how to position, which hinges on whether a firm has a state-revenue product to grow into. Firms can consume (rent tokenization capabilities and cede upside), compete (build in-house, typically requiring scale and balance sheet), or own (take stakes in issuance or infrastructure layers to capture the shift). The diagnostic is simple: if you do not offer programmable collateral, tokenized funds, or 24/7 tokenized market access, you are functionally paying into the redistribution rather than benefiting from it. The pull is already visible at the product level: once cash can seamlessly sweep into yield-bearing, programmable instruments like tokenized Treasuries and move instantly across accounts, user expectations reset toward continuous, utility-driven finance.

Set against that pull are three durable forces shaping the end state. First, while full disintermediation is unlikely—trust, finality, and recourse still require institutions—the easy economics of float, settlement, and recordkeeping are compressing, leaving firms to rebuild around state-based revenue before legacy income erodes. Second, consolidation becomes structural: with pricing pressure rising, scale and capability are most efficiently acquired through M&A, favoring players that combine regulated distribution with cross-environment architecture. Third, trust is repriced and relocated, not eliminated; as assets and money become key-based and programmable, security and custody evolve into critical, potentially expanding businesses, especially if emerging risks like quantum computing challenge existing cryptography. What remains unresolved is the end-user experience and timing—directionally clear, but operationally uncertain—as institutions race to rebuild while legacy revenues still fund the transition.

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