2026

Europe - U.S. Symposium on Building the Financial System of the 21st Century

Future Impact of Tokenization and AI on Financial Services

Promise and Pitfalls of Tokenization

- Why tokenization?
  - Improved efficiency: liquidity, accuracy, speed
  - Expanded features: fractionalization, smart contracts
  - Tokenization as infinitely flexible wrapper for any asset
- Why not tokenization?
  - Current system works and infrastructure in place around the world
  - Concerns over money laundering, crime facilitation, tax evasion
  - Unresolved questions of operational risk and accountability
  - Intermediation provides benefits, including legal enforcement and reversibility

Necessary Conditions for Growth of Tokenization

- Tokenized money
  - Allows fast settlement, bridge between trad-fi and digital
  - Programmable money may address concerns over atomic settlement, Herstatt risk, etc.
  - Investors need certainty that tokenized money will hold value under stress – role of regulation
  - Future of tokenized money to be contested among stablecoin, tokenized deposits, CBDC (though not in U.S.)
  - EU was a first mover with legislation, but UK and U.S. moving rapidly to implementation of new laws (GENIUS Act in U.S.)
- Practical challenges to wider use of tokenized money
  - Implementing legal framework for responsibility
  - On-ramps and off-ramps to address regulators' AML/KYC concerns
  - Interoperability is paramount to unify system
    - Across blockchains, across banks (tokenized deposits), across borders

Challenges for Regulation

- Protecting investors and market participants
  - Reg NMS has served investors well in trad-fi; must extend equivalent protections to token owners
  - Who should be regulated – issuers, protocol authors, intermediaries?
  - Should issuers have control over tokenization?
    - Some tokenized ETFs already being marketed by SPVs rather than issuers
- Overcoming fragmentation
  - Some of biggest potential benefits are in easing cross-border
  - Significant differences between EU, UK, U.S. (& U.S. state) regulation
  - Will differing standards choke off innovation or drive regulatory race to the bottom?
- Financial stability concerns
  - Could enable faster contagion at any time – need for 24/7 monitoring and bank resolution capability
  - Currency stability
    - USD, EUR, GBP likely to benefit from inflows
    - Could enable rapid outflows from developing economies with high inflation and/or capital controls

AI in Finance

- Current status and emerging use-cases
  - Already widely used in finance
    - Customer relations and robo-advising
    - Research: automating tasks, tapping potential of unstructured data
    - Detecting abuses by both FIs and supervisors: AML, KYC, insider trading
  - Emerging use-cases
    - Credit evaluation
    - Reporting and compliance (e.g., prospectuses)
    - Cyber security and incident reporting
- Role of humans in the loop
  - Principle has been that humans make critical decisions
    - Seeing reduced role of humans in many cases, inc. credit decisions
  - Changing nature of work in finance leading to job cuts (though in LR, new jobs may arise)
  - Key question for FIs, regulators, supervisors: where are the guardrails?
  - Companies and financial institutions must have robust internal governance and controls on AI

Regulation of AI in Finance

- Regulatory divergence between U.S. and Europe
  - U.S.: permissive in principle, regulate by function
  - EU: direct regulation of AI (AI Act)
  - Will regulatory divergence lead to fragmentation?
  - Potential impact of economic security and data privacy concerns may exacerbate fragmentation
- Fundamental challenges of regulating AI, data storage
  - Is it even feasible for regulation to keep up with tech change?
  - Principles-based system with institutionalized communication and cooperation between industry, regulators, supervisors most likely to deal effectively with the challenges of rapid tech growth and strains on existing regulatory systems

Future of Public and Private Capital Markets

Growth of Private Markets in U.S.

- Private markets as growing part of diverse ecosystem
  - Functional differentiation based on size, industry, stage
  - Downsides of public markets: compliance, reporting, litigation risk
  - Rise of private investors with long time horizons
    - Institutional investors: pensions, universities, life insurers
    - High net-worth individuals and family offices
  - Excess returns in private markets
    - But will this continue as private markets expand? And can current fee structures hold?
- Retail access as key policy debate
  - Pluses: opportunities for higher returns, including VC stage
  - Minuses: illiquidity, non-transparency, concerns over pricing
  - Should retail have unfettered access or limited to DC pensions?
  - How to regulate trading and pricing as retail role grows?

Private Markets in Europe

- Europe has also seen growth of private markets
  - Most companies are private, but bank-based financial system limits them
  - Private markets expanding, albeit much slower than in U.S.
- Rationale for promoting private markets in Europe
  - Need to shift saving to investment to promote economic growth, address rising investment needs
  - Relative weakness of start-up and growth-phase financial ecosystem
  - Concerns that local high-growth firms are turning to U.S. markets for funding
- PISCES as innovation to bridge public and private

Private Credit

- Why private credit?
  - Banks have receded since GFC due to regulation, capital reqs
  - Does rise of private credit reflect risk migration or expanding credit opportunities?
  - Borrowers: bespoke and flexible, access to long-term predictable finance
  - Investors: maturity and risk matching, lower compliance costs outside bank regulatory perimeter, higher interest rates and returns
- Concerns over growth of private credit
  - Quality of credit evaluation, valuation over course of credit cycle
  - Systemic effects
    - May be stabilizing: LPs can lose money without contagion effects
    - But what are interconnections, including bank lending and use as collateral?
  - Lack of visibility is increasing concern for regulators

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Improving Attractiveness of Public Markets

- Benefits of public markets
  - Investors gain liquidity, price discovery, transparency
  - Companies improve access to funding at lower cost
- Reducing costs
  - Reporting requirements are seen as onerous, often irrelevant
  - Procedures such as proxy voting are expensive logistical challenges – is there a way to simplify?
  - In U.S., shareholder-derivative suits drive litigation risk
- Improving data
  - EU consolidated tape is still a work in progress – data is costly and fragmented; system benefits exchanges and systemic internalizers at expense of investors
  - Data gathering should be rationalized, made more automatic, focus on materiality rather than box-checking

UPCOMING EVENTS

2026

China - U.S. Symposium
October 21-23, Beijing

Japan - U.S. Symposium
November 19-21, Boston

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Whitney Vasey
wvasey@pifsinternational.org | 857-242-6072
www.pifsinternational.org