

# What Are Tokenized Treasuries?

*Government debt yield, delivered as a token — how the yield actually reaches you, why a continuously traded token wraps an asset that only settles on business days, and who is allowed to hold one.*

Alain AI Lab Research · Published July 29, 2026 · 10 min read

Tokenized Treasuries are the largest category in the real-world asset market, and the clearest demonstration of what tokenization does well. The proposition is straightforward: hold a token, receive the yield on short-term United States government debt, settle instantly, and use the position inside on-chain systems. All of that is true. What is less well explained is the machinery underneath — how the yield reaches you, what happens when you want out, and the structural mismatch between an instrument that trades continuously and an asset that does not. This report covers the mechanics rather than the market, and assumes you know [what real-world assets are](#).

## AT A GLANCE

### WHAT YOU HOLD

**A fund share, in token form**

### NOT

**A Treasury bill you own**

### YIELD ARRIVES VIA

**Rebasing or accruing value**

### THE MISMATCH

**24/7 token, business-day fund**

### ACCESS

**Frequently restricted**

### MAIN USE

**On-chain collateral and treasury**

## 01

## What you are actually buying

In almost every case, a tokenized Treasury product is a *fund*, and the token is a record of your share in it. The fund holds short-dated government bills, or repurchase agreements collateralised by them, or shares in a money-market fund that holds those things. A manager

runs it, a custodian holds the securities, an administrator calculates its value, and a transfer agent maintains the register of owners. The blockchain replaces the register, not the fund.

This matters because it sets what you can expect. You are not lending directly to a government and you do not hold a bill maturing on a date. You hold a claim on a pooled vehicle, and your yield is the fund's return net of its management fee. That is a perfectly good thing to hold — it is what a money-market fund has always been — but it means the relevant risks are fund risks and structural risks, not the credit risk of the government, which is the part everyone assumes they are analysing.

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## Two structures worth distinguishing

Products in this category fall broadly into two shapes, and they behave differently. The first is a *tokenized share class of a conventional regulated fund* — an existing money-market or government fund that has added a blockchain-recorded share class alongside its traditional ones. Here you get the protections and oversight of the fund's home regime, and the token is genuinely just a different way of holding an existing regulated product.

The second is a *purpose-built vehicle* created specifically for on-chain distribution, often domiciled offshore, structured as a special purpose company or trust holding government securities or shares in someone else's fund. These are frequently more flexible, more composable, and available to a wider set of buyers — and they sit under lighter regulatory supervision, with an additional layer between you and the underlying assets. Neither shape is inherently better, but they are not the same instrument, and the offering documents rather than the marketing tell you which one you are looking at.

03

## How the yield reaches you

There are two conventions, and confusing them causes real accounting and tax confusion. Under the *rebasing* approach, your token balance increases over time: the price stays near one dollar and you simply hold more tokens each day, so the yield appears as quantity. Under the *accruing* approach, your balance stays fixed and the token's value rises: one token is worth progressively more than a dollar as income accumulates, so the yield appears as price.

The economics are identical; the practical consequences are not. Accruing tokens integrate more cleanly with on-chain systems, because a lending protocol or automated market maker handles a token with a rising price far more gracefully than one whose balances change underneath it. Rebasing tokens are more intuitive for a holder watching a balance grow, but can behave unexpectedly inside protocols not designed for them. And the two are likely to be treated differently for tax purposes in many jurisdictions — income received versus capital appreciation — which is a question for a professional in your own country rather than something the product page will answer.

*The token settles in seconds. The fund behind it prices once a day and pays out on business days. Everything unexpected about these products comes from that single mismatch — a continuous wrapper around a discontinuous asset.*

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## The mismatch at the centre

Here is the structural tension that explains most of the surprises. The token can be transferred at any hour, in seconds, anywhere in the world. The fund inside it cannot. Conventional funds strike a valuation at a set time each day, process subscriptions and redemptions against that valuation, and settle through banking infrastructure that observes business days, cut-off times and public holidays. The government securities themselves trade in a market that closes.

Three consequences follow. Creating or redeeming directly with the issuer is subject to those windows, so a redemption requested at the weekend waits. The token's secondary market price can drift from the fund's stated value in the interval, because arbitrage back to par depends on that primary channel being open — the identical two-tier structure examined in [how stablecoins stay pegged](#). And in a period of market stress falling over a weekend, holders may find the instrument they bought for its safety is precisely the one they cannot convert until Monday. None of this is a defect in the products; it is an honest description of wrapping a business-hours asset in a continuous instrument, and it is the thing most worth understanding before relying on one for liquidity.

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## Who is allowed to hold one

This is the practical constraint most retail readers discover late. Many tokenized Treasury products are securities, and are offered only to investors who meet eligibility criteria — professional, accredited, qualified or institutional classifications depending on the jurisdiction — with minimum investment sizes that can be substantial and onboarding that involves identity verification and often an approved-wallet regime.

The practical result is that transfers are frequently *permissioned*: the token can only move between wallets the issuer has whitelisted, which means it is not freely tradable in the way an ordinary token is. That single feature explains a great deal about how these instruments behave — thin secondary markets, limited venue availability, and the concentration of holdings among institutions and protocols rather than individuals. Anyone reading about this category should establish early whether a given product is actually available to them, because a substantial share of the market is not open to retail buyers at all, and eligibility varies by country in ways no article can resolve for you.

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## Two ways out, and they differ

Exiting a position happens through one of two routes, and the distinction matters. *Primary redemption* means returning tokens to the issuer for the underlying value, at the fund's calculated price, subject to the windows and minimums described above — the clean exit, available if you qualify and are willing to wait for the cycle. *Secondary sale* means selling the token to another holder on an exchange or on-chain venue, which is instant but subject to whatever price and depth exist there.

For permissioned products that secondary market may be very thin or effectively absent, which means the redemption channel is your real liquidity rather than a convenience. For more freely transferable products the secondary market exists but can trade away from the underlying value, especially outside business hours. The practical question to answer before buying is simple and rarely asked: which of these two routes will I actually use, and does it operate at the times and sizes I will need — a question of depth as much as design, in the terms set out in [market depth](#).

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## Why protocols hold them

The largest source of demand is not individuals seeking yield but on-chain systems seeking productive collateral, and understanding why clarifies the whole category. A protocol holding a large stablecoin balance earns nothing on it, because issuers keep the reserve income, as our note on [how stablecoin issuers make money](#) explains. A tokenized Treasury converts that idle balance into a yield-bearing one while remaining usable inside smart contracts.

That composability is the genuinely novel part: the same holding can back a loan, sit in a treasury, or serve as collateral in another protocol, automatically, without leaving the chain — which no conventional fund share can do. It is why crypto-collateralised stablecoins and other on-chain systems have moved substantial portions of their backing into these instruments, a shift examined in [fiat-backed versus crypto-backed stablecoins](#). The demand is structural rather than speculative, which is a large part of why this category has grown while others have not.

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## The two comparisons that matter

Against a *stablecoin*, the tokenized Treasury pays you the yield the stablecoin issuer keeps, at the cost of added structure: a fund, a manager, a fee, eligibility rules, and redemption windows rather than a token designed for instant settlement. If you need money that moves at any moment, the stablecoin is the better instrument; if you are holding a balance for weeks rather than hours, forgoing the yield is a real cost.

Against simply *buying a money-market fund or short-duration bond ETF* in a brokerage account, the honest answer is that the conventional route is usually cheaper, better regulated, and easier to redeem — and the tokenized version wins only where the on-chain property is doing something specific: composability with protocols, settlement outside market hours, access from a jurisdiction where the conventional product is unavailable, or holding within an on-chain treasury. Absent one of those, you are adding layers for no benefit. That is the whole decision, and it is worth making deliberately rather than by novelty.

*“The rich ruleth over the poor, and the borrower is servant to the lender.”*

PROVERBS 22:7

## Methodology & Sources

This report explains product mechanics as at the date of publication; it deliberately contains no product names, issuer names, assets under management, yields, fees, minimum investment sizes, or market share figures — those are covered in our separate market-mapping coverage and change continuously. Structural descriptions reflect standard arrangements in this category: tokenized Treasury products are typically fund vehicles holding short-dated government securities, repurchase agreements collateralised by them, or shares in money-market funds, with a manager, custodian, administrator and transfer-agency function, where the blockchain record substitutes for the conventional share register. The distinction drawn between tokenized share classes of existing regulated funds and purpose-built vehicles created for on-chain distribution reflects the two broad structures in use; specific products vary and offering documents govern. Yield distribution conventions — rebasing, where token balances increase, and accruing, where token value rises — are described as economically equivalent but differing in protocol compatibility and likely tax treatment; tax treatment varies by jurisdiction and is a matter for professional advice. The described mismatch between continuous token transferability and business-day fund valuation, subscription and redemption cycles is a structural characteristic of the category. Eligibility restrictions, minimum sizes and permissioned transfer arrangements are common but vary by product and jurisdiction; many of these instruments are securities and are not available to all investors. Nothing here is a recommendation regarding any product, issuer, or trade, and nothing here is legal, tax or investment advice.

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