

# Central Bank of Ireland publishes Discussion Paper 12 on DLT & Tokenisation in Financial Services

March 2026

## Background

On 5 March 2026, the Central Bank of Ireland (CBI) published its much-anticipated **Discussion Paper 12: Distributed Ledger Technology (DLT) & Tokenisation in Financial Services (Paper)**.

The CBI believes that DLT and tokenisation, if enabled and deployed correctly, can change the financial system for the better, including by helping the EU deliver on its objectives to integrate and deepen its financial markets.

The Paper is intended to stimulate informed dialogue on the future role of DLT and tokenisation applications within the Irish and European financial services ecosystem with a series of questions posed for stakeholders to provide their feedback on.

In the CBI's recent **Regulatory and Supervisory Outlook** for 2026, it mentions that it has noted strong levels of engagement with organisations working on tokenised proposals with live applications currently under review. In the context of Irish regulated funds, the Paper outlines that proposals for initial use cases being considered by the CBI have tended to focus on the digital representation of an investor's share or unit in a fund in the form of a token, typically using a digital twin model.

In this briefing, we focus on the aspects of the Paper which primarily relate to tokenisation in Irish regulated funds<sup>1</sup>.

## DLT and tokenisation

The CBI understands DLT to be a technological solution that achieves a single, shared "source of truth" through a common ledger.

Tokenisation, for the purposes of the Paper, refers to the issuance or representation of assets in the form of digital tokens, using technologies such as DLT.

The Paper considers two types of tokens in particular: (i) those issued solely or directly on DLT by the issuer (sometimes referred to as "digitally native" tokens); and (ii) those that are digital representations of existing assets that have originally been issued elsewhere (sometimes referred to as "non-native" tokens).

## Benefits of tokenisation and the enablers

### Benefits

The CBI recognises benefits of tokenisation as including:

- Efficiency;
- Supporting innovation and unlocking economic opportunities;
- Transparency and auditability; and
- Greater integration in European capital markets.

<sup>1</sup> The Paper also considers tokenisation in markets as well as tokenisation in money and payments which are beyond the scope of this briefing

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## Enablers and conditions

However, the CBI notes that a number of enablers and conditions are important in order to leverage the benefits of DLT and tokenisation. These include the following:

1. Legal and regulatory clarity – clear and coherent legal and regulatory frameworks;
2. Interoperability and standardisation – common technical, operational and messaging standards;
3. Tokenisation of assets and money – consideration of the role of digital forms of money in unlocking the true potential of tokenisation in finance;
4. Settlement in central bank money – the importance that that central bank money remains the ultimate settlement asset across the financial system;
5. Operational resilience and scalability – the maintenance of continuity of service with the ability to handle high transaction volumes with predictable latency;
6. Digital identity, verification and trust infrastructure – reliable and verifiable digital identity frameworks; and
7. Transparent and accountable governance – clarity on management of the system, operation of the consensus mechanism and how changes in the protocol or rulebook are decided.

## Tokenisation in funds

In this focus area, the CBI acknowledges that funds depend on accurate and timely processing of subscriptions, redemptions, transfers and corporate actions. Tokenisation may allow certain elements of these workflows to be automated through programmable rules embedded in tokenised fund units and facilitate more consistent data across participants by reducing duplication of records.

The CBI also notes that tokenisation of funds relies on, and benefits from, adjacent developments, such as the development of tokenised settlement assets, collateral management platforms or intraday liquidity arrangements. These applications are technically linked to developments in tokenised money and payment systems and need to be assessed in conjunction with broader monetary and financial stability considerations. It notes that it is keen to understand and assess the micro-macro relationships between these developments.

In the Paper, the CBI focuses in particular on liquidity management, money market funds (**MMFs**) and exchange traded funds (**ETFs**).

### Liquidity management

The CBI notes that in a digitally native future state, tokenisation in funds may affect both the perceived and actual liquidity of fund units, with implications for liquidity transformation and the use of liquidity management tools (**LMTs**).

The CBI sets out that tokenisation in funds may increase the need for clear and robust liquidity management frameworks. In a tokenised environment LMTs would need to remain available to the fund. With this in mind, the CBI has outlined in the Paper examples of how certain LMTs (e.g. swing pricing, anti-dilution levies, redemption gates, notice periods and suspension of dealings) may be operationalised in a future tokenised state. As part of this, the CBI suggests that tokenisation may enhance the timeliness and consistency with which LMTs are applied, although the application of the LMTs may be more complex.

Notwithstanding this, the CBI states that where there are token transfers outside of controlled dealing cycles, investors might perceive the fund tokens as more liquid than the underlying assets, exacerbating liquidity mismatch.

## Money Market Funds

In a future state, MMF units representing ownership of fund share tokens may be natively issued on-chain without a parallel traditional infrastructure acting as the actual ledger of record. The CBI recognises that there is the potential that tokenisation changes some of the underlying uses of MMFs e.g. tokenised MMF (**TMMF**) units being accepted as eligible collateral. While this use could materially improve efficiency and responsiveness of collateral management, the CBI recognises that it could also introduce new risk transmission channels.

## Exchange Traded Funds

The CBI notes that tokenisation of investment fund units may blur the functional distinction between traditional open-ended funds and ETFs. The CBI is aware that if tokenised fund units were to support efficient secondary trading, they could replicate some features of ETFs, including intraday transferability and improved liquidity.

The CBI notes in the Paper that these developments raise questions regarding the consistency of regulatory treatment across economically similar activities. It also highlights the importance of preserving the mechanisms that underpin ETF liquidity and price formation, particularly in stress conditions. The critical issue raised by the CBI is whether such arrangements preserve the effectiveness of the arbitrage mechanism at the Authorised Participant that underpins ETF liquidity and price alignment with the NAV.

In this section of the Paper, the CBI provides illustrative use cases in respect of MMFs and ETFs to outline the potential benefits of different types of fund tokenisation as well as the risks that need to be managed effectively. We have set out below a summary of these benefits and risks. Please refer to the Paper for the operational arrangements for each use case.

Use case 1: MMF units issued on a permissioned DLT platform and are used as eligible collateral in secured transactions or intraday liquidity facilities	
Benefits	Risks and considerations
Improved collateral mobility and efficiency.Reporting	Liquidity and procyclicality risks - increased use of MMFs as collateral could amplify liquidity stress at a systemic level during periods of market tension, particularly if rapid margin calls or collateral substitution occur.
Reduced operational risk through automation of margining and collateral management processes.	Valuation and data dependency risks - reliance on oracles for NAV and liquidity data introduces new operational and governance dependencies.
Enhanced transparency and auditability of collateral positions.	Legal certainty and enforceability - clear recognition of security interests over TMMF units across jurisdictions.
Potential reduction in liquidity buffers required for operational reasons.	Operational resilience - robust governance of the DLT infrastructure supporting collateral management, including stress scenarios.
	Interconnectedness - potential for tighter linkages between short-term funding markets, collateral markets and DLT infrastructures.

**Use case 2: natively issued TMMF with automated subscription and redemption - enhanced automation with potential implications for liquidity management**

Benefits	Risks and considerations
Faster subscription and redemption processing, potentially improving liquidity management.	Liquidity management risk - accelerated redemption capabilities could amplify first-mover advantage dynamics.
Reduced operational risk and enhanced straight-through processing.	Run risk and procyclicality - automation may increase the speed of investor reactions in stressed conditions.
Improved timeliness of reporting for supervisory and risk management purposes.	Governance of smart contracts, particularly regarding suspension of redemptions or activation of LMTs.
	Consistency with MMF Regulation safeguards, including fees, gates and liquidity buffers.

**Use case 3: natively issued tokenised ETFs with automated post-trade processes - enhanced automation processes within a controlled environment**

Benefits	Risks and considerations
Increased straight-through processing and reduced reliance on manual intervention.	Smart contract governance, including validation, auditability, and change management.
Reduced counterparty and settlement risk.	Settlement finality, and alignment with EU frameworks governing finality and insolvency protection.
Enhanced transparency for oversight purposes, including potential near-real-time reporting.	Operational and cyber resilience, particularly where core post-trade functions depend on DLT infrastructure.
	Co-existence with legacy arrangements during transitional phases.

**Use case 4: interoperable tokenised ETFs in a broader digital financial ecosystem – substantive tokenisation with enhanced ecosystem interdependencies**

Benefits	Risks and considerations
Improved capital efficiency through programmable collateral and real-time risk management.	Third-party and outsourcing risk, including reliance on oracle providers and other critical service providers.
Enhanced cross-border distribution capabilities, supported by automated compliance processes.	Data quality and integrity, particularly where automated processes depend on external data feeds.
Greater scope for innovation through modular, composable and interoperable market infrastructures.	Increased interconnectedness, potentially amplifying contagion and procyclicality.
	Supervisory access and oversight, ensuring authorities retain effective monitoring capabilities.

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## Potential risks

The CBI comments that while tokenisation may offer benefits, it can also introduce a set of risks that differ in nature, distribution and scale from those present in existing financial market infrastructures. In addition to the risks highlighted earlier in this briefing, the CBI outlines the following four categories of risks which stakeholders should be cognisant of:

### New & Structurally Distinct Risks

- A. Disintermediation and Reallocation of Roles
- B. New Concentration and Governance Risks

### Technology & Operational Risks

- A. Smart Contract Risks
- B. Oracle Risk
- C. Validator and Consensus Risk
- D. Bridge and Interoperability Risk

### Transition & Integration Risks

- A. Fragmentation and Liquidity Risk
- B. Leverage, reuse and potential risk amplification
- C. Operational Complexity and Resilience
- D. Migration and Legacy Risk
- E. Market structure, scale and competition

### Risks to Effective Supervision & Regulation

- A. Opacity and Accountability
- B. Regulatory Perimeter and Consistency
- C. Supervisory Capacity and Data Challenges

## Next steps

Through the insights gathered from stakeholders, the CBI will assess whether existing policy and regulatory approaches are fit for purpose to enable the realisation of the benefits, and management of the risks stemming from the integration of DLT in financial services.

Interested stakeholders can provide feedback on the questions posed by the CBI in the Paper via its [online portal](#) on or before 5 June 2026.

The CBI will consider the feedback received with the intention to publish a feedback statement thereafter.

If you have any questions regarding the Paper, or if you require assistance with providing feedback to the CBI, please do not hesitate to reach out to the authors or your usual contact in Dillon Eustace.

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