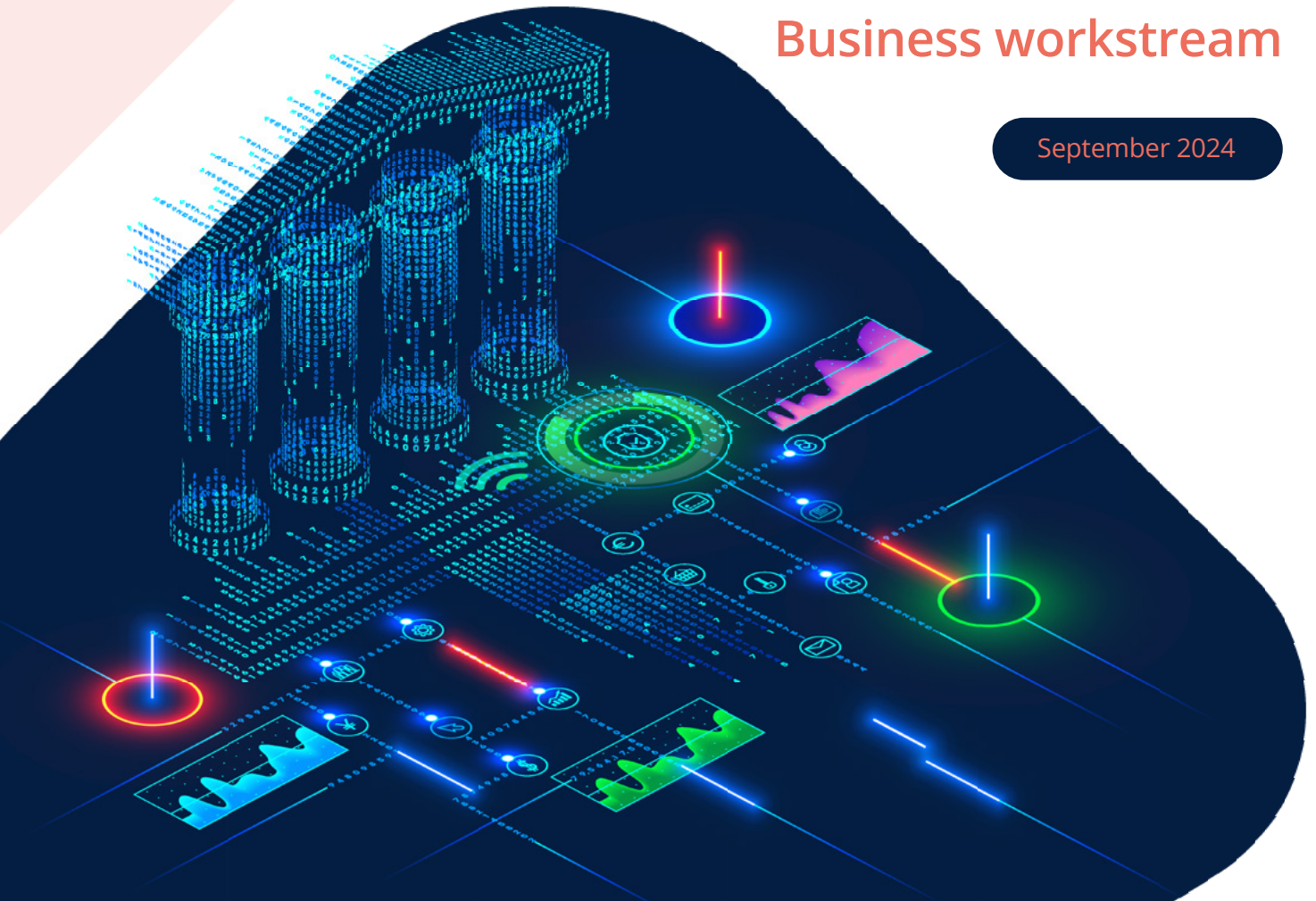


Platform for innovation: Business Report

Business workstream

September 2024



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Disclaimer

This document reflects the views of UK Finance Limited (UK Finance) and sets out the findings following the UK Finance Regulated Liability Network Experimentation Phase (2024). It is aimed at building on the previous work done on the Regulated Liability Network original white paper published in 2022 and the 2023 UK Finance Regulated Liability Network Discovery Phase.

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Executive summary



Executive summary

The Regulated Liability Network¹ (“RLN”) is a concept for a new type of regulated Financial Market Infrastructure (“FMI”) that would operate a multi-asset, multi-issuer programmable tokenisation platform² that records, transfers, and settles regulated liabilities of central banks, commercial banks, and regulated non-banks.

RLN entered the Experimentation Phase in December 2023, involving 11 financial institutions (known as the participants) which operated under the governance and oversight of UK Finance and were supported by a team of vendors. The Experimentation Phase project was structured into three

Platform for innovation

The platform for innovation is envisaged to be comprised of two components (a Multi-issuer Tokenisation Platform, and an API and Orchestration Layer) that could provide connectivity with third-party systems and enable a set of cornerstone foundational capabilities and non-functional requirements ([see the Technology Report for further details](#)).

Specifically, this included:

- **Multi-issuer Tokenisation Platform:** that facilitated the issuance of tokenised commercial bank deposits, as well as tokenised retail and wholesale Central Bank Digital Currency (“CBDC”), with

workstreams (Business, Legal and Technology) with an overarching Programme Management Office (“PMO”) function.

The Experimentation Phase progressed the RLN concept from the original whitepaper to combine multiple components for the technology experimentation architecture. This resulted in the development of a new concept, a platform for innovation, which aims to provide inclusion and access for all financial industry players, for example app developers, BigTech, FinTech, financial institutions and other stakeholders, big and small alike, to contribute and create value with benefits to the entire ecosystem.

programmability and in a way that met the required privacy goals

- **API and Orchestration Layer:** enabling interaction with all forms of money and a variety of new and existing ledgers, delivering functional consistency, programmability, and access to a rich set of ‘foundational capabilities’

This was supported by the implementation of:

- A suite of Business Applications to test the API and Tokenisation Platform, and to demonstrate and validate the foundational capabilities across forms of money, including existing commercial bank money and tokenised deposits

¹ Source: [The-Regulated-Liability-Network-Whitepaper.pdf \(regulatedliabilitynetwork.org\)](#)

² In this report, we refer to this layer in terms of its function and purpose – a multi-asset, multi-issuer, programmable tokenisation platform – rather than in terms of a particular technical implementation, such as a DLT, shared ledger, or network of networks.

- Integrations with simulations and prototypes of Open Banking, Project Rosalind, and a simulated Real-Time Gross Settlement (“RTGS”) platform, with associated test data to facilitate exploration of the various combinations of sources and destinations for payments this allows, including business flows to convert between forms of money or between ledgers

Throughout the Experimentation Phase, the business workstream and industry participants explored the following key questions:

- Is there value in a platform for innovation?
- How can the value be delivered?

These questions were researched and assessed through a blend of primary and secondary research, complemented by workshops and bilateral sessions.

To address the first key exam question “Is there value in a platform for innovation?”, the business workstream and industry participants selected 14 foundational capabilities, some of which do not exist in the market today, and applied them across a selection of use cases. This helped to identify a number of benefits across a range of stakeholders and how these relate to the

wider UK context. As part of this exercise, the following three areas were explored:

- Retail and wholesale transaction flows (use cases) – Section 2.1;
- Business hypotheses and associated benefits – Section 2.2; and
- A vision for the future of the platform for innovation – Section 2.3.

Once the Experimentation Phase participants were able to ascertain the value of a platform for innovation, they looked at how to best address the second key question, “how can value be delivered?”. The business workstream and industry participants identified and reviewed various operating and commercial models for the platform for innovation, which could help deliver value for all stakeholders while maintaining a sustainable governance and funding model. This led to the exploration of two additional areas of work:

- Potential operating models.
- Commercial implications and modelling scenarios for different operating models.

Across the five areas of work, the business analysis uncovered a number of key findings as reported below.

Is there value in a platform for innovation?

Use cases

- The platform for innovation has the potential to support a range of use cases, including the in-scope use cases (Peer-to-Peer (“P2P”) marketplace, home buying and settlement of tokenised bonds) as well as additional ones (e.g. rental home scheme).
- The platform and the new functionality (such as locking / unlocking funds) could enhance existing transactions and customer journeys across retail and wholesale markets, as proven through the P2P marketplace, home buying and settlement of tokenised bond use cases.

Business benefits

- The platform for innovation could enable over 40 business benefits to end customers, financial institutions, innovators / intermediaries, and central authorities, among others, which could result in a total economic benefit of greater than £3bn. Some of the most impactful are:
 - Higher level of settlement efficiency through the interoperability of money and asset ledgers enabling significant savings for the end customer.
 - Reducing Authorised Push Payment (“APP”) fraud, in particular, for the P2P marketplace use case and home buying use case.
 - Simplifying customer journeys enabling benefits for all market participants in the home buying use case.
 - Reducing the cost of failed payments in the UK.
 - Boosting the UK economy through increased payment efficiency.

Macro Vision

- The platform for innovation could help to address pain points currently present across the payments ecosystem, such as inefficiencies and delays. Its capabilities could serve as a complement to existing market initiatives, such as meeting the objectives of the Bank of England’s (“BoE”) Discussion Paper on the approach to innovation on money and payments, and aligning with the National Payment Vision (“NPV”) and BoE’s Digital Pound objectives, potentially attracting wider market adoption over the long-term.

How can the value be delivered?

Operating model

- The operating model and corporate structure of the platform for innovation could take different forms based on technology design choices (e.g. tech layers operate separately), implementation approach (e.g. built by new entity vs by existing entity), and other criteria
- In the Experimentation Phase, four operating models and 15 corporate structure considerations have been explored. It was found that three of the four operating models could enable the maximisation of benefits to end customers, and are most closely aligned with the business objectives of maximising business benefits, scalability, fast time to market, alignment across components, and low build costs.
- To achieve alignment with the business and commercial objectives, the platform would likely need to be recognised as a private, for profit (and / or profit-capped) entity, which allows for public oversight via the election of public non-executive directors (“NED”).

Commercial model

- The commercial model is based on a defined set of requirements to enable commercial viability, namely a break-even point in 10 years or earlier, Return on Equity (“ROE”) to start to be returned to participants in 15 years or earlier, an internal rate of return (“IRR”) of 10% or higher, and positive retained earnings in year 30.
- The commercial model can be modelled over a set of scenarios (e.g. built by a new entity vs existing entity, include a simple vs enhanced fee structure) to determine

the break-even point, whilst ensuring that there is a framework to deliver commercial value to the entire ecosystem.

- It was determined that for the three use cases in scope, over the 30-year modelling period from 2025-2054, the platform for innovation would likely be commercially viable with an enhanced fee structure, or if more use cases were added.

These findings are further explored in the “Findings and analyses” section of the final Business Report.

The BoE approach to innovation in money and payments

These findings should be considered alongside the wider changes to the UK payments landscape, many of which are covered in the ‘Business benefits’ and ‘Macro vision’ sections.

The Business Report is supplemented by separate reports that address the legal⁵ and technological aspects and considerations.

In particular, the BoE published a Discussion Paper setting out its approach to innovation in money and payments in July 2024.³ When reviewing the findings against the paper, it was found that the platform for innovation can meet the BoE’s objectives for retail payments as discussed in the paper, including maintaining the singleness of money (see 2.2.2.), promoting sustained innovation (2.2.1), with an infrastructure that is resilient⁴ and has sustainable governance and funding models. The project explored and shares insights for other aspects of the BoE’s paper, such as settlement in central bank money and the use of wholesale CBDC (section 2.1.2), as well as identifying the benefits of programmable platforms and tokenised deposits (section 2.2).

³ Source: [The Bank of England’s Discussion Paper | Bank of England](#)

⁴ During the Experimentation phase resiliency was explored as part of the business analysis and not from a technical perspective

⁵ The legal memorandum was advice addressed to UK Finance and has therefore not been published.

01

Introduction



Introduction

1.1 Key business hypotheses

The business workstream identified 21 business hypotheses, which were assessed and validated via external primary and secondary research, analyses and bilateral or joint discussions with industry participants.

Table 1. Key business hypothesis that the Experimentation Phase explored

Hypotheses categories	Business hypotheses / test
1 Functionalities	Functionalities of the platform for innovation enable business benefits across the payments ecosystem and the wider UK economy
2 Macro Vision	The platform for innovation has a role to play and provides value to the current payment and settlement ecosystem
3 Corporate Structure and Operating Model	Operating model and corporate structure: <ul style="list-style-type: none"> • maximise business benefits delivered to all stakeholders (e.g. enabling innovation) • enable easier scalability in the future by providing a platform for innovation, allowing it to interoperate with other existing or future systems, and providing extensibility to new use cases (e.g. extensibility of assets) • enable an appropriate time to market • promote alignment of business and operational objectives between Tokenisation Platform and API and Orchestration Layer • have an appropriate cost to build and operate
4 Commercial Model	Commercial model: <ul style="list-style-type: none"> • enables the benefits (e.g. fraud and economic crime reduction) to justify the cost to access the functionalities of the platform for innovation • operates on a cost recovery basis. This means at a minimum the platform for innovation would need to derive sufficient revenue to cover its annual operating expenses • generates sufficient returns to hold a buffer for resolution and recovery, capital resiliency and investment purposes (e.g. future upgrades)

02

Findings and analyses



Findings and analyses

The following section captures key discussions, analyses, and findings of the Experimentation Phase across the following areas:

- Use cases (Section 2.1)
- Business benefits (Section 2.2)
- Macro vision (Section 2.3)
- Operating model
- Commercial model

Is there value in a platform for innovation?

To determine whether the platform for innovation could provide any value to the UK economy, the Experimentation Phase participants identified a set of foundational capabilities, which, if implemented, could help revolutionise the current payment and settlement processes. Participants then agreed to identify a selection of use cases across retail and wholesale sectors, which could help bring these foundational capabilities to life, and explored how these capabilities could be best applied. The exploration of the three selected use cases and foundational capabilities enabled the identification of over 40 business benefits to a variety of stakeholders, including end users, financial institutions, central authorities, innovators, and intermediaries, among others. Participants finally reviewed how the platform for innovation would fit in the current UK payment and settlement ecosystem and how the value it delivers could align with the objectives of existing initiatives, such as NPV, BoE's Digital Pound, and the BoE's paper on innovation in money and payments.

2.1 Use cases

Context

A key objective of the Experimentation Phase and business analysis was to explore how the platform for innovation could showcase its potential via a selection of use cases, including considerations on the foundational capabilities that enable them (please note that the non-functional requirements are explored in the [Technology Report](#) and are not considered as part of this business analysis.

- The industry participants kickstarted the Experimentation Phase by undergoing a rigorous process to review and agree the in-scope use cases for the Experimentation Phase.
- This led to the selection of two retail use cases (P2P marketplace and home buying) and one wholesale use case (settlement of tokenised bonds).
- The first two retail use cases were chosen as these represent significant pain points but also opportunities for retail consumers, retailers, marketplaces, and financial institutions. Whereas the wholesale use case was included to showcase flexibility to accommodate different types of use cases as a platform for innovation.

- Two other use cases, namely the e-commerce merchant gateway and card integration with Point-of-Sale ("PoS") compatibility, were explored and tested from a technical perspective. The purpose of the inclusion of these two additional use cases was to demonstrate and validate the full set of foundational capabilities across a number of alternative scenarios from a technological perspective. These use cases have not been analysed from a business or legal perspective, nor included in the corresponding reports.
- In the Experimentation Phase, evidencing potential improvements in outcomes for stakeholders in fraud and economic crime reduction, speed and quality of service delivery would support the case for a platform for innovation.

Findings

The analysis reveals that the foundational capabilities have the potential to mitigate key pain points across the three use cases, as well as a broader range of additional use cases (not reviewed from a legal and regulatory perspective in the Experimentation Phase), including streamlining payment journeys, enhancing their transparency, and boosting resilience to fraud and economic crime.

2.1.1 Foundational capabilities that enable use cases

The three use cases in-scope were analysed by the business, legal and technology workstreams. Two additional use cases were delivered by the technology workstream to further test the foundational capabilities and included technical integration with e-commerce merchant gateways, as well as card integration and "PoS" compatibility.

The Experimentation Phase examined the use cases and identified the foundational capabilities that could be leveraged. These foundational capabilities were selected for their ability to enhance the efficiency, security, and flexibility of financial transactions, addressing limitations in current payment systems, and enabling advanced functionalities like Delivery versus Payment ("DvP"), interoperability, and programmability. Additionally, new foundational capabilities could be introduced through the upgrade of existing payment rails, the addition of new rails, and enhancements at the API and Orchestration Layer. The list of foundational capabilities are captured in Table 2. [\(See the Technology Report for further details\)](#)

Table 2. List of foundational capabilities

#	Foundational capability	Description
1	Simple push payment capability	Capability to orchestrate and settle payment initiated using commercial bank money (accounts and tokenised deposits) and retail CBDC (e.g. the proposed digital pound).
2	Interoperability	Interoperability across various forms of money. The platform for innovation should provide interoperability between commercial bank accounts, commercial bank tokenised deposits and retail CBDC e.g. a) A transfer from retail CBDC wallet to commercial bank account; and vice versa b) A transfer from a tokenised deposit wallet to the other forms of money (retail CBDC) or existing commercial bank money).
3	Interoperability (across ledgers)	Interoperability across other digital asset ledgers to enable atomic swap (XvP) i.e. Enable asset transfer and a funds transfer in a way that ensures that delivery occurs if, and only if, the corresponding payment occurs.
4	Payment sequence orchestration	Support sequencing of payments between multiple accounts (e.g. multiple debits, single credit) across all forms of money.
5	Programmability	Ability to add conditional terms to a payment (across all forms of money).
6	Locking / unlocking funds (Programmability)	Ability to escrow, lock/hold and release user funds across all forms of money.
7	Pull payments capability	Support pull payments and fund locking mechanism, initiated by merchant (from all forms of money).
8	Tokenisation of commercial bank money leveraging Tokenisation Platform infrastructure	Support tokenisation of commercial bank deposits. Support minting, transfer and burning of tokens.
9	Settlement finality	The platform should ensure: a) Atomic settlement on the Tokenisation Platform in case of XvP transactions b) Finality of synchronised DvP where atomic settlements are not possible or c) Finality of tokenised deposit transfers
10	Settlement through API integration with the Faster Payment System (FPS), Omnibus Account or Real-Time Gross Settlement (RTGS)	Enable settlement of inter-bank transactions in central bank money using FPS, RTGS (including renewal program changes) or omnibus account mode.
11	Issue wholesale CBDC and retail CBDC on Tokenisation Platform (central bank nodes on ledger)	a) Inter-bank settlement (gross or net) of tokenised deposits using wholesale CBDC issued on the Tokenisation Platform. b) Issuance of retail CBDC on the Tokenisation Platform.
12	Enable external capability	Support integration with external systems like Merchant payment gateways, card networks, MTF, CSD or CCP.
13	Connector for third party applications	a) Connectors to facilitate 3rd party application triggering programmable payments. e.g. A smart meter initiating a payment based on that month's bill. b) Authentication of such 3rd party operators.
14	Notifications	Capability to send notifications to business apps to enable different functional workflows.

Through the use cases in Table 3, the platform for innovation aims to demonstrate the impact of its technologies on the financial industry, driving greater efficiency, security, and transparency across various

financial operations. With each use case, it is envisaged that third party business applications will provide the front-end services and the platform for innovation provides the underlying infrastructure.

Table 3. List of use cases in-scope for the Experimentation Phase

No.	Use case ("UC") description	Business analysis	Legal analysis	Technology analysis
UC1	Peer-to-peer ("P2P") marketplace	✓	✓	✓
UC2	Home buying	✓	✓	✓
UC3	E-commerce merchant gateway	-	-	✓
UC4	Card integration and PoS compatibility	-	-	✓
UC5	Settlement of tokenised bond	✓	✓	✓

Moreover, as core infrastructure and foundational capabilities enable access by and interoperability with players from across financial services, it is envisioned that new business applications could be built on top of the platform and new foundational capabilities could be provided in the platform. Therefore, it is important to note that the opportunity associated with the platform for innovation is not limited to the use cases selected for the Experimentation Phase.

To demonstrate how the foundational capabilities could enable the use cases, the business workstream performed an analysis to illustrate the current state and future state flows for the in-scope use cases. To note, the following flows are meant to demonstrate how the process could be enhanced with the platform for innovation from a business perspective. The technical process flows are illustrated in the [Technology Report](#).

2.1.2 Use case descriptions

UC1: P2P marketplace

In the use case, consumers purchase products either on a P2P marketplace or through 1:1 private transactions, via a retail version of Delivery vs Payment.

For the purpose of the Experimentation Phase, the analysis focused on marketplaces that enable P2P transactions without the involvement of a central authority, i.e. individuals leverage the online platform simply as an environment to conduct business. Moreover, the use case is limited to P2P transactions in relation to purchases (i.e. exchanging funds for goods), where there is no merchant or business involved. For these reasons, today's P2P marketplace flows rely on intermediaries to ensure trust.

Some of the key pain points in the current process are:

- **Authorised Push Payment (“APP”) fraud:** High instances of APP fraud primarily due to the limited buyer protection available today. The UK Finance Annual Fraud Report (2023)⁶ outlines an overall value of APP fraud of £485.2 million, with £67m of this being attributed to purchase scams (these primarily occurs when a fraudster asks for payment before sending an item sold on a marketplace, but the item is never sent to the transferring client)
- **High intermediation costs:** High costs associated with payment intermediation for marketplaces as a result of regulation associated with facilitating the transfer of customer payments. Currently, marketplaces which take customer payments and subsequently allocate funds to market participants (such as delivery drivers, merchants, etc.), may be subject to the Payment Services Directive 2017⁷ regulation which comes at an additional operating cost

How has the Experimentation Phase addressed these pain points?

The P2P marketplace was identified as a potential use case which can be enabled by a set of foundational capabilities of the platform for innovation such as locking / unlocking, programmability, and settlement finality.

With the platform for innovation there is an agreement made between two parties which is codified through a smart contract and involves the transferring client’s funds being locked and released upon satisfactory delivery of the products / goods. Smart contracts are self-executing contracts with the terms of the agreement directly written into code.

The Experimentation Phase explored how in this use case the platform can increase trust through programmability by enabling automated, transparent, and tamper-proof execution of transactions and processes. This is also enabled by the creation of smart contracts and by leveraging the locking / unlocking functionality which enables payment conditionality upon

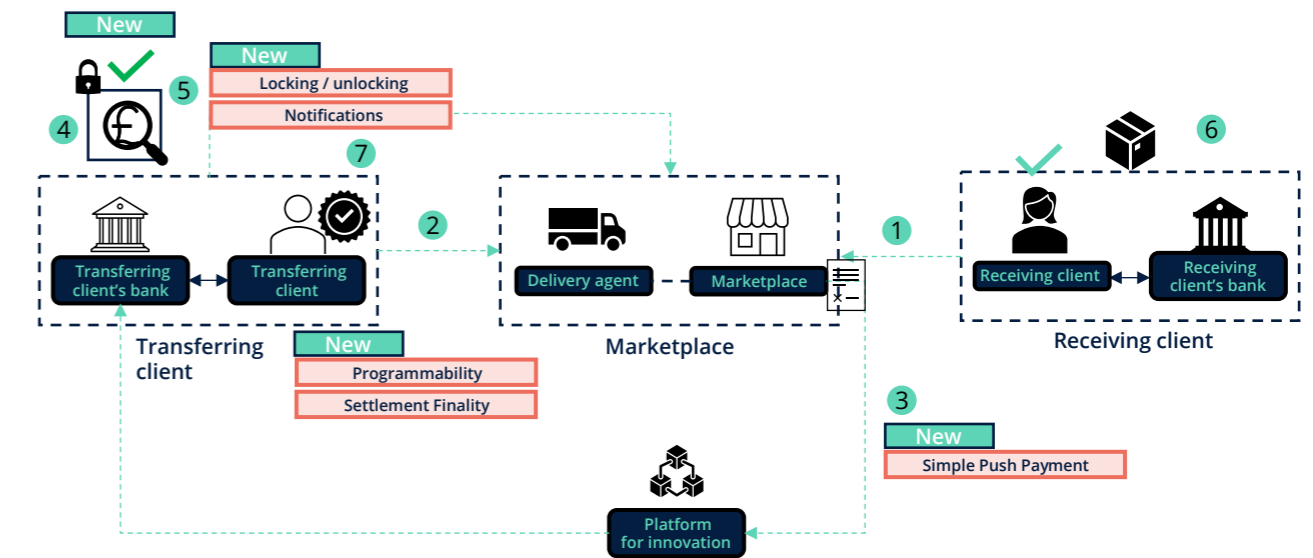
delivery. In addition, it was determined that automation could help to reduce the need for intermediaries, thereby minimising the risk of human error, fraud and economic crime, and manipulation. Finally, the inclusion of different payment flow variants could help demonstrate settlement finality via different central bank money options, helping to maintain functional consistency of money and enabling innovation (e.g. RTGS reserve account, Omnibus account, wholesale CBDC “wCBDC”). This aligns with the BoE’s Discussion Paper on innovation in money and payments, specifically, the desire to ensure settlement in central bank money and preserve the role of central bank money as anchor for confidence in the financial system.

The P2P marketplace use case is enabled by a set of foundational capabilities, some of which might not yet be available in current payment rails; examples include:

- **Locking / unlocking:** ability to lock funds in transferring client’s account until satisfactory receipt of goods to enable more control.
- **Notifications:** capability to send notifications to business apps, which provides enhanced transaction transparency for end customers.
- **Programmability:** the ability to add conditional terms to a payment, ensuring that funds are only released once predefined rules and conditions are met.

- **Settlement Finality:** providing settlement for DvP retail transactions completed via a P2P marketplace which are deemed final
- **Simple push payment:** capability to orchestrate and settle payments facilitated via business apps, streamlining the transfer of funds without the need for multiple intermediaries

Figure 1. Potential future state P2P marketplace process flow where one transferring client purchases an item from one receiving client on a marketplace



Potential future process steps

1. The receiving client lists a product on the marketplace.
2. The transferring client uses the platform to select the product and shows intent to purchase.
3. Transferring client initiates transaction and the locking process directly via bank or indirectly via business app / Payment Service Provider (“PSP”), invoking a smart contract or automated workflow on the platform for innovation which leverages order information (this is conducted as part of the same step, additional separate step is not required).
4. The platform ensures that transferring client has sufficient funds to complete transaction.
5. The platform for innovation locks the funds on transferring client / PSP’s bank partition and notifies the receiving client’s bank / PSP that the transaction can proceed.
6. The receiving client initiates shipment of product via the delivery agent.
7. Upon delivery, a two-step verification takes place where the delivery agent confirms delivery and the transferring client confirms receipt and condition of product, which triggers unlocking of funds and “DvP-like” settlement. It should be noted that an additional dispute resolution service would be required to address disagreements between transferring clients and receiving clients and act as a neutral actor in the process. This has not been included as part of this flow for the Experimentation Phase.

⁶ Source: [Annual Fraud Report 2023_0.pdf \(ukfinance.org.uk\)](#) The UK Finance Annual Fraud Report reports overall figures of £459.7m for APP fraud and £85.9m for purchase scams in 2023-24. For the purpose of this analysis, data for the year 2022-23 were considered to ensure alignment and the same frame of reference throughout the analysis

⁷ Source: [The Payment Services Regulations 2017 \(legislation.gov.uk\)](#)

UC2: Home buying

In this use case a retail customer undergoes the journey to purchase a property for residential purposes. Today's home purchase journey can be complex and lengthy in nature, involving a high number of intermediaries, with a minimum of nine payments being processed where there is one transferring client, one receiving client, and no chain.

For the purpose of the Experimentation Phase, the analysis was limited to purchases of properties for UK residential purposes only.

Some of the key pain points in the payment journey today are:

- **Complexity:** Highly complex and lengthy payment journey as a result of the significant number of individual, bilateral payments that occur across the end-to-end process.
- **Manual errors:** Payment errors due to manual entry by customers and / or other market participants. Each individual payment across the payment journey is potentially subject to a manual payment error, which can subsequently cause delays for the transferring client and receiving client, and well as additional operating costs for the intermediaries.
- **Limited transparency:** Limited transparency for transferring clients and receiving clients across the home purchasing journey. From the transferring client's perspective, there is a transfer of their deposit funds to a conveyancer's escrow account; the transferring client has very limited visibility as to where their deposit funds sit and how long those funds remain in the conveyancer's escrow account.

How has the Experimentation Phase addressed these pain points?

The home buying use case can be brought to life with the platform for innovation by leveraging both money and asset (real estate) tokenisation⁸, as well as other foundational capabilities such as locking / unlocking, programmability, payment sequence orchestration, and interoperability across ledgers.

With the platform there is a locking of funds in the customer account at the point of contract exchange, market participants involved in the transaction could independently validate the smart contract, and at completion there is a simultaneous initiation of actions (i.e. auto-drawdown of the mortgage, transfer of locked deposit funds, payment to conveyancers, payment to estate agents, payment of stamp duty, repayment of receiving client's mortgage and credit net proceeds to the receiving client's account).

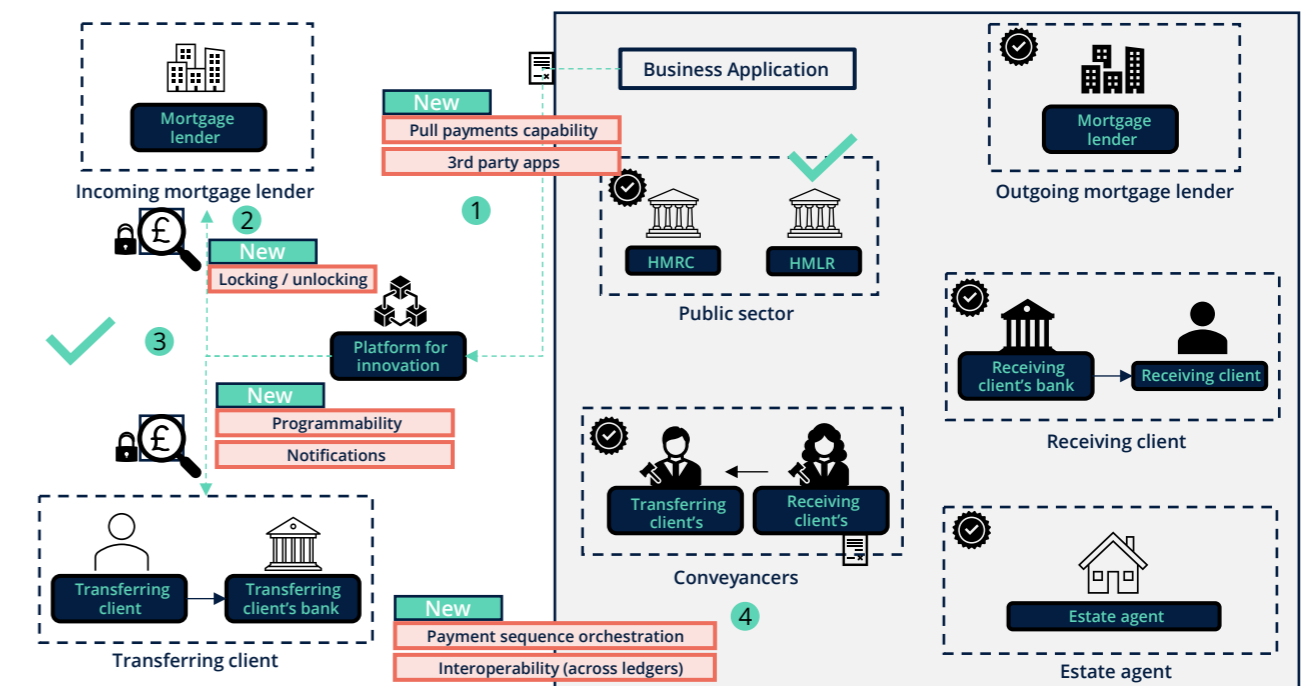
The home buying use case is enabled by a set of foundational capabilities, some of which might not yet be available in current payment rails; examples include:

- **Locking / unlocking:** funds remain locked in the account of the buyer / incoming lender, improving the visibility and control of buyer's funds.
- **Programmability:** setting conditions upon which the funds are released, improving the timeliness of payments to the relevant market participants.
- **Payment sequence orchestration:** supporting the split payment to a pre-defined set of beneficiaries in the process (i.e. agents, outgoing lender, etc.), subsequently improving efficiency of payments to each recipient.

⁸ The focus of the Experimentation Phase was to demonstrate settlement of the cash leg via the platform for innovation. Although asset tokenisation in the context of real estate could be accommodated in the future, it was not tested during this phase

- **Interoperability:** demonstrating the ability to send and receive funds across different forms of money (with the view of being able to achieve DvP settlement between money and assets in the future, i.e. tokenised deposits for a tokenised deed).
- **3rd party applications:** demonstrating the connection to a third-party application (in this instance Coadjute), to facilitate the payment journey and improve the front-end customer experience.
- **Notifications:** demonstrating that the business application can be notified when certain events occur across the process, providing the market participants with more visibility of the progress of the transactions.
- **Pull payments capability:** supporting payments initiated by the business application (e.g. request to pay), to enable business applications to provide functionality to end user.

Figure 2. Potential future state home buying journey process flow where one transferring client purchases a home from one receiving client with no chain



Potential future process steps

1. At point of exchange, the business application initiates transaction, invoking a smart contract or automated workflow on the platform for innovation which includes a proposed transaction date.
2. The platform ensures that there are sufficient funds from the transferring client and lender.
3. The platform for innovation locks the funds on transferring client's bank and lender's partitions and notifies all that the transaction can proceed.
4. Upon confirmation on the date outlined in the smart contract or defined as part of the automated workflow, payment is made simultaneously to all parties, the transfer deed is issued, and HM Land Registry ("HMLR") is notified.

UC5: Settlement of tokenised bond

In this use case, the process of bond issuance and settlement is explored. Given the highly complex nature of this use case, and potential applications in the secondary market, there is additional detail with regards to the process flows and additional nuances to be considered.

For the purpose of this business analysis, the scope is limited to the primary issuance of a corporate bond using a hard underwrite, however, there may be nuances depending on the type of bond (e.g. for corporate bonds the issuing agent takes care of the International Securities Identification Number (“ISIN”) registration vs. for GILT the Debt Management Office (“DMO”) does the registration), level of underwriter commitment (e.g. “firm commitment” underwriting model where Lead Manager takes responsibility vs “best effort basis” or “all or nothing basis” that impact the flows), and the role of the underwriter (e.g. documentation only or distribution).

In the process today, there are pain points such as:

- **Liquidity inefficiencies:** Liquidity inefficiencies across commercial bank’s Central Securities Depository (“CSD”) accounts. Currently payment, clearing, and settlement systems are fragmented, hindering efficient liquidity management. For instance, Euroclear cannot access reserves in commercial bank accounts directly, requiring banks to manually pre-fund individual cash memorandum accounts (“CMAs”) held at custodian and move liquidity across to proceed with a security purchase.

- **Delayed netting:** Netting lagging behind proposed reduced settlement times across the industry. With the industry moving towards faster settlement (through initiatives such as the US T+1), there is a forward-looking view which implies that netting will be out of sync with the speed of settlement, and there will be a requirement for the netting process to catch up with the faster settlement process.
- **Limited operating hours:** Limited CSD operating hours by virtue of not operating 24/7 settlement cycles, resulting in challenges and inefficiencies such as delayed settlement, trapped collateral and liquidity due to securities being confined within FMI systems, and high funding costs due to unnecessary overnight repurchase agreements (“repos”) and associated costs.
- **Slow settlement:** According to Sarah Breeden’s speech on modernising the trains and rails of UK payments⁹, while the execution of financial market transactions today takes place at speed, its clearing and settlement is far slower, as the multiple entities involved each update their records and perform due diligence and confirmations to mitigate counterparty risk. About 6.7% of all transactions require manual intervention, often due to discrepancies or disputes between counterparties, which slows down the settlement process¹⁰. Lack of funding is not an issue, but a missing or incorrect instruction often is.

How has the Experimentation Phase addressed these pain points?

This settlement of tokenised bond use case explores how the platform for innovation can facilitate the tokenisation of traditional financial instruments (in this case a corporate bond) and the transfer of these assets atomically with the payment, thereby mitigating counterparty risk and enhancing the efficiency and security of transactions.

The Experimentation Phase showed how the future process using the platform for innovation could automate and simplify settlement by leveraging advanced programmability and automation to achieve atomic DvP, meaning that there is a simultaneous exchange of tokenised assets and tokenised deposits. The infrastructure could enable real-time, seamless transactions, reducing the need for manual intervention and minimising the risk of errors. The platform for innovation aims to achieve this through automating the settlement process via the use of smart contracts. This could ensure transactions are executed accurately and efficiently, in near-real time and atomically, thereby minimising the risk of human errors, enhancing the functionalities provided by existing CSDs.

This wholesale use case with the platform for innovation represents an alternative approach to settlement of the cash leg in a bond settlement transaction. In the Experimentation Phase, the platform was used to facilitate the cash (payment) leg of the transaction and a separate digital asset ledger was used to facilitate the asset (bond) leg. The platform interoperates with a separate asset ledger, however in the future it could evolve to host multiple assets in the same ledger. This alternative design and the implication of recognising the platform for innovation as an asset ledger is not in scope for the business analysis.

The settlement of tokenised bond use case is enabled by a number of foundational capabilities, some of which might not yet be available in current payment rails; examples include:

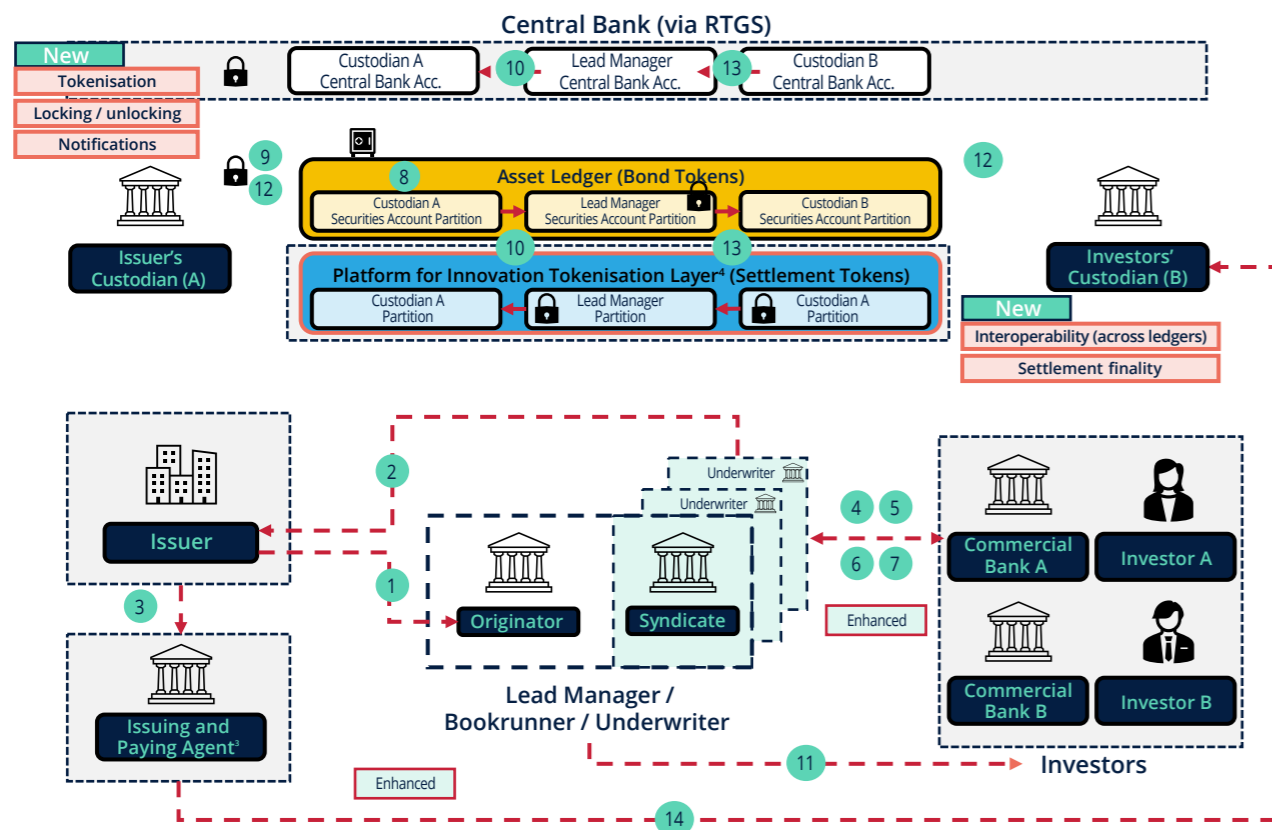
- **Tokenisation:** facilitating the tokenisation of both deposits on the Tokenisation Platform and assets (bonds) on a separate asset ledger.

- **Locking / unlocking:** having funds locked on the Tokenisation Platform and assets locked on the asset ledger improves control for both cash and assets legs of the transaction.
- **Interoperability:** achieving DvP settlement, between an asset ledger and the Tokenisation Platform (or a ledger with both tokenised assets and deposits), generating operational efficiencies and reducing risk at the point of settlement.
- **Settlement finality:** achieving settlement finality between the tokenised asset and tokenised deposit without the need for an external settlement venue.
- **Notifications:** providing notifications when the asset and cash legs are locked and the DvP settlement can proceed, thus enhancing transparency in the process.

9 Sarah Breeden: [Modernising the trains and rails of UK payments](#)

10 Source: EY secondary research

Figure 3. Potential future state primary bond issuance process flow leveraging tokenised bonds and tokenised deposits to achieve atomic DvP



Potential future process steps

1. The Issuer evaluates the feasibility and interest in financing through bond issuance with Origination Desk (Lead Manager).
2. The issuer mandates a syndicate of banks to advise on the issuance process, inclusive of the Lead Manager and other underwriters, which agree to underwrite the bond.
3. A draft term sheet is created with high level terms to facilitate an ISIN request from the issuer's Issuing and Paying Agent ("IPA") (on the basis of Euro Medium Term Note ("EMTN") programme-issued debt).
4. If there is an infrequent or inaugural issuance, a roadshow might be conducted to gather appetite and pricing thoughts, otherwise the issuer relies on the syndicate to formulate a best execution strategy and agree on Indicative Price Thoughts ("IPTs"),
5. The Syndicate recommends a day to announce the transaction, and depending on the sentiment of the market backdrop, a "go / no-go" decision is made on the tentative date; if affirmative, bond terms and indicative price thoughts are published to the market and investors, and book building commences.
6. The Syndicate refines pricing and deal size based on the quality of the order book during the book building process.
7. The bond price and allocations are finalised with the Issuer's approval after a "closing call" is held between the Issuer, legal representatives, and the Lead Manager, and Investors receive allocations (this is T0.)

8. The bond token is minted on the Custodian A Securities' Partition.
9. The Digital Asset ("DA") platform requests the platform for innovation to lock the tokenised bond on the Asset Ledger (Issuer Custodian), the tokenised deposits on the Tokenisation Platform (Lead Manager), and central bank money (Lead Manager) in the RTGS system.
10. At settlement (before T+5), the Lead Manager receives the tokenised bond on the Asset Ledger, the tokenised deposits on the Tokenisation Platform are burned on the Lead Manager's partition and minted in the issuer's Custodian partition. This triggers an atomic settlement at the Central Bank through Delivery versus Payment versus Reserves ("DvPvR") settlement. To note, it is important to distinguish where the role of the platform for innovation in the issuance process ends, as different regulatory considerations might apply.
11. Distribution commences with the Lead Manager billing the Investors according to the finalised pricing and allocations. This process could be potentially automated via the DA Platform.
12. DA platform requests the platform for innovation to lock the tokenised bond on the Asset Ledger (Lead Manager), the tokenised deposits on the Tokenisation Platform (Investors), and central bank money (Investor).
13. At settlement (T+5, but this could be earlier than T+5 if all other parts of the process are in place), the Lead Manager receives tokenised deposits, the Investors receive the tokenised security, the tokenised deposits on the platform for innovation's ledger are burned on the Investors' partition and minted in the Lead Managers' partition (excluding fees) automatically. This is then settled atomically at the Central Bank through DvPvR settlement.
14. Post-issuance, the Paying Agent performs asset servicing (debt service letter, receives 100% payments from the Issuer, and disburses coupon payments to Investors' Custodians).

2.1.3 Other use cases that the foundational capabilities could enable in the future

In addition to the three primary use cases outlined in the previous section, the Experimentation Phase delivered the e-commerce merchant gateway, and card network and PoS use cases via the Experimentation Platform. The purpose of those was solely to demonstrate the applicability of a set of foundational capabilities and prove technical feasibility, as opposed to business desirability. Through the Experimentation Phase, the industry participants identified several promising use cases based on the innovator workshop¹¹, Project Rosalind¹², the Brazilian Central Bank Digital Currency ("CBDC") project (Drex)¹³ and the discovery phase¹⁴. These use cases encompass a broad spectrum of industries and applications, showcasing the versatility and potential of innovative technology.

11 Source: [RLN Innovator Workshop Recap: Driving collaboration in financial services | Insights | UK Finance](#)
 12 Source: [Project Rosalind: developing prototypes for an application programming interface to distribute retail CBDC \(bis.org\)](#)
 13 Source: [Ap_RCN_UCLA_19.1.23.pdf \(bcb.gov.br\)](#)
 14 Source: [Regulated Liability Network: UK | Policy and Guidance | UK Finance](#)

Furthermore, the platform envisions utilising its infrastructure to facilitate secure and efficient transactions in emerging delivery models, such as Amazon lockers, optimising the last-mile delivery process for e-commerce transactions. These use cases underscore the potential of the platform for innovation to drive transformation and address real-world challenges across various domains (e.g. retail, wholesale, domestic, cross-border, etc), representing potential opportunities for capabilities that have yet to be fully explored.

2.2 Business benefits

Hypotheses

The functionalities of the platform for innovation enable a number of business benefits across the payments ecosystem and the wider UK economy

- A key objective of the Experimentation Phase and business analysis was to help demonstrate the value of the platform for innovation and its tech components. The previously discussed use cases lay the foundations for realising where key business benefits could arise.

Findings

In total, over 40 business benefits for end customers, financial institutions, central authorities, and the broader ecosystem were identified

- These were categorised as enhancing customer value, threat and risk mitigation, operational efficiency, growth opportunities, and macroeconomic benefits.
- The identified benefits were then categorised as primary or secondary and, where feasible, assigned a quantified value.

This section provides an overview of the hypothesised benefits that the platform for innovation could deliver, including key findings and considerations on where

these benefits could materialise across the technology stack and how these can be best demonstrated. A key finding of this business analysis was that the platform has the potential to provide value for several stakeholders, in alignment with objectives of regulators and central authorities e.g. BoE and the NPV, across the in-scope use cases, and broader applications.

2.2.1 Business benefits and dependencies

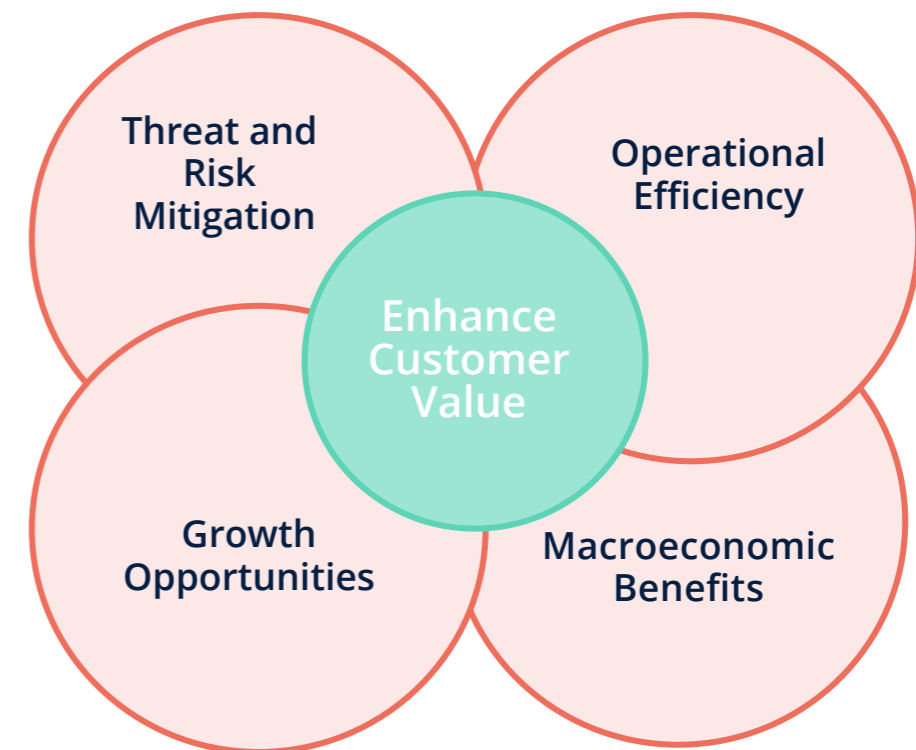
A number of business benefits that the foundational capabilities could enable were identified. The industry participants took a five-step approach to assess these by identifying the benefits, categorising them, allocating them to relevant beneficiaries, quantifying their value and validating these via the Experimentation Platform and / or primary research. This framework can serve as the foundational baseline for identifying and assessing business benefits for any future use case. It provides a structured approach to evaluate the potential impact and value, ensuring a comprehensive understanding of the benefits across various additional use cases and other potential variations of those.

This business analysis led to the identification of 40+ use case-specific and use case-agnostic benefits that the platform for innovation could help materialise across the payment ecosystem and the wider UK economy. These can be summarised into five broad themes:

1. **Enhance customer value:** This is an overarching theme that encompasses all other benefits and summarises the value that the platform for innovation could bring to end customers, for example by increasing safety, reducing inefficiencies, and providing value-added services.

2. **Threat and risk mitigation:** This set of benefits highlights how the platform for innovation could help mitigate potential and / or current risks, such as fraud and economic crime, fragmentation of money, operational resilience.
3. **Operational efficiency:** These benefits include considerations around process simplification, interoperability, efficiency, among others.
4. **Growth opportunities:** This set of benefits highlights the opportunities that the platform could derive by delivering value-add services and enabling more data-enriched journeys.
5. **Macroeconomic benefits:** This theme includes the overall benefit that the platform for innovation could bring to the wider ecosystem, for example by enabling innovation and competition.

Figure 4. Five business benefits themes



Across these five themes, the industry participants classified the benefits as either primary or secondary:

- Primary benefits represent a set of key unique benefits that the platform could enable.
- Secondary benefits include the benefits that arise as a result.

In total, 10 primary and 37 secondary benefits were identified.

Table 4. Business benefits themes, primary and secondary benefits

Theme		Primary benefits		Secondary benefits		Confidence in realisation (time vs complexity)
Enhance Customer Value	Threat and Risk Mitigation	1	Reduce fraud, promote customer safety	a	Enhance customer control	Quick win (benefits could be achieved by virtue of implementing the foundational capabilities of the platform for innovation, e.g. locking / unlocking functionality, which could directly benefit end customers in the short term)
				b	Increase customer confidence and reduce customer anxiety	
				c	Improve customer transparency and choice	
				d	Promote environmental sustainability via "re-commerce"	
		2	Maintain "singleness" and anchoring of money	a	Mitigate the risk of fragmentation across forms of money	Strategic initiative (coordination and support from the regulators and central authorities would be key to enable the benefits to materialise)
				b	Promote financial institutions, which are regulated	
				c	Unify the customer payment experience	
		3	Avoid higher cost of credit to customers	a	Upgrade commercial bank money and strengthen the two-tier (i.e. central bank and commercial money) banking system	Strategic initiative (the level of adoption and buy-in from the financial services industry would be key to enable the benefits to materialise)
				b	Enhance competitiveness of all "regulated" money	
		4	Enhance operational resilience (including cyber)	a	Enhance recovery and resolution	Strategic initiative (financial services institutions might need to materially enhance their core infrastructure to enable this set of benefits to realise)
				b	Improve traceability and reconciliation	

Theme		Primary benefits		Secondary benefits		Confidence in realisation (time vs complexity)		
Enhance Customer Value	Operational Efficiency	5	Simplify complex customer journeys	a	Expedite disbursement for all involved parties	Quick win (foundational capabilities such as programmability and orchestration should enable end customers to benefit from operational efficiencies in the short term)		
				b	Reduce costs of payment intermediation			
				c	Mitigate risk of manual miss-payments			
		6	Enable interoperability of money and asset ledgers			a	Improve liquidity efficiency	Quick win / strategic initiative (a set of benefits such as improving liquidity efficiency and extending CSD hours might materialise relatively quickly once interoperability takes place, other benefits might require a change in customers' behaviour and / or buy-in from the financial industry as a whole, for example broaden access of wholesale to retail, therefore might require more time and effort to materialise)
						b	Accelerate settlement	
						c	Improve timeliness of investor payments	
						d	Accelerate customer payment journey	
						e	Enhanced netting	
						f	Extended CSD operating hours	
						g	Broaden access of wholesale to retail	
						h	Reduce counterparty / settlement risk	
		7	Provide a common platform for innovation			a	Reduce integration costs with rCBDC	Strategic initiative (this is the major goal and benefit of the platform for innovation. It is expected to be realised provided sufficient investment and cross-industry collaboration)
b	Lower integration costs for regulated institutions and FinTechs							
c	Reduce barriers to entry for innovators							
d	Enable industry standards for programmability							
e	Expand payment optionality across multiple forms of money							

Theme		Primary benefits		Secondary benefits		Confidence in realisation (time vs complexity)
Enhance Customer Value	Growth Opportunities	8	Deliver value-added services to customers	a	Generate new revenue streams through programmability-enabled services	Quick win (benefits might materialise relatively quickly once the platform for innovation is live, by virtue of being able to charge for transactions and / or support new functionalities)
				b	Support increasingly new forms of "regulated" money, assets, and functionalities	
		9	Enable more data-enriched journey	a	Improve financial access and terms for customers	Minimal gains (due to financial institutions having a large amount of customer data today already, the incremental benefits for customers are dependent on using this data effectively)
				b	Monetise data	
Macroeconomic benefits		10	Increase quantum of investment in UK economy	a	Boost the Small and Medium Enterprises ("SME") sector	Strategic initiative (to increase investment in the UK economy, the technology needs to be proven over time and with a variety of use cases)
				b	Enable faster innovation	
				c	Promote competition (more and better products)	
				d	Increase level of financial inclusion for customers	
				e	Increase international competitiveness	
				f	Create an ecosystem around money	

These benefits helped to demonstrate the potential advantages that the platform for innovation could provide to various stakeholders. For example, financial institutions may experience enhanced recovery and resolution, whilst investors and intermediaries could benefit from a reduction in costs associated with payment intermediation. End users stand to gain from enhanced security and transparency, and central authorities might see a reduction of fragmentation across forms of money. Overall, these benefits are achievable through the platform, which is designed to ensure ease of adoption for various market stakeholders, including small banks and innovators.

Furthermore, the BoE's Discussion Paper on the approach to innovation on money and payments highlights a set of outcomes which are sought after for the future of the retail payments landscape and wholesale central bank money. These are outlined below, with the platform for innovation's business benefit analysis (as seen in table 4) aligning to these outcomes:

- The singleness of money should be maintained (benefit 2)
- There is an infrastructure and wider ecosystem that is resilient¹⁵ (benefit 4)
- Access to settlement in central bank money is enhanced (benefit 3a)
- Sustained innovation is promoted (benefit 10b)

¹⁵ As noted above, resiliency from a technical perspective was not explored as part of the Experimentation Phase but is rather an area of further work

It is important to note that while some of the benefits associated with the platform for innovation can be achieved through existing initiatives, the platform may facilitate a reallocation of benefits among various stakeholders. This reallocation could result in a shift of advantages and disadvantages among different parties involved, potentially altering the distribution of gains and losses within the financial ecosystem.

The analysis included a distinction between use case-agnostic and use case-specific benefits for the three key use cases in scope of the Experimentation Phase. These use case-specific benefits could significantly enhance customer confidence in both the P2P marketplace and home buying journey use cases. These represent a fraction of the benefits that could be derived from additional use cases. Therefore, further use case-agnostic benefits were explored that could apply more generally to the platform for innovation to begin to consider what benefits could arise beyond the scope of this work.

Although all benefits could materialise across all use cases, a subset of benefits can be best demonstrated in selected use cases:

- The **P2P marketplace use case** is best catered to showcase how the platform for innovation could reduce fraud (specifically APP fraud), promote customer safety, and deliver value-added services to customers via locking / unlocking functionality
- The **home buying use case** best demonstrates how the platform could simplify complex journeys and streamline processes in the property market. This use case could help demonstrate how the platform for innovation could deliver value-added services to customers by enabling programmability features

¹⁶ Source: [The digital pound: A new form of money for households and businesses? | Bank of England](#)

- The **settlement of tokenised bond use case** is best suited to demonstrate how the platform could enable interoperability of money and asset ledgers and deliver value-added services, which could lead to improved liquidity efficiency, enhanced netting and settlement, and improved timeliness of investor payments, among others

2.2.2 Singleness of money

As the BoE's note in their Consultation Paper on a potential UK retail CBDC or digital pound, "Uniformity and trust in the safety of money are the bedrock of our economy. The stability of the UK economy and monetary system relies on the uniformity of money: that all forms of money – both bank deposits and cash – are valued equally ('at par' or 'face value'), denominated in a common currency (sterling) and interchangeable with each other. £10 in a bank account can be easily changed into a £10 banknote, and deposits held in one bank are valued equally to the deposits in another and can be moved between them."¹⁶ The BoE further highlighted the importance of maintaining the singleness of money in the Discussion Paper on innovation in money and payments, where it was one of the objectives for retail payments.

The analysis found this concept and the Experimentation Phase could enhance transformation, and ensure the uniformity, functional consistency¹⁷, and singleness of money through the technology components. The API and Orchestration Layer successfully demonstrated that functional consistency across all forms of money can be achieved, by 'upgrading' the capabilities of existing forms to match novel features of other forms, such as tokenised commercial bank money.

The platform for innovation maintains the two-tier monetary and financial system, which ensures payments denominated in the sovereign unit of account will be settled at par, even if they use different forms of privately and publicly issued monies. Also, the process of tokenising existing commercial bank money via the platform does not change the nature of that money nor does it change the backing of that money with reserves at the central bank.

This means that the platform for innovation could meet the BoE's stated objectives of the digital pound to promote innovation and choice in domestic payments, while maintaining the uniformity of money. However, previous work by the industry has highlighted that a retail CBDC could introduce complexity, fragmentation, and risks, including for the uniformity of money and financial stability.^{18,19}

Given the complexity of the topic, industry participants agreed that a more detailed analysis should be conducted separately and therefore this is outside the scope of the current Experimentation Phase.

2.2.3 Business benefits across the technology components

Throughout the Experimentation Phase, industry participants considered whether the identified business benefits would materialise differently across different layers of the technology architecture. In other words, whether a specific set of business benefits could only be enabled by one component of the technology stack vs the other (i.e. API and Orchestration Layer vs Tokenisation Platform). It is important to note that the Tokenisation Platform has several potential design options (e.g., fully common, shared infrastructure; fully decoupled partitions, accessed via API; multiple instances of a common platform, under a common governance regime), further information can be found in the [Technology Report](#).

The analysis determined that most benefits are not exclusive to any layer but rather could materialise independently across the technology stack, with the exception of a few, which are exclusive to the Tokenisation Platform²⁰:

- Enhance operational resilience (including cyber)
- Enable a shared ledger infrastructure for assets and cash
- Deliver value-added services to customers (enabled by tokenisation)

Additionally, another key finding of the Experimentation Phase was that the business benefits are enabled by foundational capabilities rather than by their implementation choice (e.g. whether they are implemented on the Tokenisation Platform vs API and Orchestration Layer). The foundational capabilities (and therefore associated benefits) of the platform for innovation could be delivered by either the API and Orchestration Layer or the Tokenisation Platform, whether used independently or in combination. These could be rolled out in incremental components, with extensible APIs, and the opportunity to add additional foundational capabilities in an agile manner. While the API and Orchestration Layer alone might offer a slightly lower cost solution compared to a Tokenisation Platform, leveraging both layers together could be more efficient when providing certain functionalities (e.g. using tokenised deposits for locking / unlocking of funds). The choice of architecture will therefore need to balance cost and efficiency considerations, dependant on the level of industry demand and requirements on which technology component would be needed to deliver the functionality. It is important to note however, that legal clarity around the foundational capabilities (e.g. locking / unlocking) of the platform for innovation remains to be addressed.

Therefore, any future iterations of the technology design of the platform could be informed by the business considerations on where business benefits would be most beneficial. To note, further analysis would be required to demonstrate the extent to which benefits would be most beneficial in one layer as opposed to the other.

The Experimentation Phase demonstrated that transactions crossing more than one ledger or partition can be successfully synchronised using locking and orchestration. Therefore, transaction synchronisation is a benefit of either layer.

At a technical level the moments at which updates to two or more underlying ledgers or partitions become visible may be different. This is an unavoidable outcome when the underlying ledgers are separate and is something the over-arching rulebook should take into account.

Nevertheless, one additional potential unique benefit of the Tokenisation Platform Layer, if implemented as a shared ledger and using wCBDC on the same platform, is the possibility of atomicity of transactions spanning multiple partitions. That is, a shared ledger may be able to ensure that updates to two or more partitions become visible at the same moment.

It is also worth noting that the enablement of a Tokenisation Platform infrastructure for assets, cash, and tokenisation (enables benefits of the Tokenisation Platform) enable the platform for innovation to support additional payment flows and use cases, for example wholesale use cases.

A key finding from the Experimentation Phase is that commercial viability could be driven primarily by the choice of use cases. A Tokenisation Platform component could potentially unlock more business value by virtue of new use cases and features, to generate an adequate revenue and return on investment to be able to cover the operating costs.

¹⁷ Source: Functional Consistency across Retail Central Bank Digital Currency and Commercial Bank Money

¹⁸ Source: Retail UK CBDC on credit creation and financial stability.pdf (ukfinance.org.uk)

¹⁹ Source: [An Illustrative Industry Architecture to Mitigate Potential Fragmentation across Central Bank Digital Currency and Commercial Bank Money](#)

²⁰ These benefits / possibilities are also dependent on the architecture choice for the Tokenisation Platform (in other words, not all Tokenisation Platform designs might provide these benefits)

What is the incremental value of the Tokenisation Platform and tokenised deposits?

A key conclusion from the Experimentation Phase was that the Tokenisation Platform could potentially unlock more business value by virtue of new use cases and features, to generate an adequate revenue and return on investment to be able to cover the operating costs. There are also several technological benefits that were identified throughout the Experimentation Phase as reported below and further detailed in the [Technology Report](#), which are relevant for the BoE's Discussion Paper on innovation in money and payments.

From a business perspective, all these technology benefits help to enable additional value to end customers, financial institutions, and the broader ecosystem, including lower frictions and inefficiencies, increased transparency and safety, lower cost and new products and services in the payments and settlement ecosystem, among others.

From a technological standpoint, industry participants identified a set of benefits associated with the Tokenisation Platform; these include, but are not limited to:

- **Tokenisation of money and assets:** By enabling tokenisation of existing forms of money (e.g. commercial bank deposits), assets (e.g. bond term sheets), and data (e.g. payment messaging), the Tokenisation Platform could unlock a number of additional benefits and functionalities such as programmability, atomicity (in the case of a shared ledger architecture), traceability, improving settlement efficiency and unlocking of new use cases.
- **Pooled liquidity:** By virtue of hosting different types of assets within the same ledger (i.e. multi-asset ledger), Tokenisation Platform could be leveraged to pool liquidity across different accounts.
- **Enhance operational resilience:** By virtue of being built on a decentralised, distributed network, there is no single point of failure in the system, making the individual nodes more fault tolerant as they can continue to operate if some fail (to note, given the technology design decision to pursue the build of multiple Tokenisation Platforms across participants, this benefit is only hypothetical).
- **Smart contract efficiencies:** Automating complex business processes and agreements, payment and settlement flows through the implementation on smart contracts with self-executing terms, which could maximise the potential of DvP flows.
- **Issuance of retail CBDC ("rCBDC") and wholesale CBDC ("wCBDC") on Tokenisation Platform:** The Tokenisation Platform could be utilised to issue retail and wholesale CBDCs by representing BoE as a separate partition on the Tokenisation Platform (partition would be fully controlled by BoE). This enables new settlement venues for inter-bank settlements, which is an area the BoE have highlighted in their Discussion Paper for further research.

However, industry participants determined that one of the key unique benefits of the Tokenisation Platform is the ability to **tokenise commercial bank money** and potentially other assets which could generate benefits, including but not limited to:

- **Programmable payments:** Commercial bank deposits could be programmed as per a pre-determined set of conditions extending the functionality of money and giving rise to a number of use cases, e.g. purpose-bound programmable payments.
- **Relevance of commercial bank money:** Tokenisation of commercial bank money represents an innovative product that unleashes additional functionalities and value-added services for end users, including fractionalisation of assets, helping financial institutions to keep up to speed with changing customers' needs and the latest industry developments.
- **Extended settlement hours:** As tokenised deposits are on-chain, there are no restrictions as to when settlement can occur (i.e. there is no reliance on external settlement venues as long as wCBDC are also available), meaning 24/7 real-time settlement can be technically achieved which can, in turn, unlock use cases, reduce the overall settlement risk, and enable overall efficiencies for market participants.
- **Settlement finality:** As tokenised deposits could be atomically settled on the Tokenisation Platform, this could represent a final and irrevocable settlement which does not have to encompass external, off-ledger processes. This could be enabled by settling wholesale CBDCs on the Tokenisation Platform.

To note, although the technology design choice might have above list of potential Tokenisation Platform benefits, for the purpose of the business benefits analysis, this level of granularity was not explored. The business benefits analysis conducted, and findings derived were based on the foundational capabilities allocation across technology layers and didn't consider the differences across technology layers' design choices; further information, including pros and cons, of different implementation approaches and design options is available in the [Technology Report](#). Additionally, while the benefits have been identified, additional work is necessary to quantify the incremental business advantages enabled by the tokenised deposits. This analysis will help to accurately measure and understand the specific value added by tokenised deposits.

2.2.4 Benefits comparison to industry initiatives

While conducting the analysis on the business benefits, industry participants performed an exercise in parallel to review publicly available data on the existing initiatives (e.g. Digital Pound, Open Banking, Fnlity) in the retail and wholesale space and assess whether benefits provided by the platform for innovation are unique or incremental.

Participants determined that the platform for innovation should not be regarded as the solution for any problem but rather as complimentary to existing initiatives, underpinned by the foundational capabilities, there are benefits that were identified as unique, these include:

- **Maintain singleness of money:** By mitigating the risk of unregulated forms of money and enabling interoperability across tokenised and non-tokenised forms of regulated liabilities
- **Avoid higher cost of credit to customers:** By enabling interoperability with CBDCs and maintaining the competitiveness of commercial bank deposits

Additionally, the Experimentation Phase determined that business benefits of the platform for innovation are directly aligned with and could contribute to key existing industry initiatives, such as the BoE's Discussion Paper on innovation in money and payments, HM Treasury ("HMT") NPV and the BoE's Digital Pound objectives.

In the Discussion Paper on innovation in money and payments, the BoE's objectives for retail payments include:

- A payments landscape which maintains the singleness of money and promotes sustained innovation, with infrastructure and a wider ecosystem that is resilient

and has sustainable governance and funding models

The HMT NPV objectives include:

- Trust
- Next generation platforms
- Outcomes for end users (confidence, choice, and convenience)

These are enabled by three pillars, which are innovation, resilience, and competition.

The BoE's Digital Pound initiative aims to:

- Sustain access to UK central bank money (ensuring its role as an anchor for confidence and safety in the monetary system, and to underpin monetary and financial stability and sovereignty)
- Promote innovation, choice, and efficiency in domestic payments
- Enhance financial inclusion
- Support payments resilience
- Improve cross-border payments

Primary business benefits of the platform for innovation were found to be closely aligned with and contribute to achieve the NPV, as well as the BoE objectives for retail payments and BoE's objectives.

This alignment demonstrates that the platform for innovation has the potential to support and complement these key national strategies, potentially enhancing overall financial stability and innovation. By affiliating with these initiatives, the platform could help create a more cohesive and efficient payments ecosystem, fostering trust and adoption among stakeholders.

2.2.5 Validating the business benefits

To demonstrate how primary and secondary business benefits of the platform for innovation can come to life, an analysis was conducted to determine whether these can be validated during the Experimentation Phase or once the platform goes live.

Therefore, an assessment was made to determine whether benefits can be demonstrated via technical Experimentation Platform (by virtue of the foundational capabilities ("FC") and / or non-functional requirements ("NFR") being built and demonstrated in the Experimentation Platform) and / or primary research (i.e. direct feedback from interaction with innovators and industry stakeholders). For further details on FCs and NFRs, please refer to the [Technology Report](#).

To note, although the business benefits analysis is grounded on the use cases and foundational capabilities in-scope for the Experimentation Phase, the analysis was developed taking a future-look approach (i.e. after the platform goes live) to showcase the opportunity of the platform for innovation beyond and not limited to the technical design decisions that, selected for the Experimentation Phase.

Therefore, in the context of the business analysis, a benefit could be considered "validated via Experimentation Platform" if the corresponding foundational capability and / or NFR that enables a specific benefit was delivered in the technical Experimentation Platform; a benefit could be considered "validated via primary research" if feedback was shared by industry representatives.

Industry participants concluded that c.24% of business benefits are validated via both technical Experimentation Platform and primary research. Additionally, c.35% of business benefits are validated via primary research. A further c.19% of business benefits are validated via technical Experimentation Platform alone. Despite this, c.22% of business benefits cannot be validated during the Experimentation Phase and are rather better suited to be demonstrated after the platform for innovation goes live.

It is also important to note that future developments and interaction with industry, e.g. Hackathon, could provide additional opportunities to socialise and validate these benefits further.

Innovators' Workshop

"Technology is the easy part. It's the operational, commercial, regulatory and legal considerations that are key to consider"

Feedback was gathered from the Menti.com voting results during the "Innovators' Workshop", held on 16th May 2024 in London, which saw participation from over 150 representatives from technology firms ("Big Tech" and "FinTech"), trade associations, Financial Market Infrastructures ("FMIs"), and other financial and non-financial institutions. The event provided a platform for these diverse stakeholders to learn more about the platform for innovation concept and share their comments and feedback. 150 representatives from 91 innovator firms attended the workshop, with 61 participating in person and 30 joining virtually. This inclusive approach facilitated extensive engagement and provided a broad spectrum of insights from various sectors.

During the workshop, innovators discussed key potential benefits of the platform for innovation, including fraud and economic crime reduction, improved customer journeys, and enabling interoperability, among others. These insights highlighted potential of the platform to significantly impact the wider ecosystem, addressing critical challenges and enhancing the overall efficiency and security of financial transactions. Innovators expressed keen interest in the technical capabilities of the platform, although they noted that considerations around feasibility and permissibility would need further assessment.

2.3 Macro vision

Hypothesis

The platform for innovation has a role to play and provides value to the current payment and settlement ecosystem.

Findings

Review of the current ecosystem revealed that there are some potential challenges across the payment lifecycle, including possible latency in payment and settlement legs, intermediary fees, and limited process transparency.

- Several initiatives aimed at tackling these issues have been launched by industry stakeholders (both from private and public sector), however, these were found to be fragmented and stand at different stages of development
- The Experimentation Phase found that this could present an opportunity for the platform for innovation, whose capabilities are seen as complementary to existing

ecosystem initiatives over the short-term. Over the long-term, a gradual shift towards a more extensive market adoption of the platform may be expected

2.3.1 Other initiatives planning to address issues and / or enhancing the payments and settlement ecosystem

Given the high level of complexity and fragmentation in the UK payments and settlement ecosystem, industry participants, central authorities and regulators have been working together to develop initiatives to overcome some of the issues and challenges posed by the overall environment.

For this business analysis, the platform for innovation's participants explored five initiatives: New Payments Architecture ("NPA"), RTGS Renewal, Digital Pound (CBDC), Open Banking and Fnality.

The analysis reveals that these initiatives are at varying stages of development and cater to different market segments and that, compared to other existing initiatives, the platform for innovation has the potential to provide coverage across all market segments (i.e. retail, corporate and wholesale).

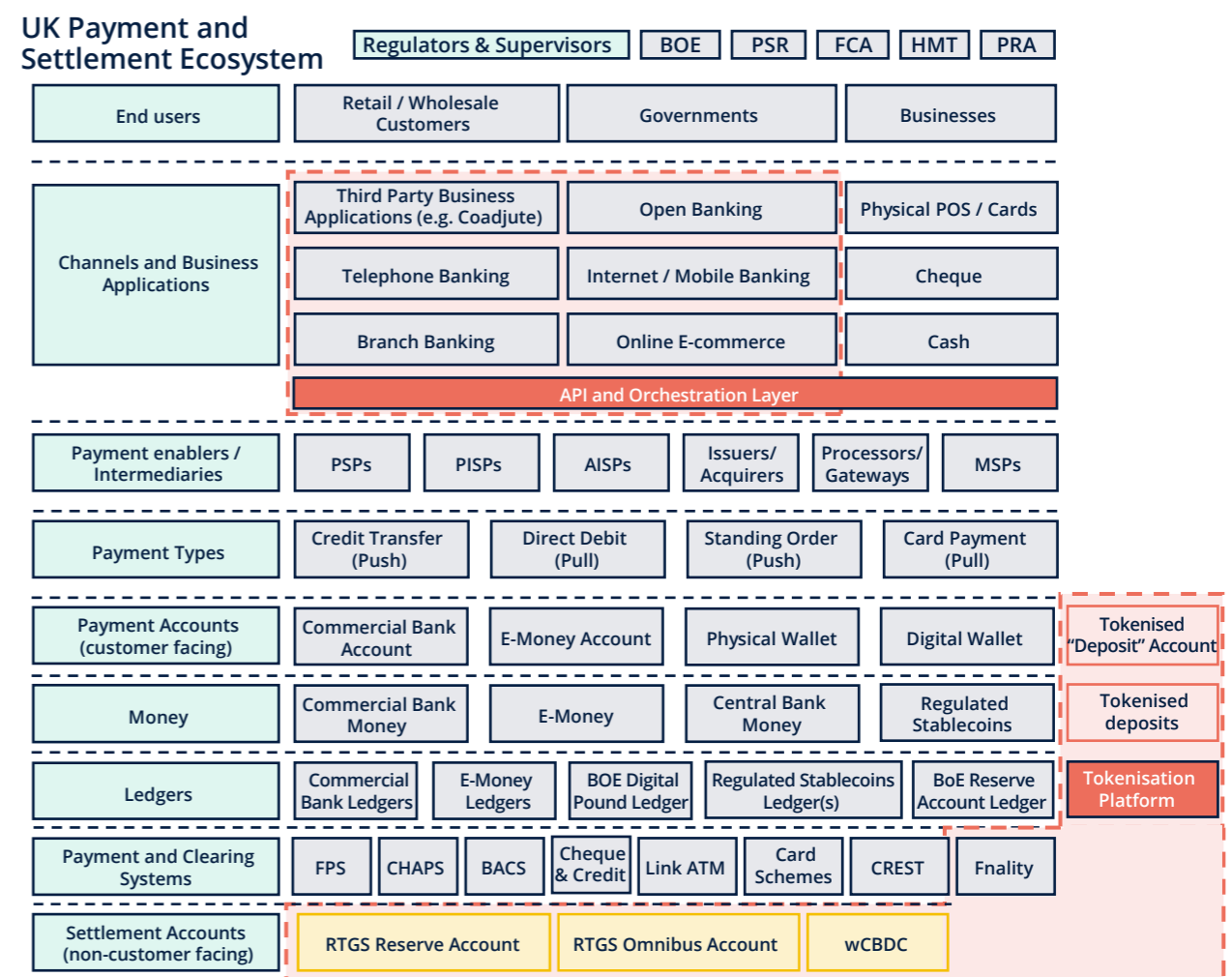
and settlement ecosystem as a payment system (potentially with an ability to settle in wCBDC).

The API and Orchestration Layer could act as an access point to channels and business applications, whereas the Tokenisation Platform could act as a payment and clearing system that connects with a multitude of settlement venues to ensure settlement finality. The figure below provides a potential view of where the platform for innovation could fit in the UK payments and settlement ecosystem.

2.3.2 The platform for innovation's positioning in the ecosystem

The platform for innovation is envisioned to cover a very specific role in the UK payments

Figure 5. Potential future view of UK payments and settlement ecosystem



A key finding from the Experimentation Phase was that the platform for innovation's Tokenisation Platform could lead to the creation of a new form of account, the tokenised "deposits" account (which would not necessarily be visible to customers), which could accommodate all forms of regulated money in two forms, either as a digital twin or digitally native asset on the ledger. Additionally, the Tokenisation Platform could accommodate a new form of money, tokenised deposits, which represent a digital version of commercial bank deposits.

It is important to note that throughout the Experimentation Phase the Experimentation Platform is exploring all settlement venues, namely RTGS reserve account, RTGS omnibus account via Fnality, wCBDC, and FPS, as potential options. This is aligned to the BoE desire to ensure settlement in central bank money (as set out in the Discussion Paper on innovation in money and payments), which can help preserve the role of central bank money as an anchor for confidence in the financial system. (See the [Technology Report for further details](#).) On future iterations, participants might decide to restrict the choice of settlement venues to one venue only or maintaining all four.

Given the platform for innovation's potential positioning in the ecosystem as a payment system (potentially with an ability to settle in wCBDC) and the unique incremental benefits that it could enable (namely maintain singleness of money and avoid higher cost of credit to customer), a key finding from the Experimentation Phase was that the platform for innovation could complement the five existing and future initiatives highlighted above, i.e. NPA, RTGS Renewal, Digital Pound, Open Banking and Fnality.

The platform for innovation has the potential to be an important component in the future UK payment landscape, but it would not be the universal solution to every challenge and would be complimentary to other systems (e.g. FPS) and initiatives (e.g. Open Banking). Nevertheless, the platform could provide an opportunity to align and take a holistic view across all investment decisions, where possible.

2.3.3 The platform for innovation's contribution to the broader payments vision

To determine the value that the platform for innovation provides to the UK and international payments landscape and help demonstrate how it contributes to the broader payments vision, the participants identified seven key questions:

- How does the platform for innovation address the BoE's Discussion Paper on approach to innovation on money and payments? i.e. 16 key points as per the BoE's Discussion Paper²¹
- How does the platform for innovation align to Joe Garner's Future of Payments recommendations? i.e. 10 recommendations as per Joe Garner's Future of Payments Review²²
- How does the platform for innovation contribute to the development of a National Payment Vision²³ in UK? i.e. four objectives as per UK NPV
- How does the platform for innovation support the Bank of England's Digital Pound²⁴ objectives? i.e. five objectives as per BoE's Digital Pound vision

21 The Bank of England's approach to innovation in money and payments | Bank of England

22 Source: Future of Payments Review 2023 - GOV.UK (www.gov.uk)

23 NPV has not been released for public consumption by HMT yet. This is expected to be released by end of 2024

24 Source: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2023/the-digital-pound-consultation-working-paper.pdf>

- How does the platform for innovation support and cater to different market segments? i.e. three market segments (retail, corporate and wholesale)
- How does the platform for innovation enhance cross-border payments? i.e. four targets as per G20 Roadmap for Enhancing Cross-Border Payments²⁵
- How does the platform for innovation fit with and accommodate different type of money? i.e. five forms of digital "money"

Although there is a multitude of initiatives and programmes being developed in the payments space, the participants agreed to select the BoE's Discussion Paper, Joe Gardner's Future of Payments Review, NPV, Digital Pound objectives and G20 Roadmap for Enhancing Cross-border Payments as reference, as these initiatives are considered key and broadly aligned with other existing initiatives. As an example, NPV's objectives are broadly aligned to several national and international initiatives, including "Strategic Plan for Australia's Payment System (Strategic Plan)"²⁶, Ireland's "National Payments Strategy (NPS)"²⁷, "Payment Association Manifesto"²⁸, and "Payments Strategy Forum (PSR, 2017)"²⁹.

25 Source: [G20 Roadmap for Enhancing Cross-border Payments: Consolidated progress report for 2023 - Financial Stability Board \(fsb.org\)](https://www.fsb.org/2023/06/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2023)

26 Source: <https://treasury.gov.au/sites/default/files/2023-06/p2023-404960.pdf>

27 Source: [Central Bank of Ireland Cover Letter - Public Consultation on a National Payments Strategy](https://www.centralbankofireland.ie/media/centralbank/consultations/2023/cover-letter-public-consultation-on-a-national-payments-strategy)

28 Source: [The Payments Manifesto | The Payments Association](https://www.paymentsassociation.org.uk/the-payments-manifesto)

29 Source: [psr.org.uk/media/0jmkqwwa/a-payments-strategy-for-the-21st-century-putting-the-needs-of-users-first_0.pdf](https://www.psr.org.uk/media/0jmkqwwa/a-payments-strategy-for-the-21st-century-putting-the-needs-of-users-first_0.pdf)

The high-level analysis is summarised in the table below.

Table 5. High level assessment of the platform for innovation against existing initiatives' objectives

How does the platform for innovation address the BoE's Discussion Paper on approach to innovation on money and payments?	How does the platform for innovation align to Joe Garner's Future of Payments recommendations?	How does the platform for innovation contribute to the development of a NPV in UK?	How does the platform for innovation support the Bank of England's Digital Pound objectives?	How does the platform for innovation support and cater to different market segments?	How does the platform for innovation enhance cross-border payments ³⁰ ?	How does the platform for innovation fit with and accommodate different type of money?
16 key points	10 sub-questions	4 conclusions	5 objectives	3 market segments	4 targets	5 types
15/16	9/10	4/4	5/5	3/3	NA	4/5
The platform for innovation provides a direct response towards the key points raised by the Bank in relation to singleness of money, settlement via central bank money, innovation, and resilience, as these are business benefits that the platform helps to realise. It also addresses the point on effective governance, which is enabled via the delivery of a sustainable operating and commercial model.	The platform for innovation could help address nine of Joe Garner's findings, e.g. by promoting digital and financial inclusion, providing additional payment choice, supporting fraud and scams reduction, and enabling innovation.	The platform for innovation could contribute to all areas in the development of a NPV in the UK by e.g. ensuring safety and confidence, enhancing resilience, enabling value and choice, and encouraging accessibility and inclusivity.	The platform for innovation may support all the Bank of England's objectives which entail access to central bank money, promoting innovation, choice, and efficiency, financial inclusion, supporting payments resilience and improving cross-border payments.	The platform for innovation could cater to all relevant market segments which include the retail, corporate and wholesale markets, by leveraging programmability / locking functionalities as well as supporting inter-entity payments.	Cross-border payments was out of scope for the Experimentation Phase.	The platform for innovation has the potential to fit with and accommodate four main types of money. These are central bank money, commercial bank money, e-money and regulated stablecoins.

While the platform for innovation represents a significant advancement in financial technology and could help in addressing pain points, including mitigating the risk associated with unregulated and unsafe forms of money (i.e. cryptocurrencies), it is worth highlighting that the platform is not a solution for all problems

within the financial ecosystem. Instead, the platform is designed to integrate seamlessly within the current landscape, providing an alternative yet complementary option to existing solutions. A further assessment would be required to determine to what extent the platform for innovation could complement

30 To note, although the scope of the Experimentation Phase was domestic only, the platform for innovation is not limited to it and was found to be able to support the G20 objectives for cross-border payments

existing initiatives to enable a different prioritisation of funding and investment for UK financial institutions. Given the number of potentially competing investment priorities for these institutions in fact, an investment towards any other initiatives should be considered only if a superior outcome is achieved. This analysis should be further explored in the next iterations.

The platform for innovation is not intended to replace any regulatory-driven / mandatory ongoing initiatives; rather, it will co-exist and augment the functionality of existing systems and strategic programmes. For example:

- The platform for innovation could complement Open Banking: The API and Orchestration Layer could provide a single point of access to open banking providers, potentially lowering costs, reducing barriers to entry and enabling more innovation. The proposed API and Orchestration Layer is similar to API aggregators in some ways and those API aggregators are part of the UK's existing payments ecosystem into which an "API and Orchestration Layer" would be deployed.³¹
- The platform for innovation and FPS are likely to be complimentary in the shorter term given most of the simple push payment journeys will continue to go via existing route (e.g. FPS) and even for journeys that will require the platform, FPS might still be the settlement venue of choice.

In addition, the design of the platform will enable it to interoperate with other projects such as Project Agorá³², Drex³³, and RSN³⁴,

and align with the principles of other initiatives such as the Finternet³⁵, further enhancing its utility and integration within the broader international financial landscape.

Over the long-term, however, as a result of network effect and when the benefits of the platform for innovation are fully realised, there may be a gradual transition towards broader adoption of the platform, driven by its potential efficiencies and advantages. As an example, it may start to gain broader adoption in the future if:

- Deposit taking institutions get comfortable with issuing digitally native deposits on the ledger and settlement via the FPS route is not needed.
- Other settlement venues (i.e. wCDBCs, RTGS renewal, Finality) become either available or more easily accessible.

This strategic approach could allow the platform for innovation to enhance the financial ecosystem without causing disruption, paving the way for a smoother evolution of the financial infrastructure. This is also in alignment with the BoE's narrative on "innovation to serve the public interest"³⁶ and the encouragement towards the private sector, specifically commercial banks, to be more innovative, embrace the challenge, and set the foundations and the way forward for an open platform for innovation, which might challenge the status quo³⁷. Additionally, this concept could contribute to the dialogue around and provide a response in relation to approaches for innovation in money and payments, as per the latest BoE's Discussion Paper³⁸.

31 Source: <https://www.openbankingtracker.com/api-aggregators>

32 Source: <https://www.bis.org/press/p240403.htm>

33 Source: https://www.bcb.gov.br/en/financialstability/drex_en

34 Source: <https://www.sifma.org/resources/news/members-of-the-u-s-financial-sector-to-explore-multi-asset-settlement-using-shared-ledger-technology/>

35 Source: <https://www.bis.org/publ/work1178.pdf>

36 Source: [Innovation to serve the public interest - speech by Andrew Bailey | Bank of England](#)

37 Source: [The UK must continue to innovate in digital payments \(ft.com\)](#)

38 Source: [The Bank of England's approach to innovation in money and payments | Bank of England](#)

How can the value be delivered?

As participants were able to ascertain the value of the platform for innovation, they then decided to review how it can be best delivered for the benefit of all stakeholders. This led to the exploration of four operating models, 15 corporate structure considerations and a set of commercial model scenarios (e.g. built by a new entity vs built by existing entity), which could help maximise value to all stakeholders involved, promote innovation and competition, and is sustainable from a governance and funding perspective (which meet the business objectives in the Discussion Paper).

Sections 2.4 and 2.5

Please note, sections 2.4 and 2.5, including all the related analyses and data, were redacted from the public-facing version of the Business Report. However, the high level findings are still available in the Business and Summary Reports for public review.

03

Conclusion



Conclusion

Throughout the Experimentation Phase, the participants were able to summarise the key outputs of the business analysis across the core deliverables and identify the lessons learnt and considerations for a potential next phase. These are captured in the sections below.

3.1 Lessons learnt

The participants reflected over the key lessons learnt from the Experimentation Phase that would be important to consider for future iterations, these include:

- The platform for innovation's design and build from a technological standpoint are relatively easy to achieve; the real challenge is to be able to articulate and quantify the business case and incremental value in the context of a very complex and active ecosystem and how to best deliver it to the key stakeholders, and to define its regulatory permissibility.
- The platform could enable a wider societal impact across the ecosystem, including end customers, financial institutions, innovators, and central authorities among others, and therefore be positioned as a platform for innovation for the benefit of all.
- Engagement with the broader community of innovators would be key to test and validate the platform for innovation's concept and business case, including business benefits.

- The platform for innovation does not aim to be the sole solution in the payments industry; rather, it seeks to complement and integrate with other existing initiatives to enhance the overall payments ecosystem.
- Determination of regulatory designation as FMI is highly dependent on the functionalities and foundational capabilities that the platform's core architecture (as a unitary system and / or separate components) provides.
- Early and regular engagement with regulators and central authorities would be key to enable the platform for innovation to operate in the short-term as payment system with guardrails without formal regulatory designation.
- The commercial model and viability are highly dependent on the choice of use cases, operating model, corporate structure, implementation approach as well as technology design decisions.

3.2 Potential next steps

To further develop the platform for innovation beyond a concept and progress to the next phase, the participants agreed a number of practical next steps for the short term, including:

- Review and assess whether the business, technology and legal analyses, findings, and outcomes of the Experimentation Phase support transition into a pre-design or design phase of the platform for innovation.

- Establish a set of key design principles and criteria to enable current and / or future potential participants to the platform to select the most appropriate operating model, corporate structure, commercial model, and implementation approach for the platform for innovation to bring forward in the next phase.
- Explore the business and technical implications of delivering a unified shared ledger with money and assets residing on the same ledger.
- Maintain engagement and open communication with the community of innovators and industry to further socialise, test and validate the platform for innovation's concept and technology (e.g. hackathons).
- Engage and establish an open, constructive, and regular dialogue with key regulatory and supervisory bodies (e.g. BoE, FCA, PSR) to investigate how an iterative approach to realising the concept can be supported within a sustainable commercial framework.
- Monitor the development of existing initiatives in the payments ecosystem and continuously assess the platform for innovation's strategic position and value.
- Leverage the Experimentation Phase's findings to form basis of a national response to global developments like Project Agorá for cross-border interoperability.

To conclude, this concept is envisioned as a platform for innovation that could enable the realisation of multiple business benefits and opportunities for end customers, financial institutions, central authorities and regulators, innovators, and the broader ecosystem, and could help meet the objectives of regulators and central authorities, e.g. BoE and NPV.

The Experimentation Phase allowed the participants to validate the business hypotheses and address the two key exam questions, in order to identify the potential value of the platform for innovation and how to best deliver it. However, the participants suggested that further exploration would be required to develop the concept further and help bring it to life.

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