

**Tokenised Money Market Funds and Regulated Stablecoins: Characteristics,
Communalities and Differences
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Introduction

Tokenised Money Market Funds (tMMFs) and regulated stablecoins are both important products in the evolution towards a digital financial infrastructure. Traditional financial products such as MMFs and bank payment mechanisms are shifting on-chain where they are represented by digital tokens using shared, decentralised ledger technology (DLT) such as blockchain. Although still in their infancy tMMFs¹, are expected to grow. With an estimated USD320bn issued, stablecoins are experiencing rapid adoption and increased real-world application in cross border transactions and treasury management. This short paper looks at their similarities and differences.

Tokenised MMFs and stablecoins share certain fundamental characteristics. There are, however, important distinctions in terms of their use cases, economics and ownership structure. Both are digital assets which utilise digital ledger or blockchain technology (DLT) but whereas a tokenised MMF is a fund and therefore an *investment product and store of value*, stablecoins are a *digital settlement asset*, serving a different purpose.

What is a Money Market Fund?

A Money Market Fund (MMF) is a low-risk mutual fund primarily used for managing short term liquidity. The objectives of an MMF are to provide liquidity and preserve capital whilst generating a return in line with money market rates. MMFs are a *store of value* in that, unlike many other types of fund, their utility lies in their liquidity and stability. MMFs are highly regulated under dedicated regulation which has been tested in various stress events.²

What is a tokenised MMF?

A tMMF is a money market fund whose shares are recorded on-chain as digital tokens on a decentralised, shared distributed ledger such as blockchain. If domiciled in a jurisdiction where specific MMF regulation applies (e.g., EU, UK or USA), a tMMF is subject to the same robust, dedicated, tried and tested regulation which governs their traditional counterpart.

For the different forms of tMMF, such as digital twin or digitally native, see previous IMMFA papers on Tokenisation of MMFs.³ Legally, as with a traditional MMF, a tMMF is a security.

What is a Stablecoin?

A stablecoin is a digital currency which operates using blockchain or another form of DLT used for settling trades in crypto or tokenised assets and for cross border payments. Unlike other forms of

¹ Global MMF AUM were USD13.48 trillion equivalent according to the Investment Company Institute's Fourth Quarter 2025 report. The ECB estimates tMMF AUM to be EUR7 billion equivalent in April 2026, of which EUR725m were in the EU. The majority are in the US.

² In Europe this is EU 2017/1131 Money Market Fund Regulation (EU MMFR), retained by the UK as UK MMF Regulation. MMF frameworks either have been (USA) or are in the process of being (EU, UK) enhanced to support resilience further.

³ <https://www.immfa.org/publications/immfa-insights.html>

cryptocurrency, stablecoins aim⁴ to maintain a stable value by a 1:1 peg with a fiat currency, to date, 99% USD. Stablecoin growth has been rapid as their real-world application expands to include cross border payments and treasury management.

The use case for stablecoins is different from that of an MMF/tMMF in that stablecoins are designed for the purpose of *digital settlement*. For example, stablecoin could be used for the purchase of a digital asset such as a tokenised MMF or other tokenised security. Although the tokenisation of securities issuance is also in its early stages, full realisation of the benefits of tokenisation will be dependent upon settlement and the underlying assets ultimately all being digital, i.e. a fully digital life cycle/ecosystem.

Legally, a stablecoin is a payment instrument not a security.

Similarities between tMMFs and stablecoins

The key similarities between tMMFs and stablecoins are:

- Both are digital assets represented as tokens using DLT.
- Both are backed by high quality, short-term, liquid assets, a portion of which is held in highly liquid assets such as cash or the equivalent, in order to meet daily liquidity demands.
- Both aim to maintain a stable value.⁵

Differences between TMMFs and stablecoins

Yield

Stablecoins do not generate yield. Both the GENIUS Act⁶ in the USA and MiCA regulation⁷ in Europe prohibit regulated stablecoins from paying interest directly to the holder, also referred to as generating 'native yield'. This is intended to differentiate stablecoins from deposits and prevent a drain of deposits away from banks which incidentally reflects the distinction we have drawn here between an *investment asset* (such as a tokenised MMF) and a *settlement asset*. However, in some cases, users are able to earn a return when they use stablecoins, for instance, by staking or lending them on De-Fi (decentralised finance⁸) platforms.

Settlement

There are differences in settlement, in that a traditional MMF must settle during normal business hours. Settlement of a tMMF will be much faster and more flexible depending on the extent to which assets are fully on chain. Settlement of stablecoin is instantaneous.

Transferability

Transferability is one of the benefits of tokenisation and is particularly important in the context of collateral. Tokenised MMFs are far more easily transferred than traditional MMFs. The transferability of tMMFs differs from that of stablecoins. For the current and forthcoming tokenised share classes, the receiver of a tMMF unit, being an investment product, would need to have passed AML/KYC⁹

⁴ Some stablecoins have de-pegged.

⁵ We refer here to Short term MMFs and use the term 'stable' in its broader sense as opposed to referring to the technically specific term 'stable NAV' pricing methodology used by Low Volatility Net Asset Value and Public Debt Constant Net Asset Value MMFs which specifically aim to maintain a stable NAV but can vary within permissible limits. A Short-term Variable NAV MMF would also aim to have minimal price volatility. The difference is one of pricing mechanism rather than key objectives. For distinctions between fund types and valuation, see IMMFA website.

⁶ Guiding and Establishing National Innovation for US Stablecoins Act, signed July 2025.

⁷ Markets in Crypto-Assets Regulation applicable across the EU.

⁸ An umbrella term for financial products or services built on blockchain, typically peer-to-peer as opposed to the traditional reliance on intermediaries such as banks or brokers.

⁹ Anti Money Laundering and Know Your Customer.

procedures at the transfer agent or manager, whereas stablecoins do not have such a requirement.

If operating within a permissioned environment, tMMFs can be transferred freely between investors who are whitelisted, i.e., have their digital wallets approved having passed AML/KYC procedures.

Ownership Structure

There is an important structural difference between a tMMF and a stablecoin in terms of ownership rights and how the investor is secured. The shareholder of an MMF or tMMF is secured on the assets of the fund. In other words, they are an equity holder in the fund. The assets are segregated and the investor has no counterparty credit risk on the manager.

The US framework which defines the rights of a stablecoin holder is evolving. As with a tMMF, assets are segregated, but redemption at par depends not only upon the value of the reserve assets but also upon the solvency and operational capacity of the issuer. In addition, there may be other claimants who rank ahead of the holder. Views on the extent to which the GENIUS Act has resolved these issues differ and were a matter of ongoing debate at the time of publication of this paper.

How do tMMFs and regulated stablecoins interconnect?

As noted above, although tMMFs and stablecoins are distinct products with very different use cases, there are interlinkages.

- I. Firstly, stablecoins can be used to purchase a tMMF. Investors would process subscriptions and redemptions through their digital wallet.¹⁰
- II. Secondly, certain MMFs, such as those restricted to government investments, may be eligible as part of the basket of backing/reserve assets which stablecoin issuers are required to hold in order to maintain their peg. In this instance, the tokenised MMF is a perfect fit and has the additional benefit of enabling the stablecoin *issuer* to earn a return from the backing assets.¹¹

Conclusion

tMMFs and stablecoins are key components of an increasingly digitised financial architecture. Both offer the potential benefits of faster settlement and operational efficiencies. In addition, tMMFs offer the benefit of transparency and the programmability of smart contracts, materially enhancing collateral management processes. The full realisation of these benefits will depend upon the extent to which the trade life cycle is digitised in terms of settlement, other core processes and the underlying assets.

Whilst tMMFs and stablecoins share certain fundamental characteristics, they serve different purposes in that one is a store of value and the other a settlement asset. The fact that they are connected through use should not cloud the fact that they are very distinct digital products.

¹⁰ This is not always natively part of the tMMF and may require a third party.

¹¹ As noted above, this return is not passed on to the investor as a matter of course since stablecoins, unlike MMFs, are prohibited from paying interest directly to the holder and do not aim to provide a yield. This is an ongoing matter of regulatory debate regarding the CLARITY Act in the USA.

Comparison of Traditional MMFs, Tokenised MMFs and Stablecoins

	Traditional MMF	Tokenised MMF	Stablecoin
Legal classification	Security	Security	Payment instrument
Regulation	IMMFA MMFs benefit from EU or UK MMF regulation; US domiciled MMFs are subject to US SEC 2a-7 MMF regulation ¹²	In accordance with existing MMF regulation in the fund's domicile where applicable ¹³	Established and evolving in major jurisdictions ¹⁴
DLT based	No	Yes	Yes
Backed by high quality assets	Yes	Yes	Yes
Yield-bearing	Yes	Yes	No native yield ¹⁵
Settlement	Within traditional business hours	Much faster and more flexible, depending on extent to which all aspects are on-chain	Instantaneous
Stable Value Target	Yes ¹⁶	Yes	Yes
Primary Use Case	Cash management tool, yield generating liquidity store	Cash management tool, yield generating liquidity store	Digital payment/ settlement mechanism
Transferability	Limited - must be redeemed and then purchased by new owner	Free to transfer but only between whitelisted AML/KYC compliant counterparties as tMMF is a security	Free to transfer
Transparency	Daily reporting	Daily reporting	Monthly reserve asset reporting

¹² Specific MMF regulation may apply in other jurisdictions e.g., China, Hong Kong, Singapore

¹³ Regulation of a native tMMF will depend upon the domicile. If a tMMF is domiciled in a jurisdiction with MMF regulation e.g. EU, UK, USA, that regulation will apply. If an existing share class which is regulated (e.g. the share class of an IMMFA MMF) is tokenised, similarly, the regulation will continue to apply to the tokenised share class. A tMMF domiciled elsewhere may still choose to say it will adhere to a particular MMF regulatory framework.

¹⁴ GENIUS Act in USA, MiCAR in EU, FCA and Bank of England frameworks apply in UK. As of April 2026, most tMMFs are domiciled in the US, the British Virgin Islands and Hong Kong (Source, ECB 'Tokenised money market funds: new technology, familiar risk?' April 2026)

¹⁵ US GENIUS Act and MiCAR prohibits payment of interest but some stablecoins offer use-based returns (see above).

¹⁶ See footnote 5 above. The objective of a stable NAV MMF (the Low Volatility Net Asset Value or Public Debt Net Asset Value MMF) is to maintain a value close to 100 but it is allowed to vary within certain parameters. A short term variable NAV MMF is also expected to show relatively little price volatility.

Institutional Money Market Funds Association

Business address: 51 Moorgate, London EC2R 6LL

Registered office: Azets Burnham Yard, London End, Beaconsfield, Bucks, United Kingdom, HP9 2JH

Visit our website for more information: www.immfa.org

Contact us with queries: admin@immfa.org

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