

IAPF WEBINAR

From Traditional Administration to Digital Assets: Opportunities and Challenges for Pension Funds

15 October 2026

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SPEAKERS



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Chair, IAPF Investment Committee

Head of Investment Strategy, Unio Financial Services



Sarah McCague

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Speaker



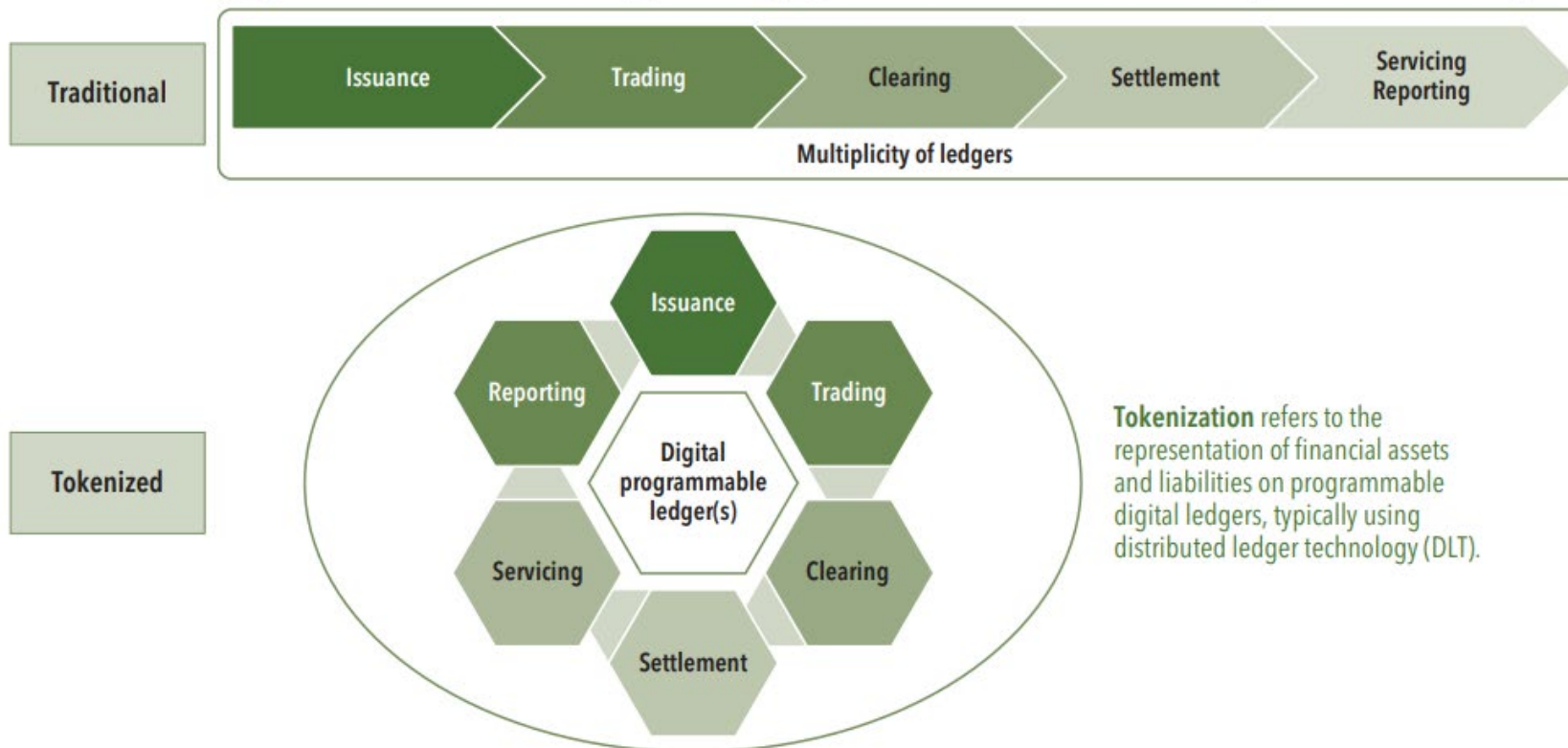
Ger Fitzgerald
Chair, IAPF Investment Committee
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Tokenisation: What is it and what it is not?

- Tokenisation is a change in the plumbing of finance - It is not a new asset class.
- Tokenisation refers to a new process for the representation of a financial asset on distributed ledger – how assets are records and transferred.
- The asset itself stays the same – equities, a unit of a fund, government bonds or a property is exactly what it was- same risk, return characteristics.
- Tokenisation ownership sits on a shared digital ledger, updated in real time instead of separate registers reconciled overnight.
- The rules travel with the “token”.

Tokenisation: Reshaping the Asset Life Cycle

Tokenization can bring together functions that are traditionally performed by separate intermediaries across the asset life cycle onto a distributed ledger.



Tokenization refers to the representation of financial assets and liabilities on programmable digital ledgers, typically using distributed ledger technology (DLT).

Source: IMF staff compilation.

Tokenisation: Myths & Realities

"Tokenisation is just crypto."

It is a new way of recording ownership of ordinary, regulated assets: bonds, funds, property.

"It will improve returns."

It changes the plumbing, not the asset. Gains come from lower cost and faster settlement: modest, but real.

"It makes illiquid assets liquid."

A token of a property is still a property. Liquidity needs buyers, and funds still need liquidity tools.

"It replaces trustees, depositaries and the regulator."

Fiduciary duty, valuation, depositary oversight and disclosure all still apply. Governance matters more, not less.

"Members will need a crypto wallet."

Members should notice better service, not new technology. It runs behind the scheme.

Tokenisation: Wider picture where are we

Tokenised share classes – In an effort to progress tokenisation some Irish funds operate a digital twin tokenisation model – a traditional shareholder register being retained alongside a replica digital record.

Sandbox – A number of global financial institutions are using tokenisation within a closed operating system, testing and looking at how the ecosystem operates in a fully tokenised model.

Funds – Tokenisation is evolving across the fund universe. It is principally utilised within money market funds (cash funds).

Trading – one of the benefits of tokenised products could lead to efficiencies in trading 24/7

Tokenisation: Looking ahead

Now · 2026

IN THE MARKET

Tokenised money market funds used for cash and collateral; digital-twin registers run alongside existing ones.

FOR IAPF MEMBERS

Little visible change yet. This is the foundation everything else builds on.

Next · 2027–28

IN THE MARKET

Pontes* fully implemented by 2028; EU reform of the DLT Pilot Regime; tokenised collateral accepted more widely.

FOR IAPF MEMBERS

DB schemes hold less idle cash for collateral calls; DC and Master Trust dealing gets faster (and cheaper).

Later · 2029+

IN THE MARKET

More bonds, funds and private assets issued directly on ledgers; a digital euro possible from 2029.

FOR IAPF MEMBERS

Faster transfers and payouts, near real-time valuations, potentially wider access to private markets.

*The Eurosystem launched the Pontes system on the 21st Sept 2026 to settle tokenised assets in central bank money, with full implementation expected by 2028.

Thank you



Tokenisation – some legal considerations

Sarah McCague

Partner, McCann FitzGerald

Trustee duties



Trust law duties

- Duty to execute the trust
- Duty to act in the best interests of beneficiaries
- Duty to act as a prudent person



Section 59 of the Pensions Act

- Codification of some trust law duties
- Updated for IORP II



Trust deed and rules

- What do the trust powers say in relation to investment?
- Is employer consent required?

The prudent person principle

- Enshrined in section 59AB of the Pensions Act and IORP I and II
- *Re Whitely*: take such care as an ordinary prudent person would take if he invested “*for the benefit of other people for whom he felt morally bound to provide*”
- *Re Godfrey*: risk is permitted
- *Learoyd v Whiteley*: avoid hazardous investments

Section 59AB of the Pensions Act, 1990

(as amended)

The trustees shall invest:

- in the “**best long term interests** of the members and beneficiaries as a whole”;
- in accordance with the “prudent person” principle;
- to ensure the **security, quality**, liquidity and profitability of the portfolio as a whole;
- predominantly in **regulated markets** and where not regulated to prudent levels;
- in a properly diversified way;
- so as to avoid excessive risk concentration.

Special considerations around derivatives and self-investment.

Tokenisation- some legal considerations

- Tokenisation is not designed to change the legal or economic substance of investments
- May change the way legal claims are represented, reconciled & operationalised
- Some matters that have yet to be bottomed out:
 - What represents an enforceable claim?
 - What is the legal status of smart contracts (enforceability, liability and recourse where coding errors)?
 - Where do tokenised assets fit in existing regulatory classifications (are they securities (financial instruments under MiFID), deposits, e-money tokens or other regulated instruments?)
 - How will anti-money laundering (AML) and countering the financing of terrorism (CFT) apply?

Legal ownership of assets – tokenisation of equities

1. Native issuance:

- Issuers tokenize their own shares directly on distributed ledger technology (“DLT”)
- Remains rare in the EU
- Irish legislative changes required to fully implement

2. “Wrapped structure”/digital twins:

- Tokens represent a claim on, or economic exposure to, underlying shares held by a trusted party/custodian
- Rapidly growing, though negligible relative to global equity markets

Legal ownership of assets – tokenisation of equities – digital

- Companies Act, 2014; Irish Collective Asset-management Vehicles Act, 2015:
 - Company membership = name on register of members
 - Share ownership = entered on share register, transfer by delivery of instrument of transfer and registration
- Share register remains the legal record (off-chain)
- Digital token mirrors it (on-chain)
- Government’s “Ireland for Finance Vision 2030” strategy (August 2026): *“The Government is committed to supporting the development of tokenisation of investment funds thereby fostering innovation. In this context, an examination of relevant domestic legislation, including the Irish Collective Asset-management Vehicles act 2015 (ICAV Act) and the Companies Act, has begun with a view to the modernisation of the legislation where needed.”*

Trustee risk considerations

“...the power [of investment] must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question...”

Cowan and Scargill [1985]

Does tokenisation create new risks?

- Structural risks: reallocation of investment roles away from institutions subject to robust governance, regulatory and oversight frameworks
- Technology and operational risks: e.g. errors in code – difficult to halt/reverse in systems designed to minimise discretionary intervention
- Transition and integration risks: where tokenise and non-tokenised versions of similar instruments coexist, fragment liquidity and complicate price discovery
- Supervision and regulation: (i) supervision requires new technical capabilities; (ii) regulatory matters includes data ownership and cross-border data access.

Some questions for your investment manager

1. Right now:

- Is your organisation thinking about tokenisation?
- When do you think it might be available to pension scheme trustees?

2. In the future:

- How is this going to benefit our members?
- How is the tokenisation structured?
- Can you explain how the trustees can demonstrate legal ownership?
- What third parties (e.g. custodian) are involved, where are they registered, are they regulated, what happens if they become insolvent?
- Who controls the rule book?
- Interoperability – what is the reach of the token market?
- How will tokenisation sit alongside more traditional forms of asset holding?
- Cyber-security – what protections are in place in relation to cyber-threats, is the DLT on a recognised platform, is digital security regularly tested, what resilience and business continuity plans are in place?

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Thank you

PANEL

Please ask questions via questions tab on the platform



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FEEDBACK | CPD | WATCH BACK ON DEMAND



Value for Money Framework Webinar

21st October

IAPF Winter Conference Online

27th November

Check out IAPF Events page www.iapf.ie

