

Bridging TradFi and DeFi: A Practical Path to Tokenised Collateral

Transcend CEO Bimal Kadikar discusses the changing nature of conversations around tokenisation and the move to a hybrid market structure



Tokenisation has been discussed for years. Why does this moment in time feel different?

For a long time, tokenisation felt like a solution looking for a problem. What feels different now is that the market is starting to converge around clearer use cases and more practical objectives. In particular, collateral mobility has emerged as one of the leading areas where firms can see tangible value, especially when they think about intraday liquidity and the ability to move assets more efficiently across the market.

Another reason this moment feels different is that there is now more visible institutional momentum behind it. This has been triggered by recent regulatory changes, including the US Securities and Exchange Commission (SEC) no-action letter, as well as the Depository Trust & Clearing Corporation's (DTCC's) initiative in this space, which was a key catalyst. The Markets in Crypto Assets Regulation (MiCA), the GENIUS Act, and the Clarity Act have offered further clarity and helped progress tokenisation initiatives.

As a result, large infrastructures and market participants are no longer talking about tokenisation only as an innovation topic. They are now putting timelines, working groups, and real business activity behind it. That changes the nature of the conversation. It becomes less about theory and more about readiness, operating models, and how firms will connect these capabilities into existing businesses.

From our perspective, that is the real shift. The conversation is moving away from "Is tokenisation interesting?" and toward "How do firms actually use it in collateralised markets?". Once the market starts asking that second question, the discussion becomes much more practical. It becomes about inventory, eligibility, movement, optimisation, and how firms manage both traditional and digital forms of collateral in a joined-up way.

So the short answer is that this feels different because the use cases are sharper, the industry momentum is stronger, and the conversation is now centred on implementation rather than just concept.

Where does Transcend fit into the tokenisation ecosystem, and what problem are you solving for clients?

Transcend fits into this ecosystem in a very natural way. We already work with clients to help them look across their inventory, understand eligibility for collateral, connect to different collateral ecosystems, optimise decision-making, and automate the straight-through movement of collateral. In other words, our TradFi track record is the foundation of our DeFi extension. The same core platform used for collateral optimisation by major institutions is being extended natively to digital rails rather than delivered as a separate digital asset tool. As tokenised assets become part of the picture, we see that as an extension of an ecosystem rather than an entirely separate market.

The way we think about it is simple: clients are not going to want one way of managing traditional collateral and another way of managing digital collateral. They need to see both together. They will need to make decisions across both together. They will need to act on those decisions in a way that feels coherent from an operating model standpoint. Our goal is to help make that possible.

That means creating a framework that insulates as much of the complexity as possible from the client. Whether collateral is held in traditional form or on digital rails, clients still need to answer the same basic questions. What is the best collateral to use? Where should it move? What is eligible? What is the most efficient path to delivery? Those are the questions Transcend is built to help answer, and we believe they remain the core questions in a more digital market structure as well.

So, we do not see our role as narrowly tied to tokenisation itself. We see our role as helping clients bridge traditional and digital environments, with the same emphasis on visibility, optimisation, and mobility that has always defined our platform.

Is this really a TradFi versus DeFi story, or are we moving toward a hybrid market structure where both will need to operate together?

We have a strong view that this is not a TradFi-versus-DeFi story. It is a hybrid market structure story. Financial institutions are not going to run traditional finance and digital finance on separate infrastructures over the long term, because the risks are common and the decisions need to be coordinated. If firms try to treat them as separate worlds, they will create more complexity rather than less.

This hybrid model of TradFi and DeFi provides the best of both worlds. Regulated institutions will continue to own the balance sheet, custody, and legal framework, while distributed ledger technology (DLT)/DeFi-inspired architectures provide programmability, interoperability, atomic settlement, collateral mobility, and 24/7 operational models.

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The practical issue is that the same economic exposure may appear in different places and different forms. A firm may hold a security in one traditional venue today, but in the future that same security may also exist in digital form on one or more networks. Economically, it is still the same security, but operationally, the characteristics may be very different. That means firms will need to understand not only the asset itself, but also the venue, the rails, the settlement mechanics, and the implications for how that asset can be mobilised or optimised.

That is why the hybrid model matters. Firms will need a harmonised view. They will need to understand their inventory across both

traditional and digital environments. They will need to know the sources and uses of collateral across both. They will need to apply eligibility logic and optimisation logic across both. And they will need to do all of that without fragmenting the operating model into separate tracks.

Our positioning is built around that view. We want to help clients achieve a holistic and harmonised view of collateral so that they can operate across both environments with consistency. In our view, the future is not about choosing one side or the other; it is about helping firms function well in a market where both exist together.

What initiatives are you working on in the DLT space?

This has been a very active area for Transcend over the last 12 months. We are involved in numerous global initiatives, with several now gaining meaningful momentum. One important milestone is that we are now part of the Canton network.

We are also actively working on the DTCC initiative, which is moving forward on an aggressive timeline, with the first milestone in July and the next in October. We are working with DTCC, as well as some of our clients, to support many use cases, including scenarios where collateral is tokenised through DTCC and then mobilised on the Canton network.

We are very proud to be part of those working groups, and we intend to support our clients with the capabilities needed both to receive and to post collateral to other parties. We see this as an important milestone for the industry as it points to real trades and real use cases, with multiple parties participating in a blockchain environment supported by Canton on one side and enabled by DTCC on the other.

In addition, we are involved in other working groups, such as Ownera. Ownera is focused on supporting tokenised money market funds and their mobility across a range of participants. We took part in an earlier simulation and expect to participate in the next round as well, where

we can demonstrate how Transcend's optimisation, decision-making, and collateral mobility framework support those use cases.

Similarly, we are working with HQLA^x in its collateralisation efforts, along with a number of other active initiatives in the market. Our goal is not to pick winners. We intend to be wherever our clients need us to be, and we prioritise integration and connectivity based on client demand. In that sense, we see ourselves as a neutral enabler focused on helping clients operate effectively across a developing DLT ecosystem.

What are the biggest barriers to adoption today, and what needs to happen for tokenised collateral to scale?

The main barrier is not simply that the technology is new. The bigger challenge is integration. For large, regulated institutions, tokenised collateral cannot remain a stand-alone experiment. If it is going to scale, it has to connect into the collateral systems, financing systems, books and records, risk and operational processes that firms already rely on every day.

That is where the difficulty comes in. Once firms start working in digital environments, they are dealing with new constructs, new workflows, and technical concepts that are not native to the way these businesses have operated over time. But the business still needs to function as a unified operating model. Collateral still has to be seen, managed, moved, and optimised in the context of the full enterprise. If that integration is too difficult, too manual, or too bespoke, then adoption is likely to stay stuck in pilots and proofs of concept.

Scaling is actually straightforward in principle, even if it is hard in practice. Clients need to be able to bring digital collateral into their normal operating framework. They need to keep track of it alongside the rest of their inventory. They need to know how to compare it with other collateral activities. They need to know when to use it, how to move it, and how to integrate it into their broader optimisation and financing decisions. Once that becomes seamless enough, adoption can move beyond experimentation.

That is where we believe Transcend can play an important role. We are investing heavily in helping clients solve exactly that last-mile problem. If we can make it easier for firms to integrate digital collateral into their day-to-day collateral and financing ecosystem, then we help remove one of the biggest obstacles to scale.

What would you say to firms that are still skeptical about the future of tokenisation, or that have not yet become actively involved?

I would say that anyone in the collateralised markets or securities finance industry should be paying close attention to this space now. There is a lot of momentum, there is a lot of activity, and the market is moving beyond abstract discussion. You do not have to believe that everything will change overnight, but you do need to understand what is happening and where it may affect your business.

I would also say that firms do not need to start by worrying about every technical detail. A lot of conversations around tokenised collateral quickly go deep into blockchain mechanics, wallets, smart contracts, and the underlying architecture. Those things matter, but for many institutions the more immediate question is how these developments connect to their own business, their own infrastructure, and their own operating model. That is where the conversation should begin.

In other words, the right first step is not to chase technology for its own sake. It is to build understanding. Firms should look at what these developments mean from a platform angle, from a collateral angle, and from a business process angle. They should ask where the operational friction will be, where the opportunities are, and what they would need in place to participate effectively.

That is exactly where we think we can help. We can work with clients on execution, but also on education and practical understanding. The goal is to help make that transition easier and more manageable so that firms can participate in this evolution without having to rebuild everything from scratch. ■