LUXEMBOURG FOR FINANCE
THE FINANCIAL CENTRE DEVELOPMENT AGENCY

Digital Assets Workshop
Workshop 1: Cash

Cash formed part of the Luxembourg for Finance Digital Assets Workshop held on Thursday, 21 May 2026, from 10:00 to 14:00 CEST in Zurich.

The session moderated by Biba Homsy (Homsy Legal) brought together participants from different parts of the financial ecosystem, including regulated financial institutions, market infrastructures, technology providers, public-sector institutions, legal and regulatory experts, and payment-focused actors.

The discussion first addressed the need to **clarify what is meant by 'on-chain cash'**. Participants distinguished between non-payment crypto-assets, tokenized real-world assets and digital currencies. Within the latter category, several categories were considered such as 1) central bank digital currencies, 2) stablecoins and 3) tokenized deposits. While these instruments may all be linked to a currency, the discussion highlighted that they are not equivalent from a legal, operational or risk perspective.

A central point was **the importance of the issuer** and the **nature of the claim** held by the user. The legal and economic position of the holder differs significantly depending on whether the instrument is issued by a central bank, a regulated commercial bank or a non-bank issuer. Participants also considered whether the holder has a claim against the issuer, a claim on reserve assets, or a claim corresponding to a bank deposit (or a bank deposit insurance). The nature, liquidity and quality of the assets backing a claim were therefore identified as key factors in assessing its robustness and suitability for regulated financial markets.

The discussion then turned to the **distinction between tokenized deposits and other forms of on-chain money, including stablecoins**. Tokenized deposits were described as operating within the perimeter of regulated banks, where institutions generally know each other and where customer due diligence has already been performed. In contrast, stablecoins can be transferred peer-to-peer to almost anyone with a wallet address. While this underpins important use cases for stablecoins, it also means they may circulate in environments where the ultimate holder is not necessarily known or subject to the same level of KYC. This distinction was considered important for regulated financial institutions, particularly in relation to compliance, transferability, settlement and risk management. Another distinction may reside in the fact that stablecoins are generally fully backed by liquid assets, whereas banks are fractionally backed (ie deposits fund a range of assets including illiquid loans). Whilst it would in principle possible for a bank to potentially issue a stablecoin against its fractional balance sheet, this has not been adopted to date with banks instead choosing to either issue tokenized deposits, or issuing stablecoins from separate and fully backed entities.

Participants also considered **potential use cases** for tokenized cash and tokenized instruments, including scenarios involving large corporate issuers and the question of whether tokenized securities or assets should be settled in tokenized deposits, a stablecoin (such as a Swiss francs Stablecoin), or other fiat currencies. This led to a broader discussion on whether there is genuine demand for these stablecoins denominated in local currency or whether current momentum is driven more by cross-border use cases, where stablecoins denominated in US dollars play a dominant role. The discussion also highlighted that all three forms of digital cash (CBDCs, stablecoins and tokenized deposits) may each play an important role depending on the use case. Different applications,

including cross-border payments, delivery-versus-payment (DvP), interbank settlement and collateral management, may require different forms of digital cash depending on the regulatory framework, settlement mechanism, interoperability requirements and access to central bank money.

A further theme was the development of the **European regulatory framework**, in particular MiCA and the emergence of e-money tokens (EMT). The discussion noted that, despite the introduction of a harmonized framework, EMT issuance in Europe remains limited compared with the global stablecoin market, and that only a small number of banks appear to have entered this space so far. This raised questions as to whether regulatory clarity alone is sufficient to drive adoption, or whether business demand and operational readiness remain equally important.

The **Swiss perspective** was also discussed, particularly in light of the forthcoming bill amendment (consultation opened in October 2025), notably on payments and stablecoins. Participants considered Switzerland should keep away from aligning with MiCA or take a more cautious approach by observing the implementation's challenges currently faced in the European Union.

The session also examined **infrastructure initiatives and the challenges** of operating across multiple DLT environments. Participants discussed whether the main obstacle is technological, institutional or legal. Two main challenges remain liquidity fragmentation across several key initiatives worldwide. Interoperability emerged as one of the most important themes of the discussion. Participants emphasized that interoperability should not be understood only as a technical matter between different ledgers. It also concerns interoperability b with traditional core banking systems and payment systems. Apart from technical standards, messaging standards, legal frameworks and regulatory regimes are important enablers of interoperability. The ability to connect different DLT systems is therefore only one part of the challenge.

Overall, the workshop showed that the development of on-chain cash is not simply a technology question. tokenized deposits, stablecoins and central bank money may each have a role to play, but their adoption by regulated financial institutions will depend on the credibility of the issuer, the legal nature of the claim, the quality of the backing assets, the settlement mechanism and the degree of interoperability with existing systems. The discussion pointed to a future in which several forms of tokenized money may coexist, but where sustainable adoption will require robust legal certainty, operational resilience and coordination between public and private-sector actors. The market is no longer in a purely exploratory phase. Central banks, commercial banks and market infrastructures have already initiated concrete projects, while the technology stack and legal frameworks have significantly matured in recent years. In addition, customers demand is also a decisive factor for regulated financial institutions when it comes to adopting this approach.

The next challenge is therefore less about technological feasibility and more about identifying the appropriate use cases for each type of institution and integrating these new forms of digital cash into existing operational systems, payment infrastructures and institutional workflows.