Tokenization Insight

Research & Media

RESEARCH SPOTLIGHT:

ARCHAX

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Research Spotlight

Archax

Institutional Gateway to Tokenized Assets

Tokenization Insight Research Spotlight is a research series looking at the market data, adoption trend and key differentiators across tokenization industry leaders.

In this report, we dive into **Archax**, a UK regulated digital asset custody, brokerage and exchange platform, with exchange permissions in Europe. It is working closely with industry heavyweights such as Aberdeen Investments, L&G and State Street Global Advisor on 100+ tokenized funds.

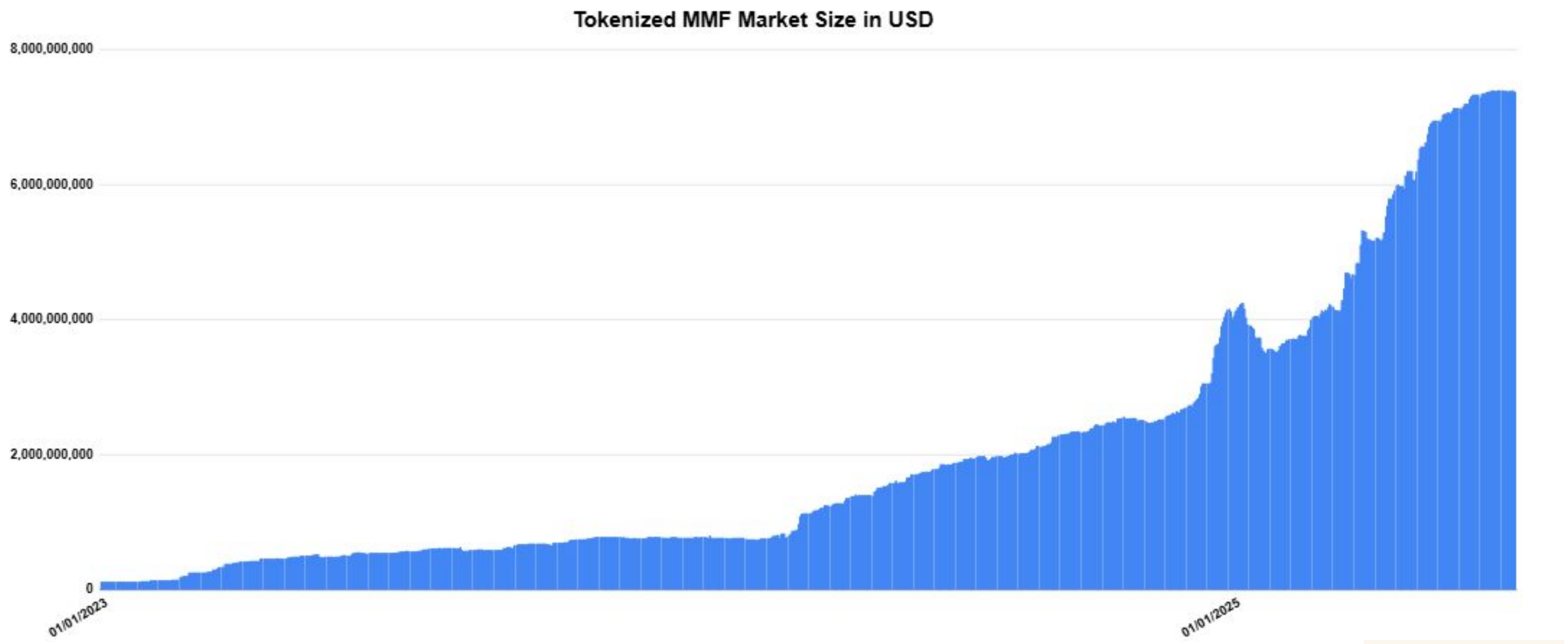
We will unpack the strong institutional product standards set by its flagship tokenized MMF, Archax's Aberdeen US Liquidity Fund (AAULF). Most recently, this tokenized MMF was utilized by Lloyds Banking Group and Aberdeen Investments as collateral asset of choice in their trades. Please note this is a sponsored report.

Executive Summary

Tokenization is transforming global finance at unprecedented speed and scale.

Asset management titans such as BlackRock, Fidelity and State Street Global Advisors are all entering the tokenization space via tokenized money market fund (MMF) products. Why?

The reason is simple: within the tokenized assets, tokenized MMF is the fastest growing asset class, skyrocketing over 7,000%+ since 2023 to surpass $7.2B in AUM by June 2024, signaling the strategic importance of establishing early leadership in this fast-growing market.



Source: rwa.xyz as of June 2025

But we are still early and the full potential of tokenized MMFs has yet to be unlocked.

Game-changing features such as instant liquidity and collateral mobility are still ahead. Though the future is already taking shape: Lloyds Banking Group, and Aberdeen Investments' recent FX trade using tokenized MMF as collateral via Archax is a powerful sign for what's to come.

Once these use-cases scale, tokenized MMFs will be positioned to become the first truly mainstream tokenized asset class, transforming how capital flows through global markets.

Yet, despite the impressive growth, the vast majority of the capital in tokenized MMFs today come from crypto-native sources: DeFi protocols, family offices, project foundations and HNWIs with digital asset exposures. As a result, the products are NOT built for institutional standards.

The real addressable market, one that involves institutional investors, is exponentially larger and remains locked. True institutional capital has remained on the sideline because of three key shortcomings.

1. Lack of regulatory compliance
2. Lack of credit ratings
3. Lack of product variety

However, there is a standout. Archax's tokenized Aberdeen Liquidity Fund (AAULF): AAA rated, rigorously regulated, tokenized Prime MMF.

Note: the underlying Aberdeen Liquidity Fund (Lux) US dollar fund has not been tokenized in its entirety. Only Archax's interests in the fund have been tokenized.

So exactly how does it differ from the rest of the tokenized MMF market though? Let's take a closer look at how it solves institutional investors' regulatory compliance, credit risk standard, and product needs in one.

Case Study: Setting Institutional Standards

The Challenge: Tokenized But Not Equal

Today, there are over 30 products offering US Treasuries linked exposures. But only a fraction of them meets the regulatory, compliance, credit rating standards requirements of institutional investors.

Unlike crypto-native investors, institutional investors are often legally required or mandated by statute to invest in regulated products. For example, mutual funds and ETFs in Europe and pension funds in the US are legally required to invest in regulated eligible products.

Institutional standards for the tokenized MMF space means:

1. The issuer is a licensed and regulated entity
2. The distribution platform handling client capital is regulated
3. The product itself is approved by a recognized regulator
4. The tokenized MMF product meets a minimum credit rating requirement
5. The market offers ample MMF product varieties

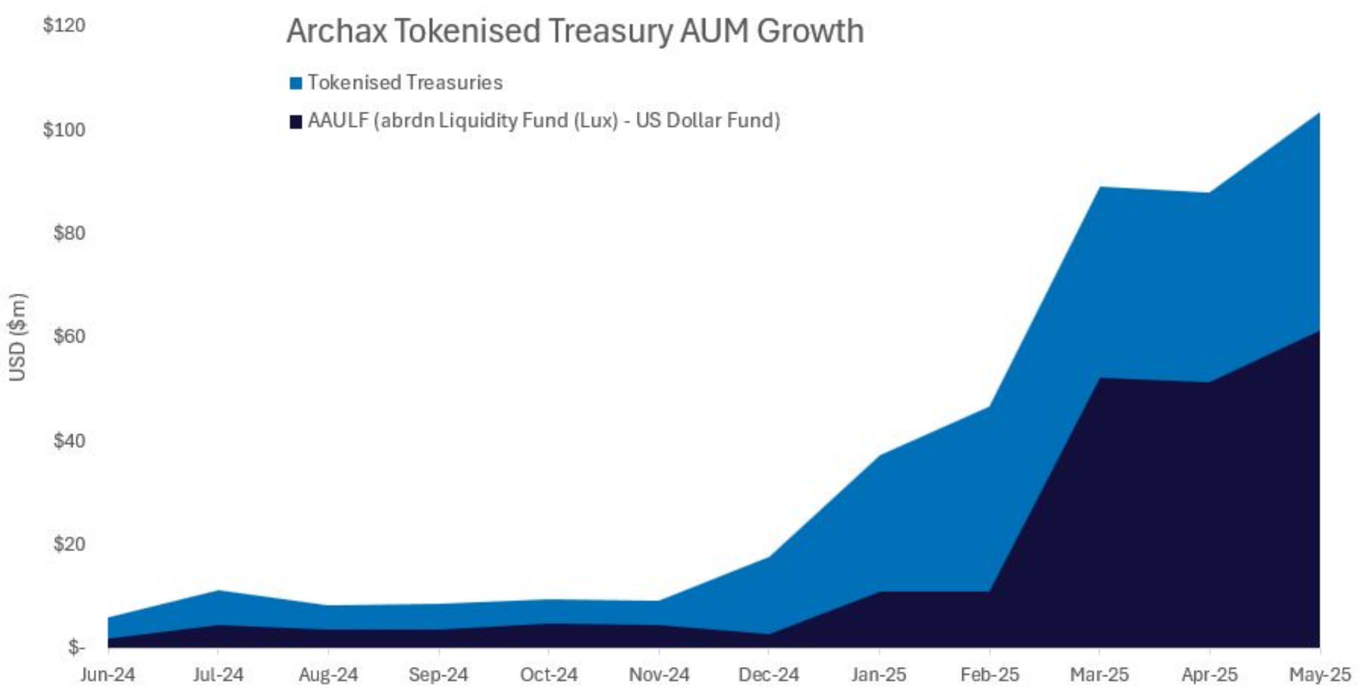
In crypto, regulation is often dismissed as a nuisance. But for institutional investors who have a fiduciary duty to prioritize capital preservation, liquidity, and investor protection, regulation is a prerequisite. It underpins market integrity, fiduciary responsibility, and investor trust. It is a feature, not a bug.

When all these pillars are regulated, investors in tokenized MMF gain the assurance that every step of the investment lifecycle is subject to regulatory oversight. That's what builds confidence. That's what regulatory compliance ultimately unlocks.

Yet many tokenized MMF offerings in the market fail at one or more of these fronts.

The Solution: Rigorously-Regulated & Double-Rated Standard

The Aberdeen Liquidity Fund (Lux), a $4B+ MMF available through Archax, is the AAA rated and tokenized form of the fund.



Source: Archax as of June 2025

Aberdeen Group Plc is a London Stock Exchange listed, global investment business with $600B+ AUM. One of its flagship MMFs is the Aberdeen Liquidity Fund (Lux),

Through Archax, a portion of the Aberdeen Liquidity Fund (Lux) has been tokenized. The fund itself is issued under the EU's Money Market Fund Regulation (MMFR) and supervised by Luxembourg's CSSF involving:

- Daily and weekly liquidity thresholds apply
- NAV structure must follow LVNAV model
- Stress testing, reporting, and asset quality rules are mandatory

These safeguards ensure the fund follows clear rules on how assets are segregated, redemptions are honored, and liquidity is preserved.

But for institutions, it's not just about the issuer or the fund. It's also about the **distribution platform**. Distribution platforms are tasked with handling client funds, marketing products, and providing investment intermediation - all of these are regulated activities.

That's where **Archax** comes in. As an **FCA-regulated UK custodian, broker, and exchange**, with exchange permissions in Europe, Archax provides the compliance backbone institutions demand.

The result: AAULF sets a benchmark for a fully regulated model, where fund, issuer, and distribution platform align to ensure investor protections are enforced, not optional.

tMMF Product	AAULF on Archax
Issuer Legal Name	abrdn Liquidity Fund (Lux)
Fund Regulation	EU Money Market Fund Regulation (MMFR)
Issuer Regulator	CSSF
Distribution Platform	Archax
Distribution Platform Regulator	UK FCA

Source: Aberdeen, Archax and own research

The AAULF structure demonstrates a fully regulated model, where fund, issuer, and distribution platform align to enforce investor protections as a core requirement.

Minimum Credit Rating: from regulated credit agencies

In addition to regulatory confidence, institutional investors also require minimum credit ratings to ensure credit standard is met. For example, many institutional allocators are mandated, either by investment policy or fiduciary duty, to invest only in MMFs rated by top-tier credit rating agencies.

While a credit rating on a traditional MMF does not automatically carry over to its tokenized version, without a minimum AAA rating on the underlying fund, most institutions simply can't participate.

Archax's AAULF is rated by two of the most well-known global credit rating agencies, S&P Ratings and Fitch.

MMF Product	abrdn Liquidity Fund (Lux)
S&P Ratings	AAAm
Fitch Ratings	AAAmmf

Source: Aberdeen, accurate as of June 2025

Diving into product details of the top tokenized MMF products on the market, AAULF stands out as the product backed by AAA ratings from two internationally recognized and regulated credit agencies.

This absence of top-rated underlying assets reaffirms the observation that most tokenized MMF products have yet to meet the requirement for participation from institutional capital.

Product Variety Lacking: Prime MMFs

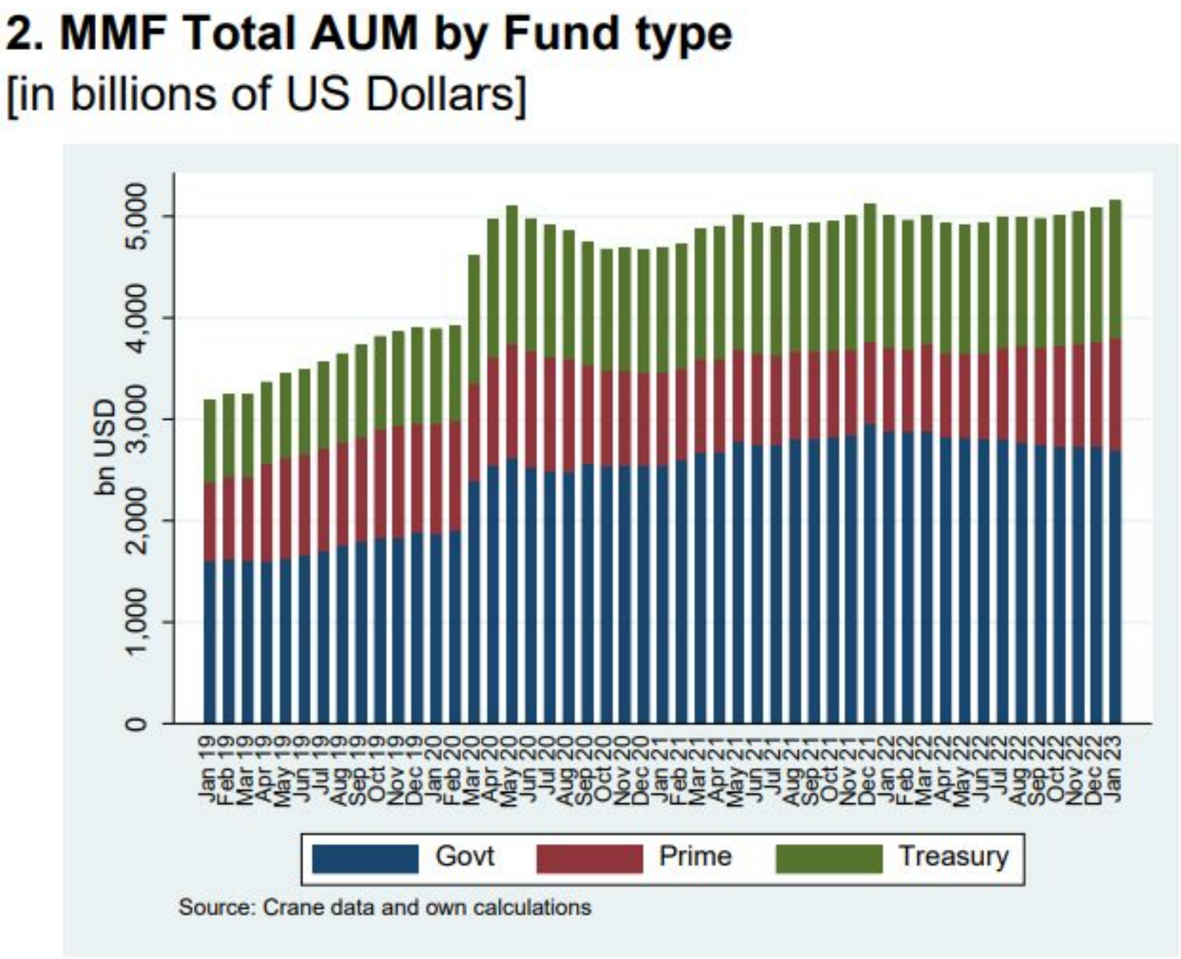
This glaring lack of product diversity and depth for institutional investors extends to the lack of optionality when it comes to the type of tokenized MMF available.

In traditional markets, money market funds come in three core categories:

- Government MMFs (backed by sovereign debt)
- Treasury MMFs (invest in short-term U.S. Treasuries)
- Prime MMFs (include high-quality corporate paper and CDs)

While the government MMFs is the biggest component of the $5T+ MMF space, Treasury MMFs and Prime MMFs offer valuable differentiated choices for investors and make up close to 40% of the market.

See the latest market data from the International Monetary Fund on the next page.



Each MMF product category serves a distinct function: safety, liquidity, or enhanced yield.

For example, large corporations, family offices, hedge funds, neobanks and fintechs often park their money in Prime MMF to earn higher interest rates via AAA-rated non-government exposures.

But in the tokenized world? This optionality is almost entirely missing.

Despite the $7B+ growth in tokenized MMFs, nearly all products are limited to government-only exposures.

Institutions and corporates looking for higher yields through Prime MMFs options have no viable options.

Tokenized AAULF solves that as a Prime MMF It invests in AAA-rated Commercial Papers, Certificates of Deposits in addition to US Treasuries and Repos. As a result, AAULF delivers 4.42% yield, well above the market average of ~4%.

Below is an illustrative example of the impact of a $100M allocation.

tMMF Product	Net Yield as of 03/07/2025	Annual Return vs AAULF
Archax AAULF	4.42%	0.00
Franklin Templeton BENJI	4.05%	-$370,000.00
Ondo OUSG	4.08%	-$340,000.00
Securitize BUIDL	4.12%	-$300,000.00
Superstate USTB	4.06%	-$360,000.00
Circle USYC	3.76%	-$660,000.00

Source: Issuer websites 03/07/2025

For allocators managing $100M+, this 0.30%-0.66 yield delta isn't a rounding error. It's **$300,000-$660,000 in missed annual income**. This outcome has direct implications for an organization's capital efficiency, liquidity optimization, and budgeting success.

Tokenized MMFs won't scale with institutions unless they reflect the same depth and diversity found in traditional money markets. As the various benefits, such as instantaneous 24/7 settlement and programmable collateral mobility, of tokenized MMF mature, institutional investors will demand a full spectrum of regulated and eligible tools to meet their needs.

Right now, Archax's AAULF is built to meet that bar. And being chosen as the collateral asset of choice by institutional players such as Lloyds Banking Group and Aberdeen Investments is no accident. It is a clear validation of AAULF's unmatched regulatory rigor, credit quality, and design tailored for institutional use.

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A Seismic Shift in Global Finance

With the Global Markets Advisory Committee of the CFTC formally recommending tokenized MMFs as eligible collateral for the $700T derivatives market, a seismic shift in collateral efficiency and mobility is underway.

Yet to fully unlock the superior capital efficiency and greater market stability powered by real-time settlement, programmability and 24/7 instant liquidity, we need regulatory-compliant tokenized MMFs that meet institutional investors' needs.

And that requires **three non-negotiables**:

1. Credit ratings standard - an AAA rating from top-tier agencies is not a luxury; it's a requirement for fiduciary confidence
2. Full regulatory compliance - issuer, product, and distribution platform must all be well regulated
3. Product diversity - institutions need access to more than just government MMFs to optimize yield, risk, and liquidity

The Archax's AAULF checks all three boxes:

- AAA-rated by S&P and Fitch
- Regulated issuance stack (issuer, product, platform)
- Tokenized Prime MMF in the market

Built for investors with institutional standards, Archax does more than connect investors to tokenized funds - it delivers a fully regulated digital infrastructure with trading, custody, and programmable collateral access on one platform.

With global tokenization adoption accelerating, Archax enables issuers of tokenized assets to meet allocators with digital money capital across key financial markets including the UK, US and the EU with regulatory confidence.

And institutions are already taking advantage of Archax's unique capabilities as demonstrated by the Lloyds Banking Group and Aberdeen Investments recent FX trade with AAULF as tokenized collateral from Archax.

But that is just the start of a seismic shift in global finance. Stay tuned. More coming soon.

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