

**Global Tokenization in BFSI Market Assessment, By Offerings [Solutions, Services],  
By Security Type [Network Security, Endpoint Security, Application Security, Cloud  
Security, Data Security, Others], By Deployment Mode [On-premises, Cloud-based],  
By End-use [Banks, Insurance Company, NBFCs, Credit Unions, Others], By Region,  
Opportunities and Forecast, 2018-2032F**

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**Report description:**

Global tokenization in the BFSI market is projected to witness a CAGR of 11.67% during the forecast period 2025-2032, growing from USD 683.78 million in 2024 to USD 1653.52 million in 2032F, owing to the growing emphasis on data security, regulatory compliance, and the rise of digital payment systems. As financial institutions handle increasingly vast amounts of sensitive customer data, the need for advanced security measures has become paramount. Tokenization, which replaces sensitive data with non-sensitive equivalents or "tokens," plays a crucial role in minimizing the risk of data breaches and fraud, especially in an environment where cyber threats are growing both in volume and sophistication.

One of the primary growth drivers is the tightening of global data protection regulations such as the General Data Protection Regulation (GDPR), Payment Card Industry Data Security Standard (PCI DSS), and other financial compliance mandates. These regulations have compelled BFSI players to seek secure, scalable solutions like tokenization to ensure compliance. Additionally, the accelerated shift toward digital transactions, driven by online banking, mobile wallets, and e-commerce, has further boosted demand for secure and efficient data protection mechanisms. The increasing adoption of cloud computing and Software-as-a-Service (SaaS) platforms in financial services has also amplified the relevance of tokenization, as it ensures data security across distributed and hybrid environments.

Despite these growth drivers, the market faces several restraints. High implementation and integration costs, particularly for smaller financial institutions with limited resources, can deter adoption. Integrating tokenization with legacy IT infrastructures is also complex and often requires substantial customization. Moreover, a lack of awareness and expertise in implementing and

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managing tokenization systems remains a barrier in emerging markets.

Market conditions vary across regions. North America currently dominates the market due to its mature cybersecurity ecosystem and strict regulatory enforcement, while the Asia-Pacific region is expected to register the fastest growth owing to rapid digital transformation, increasing financial inclusion, and favorable government initiatives promoting data protection. Overall, the global tokenization market in BFSI is poised for sustained growth, as the sector continues to prioritize secure digital transformation and regulatory adherence amidst evolving technological and cyber risk landscapes.

For instance, in 2023, Banco Santander (Banco Santander SA and its subsidiaries) made a landmark move to combat financial data breaches by fully implementing tokenized APIs across its European Open Banking platform, setting a new security standard for PSD2 compliance. The system replaces sensitive customer data, such as account numbers and transaction details, with dynamic, context-specific tokens, ensuring that third-party fintechs like Klarna and Plaid can access only authorized information without exposing raw data.

#### Escalating Cybersecurity Threats and Regulatory Compliance in BFSI

The BFSI sector is increasingly targeted by cyberattacks due to the sensitive nature of financial data. Tokenization replaces sensitive data with unique tokens, reducing the risk of data breaches. Regulatory bodies worldwide are enforcing stricter compliance measures, compelling financial institutions to adopt advanced security solutions like tokenization. By replacing sensitive data with unique, non-reversible tokens, financial institutions significantly reduce the risk of data breaches. Regulatory frameworks such as PCI-DSS, GDPR, and PSD2 are tightening compliance requirements, compelling banks and payment processors to adopt tokenization.

For instance, in January 2025, new global research from the IBM Institute for Business Value (IBV) and Palo Alto Networks revealed that organizations are struggling with mounting cybersecurity complexity, managing an average of 83 security tools from 29 different vendors. The study also finds that 70% of companies with highly integrated security platforms report improved business outcomes, including greater operational efficiency and increased revenue.

The report underscores the challenges posed by expanding digital connectivity, which broadens attack surfaces and introduces new vulnerabilities. As cyberattacks grow more sophisticated, both defenders and attackers are increasingly leveraging AI, intensifying the race to stay ahead in cybersecurity.

The initiative comes as PSD2 regulations tighten, requiring banks to share customer data securely with fintech partners.

#### Accelerated Digital Transformation and Cloud Adoption

The BFSI sector's rapid shift toward digital banking, mobile payments, and cloud-based infrastructure has amplified vulnerabilities, driving demand for tokenization. Cloud-based tokenization is gaining traction due to its scalability and cost efficiency. Open Banking ecosystems, which rely heavily on APIs, also benefit from tokenization by ensuring third-party apps access only tokenized data, never raw credentials. Additionally, the rise of Central Bank Digital Currencies (CBDCs) has spurred experimentation with tokenization for secure digital currency transactions.

For instance, in June 2024, Mastercard announced its ambition to achieve 100% e-commerce tokenization in Europe by the end of the decade, as part of its commitment worldwide to ending manual card entry and making online shopping safer and more accessible. To meet the growing complexity of digital payment, Mastercard is leveraging tokenization, guest checkout simplified, and passkeys to provide a frictionless and secure payment experience on every device, browser, and operating system.

#### Segment-Specific Growth in Tokenization Solutions for BFSI

Banks dominate tokenization adoption in the BFSI sector, driven by their high transaction volumes, stringent regulatory requirements, and critical need for fraud prevention in digital payments. Regulatory mandates like PCI-DSS compliance, RBI's tokenization rules (2022), and PSD2 in the EU have made tokenization indispensable for banks, particularly in securing card payments and enabling secure Open Banking APIs. The technology is widely embedded in digital payment systems, including contactless cards, mobile wallets (Apple Pay, Google Pay), and online banking, with major networks like Visa and Mastercard integrating tokenization into their infrastructures. Banks also benefit from significant fraud reduction. Beyond payments, banks leverage tokenization for secure customer onboarding, KYC processes, and cloud-based services, further solidifying their leadership.

While other BFSI segments are adopting tokenization, their adoption lags banks. Insurance companies use it primarily for fraud prevention in claims processing, while NBFCs and fintech firms apply it to digital lending and wallets, albeit on a smaller scale.

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Credit unions, constrained by budgets, are slower adopters but are gradually increasing usage due to rising cyber risks. Banks remain the primary drivers of tokenization, while other sectors continue to emerge as secondary markets.

For instance, in May 2025, Apex Group, the world's leading financial services group, has announced the acquisition of a majority ownership stake in Tokeny. The deal, which will give Apex Group 100% ownership of Tokeny over the next three years, is a follow-on to the initial investment and strategic partnership with Tokeny. This strategic turning point, wherein Apex Group is now acquiring a controlling stake in Tokeny, is an unequivocal indication of the firm's faith in the revolutionary power of tokenization for asset managers and institutional finance. It is also an indication of an even larger determination to provide turn-key digital infrastructure that streamlines and speeds the transition to increased liquidity and distribution across geographies.

#### Regional Leadership of North America in Tokenization Adoption

North America dominates the global tokenization market, fueled by strict regulations, advanced cybersecurity infrastructure, and a high concentration of financial innovators. North America's dominance stems from regulation, digital payment growth, fintech leadership, and cybersecurity investment. While Europe and Asia are catching up, the region remains the hub for tokenization innovation and adoption. The U.S. accounts for major part of the region's tokenization revenue, driven by early adoption from giants like Apple Pay (tokenized transactions) and Stripe (payment tokenization). Canada's upcoming Open Banking Framework (2025) is set to further accelerate adoption by mandating secure data-sharing practices.

For instance, in December 2023, IBM, which is headquartered in North America, launched Hyper Protect Offline Signing Orchestrator (OSO), a new technology designed to improve cold storage solutions for digital assets. OSO adds advanced security features like offline operations, time-based controls, and multi-party transaction approvals, addressing limitations of current cold storage methods. With the growing tokenization of global illiquid assets, IBM's OSO aims to provide a secure, efficient solution to support the expanding digital asset market.

#### Key Players Landscape and Outlook

The market structure of the global tokenization market in BFSI is dominated by several mature players across cybersecurity and IT solution vendors, which continuously attempt to improve their offerings through integration capabilities, scalability, and innovation. The competition is mainly based on technological advancement, data security solution reliability, ease of deployment, regulatory compliance, and versatility across various financial applications. Major players seek to distinguish themselves through offering end-to-end encryption, smooth integration with current IT infrastructure, and strong cloud-based solutions. Strategic partnerships, mergers, and acquisitions are also usually sought after to enrich product lines and acquire a competitive advantage in developing markets. The market dynamics are shaped by fast-changing cyber threats, growing need for secure digital transactions, expanding regulatory requirements, and accelerating deployment of digital banking services. As banks keep on digitizing and dealing with huge amounts of sensitive information, the need for scalable, compliant, and efficient tokenization services is expected to continue to be strong, increasing competition amongst providers to stay current in the market and have customers' trust.

For instance, in March 2025, Cashlink, Germany's leading crypto securities registrar, continues to shape the country's digital asset landscape by facilitating the issuance and custody of blockchain-based securities under the Electronic Securities Act (eWpG), helping issuers reduce reliance on traditional depositories and cut costs. In a major development, 21X is preparing to launch Europe's first fully licensed DLT-based trading and settlement system under the EU's DLT Pilot Regime. This new platform will create a regulated secondary market for digital securities, addressing liquidity and trading limitations for tokenized assets in the region.

#### Table of Contents:

1. Project Scope and Definitions
2. Research Methodology
3. Impact of U.S. Tariffs
4. Executive Summary
5. Voice of Customers
- 5.1. Respondent Demographics
- 5.2. Awareness of Tokenization in BFSI

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- 5.3. Key Reasons for Adopting Tokenization (e.g., PCI-DSS Compliance, Fraud Reduction)
- 5.4. Key Drivers and Adoption
- 6. Global Tokenization in BFSI Market Outlook, 2018-2032F
  - 6.1. Market Size Analysis & Forecast
    - 6.1.1. By Value
  - 6.2. Market Share Analysis & Forecast
    - 6.2.1. By Offerings
      - 6.2.1.1. Solutions
      - 6.2.1.2. Services
    - 6.2.2. By Security Type
      - 6.2.2.1. Network Security
      - 6.2.2.2. Endpoint Security
      - 6.2.2.3. Application Security
      - 6.2.2.4. Cloud Security
      - 6.2.2.5. Data Security
      - 6.2.2.6. Others
    - 6.2.3. By Deployment Mode
      - 6.2.3.1. On-premises
      - 6.2.3.2. Cloud-based
    - 6.2.4. By End-use
      - 6.2.4.1. Banks
      - 6.2.4.2. Insurance Company
      - 6.2.4.3. NBFCs
      - 6.2.4.4. Credit Unions
      - 6.2.4.5. Others
    - 6.2.5. By Region
      - 6.2.5.1. North America
      - 6.2.5.2. Europe
      - 6.2.5.3. Asia-Pacific
      - 6.2.5.4. South America
      - 6.2.5.5. Middle East and Africa
  - 6.3. Market Map Analysis, 2024
    - 6.3.1. By Offerings
    - 6.3.2. By Security Type
    - 6.3.3. By Deployment Mode
    - 6.3.4. By End-use
    - 6.3.5. By Region
- 7. North America Tokenization in BFSI Market Outlook, 2018-2032F
  - 7.1. Market Size Analysis & Forecast
    - 7.1.1. By Value
  - 7.2. Market Share Analysis & Forecast
    - 7.2.1. By Offerings
      - 7.2.1.1. Solutions
      - 7.2.1.2. Services
    - 7.2.2. By Security Type
      - 7.2.2.1. Network Security
      - 7.2.2.2. Endpoint Security

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- 7.2.2.3.□Application Security
- 7.2.2.4.□Cloud Security
- 7.2.2.5.□Data Security
- 7.2.2.6.□Others
- 7.2.3.□By Deployment Mode
- 7.2.3.1.□On-premises
- 7.2.3.2.□Cloud-based
- 7.2.4.□By End-use
- 7.2.4.1.□Banks
- 7.2.4.2.□Insurance Company
- 7.2.4.3.□NBFCs
- 7.2.4.4.□Credit Unions
- 7.2.4.5.□Others
- 7.2.5.□By Country Share
- 7.2.5.1.□United States
- 7.2.5.2.□Canada
- 7.2.5.3.□Mexico
- 7.3.□Country Market Assessment
- 7.3.1.□United States Tokenization in BFSI Market Outlook, 2018-2032F\*
- 7.3.1.1.□Market Size Analysis & Forecast
- 7.3.1.1.1.□By Value
- 7.3.1.2.□Market Share Analysis & Forecast
- 7.3.1.2.1.□By Offerings
- 7.3.1.2.1.1.□Solutions
- 7.3.1.2.1.2.□Services
- 7.3.1.2.2.□By Security Type
- 7.3.1.2.2.1.□Network Security
- 7.3.1.2.2.2.□Endpoint Security
- 7.3.1.2.2.3.□Application Security
- 7.3.1.2.2.4.□Cloud Security
- 7.3.1.2.2.5.□Data Security
- 7.3.1.2.2.6.□Others
- 7.3.1.2.3.□By Deployment Mode
- 7.3.1.2.3.1.□On-premises
- 7.3.1.2.3.2.□Cloud-based
- 7.3.1.2.4.□By End-use
- 7.3.1.2.4.1.□Banks
- 7.3.1.2.4.2.□Insurance Company
- 7.3.1.2.4.3.□NBFCs
- 7.3.1.2.4.4.□Credit Unions
- 7.3.1.2.4.5.□Others
- 7.3.2.□Canada
- 7.3.3.□Mexico

\*All segments will be provided for all regions and countries covered

## 8.□Europe Tokenization in BFSI Market Outlook, 2018-2032F

### 8.1.□Germany

### 8.2.□France

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- 8.3. Italy
- 8.4. United Kingdom
- 8.5. Russia
- 8.6. Netherlands
- 8.7. Spain
- 8.8. Turkey
- 8.9. Poland
- 9. Asia-Pacific Tokenization in BFSI Market Outlook, 2018-2032F
  - 9.1. India
  - 9.2. China
  - 9.3. Japan
  - 9.4. Australia
  - 9.5. Vietnam
  - 9.6. South Korea
  - 9.7. Indonesia
  - 9.8. Philippines
- 10. South America Tokenization in BFSI Market Outlook, 2018-2032F
  - 10.1. Brazil
  - 10.2. Argentina
- 11. Middle East and Africa Tokenization in BFSI Market Outlook, 2018-2032F
  - 11.1. Saudi Arabia
  - 11.2. UAE
  - 11.3. South Africa
- 12. Demand Supply Analysis
- 13. Value Chain Analysis
- 14. Porter's Five Forces Analysis
- 15. PESTLE Analysis
- 16. Market Dynamics
  - 16.1. Market Drivers
  - 16.2. Market Challenges
- 17. Market Trends and Developments
- 18. Adoption Cost Trends Across Regions (Best Effort Basis)
- 19. Case Studies
- 20. Competitive Landscape
  - 20.1. Competition Matrix of Top 5 Market Leaders
  - 20.2. SWOT Analysis for Top 5 Players
  - 20.3. Key Players Landscape for Top 10 Market Players
    - 20.3.1. IBM Corporation
      - 20.3.1.1. Company Details
      - 20.3.1.2. Key Management Personnel
      - 20.3.1.3. Products and Services
      - 20.3.1.4. Financials (As Reported)
      - 20.3.1.5. Key Market Focus and Geographical Presence
      - 20.3.1.6. Recent Developments/Collaborations/Partnerships/Mergers and Acquisition
    - 20.3.2. Cisco Systems, Inc.
    - 20.3.3. Palo Alto Networks, Inc.
    - 20.3.4. Fortinet, Inc.

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20.3.5. □Broadcom Inc. (Symantec)

20.3.6. □Check Point Software Technologies Ltd.

20.3.7. □Trend Micro Incorporated

20.3.8. □McAfee Corp.

20.3.9. □Sophos Ltd.

20.3.10. □Microsoft Corporation

\*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

21. □Strategic Recommendations

22. □About Us and Disclaimer

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