EMERGING

# Real World Assets: Crypto Meets TradFi

Tokenised treasuries, real estate, and private credit. How traditional assets are moving on-chain — and why BlackRock is paying attention.

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*For most of its history, crypto existed in a parallel universe. Bitcoin, Ethereum, DeFi — all valuable in crypto terms, but disconnected from the traditional financial system. That's changing. Real World Assets (RWAs) — tokenised representations of traditional assets on blockchain rails — are bridging the gap. US Treasuries, real estate, private credit, and even art are being brought on-chain. It's perhaps the most significant development in crypto's maturation from speculative playground to financial infrastructure.*

## What Tokenisation Actually Means

Tokenisation is simpler than it sounds: creating a digital token that represents ownership of a real-world asset. The token lives on a blockchain. The asset lives in the real world. Legal and technical infrastructure connects them.

**The token:** A smart contract on Ethereum, Polygon, or another blockchain that tracks ownership. It can be transferred, fractionated, and programmed with rules.

**The asset:** A Treasury bill, a building, a loan portfolio, a piece of art — anything with value that can be legally owned.

**The bridge:** Legal structures (typically SPVs or trusts) that hold the asset and issue tokens representing claims on it. Custodians, auditors, and legal frameworks ensure token holders have genuine rights to the underlying.

This isn't new technology — it's new application. Securities have been dematerialised (held as electronic records rather than paper) for decades. Tokenisation extends this to blockchain infrastructure, bringing crypto's properties to traditional assets.

> *"Tokenisation doesn't change what an asset is. It changes how that asset moves, settles, and who can access it."*

## Why This Matters Now

RWAs have been discussed for years. What changed?

**Institutional interest:** BlackRock launched BUIDL, a tokenised Treasury fund, on Ethereum in 2024. When the world's largest asset manager tokenises assets, it's no longer experimental. Franklin Templeton's tokenised fund trades on Polygon. Traditional finance is arriving.

**Yield environment:** With Treasury yields at 4-5%, tokenised T-bills offer compelling returns on-chain. Stablecoin holders can now earn risk-free rates without leaving crypto infrastructure. This creates genuine utility.

**Infrastructure maturity:** The legal, custody, and compliance frameworks for tokenisation have developed. Platforms like Securitize, Centrifuge, and Maple Finance have built rails that actually work.

**DeFi integration:** Tokenised assets can serve as collateral in DeFi protocols. Borrow against your tokenised Treasuries. Use real estate tokens in lending markets. The composability unlocks new use cases.

KEY INSIGHT

RWAs solve crypto's biggest weakness: lack of connection to real economic value. Bitcoin's value is belief-based. DeFi yields came from token emissions. RWAs generate yield from actual economic activity — interest on loans, rent from property, coupons from bonds. This changes the nature of on-chain returns from speculative to productive.

## Tokenised Treasuries: The Breakthrough

The killer app for RWAs turned out to be the most boring asset imaginable: US Treasury bills.

**The proposition:** Hold dollars on-chain and earn Treasury yields. Products like Ondo's USDY, Mountain Protocol's USDM, and BlackRock's BUIDL offer this. You deposit stablecoins or fiat, receive tokens backed by T-bills, and earn yield that accrues automatically.

**Why it works:** Stablecoins like USDT and USDC hold tens of billions in Treasuries as reserves — but that yield goes to issuers, not holders. Tokenised Treasury products pass the yield through to token holders. It's arbitrage on Tether's profit margin.

**The scale:** Tokenised Treasury products now hold billions in assets. Growth has been exponential as yield-seekers discover the opportunity. DeFi protocols increasingly accept these tokens as collateral.

**The risk:** You're trusting the issuer's custody, legal structure, and operational competence. These are regulated, audited entities — but counterparty risk exists. The product is only as good as the infrastructure behind it.

## Private Credit: DeFi's Institutional Bridge

Private credit — loans to businesses outside traditional banking — has been tokenised with interesting results:

**Platforms like Maple Finance and Centrifuge:** Connect institutional borrowers with on-chain lenders. A fintech company in Brazil might borrow from a liquidity pool on Ethereum, with loans structured and monitored through smart contracts.

**Yields:** Private credit offers higher yields than Treasuries — 8-15% historically — reflecting credit risk. These are real business loans generating real interest, not token farming.

**Risk:** Also real. Borrowers can default. Maple experienced losses when crypto-focused borrowers failed in 2022. Credit risk requires credit assessment — something DeFi is still learning to do.

**Evolution:** Newer pools focus on less crypto-correlated borrowers — trade finance, real estate developers, emerging market businesses. Diversification away from crypto-native credit improves risk profiles.

## Real Estate Tokenisation

Property has long been promised as tokenisation's killer app. Reality is more nuanced:

**The promise:** Fractional ownership of real estate. Buy $1,000 of a Manhattan building instead of needing millions. Liquidity for an illiquid asset class. Global access to local markets.

**The reality:** Legal complexity is substantial. Property law is local. Tax treatment varies. REITs already offer fractional, liquid real estate exposure. Tokenisation needs to clear a high bar to justify its overhead.

**Where it works:** Emerging markets with less developed REIT infrastructure. Commercial property among sophisticated investors. Single-asset deals where token structure offers specific advantages.

**Platforms:** RealT, Lofty, and others have tokenised residential properties. Volumes remain small compared to the hype. Institutional adoption lags behind Treasuries and credit.

**THE RORY SUTHERLAND TAKE**

RWAs represent crypto's admission that real-world anchors matter. For years, crypto maximalists dismissed TradFi as legacy infrastructure to be disrupted. Now crypto is actively importing TradFi assets. This isn't defeat — it's maturation. The most sturdy systems combine strengths: crypto's infrastructure with TradFi's assets. Blockchain becomes plumbing, not religion. That's ultimately more valuable than ideological purity.

## The BlackRock Signal

BlackRock's entry deserves special attention because of what it signals:

**BUIDL (BlackRock USD Institutional Digital Liquidity Fund):** A tokenised money market fund on Ethereum. Minimum investment $5 million. Target: institutional investors who want on-chain dollar exposure with Treasury yields.

**Why it matters:** BlackRock doesn't experiment with fringe technology. Their participation validates infrastructure maturity, regulatory viability, and institutional demand. When Larry Fink says tokenisation is the future, asset managers listen.

**The vision:** BlackRock executives describe a future where all assets are tokenised, trading 24/7 on blockchain rails. Settlement becomes instant. Fractionalisation becomes trivial. Markets become global by default. This is years away, but the direction is clear.

**Competition response:** Other asset managers are following. Franklin Templeton's fund predates BlackRock's. WisdomTree, Hamilton Lane, and others have launched products. The race is on.

## The Technical Infrastructure

RWAs require more than smart contracts:

**Oracles:** Off-chain data must reach on-chain contracts. Interest rates, asset prices, and payment confirmations need reliable feeds. Chainlink and others provide this infrastructure.

**Custody:** Physical or legal custody of underlying assets requires regulated, audited custodians. This isn't trustless — it's trust-minimised through institutional frameworks.

**Compliance:** Securities regulations apply to most RWAs. KYC/AML requirements mean permissioned access for many products. The open, pseudonymous ethos of DeFi collides with legal reality.

**Chains:** Ethereum dominates for institutional RWAs. Polygon, Avalanche, and Stellar have niches. Private chains (R3, Hyperledger) serve banks who want blockchain without public infrastructure.

## Risks Specific to RWAs

RWAs introduce risks that native crypto doesn't have:

**Counterparty risk:** Someone holds the underlying asset. If they fail, your token may be worthless despite technical integrity. This is the opposite of Bitcoin's trustlessness.

**Legal risk:** Token holder rights depend on legal structures across jurisdictions. Enforcement in bankruptcy or dispute scenarios is untested for many products.

**Regulatory risk:** Securities regulators have authority over most RWAs. Current permissive stances could change. Geographic restrictions limit access.

**Oracle risk:** If off-chain data is wrong, on-chain contracts execute based on false information. Garbage in, garbage out — with financial consequences.

**Liquidity risk:** Tokenisation doesn't create liquidity from nothing. Thinly traded tokens may be hard to exit despite theoretical transferability.

## The Investment Perspective

For sophisticated investors, RWAs offer several value propositions:

**Yield diversification:** Real yields from real assets, accessible on-chain. Treasury yields without leaving crypto infrastructure. Credit exposure with transparent on-chain monitoring.

**Infrastructure bets:** Protocols enabling RWA infrastructure (Chainlink, Ondo, Centrifuge tokens) offer exposure to sector growth without direct asset exposure.

**Arbitrage opportunities:** Early-stage markets have inefficiencies. Premium/discount dynamics in tokenised products create trading opportunities for sophisticated participants.

**Portfolio construction:** RWAs enable all-on-chain portfolios with diversified asset exposure. Rebalancing, collateral management, and yield optimisation become programmable.

> *"RWAs are where crypto grows up. Less revolutionary rhetoric, more practical infrastructure. Less speculation, more yield. The future is boring — and boring is bullish."*

## Where This Goes

The trajectory seems clear even if timing is uncertain:

**Near term:** Continued Treasury product growth. Institutional adoption of on-chain settlement. DeFi integration of RWA collateral. Credit market expansion beyond crypto-native borrowers.

**Medium term:** More asset classes tokenised — equities, bonds, funds. Greater regulatory clarity. Interoperability between chains. Secondary market liquidity development.

**Long term:** BlackRock's vision — all assets tokenised, 24/7 markets, instant settlement. The financial system rebuilds on blockchain rails. This is transformational if it happens, but "if" and "when" are very different questions.

For now, RWAs represent crypto's most direct interface with traditional finance. They're less exciting than meme coins and less revolutionary than Bitcoin. But they may be more important for crypto's long-term integration into the financial system. Sometimes the bridge matters more than either shore.

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