



Rails Aren't Rules: Why Digital Asset Markets Need Governance to Scale

By Simone Cortese, Head of Product at Fnalité

Digital asset markets have moved decisively beyond experimentation. Simone Cortese explains why settlement standards must catch up.

The volume of stablecoin payments made annually is now \$390 billion, according to McKinsey¹. Major banks are processing trillions in notional value across blockchain-based platforms and tokenized settlement rails. Industry forecasts² project that tokenized real-world assets could run into the tens of trillions of dollars over the next decade.

The growth is undeniable and these new markets are advancing toward institutional scale. But beneath familiar phrases like interoperability, 24/7 liquidity and atomic settlement lies a more fundamental gap: governance is not keeping pace with the technology. The rails may be improving but the rules that prevent leaks in the plumbing are not keeping up, even as capital flows in.



Governance is not keeping pace with the [blockchain] technology.

Markets do not mature simply because assets are tokenized. They mature when participants can rely on the legal, regulatory and risk standards that reduce uncertainty and systemic vulnerability. When infrastructure evolves faster than the standards underpinning it, history shows that instability tends to follow, whether in structured credit markets before the 2008 collapse or in opaque derivatives exposures. Digital finance is now at that inflection point.

Scale is not structure

Distributed ledger technology (DLT) has demonstrated that value can move quickly and transparently.

That progress is real. But DLT does not, by itself, establish the shared legal and risk architecture that institutional capital depends on.

Interoperability and speed are often presented as solutions. And at an operational level, blockchain networks do embed some technical mechanisms: nodes validate transactions; consensus determines state and transaction validity; and smart contracts define what can execute and when. But that is operational governance, not market governance. Operational governance ensures that a network runs. Market governance ensures the market survives stress.

Wholesale markets depend on clearly defined ownership rights, enforceable obligations and predictable settlement treatment. Those standards have been refined over decades across financial systems. They answer questions that code alone cannot resolve. Within ownership, for example, who ultimately owns the asset? What rights attach to it? How can terms change, and who authorizes those changes? Or in sovereignty, under which jurisdiction are disputes handled? What access and control rights exist over underlying data?



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Questions code alone cannot resolve:

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Who ultimately owns the asset?

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What rights attach to it?

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How can terms change?

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Under which jurisdiction are disputes handled?

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What access and control rights exist over the underlying data?

These are not engineering questions. They are governance questions. And until they are answered consistently and transparently, adoption at true institutional scale will remain constrained. Institutional money will show up, but institutional standards will not automatically follow.

At Fnality, our focus is precisely on that foundation: enabling on-chain, atomic and programmable settlement using central bank reserves, because institutional scale depends not just on speed, but on the quality, legal certainty and settlement finality characteristics of the settlement asset itself.



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Building new bridges

The ecosystem today resembles a standards race, a sort of iOS-versus-Android moment. So participants are trying to remain interoperable across all of them.

In the absence of common standards, interoperability is often achieved through custom integrations. But every additional integration adds risk. When an asset is locked on one chain and reissued on another, a synthetic exposure is created. The legal and operational assumptions behind that exposure may be thinner than they appear.

This dynamic is not new. In 2008, complexity masked risk. Financial claims were packaged and repackaged in ways that seemed liquid and well understood — until they were not. The lesson was clear: each wrapped asset introduced another dependency. Each bespoke integration added operational complexity and legal nuance. Over time, what looked like connectivity became a web of assumptions that were only tested under stress.

If investors cannot clearly distinguish between a fully backed instrument, a synthetic representation and one operating under weaker regulatory standards, they are

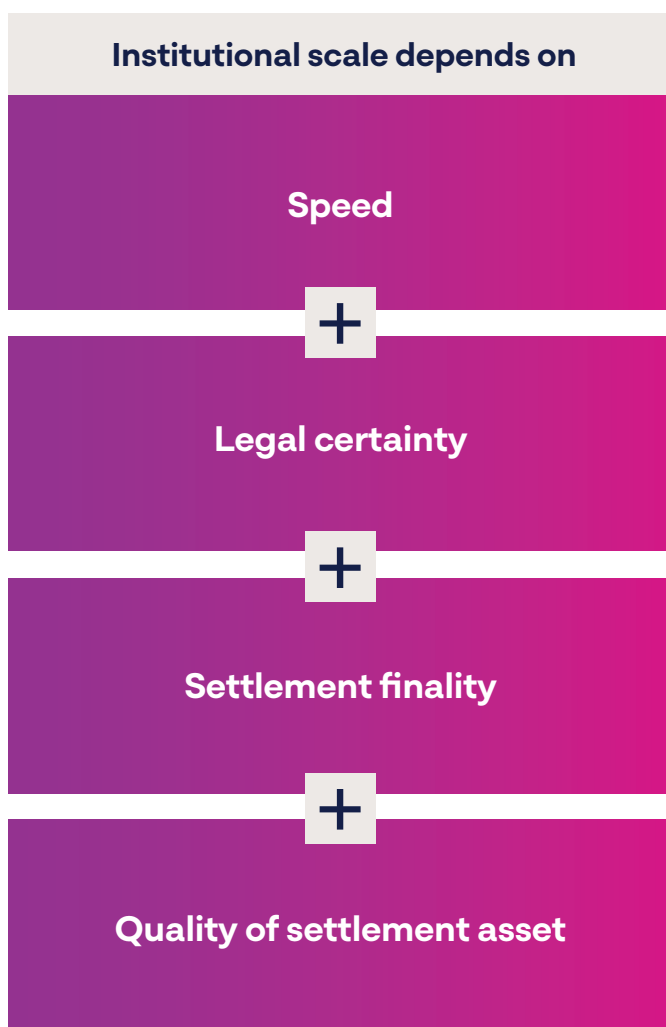
assuming more risk than the label suggests - often without compensation.

We have already seen how these risks surface in practice. Stablecoins have depegged from their fiat reference currencies, exposing credit and counterparty assumptions that were not fully appreciated during benign conditions. Funding gaps also emerged in the 2022 Liability Driven Investment crisis in the UK and the Silicon Valley Bank failure in 2023. In some cases, enforcing the criteria of the deal in these situations proved more complicated than the marketing suggested. In the same way, putting the asset on a DLT does not eliminate those underlying risks, it simply changes their form.

There is also a question of competitive fairness. When economically similar instruments operate under different disclosure requirements, capital treatments or supervisory regimes, regulatory arbitrage tends to follow. Activity migrates to the least restrictive environment, not the most resilient one. That may accelerate growth in the short term, but it weakens the system over time. For regulated institutions, this asymmetry is not a competitive advantage; it is a balance sheet constraint.

Settlement quality matters

What constitutes final settlement is one of the most important questions facing digital markets. Speed has dominated the conversation: real-time execution, T+0 settlement, and continuous markets. These are genuine advantages. But speed alone does not determine settlement quality. Speed without certainty is not progress.



In traditional markets, settlement cycles provide time buffers. In continuously operating markets, assumptions embedded in settlement design carry more weight. If exposure is misunderstood or the point at

which settlement becomes legally final is defined inconsistently across venues, risk can propagate more quickly and with less opportunity for intervention.

Settlement is not simply a change of state on a ledger. It defines when obligations are extinguished, when exposure truly closes and when capital can be redeployed safely. It also means the settlement is irrevocable, unconditional, and legally enforceable under insolvency or systemic stress.

Today, those definitions are not uniform across digital venues, but for Finality they are non-negotiables. If the asset leg of a transaction settles on-chain but the payment leg relies on a different structure (or if settlement finality definitions, standards or timing vary between networks) transactions that appear identical may carry materially different legal and liquidity risk profiles.



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Digital asset markets will not avoid settlement risk simply by being digital. They will manage it only if they define — clearly and consistently — how settlement finality, exposure and liquidity are treated. In the Finality payment system, for example, settlement occurs on-chain using central bank reserves, within a clearly defined legal and governance framework agreed by participants and overseen by the relevant central bank. That alignment between technology, legal structure and settlement asset quality is intentional. Institutional markets depend on it.

The objective now is not to force convergence onto a single ledger.

Diversity of networks can support innovation and resilience. What must converge are the standards that govern them.

The rails have been built. Now the rules must be agreed. Settlement quality — clear legal settlement finality, enforceable ownership rights, and consistent treatment of risk — will determine which digital infrastructures achieve institutional scale. Whether settlement ultimately occurs in commercial bank money or central bank money, governance remains the non-negotiable foundation.

The institutions that define those standards will define the future of digital finance.

SOURCES

1. McKinsey & Company — Stablecoins in payments: What the raw transaction numbers miss
2. Katten — Tokenization of Real-World Assets: Opportunities, Challenges and the Path Ahead



About the author

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Simone Cortese Simone is Head of Product at Finality and a recognised voice in regulated digital market infrastructure. With 10+ years across fintech, capital markets and academic research, he leads the product roadmap for banks and market participants on Finality's fully regulated DLT-based wholesale payment system.

