



## European Perspective on Tokenisation and the Move Toward 24-Hour Trading

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**Tokenisation is reshaping how markets operate, and Europe now faces its own set of decisions about how this evolution fits within its market structure.** The digital representation of traditional securities is changing how assets are issued, traded and held, extending long-running conversations about how markets connect and how far they move towards 24-hour trading.

For investors and intermediaries alike, this is now part of the fabric of modern market structure. New models for settlement and connectivity are already changing how firms manage risk and market access, but they also challenge established ideas of liquidity, transparency and control.

In this joint commentary, **James Baugh (Managing Director, Head of European Market Structure, TD Securities)** and **Reid Noch (Associate, Electronic Trading, TD Securities)** explore how tokenisation is influencing market behaviour, what it could mean for Europe and why collaboration across the industry will be essential as this evolution gathers pace.

### A new market rhythm

In the United States and Asia, new forms of trading are already emerging - more flexible, more inclusive and increasingly round-the-clock.

This momentum is adding more weight to the ongoing debate over trading hours, giving markets both the means and the motive to stay open longer. 24/5 trading is already established in the US, fuelled in part by Asian retail investor appetite for active around-the-clock trading across global markets.

James Baugh sees tokenisation and extended trading as two sides of the same coin in market structure. "The idea of longer trading hours has been around for years," he says, "but tokenisation changes what's possible. If settlement becomes near-instant and ownership can move seamlessly, markets no longer need to pause in the way they once did - and that's a fundamental shift."

For Europe, this isn't about keeping pace; it's about defining what kind of market it wants to build in this new environment. Tokenisation offers potential benefits - faster settlement, broader access, fractional ownership and programmable corporate actions - but it also creates a new market rhythm where liquidity moves across time zones and platforms. Regulation, infrastructure and investor protection will need to keep in step.

“If the next version of global equity markets is being written elsewhere,” Baugh adds, “Europe should help to write the script; building on what works globally, but within a framework that preserves the strengths of European markets.”

As trading becomes a more continuous activity, underlying infrastructure is evolving too; with new digital models for how ownership is recorded and transferred.

## **Two paths to tokenisation**

Two core models are taking shape. Wrapped securities represent existing shares on digital rails, extending access to traditional equities. Natively issued securities make the token the security itself, with ownership and transfer recorded on a distributed ledger by the issuer or agent.

Each model raises practical considerations about how digital and traditional systems will interact. The priority for market participants is improving efficiency and access without fragmenting liquidity or transparency.

“The goal isn’t to replace existing systems; it’s to connect them” says Noch. “Blockchain is simply technology, another piece of infrastructure. You can use it to improve the current system, but not at the expense of the safeguards and protections built over a century of experience.”

## **Retail and institutional impact**

Tokenisation can help build upon long standing retail participation gaps in public markets by enabling fractional ownership, improving transparency and allowing investors to engage more directly in public markets.

“Retail investors now account for a growing share of the market, and their increased activity brings meaningful momentum,” says Noch. “What matters is that this participation is supported by well-supervised systems that help keep markets fair and accessible.”

For institutions faster settlement changes how liquidity, collateral and capital are managed. Prefunding ties up cash earlier, while the loss of netting increases short-term funding pressure - heightening leverage risk if liquidity thins when markets are active beyond traditional trading hours. The next phase may be hybrid: optional instant settlement alongside T+1, complicating funding, collateral and information flow but also offering greater flexibility in how and when firms choose to settle.

“The efficiency gains are real,” Noch notes, “but the guardrails matter. In a 24-hour market, leverage and liquidity risks don’t sleep, and that’s where good design and supervision become critical.”

Tokenisation also raises a deeper question about how retail and institutional liquidity might interact in a more fragmented environment. If tokenised or synthetic versions of securities start trading more actively on offshore or 24-hour venues, price formation could begin to migrate with them. That risks creating two parallel liquidity pools – one dominated by retail flow on 24-hour venues, the other by institutions operating through traditional exchanges – and makes it harder to understand where genuine liquidity sits at any given moment.

The bigger concern is what this means for market integrity. If those two pools evolve on different rails – one round-the-clock and one session-based – Europe could find itself managing a price-formation process that becomes difficult to reconcile in real time. The issue is not only structural; it goes to the heart

of fairness and transparency. Tokenisation's success will therefore depend not only on how assets are issued or settled, but on whether liquidity can remain visible, connected and trusted across all trading environments.

Beyond that market-structure question, digital rails also offer meaningful operational benefits. They enable real-time collateral mobility and greater post-trade transparency, giving firms tools to manage funding and liquidity pressures more dynamically.

"Innovation is healthy," Baugh adds, "but it still needs to sit inside the same trusted frameworks that make markets function."

## **The US experience and what it signals**

In the United States, regulators and market participants are building digital-asset frameworks, while brokers and venues test how equities can be represented and moved on distributed ledgers. The question is no longer on *whether* it works, but *how* it fits into existing market infrastructure.

That progress is revealing both opportunity and risk. On some unregulated venues, tokenised equities and perpetual-style derivatives trade with extreme leverage - in some cases hundreds of times exposure - creating distortions in price discovery for the underlying equities. It's a reminder that oversight must evolve at the same pace as innovation.

"The US market is moving quickly with pilot programmes that will impact real-world applications," says Reid Noch. "That progress is shaping the first technical, operational and regulatory standards for how tokenisation could be adopted globally."

The question now is how quickly other markets translate those lessons into their own structures.

## **Europe's moment to act**

Offshore platforms offering tokenised versions of US stocks show how quickly adoption can run ahead of regulation. For Europe that momentum raises a practical question, as Noch notes: act now to help set the standards or adapt to them later.

Europe's market structure looks different from the US - fragmented across multiple venues and tightly regulated - yet those same traits are the foundation for a more connected and resilient ecosystem. The move towards longer trading hours adds further pressure for a region built on defined sessions and netted settlement. Europe needs to consider how its infrastructure, oversight and funding models adapt as trading hours and liquidity become increasingly global.

Tokenisation offers an opportunity to modernise post-trade infrastructure and create safer access points for investors. But it also heightens the risk that liquidity forms in places outside Europe's direct supervision. As more activity takes place outside Europe's trading day, that risk grows. If Europe is slow to build its own digital market infrastructure, European companies could find their tokenised or synthetic versions trading more actively on US platforms that operate beyond Europe's normal hours. That shift wouldn't just move liquidity; it could relocate the primary window for price discovery away from Europe.

That dynamic also has implications for issuers. If the most active liquidity window shifts offshore into markets that trade around the clock, European companies may find themselves gravitating toward the networks where their securities already trade, influencing where they choose to access capital and list in the first place. Equally, not all issuers will welcome that shift; many prefer defined trading windows that allow them to manage news flow and corporate events.

“We’ve seen liquidity migrate before, in the way depositary receipts sometimes out-trade the underlying shares,” Baugh reflects. “Once liquidity moves, it rarely comes back - so this time we need to get ahead of it.”

Noch agrees: “Europe doesn’t need to match the US for speed, but it can’t afford to be a spectator either.” Coordination will be key to ensuring liquidity strengthens, rather than fragments the market.

## **The next step is to turn coordination into advantage**

Europe enters this phase from a position of resilience. Transparency, investor protection and rigorous post-trade infrastructure are already part of its DNA - qualities that can become competitive advantages when applied to tokenisation. Its goal is to design interoperability between traditional and digital systems, setting clear standards for reporting, custody and settlement before fragmentation takes hold.

“This is the moment for the buy side to help shape that framework,” says Baugh. “Tokenisation will only deliver on its potential if the people who trade and manage risk every day are part of how it’s built.”

“If Europe combines its structure with the innovation emerging elsewhere,” Noch adds, “it can set the benchmark for responsible adoption.” Tokenisation’s arrival is no longer in question; the opportunity lies in how Europe chooses to prepare and participate.

## **Turning structure into strategy**

No single firm or regulator can define tokenisation’s role in Europe’s market structure. It will take a collective effort between exchanges, intermediaries, investors and policymakers to ensure that innovation and integrity move forward together.

Europe already has strong foundations. The next step is alignment, linking digital platforms with existing infrastructure, applying common standards for transparency and settlement, and ensuring investors understand how new mechanisms work and what protections apply.

This is not just a time to legislate, but to collaborate. The more the industry and regulators engage early, the more Europe can guide this evolution on its own terms - shaping a market that is open, efficient and trusted.

Europe has spent decades building trust in its capital markets. Tokenisation offers a way to extend that trust into the digital era, reinforcing what already works while opening the door to a new generation of investors.

Handled responsibly, this new infrastructure can broaden participation without losing discipline. What matters now is working together to ensure that Europe’s next market evolution moves forward with integrity.

***“Progress depends on seeing the full picture - the opportunity and the responsibility that comes with it,” Baugh concludes. “Get that balance right and tokenisation can make our markets broader, fairer and more dynamic.”***