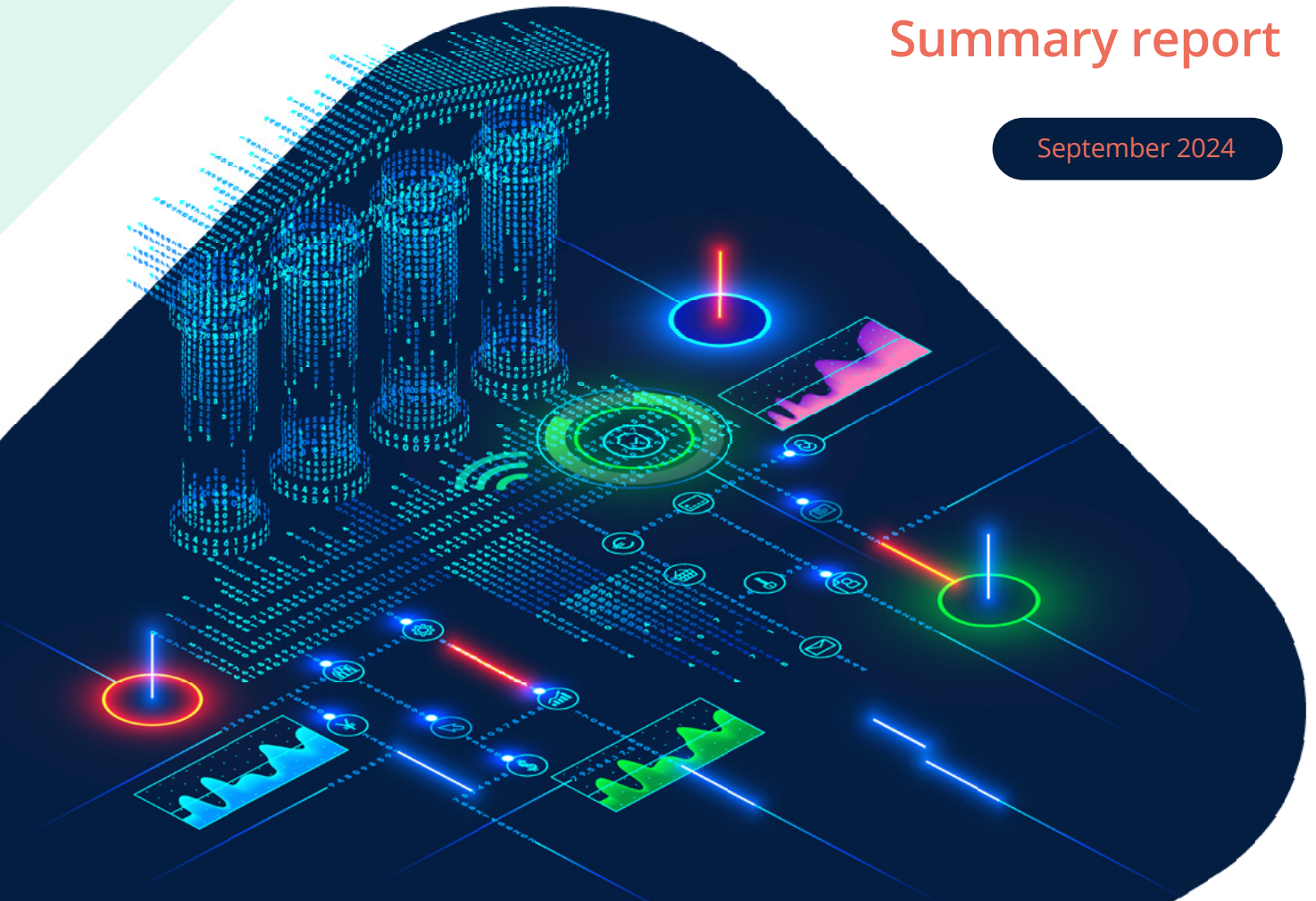


UK RLN Experimentation Phase

Summary report

September 2024



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Foreword

Pioneering innovation in regulated money and payments

The United Kingdom's (UK) financial services sector touches the lives of everyone in our country and, with continued innovation, we can ensure our industry continues to meet the evolving needs of UK consumers and businesses. As digital technologies continue to develop, we see tangible benefits from public-private partnership approaches between industry, Government, the Bank of England (the Bank) and other regulators to deliver significant, innovative change.

Creating new prospects for money

Industry participants in the UK Regulated Liability Network (RLN) Experimentation Phase came together to explore the potential value of tokenised commercial bank money for the UK's financial services industry, with a focus on the role of money in society, domestic payments and settlement efficiency. Our experimentation was aimed at re-defining payment innovation, seeking opportunities to transform customer experiences and delivering value and growth to the economy.

The insights from this phase have evidenced the ability and willingness of many stakeholders to drive innovation in the world of enhanced digital payments, aligned with the call to action from Andrew Bailey, Governor of the Bank, and the Bank's recent Discussion Paper on innovation in money and payments. Alongside several other initiatives globally, the project contributed to the international debate on the future opportunities for the financial ecosystem to benefit from digital technologies, including distributed ledgers, tokenisation and programmability.

A platform for innovation

Our work in this phase built on the original RLN thesis and demonstrates the potential of a powerful platform for innovation in the UK. We believe that such a platform for innovation, in collaboration with other important initiatives such as Open Banking, could drive economic value and serve as a catalyst of UK financial innovation.

For the project, we brought together several components to experiment across 14 foundational capabilities, demonstrate connectivity to existing payment and settlement systems, and assess alignment with appropriate technical and legal considerations. The core components of the technical platform comprise:

- **A multi-issuer Tokenisation Platform** that facilitated the issuance of tokenised commercial bank deposits, as well as simulated tokenised retail and wholesale Central Bank Digital Currency (CBDC), and enabled programmability, privacy and security.
- **An API and Orchestration Layer** that enabled interoperability across all forms of money and several new and existing ledgers, thereby delivering functional consistency, programmability, and access to a rich set of innovative features.

However, these innovations and capabilities cannot be delivered in isolation. Developing a platform for innovation alongside several other industry initiatives highlights the need for holistic design choices across the UK's payments infrastructure to enable sound investment decisions and commercial viability, which are vital elements for success and often overlooked.

We explored mobilisation and delivery mechanisms, illustrating how consumer-centric benefits could be delivered through incremental and component delivery, rather than a monolithic programme.

Our experimentation provided invaluable insights that we believe align well with some of the Bank's objectives for retail payments. Interoperability across various forms of money, including settlement in central bank money was shown to be possible and can maintain the singleness of money and the role of wholesale central bank money as an anchor for trust and confidence.

Unlocking new possibilities

The Experimentation Phase showcased the possibility of delivering new functionality across payments and settlement that is not currently widely available in the market. We demonstrated how tokenised deposits can be seen as an incremental development of commercial bank money, therefore continuing to adhere to the principles that support the singleness of money. Such a platform for innovation could enhance customer experiences, deliver tangible business benefits, and be structured to meet regulatory expectations.

Delivering market-wide benefits

The project identified a route to deliver enhanced threat and risk management, operational and settlement efficiencies, as well as revenue and growth opportunities which have the potential to enhance the UK's financial services sector. The project found that a platform for innovation could enable several business benefits to individuals, businesses, financial institutions, innovators / intermediaries, and central authorities, among others. We believe that many of the themes and outcomes from this phase are highly important and, if progressed collaboratively, can ensure the UK remains at the forefront of digital innovation, and underpin the trust and desirability of the UK financial market.

Enabled through collaborative innovation

The collaboration demonstrated how diverse stakeholders could unlock new capabilities when provided with a forum for collaboration and innovation. We believe a future platform for innovation could act as a foundation for innovators to unleash creativity through new market-wide functionality and deliver benefits across the industry as a whole. Whilst our focus in this phase was principally on the UK market, this work provides a basis for future international collaboration with other similar initiatives and infrastructures working towards a common goal of delivering new capabilities for the global ecosystem.

A path forward

The work completed so far has underscored the value of a platform for innovation, which could benefit a wide range of stakeholders. This phase of work was focused on experimenting as much as possible across many options, which advanced our understanding, demonstrated the value of collaboration, and provided invaluable information to shape the path forward.

The Experimentation Phase concluded that an incremental delivery roadmap that uses an iterative design, build/test, and go-live approach would be suitable for delivering the components of the platform for innovation and ensure its commercial viability alongside existing industry initiatives.

We have put forward an approach, based on public-private partnership, that aligns with the Bank's objectives for retail payments, and broadens the vision for innovation on the digital pound beyond central bank money to include all forms of regulated digital money.

We look forward to engaging the Government, the Bank and other regulatory authorities to progress the learnings from our experimentation, align the investment of resources into a joint vision to avoid duplicative efforts, and lead the UK forward in the future of finance.

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

Platform for innovation

- The key conclusion from the Regulated Liability Network (RLN) Experimentation Phase is clear: the UK could benefit from a platform for innovation that delivers functionality not currently available in the market.
- The Experimentation Phase progressed the ideas of the original RLN concept to develop an experimental technology architecture, which could provide a platform for innovation and comprise a Tokenisation Platform and an API and Orchestration Layer.
- The platform for innovation does not aim to be the sole solution in the payments industry; rather, it seeks to complement and function alongside other existing initiatives to enhance the overall payments ecosystem. The core components could be integrated into new and existing payments systems through the API and Orchestration Layer (as demonstrated in the project), including to a number of settlement venues, as well as providing a simulated wholesale CBDC (wCBDC) in the Tokenisation Platform, to ensure settlement finality.
- The Experimentation Phase tested this platform across four different retail use cases and one wholesale use case to demonstrate how it can deliver 14 foundational capabilities, some of which are new (e.g. programmable payments) and cannot be easily delivered by current systems. It also covered a range of different options to truly experiment across alternate forms of money (e.g. tokenised commercial bank money and retail CBDCs), different settlement models (e.g. wCBDC and omnibus account), ways of tokenising deposits, and more. This phase of work also tested several operating and commercial models.
- The experiments provided the critical learnings and key questions for future design options and further phases of work.

Benefits of the platform

- **New functionality not currently available in the UK market** (such as programmable payments and locking/unlocking of funds) could transform the customer journeys and business processes across a range of use cases.
- The Experimentation Phase identified **over 40 potential business benefits that could apply to a range of stakeholders** (e.g. reducing fraud and economic crime, improving operational efficiency and resilience including cybersecurity etc.).

The delivery of these benefits could enhance customer trust in payment systems, creating new ways to protect them from foreseeable harm.

- **Innovators can connect to a platform for innovation via a single, common point of access.** This provides a common interface to established institutions, FinTechs, payment and settlement systems and other innovators. This means innovators can benefit from the new functionality and offer it to their customers.
- **The platform for innovation could deliver functional consistency across different forms of money¹** by supporting common operational features such as interoperability, programmability, and transferability. It could deliver on the Bank's outcomes for retail payments, as set out in their Discussion Paper on innovation in money and payments, and guarantee preservation of central bank money as an anchor for trust and confidence.²

Requirements for delivering innovation

- A key conclusion from the Experimentation Phase is the platform for innovation could be delivered in several different ways, technically, legally, and operationally. This means it does not have to be delivered by a monolithic programme. The commercial model and its viability are highly dependent on the choice of use cases, operating model, corporate structure, implementation approach and technology design decisions.
- The platform for innovation's design and build from a technological standpoint are achievable. 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.
- Future phases of work will need to explore these options further in deciding the optimal architecture that delivers the most value across the ecosystem.
- Public-private sector collaboration is essential to address these challenges and ensure success. Engagement with public sector and other stakeholders (e.g. HM Treasury (HMT), Bank of England (the Bank), Financial Conduct Authority (FCA), Payment Systems Regulator (PSR) and other regulators) is vital to align on a single vision for the UK's platform for innovation that considers sustainable governance and funding models for investment. This alignment could avoid duplicative efforts, meet the objectives of both the Bank and HMT, and deliver infrastructure efficiently.
- Similarly, engagement with a broader community of innovators is key to test and validate the platform for innovation's concept and business case, including business benefits going forward.

¹ Barclays released a paper (<https://arxiv.org/pdf/2308.08362>) that defined functional consistency for money as "the principle that different forms of money have the same operational characteristics". The paper explored common operational characteristics and key capabilities in order to evaluate the suitability of various design options to support functional consistency.

² [The Bank of England's approach to innovation in money and payments | Bank of England](#)

01

Introduction



Introduction

Background on the UK RLN work

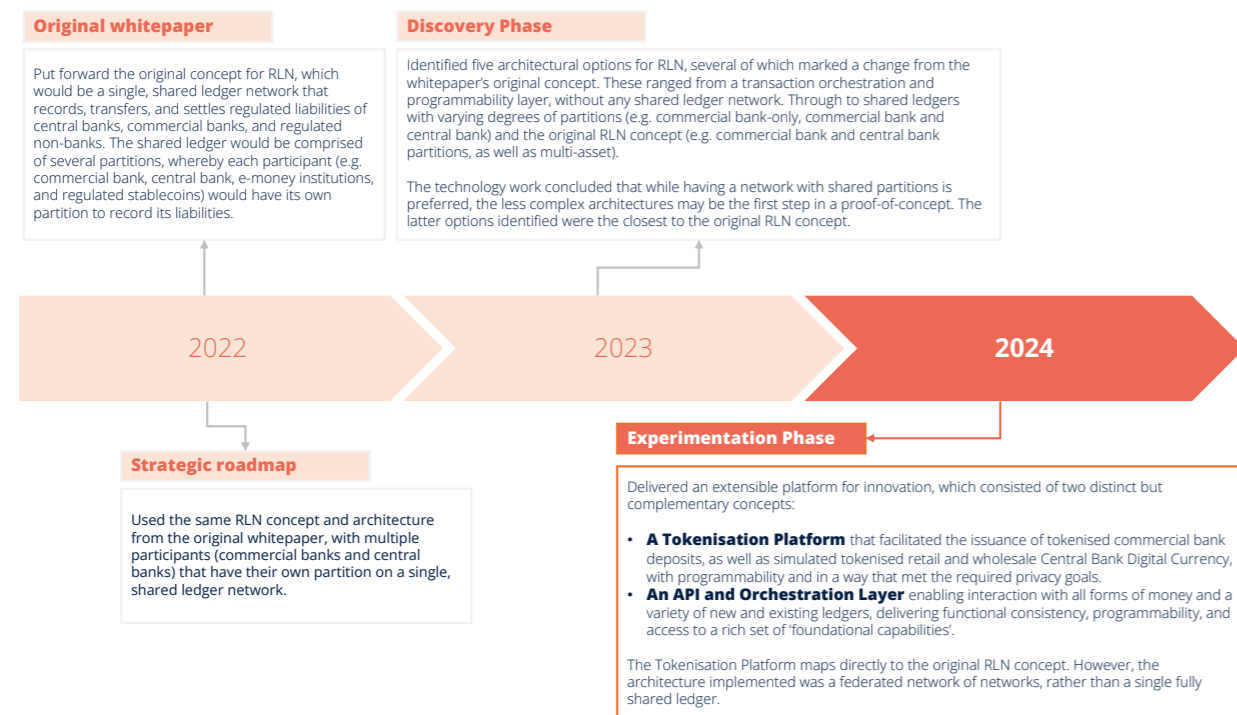
The Regulated Liability Network (RLN)³ is a concept for a new type of regulated Financial Market Infrastructure (FMI). The hypothesis is this could enrich the functionality of commercial bank money (including via the use of tokenised deposits), drive innovation, and transform financial services. Over the past two years, this concept, vision, and architecture has evolved through the RLN work in the UK.

To understand how the UK could benefit from the RLN concept, a number of commercial banks and other financial services industry players, in collaboration with EY, undertook an initial test to better understand the technical feasibility and

develop a strategic roadmap in 2022.⁴ This work helped to galvanize a community of financial institutions around the RLN concept, which was progressed even further in a Discovery Phase in 2023.⁵

The Discovery Phase explored how the RLN concept could be applied to a range of use cases and found that there are potential benefits which could provide superior customer journeys. The Discovery Phase identified five different technology architectures that could deliver RLN. In December 2023, 11 financial institutions and a team of vendors began work on the Experimentation Phase.⁶ (see Figure 1)

Figure 1: Timeline of RLN work to date and how the concept has evolved



3 [The Regulated Liability Network Whitepaper.pdf \(regulatedliabilitynetwork.org\)](#)

4 [RLN: potential strategic roadmap for cross-border payments, ey-regulated-liability-network-strategic-roadmap.pdf](#)

5 [Regulated Liability Network - UK Discovery Phase report .pdf \(ukfinance.org.uk\)](#)

6 The firms involved in the Experimentation Phase were: Barclays, Citi, HSBC, Lloyds Banking Group, Mastercard, NatWest, Nationwide, Santander, Standard Chartered, Virgin Money and VISA. They were supported by EY and Linklaters and a technology team of R3, Quant, DXC and Coadjute. All vendors were independently identified, evaluated, and appointed following a rigorous Request for Proposal ("RfP") process.

Establishing the architecture

The Experimentation Phase progressed the RLN concept from the original whitepaper (i.e. a RLN shared ledger) to combine multiple components for the technology experimentation architecture. This resulted in the development of a platform for innovation (see Figure 2), which can deliver 14 foundational capabilities (see Table 1) and consists of two main components:

- **A multi-issuer Tokenisation Platform:** that facilitated the issuance of tokenised commercial bank deposits, as well as simulated tokenised retail and wholesale Central Bank Digital Currency (CBDC), with programmability, and in a way that met the required privacy goals.
- **An 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 complemented by the implementation of:

The RLN work has been progressed against the backdrop of a changing payments landscape in the UK. For example, the Bank of England (the Bank) is actively researching a potential retail Central Bank Digital Currencies (rCBDC), known as the digital pound⁷ and the UK government is developing a National Payments Vision (NPV).⁸ The Experimentation Phase analysed how a platform for innovation could align with the objectives of these initiatives.

The project explored ideas that have been developed by other separate yet relevant initiatives. This included investigation of tokenised deposits⁹ wholesale CBDC (wCBDCs)¹⁰, Open Banking¹¹, Variable Recurring Payments¹², Project Rosalind¹³, the digital pound, New Payments Architecture (NPA)¹⁴, Future of Payments Review¹⁵, Digital Securities Sandbox¹⁶, and Fnality.¹⁷

In July 2024, the Bank published a Discussion Paper setting out its approach to innovation in money and payments.¹⁸ The platform for innovation could help industry meet the Bank's outcomes for retail payments which include:

- Maintain the singleness of money
- Promote sustained innovation
- Support infrastructure resiliency across the wider ecosystem
- Enable effective governance and sustainable funding

- A suite of five use cases to test the API and Orchestration Layer and Tokenisation Platform, and to demonstrate and validate the foundational capabilities across forms of money, including existing commercial bank money, tokenised deposits and the proposed digital pound.

7 [The digital pound | Bank of England](#)

8 [Update on the National Payments Vision - GOV.UK \(www.gov.uk\)](#)

9 [Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins \(bankofengland.co.uk\)](#)

10 [III. CBDCs: an opportunity for the monetary system \(bis.org\)](#)

11 [Home - Open Banking](#)

12 [CP23/12 VRP Expanding variable recurring payments: call for views \(psr.org.uk\)](#)

13 [Project Rosalind: developing prototypes for an application programming interface to distribute retail CBDC \(bis.org\)](#)

14 [New Payments Architecture \(NPA\) | Payment Systems Regulator \(psr.org.uk\)](#)

15 [Future of Payments Review 2023 - GOV.UK \(www.gov.uk\)](#)

16 [Digital Securities Sandbox joint Bank of England and FCA consultation paper | Bank of England](#)

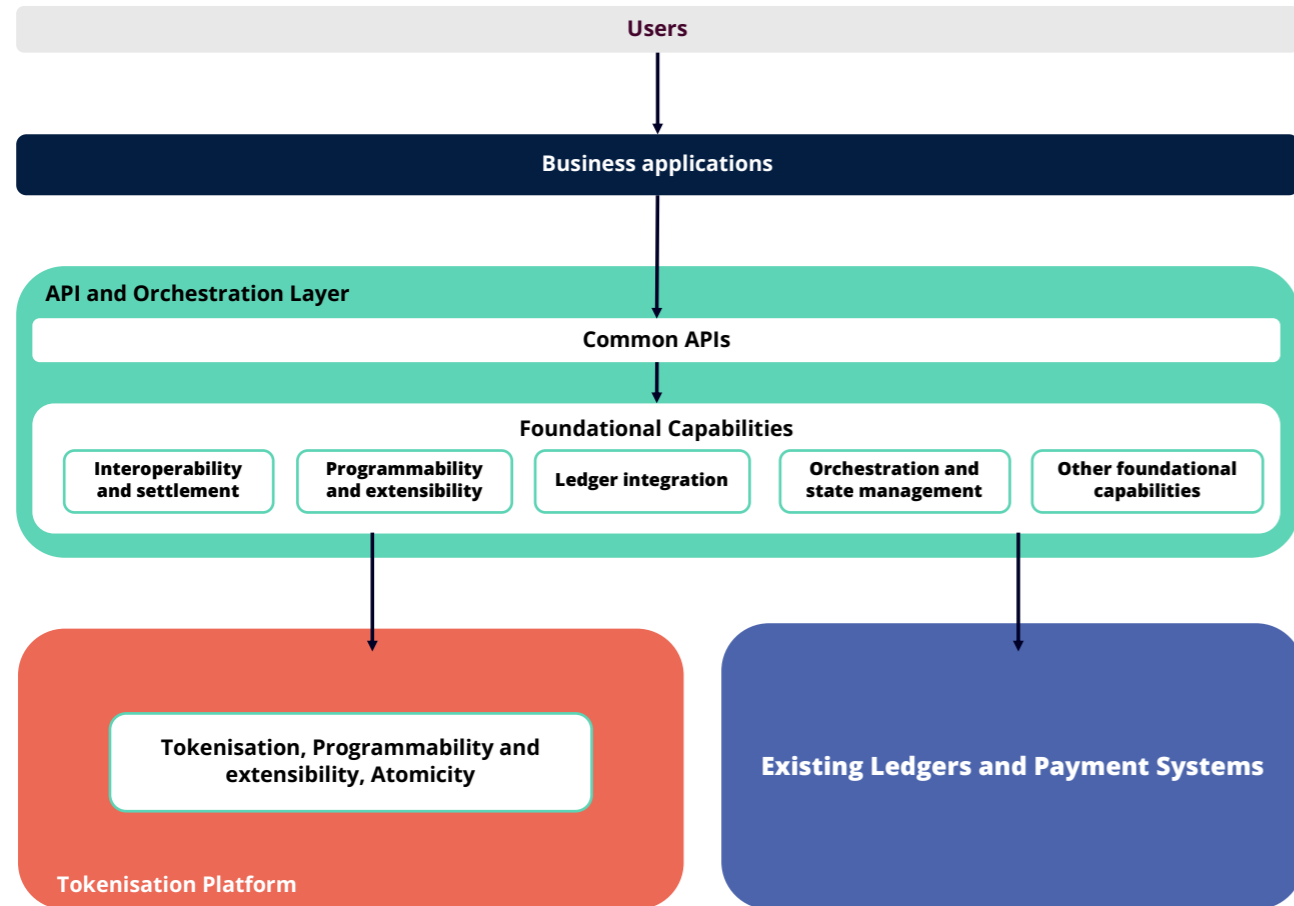
17 [Fnality International](#)

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

- Integrations with simulations and prototypes of Open Banking¹⁹, Project Rosalind²⁰, and the Real-Time Gross Settlement (RTGS) System.²¹ These helped to demonstrate how a platform

for innovation could provide a set of foundational capabilities, including interoperability and programmable payments, across different forms of money to enable innovation.

Figure 2: Experimentation Phase architecture



19 [Home - Open Banking](#)

20 [Project Rosalind: developing prototypes for an application programming interface to distribute retail CBDC \(bis.org\)](#)

21 [A brief introduction to the Real-Time Gross Settlement system and CHAPS | Bank of England](#)





Table 1: List of 14 foundational capabilities tested during Experimentation Phase

#	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.

Use cases

Five use cases were in scope, covering both retail and wholesale markets. All five were included in the technology work, while the business and legal analysis covered three of the use cases (see Table 2).

Table 2: Use cases within scope of 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 		N/A	N/A	✓
UC4	Card integration and PoS compatibility		N/A	N/A	✓
UC5	Settlement of tokenised bond 		✓	✓	✓

Use Case 1 – Peer-to-peer (P2P) marketplace

Two consumers, a buyer and a seller, use a P2P marketplace to agree a sale. For the Account-to-Account (A2A) transaction, payment from the buyer is assured by locking the buyer's funds which are then only released to the seller on successful delivery of the product.

Use Case 2 – Home buying

A home buying transaction is initiated on a network that connects all related parties: the buyer, the seller, their mortgage providers, conveyancers, and estate agents.

The network uses the platform for innovation to ensure that all related payments (e.g. auto-draw 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 distribution of the remaining proceeds to the receiving client's account) are synchronised and co-ordinated with the transfer of title.

Use Case 3 – E-commerce merchant gateway

For the e-commerce scenario, the primary focus was on demonstrating that 'pull payments' could be implemented across the platform for innovation infrastructure in a way that worked consistently across all forms of money.

Use Case 4 – Card integration and PoS compatibility

The card integration and point-of-sale (PoS) use cases imagined a world in which tokenised deposit platforms had been rolled out and cards had been issued to consumers that were backed by these funds. This use case considered the potential latency of the 'authorisation' step, given consumers' expectations around the near-instantaneous confirmation of card payments.

Use Case 5 – Settlement of tokenised bond

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 legal Delivery-versus-Payment (DvP), achieved through the synchronised movement of tokenised assets, tokenised deposits and wholesale central bank money.

02

Key findings



Key findings

The UK RLN Experimentation Phase included work across three key areas:

- **Business desirability:** Exploring the customer value and business case, including how process flows could be transformed, the various benefits, and the macro vision for the UK. This included how this could be delivered through potential operating and commercial models.
- **Technical feasibility:** Technical experimentation in a sandbox environment to test the platform for innovation, 14 foundational capabilities and functionality (see Table 1) to enable programmable payments across retail and wholesale use cases.
- **Legal permissibility:** Analysis of how existing laws and regulations apply, covering the principal legal and financial regulatory considerations.

The below sections cover the key findings from the technology (T), business (B) and legal (L) workstreams. It is worth noting that there is close alignment with the Experimentation Phase findings and the objectives for retail payments set out in the Bank's Discussion Paper mentioned previously:

- Maintain the singleness of money (T1, T2, T4, L4)
- Promote sustained innovation (B1, B2, B3, B4, B5, T3, T5, T6, T7, T8, T9, L5, L11, L12)
- Support infrastructure resiliency across the wider ecosystem (T1, T4)
- Enable effective governance (B6, L2) and sustainable funding (B7)

Business findings

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?**

This focused on assessing these questions through an exploration of use cases and process flows, business benefits, macro vision, operating model, and commercial model.

The key findings included:

Is there value in a platform for innovation?

- **B1:** The platform for innovation is envisaged to be comprised of two components that could provide connectivity with third-party systems and enable a set of foundational capabilities, use cases and opportunities in the ecosystem. This includes the ability to technologically innovate, and future-proof the potential roadmap for the UK payments landscape.
- **B2:** It could support a range of use cases, including the in-scope use cases (P2P marketplace, home buying and settlement of tokenised bonds) as well as additional ones (project participants and innovators collaborated to identify a further 20+ use cases such as rental home scheme²²).

How can the value be delivered?

- **B3:** The platform for innovation, and the new functionality, could enhance existing transactions and customer journeys across retail and wholesale markets, as explored through the P2P marketplace, home buying and settlement of tokenised bond use cases.
- **B4:** The platform for innovation, could enable over 40 business benefits to end customers, financial institutions, innovators / intermediaries, and central authorities, among others. These were subsequently categorised by enhancing customer value, threat and risk mitigation, operational efficiency, growth opportunities, and macroeconomic benefits.
 - 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 the home buying use case²³
 - 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
- **B5:** 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's Discussion Paper on the approach to innovation on money and payments, aligning with the NPV and the Bank's digital pound objectives, and potentially attracting wider market adoption over the long-term.
- **B6:** The platform for innovation, operating model and corporate structure could take different forms based on the technology design choice (e.g. technology layers operate separately), implementation approach (e.g. built independently vs by existing entity), and other criteria. In the Experimentation Phase, four operating models and 15 corporate structure considerations have been explored. Three of the operating models that enable maximisation of benefits to end customers are found to be closely aligned with the business objectives of maximising business benefits, scalability, fast time to market, alignment across components, and low build costs.
- **B7:** The platform for innovation, needs a commercial model that delivers the long-term sustainability of the infrastructure. The analysis considered industry principles for fees and charges that treat all stakeholders fairly, reflect the overall costs of providing the platform for innovation and thereby the associated benefits, as well as incentivise innovation within the market. This led to the conclusion that with additional use cases beyond those in scope, across various transaction types and payment flows, commercial viability was a possibility.

²³ Authorised Push Payment (APP) fraud is the most common type of financial scam in the UK, costing the economy roughly £239.3 million in 2023 alone. APP scams happen when someone is tricked into sending money via bank transfers to a fraudster posing as a genuine payee.

Technology findings

The technology workstream delivered a multi-issuer DLT-based Tokenisation Platform, a comprehensive API for interaction with all forms of money, and an Orchestration Layer. Implementation of the Orchestration Layer seamlessly connected the Tokenisation Platform to different ledgers and integrated with existing systems (e.g. Open Banking, Project Rosalind, and simulated RTGS).

The key findings from the technology workstream were:

For the API and Orchestration Layer:

- **T1:** The project successfully implemented a set of 14 'foundational capabilities', and five 'business applications'²⁴ that utilised the Experimentation Platform to achieve a wide array of operations across all forms of money.
- **T2:** The Orchestration Layer successfully demonstrated that functional consistency across all forms of money is an achievable aim, demonstrating examples of 'upgrading' the capabilities of existing forms to match novel features of other forms without requiring fundamental changes to the form or type of money that is issued by any individual institution.
- **T3:** An Orchestration layer is a potential enabler of innovation, delivering interoperability and facilitation of synchronised settlement²⁵ using time-locks.
- **T4:** Interoperability across various forms of money, including settlement in central bank money as well as across the UK Faster

Payment System (FPS)²⁶, was shown to be possible and can maintain the singleness of money and the role of wholesale central bank money as an anchor for trust and confidence.

- **T5:** Programmability within the Orchestration Layer could be a viable way to provide extensibility to the payments system in a low cost and controlled manner.

For the Tokenisation Platform:

- **T6:** Issuance of tokenised deposits and tokenised CBDC was simulated, and a set of transactions performed, demonstrating programmability and the potential for atomic settlement²⁷. Delivery-versus-Payment was achieved, and this was tested using different accounting and integration models for tokenisation.
- **T7:** The Tokenisation Platform design included consideration of situations where fully pooled governance and a fully shared ledger cannot be assumed, contributing to the broader industry conversation around the development of multi-national, multi-asset, multi-issuer, interoperable programmable ledgers²⁸.
- **T8:** The project demonstrated multiple models for the potential issuance of retail CBDC as well as the use of tokenised wCBDC to facilitate settlement of tokenised commercial bank deposit transactions. Future work could explore the potential for a retail CBDC to be issued to a common platform alongside commercial bank money, as well as the possibility of a potential new 24/7 instant settlement capability facilitated by RLN through wCBDC.

²⁴ The term 'Business Applications' was used in the technology workstream, whereas 'Use cases' were used in the legal and business workstreams. However, both terms can be used interchangeably in this report and refer to the five use cases outlined at the start of this chapter.

²⁵ Where a set of updates are applied to a single database or ledger system and can be confirmed as a single technical operation, we refer to the process as 'atomic'. Where two or more distinct systems are involved, a process of coordination is required to ensure updates occur in an all-or-nothing fashion across the separate systems. We refer to that process as 'synchronisation'

²⁶ Initiated via Open Banking

²⁷ Atomic settlement across the Tokenisation Platform would depend on the issuance of tokenised wCBDC and an architecture with a shared consensus provider (e.g. notary)

²⁸ e.g. the Unified Ledger initiative of the Bank of International Settlements: <https://www.bis.org/publ/arpdf/ar2023e3.htm>

- **T9:** The potential of some shared ledger architectures to enable simultaneous cross-partition atomicity could be of particular value in wholesale use-cases and suggests that further work to evaluate the use of a shared ledger for such scenarios could be beneficial.

Legal findings

The legal workstream provided legal analysis that covered the principal legal and financial regulatory considerations relating to the establishment of the platform for innovation. This included analysis of the platform and considerations for any future potential implementation. The key findings from the legal workstream are summarised below, but further analysis would be needed to facilitate implementation:

- **L1:** The feasibility in principle of establishing the platform for innovation as an FMI was validated. This status attaches to the functionality provided; for that reason, depending on the deployment model, the FMI status may attach to the platform as a whole, or specific layers. Based on the functionality contemplated during the Experimentation Phase, the main candidate type of FMI which the platform for innovation could fall into under UK financial regulation is that of a payment system (under the Banking Act and Banking Reform Act). To the extent future functionality is included, for example to accommodate securities settlement, further analysis would be required into boundaries on the scope of activities that may be conducted by different types of FMI, given that the existing financial regulatory framework in the UK does not recognise the concept of a general-purpose FMI.

- **L2:** The UK legal and regulatory framework is sufficiently flexible to support multiple alternative deployment visions for the platform for innovation (including as a unified system, separate deployments of different layers, or through bilateral co-ordination between the platform for innovation and other external systems).
- **L3:** There are alternative routes to becoming a regulated FMI (payment system). It is possible proactively to request that regulated status be applied from the establishment of the platform for innovation. Alternatively, the platform for innovation could be deployed such that regulatory requirements apply progressively as functionality and usage is increased. In particular, guardrails involving restrictions on certain types of usage of the platform could be introduced, in discussion with regulators, to enable commercial operation prior to being subject to a recognition order under the Banking Act or a designation order under the Banking Reform Act, until the platform for innovation is commercially able to support the regulatory burden that would accompany such orders. The transaction flows will not necessarily trigger a requirement on the Platform Operator to obtain a payment services licence, depending on how they are specifically implemented.
- **L4:** The tokenisation of deposits can be implemented so as to be neutral from a legal and regulatory perspective, as compared with traditional deposits. This outcome is dependent on the structure ultimately adopted. As currently contemplated, the mechanisms envisaged as part of the experimentation phase for achieving the tokenisation of deposits should not have the effect of changing the regulatory characterisation of the regulated liabilities (for example, it should not lead to the creation of a cryptoasset from a regulatory perspective). This suggests the platform for innovation can support the singleness of money.

- **L5:** The platform for innovation can be implemented to achieve settlement finality, and so that records in the platform for innovation have legal significance in effecting transfers. Statutory settlement finality protections are limited under the Settlement Finality Regulations (SFRs) to payment transfer orders and securities transfer orders; to the extent that the platform for innovation sought to accommodate settlement of assets beyond this scope – for example extending to electronic trade documents – further analysis would need to be conducted. Subject to appropriate arrangements being put in place as part of the implementation phase, the platform for innovation should be capable of achieving interoperability with those systems facilitating the settlement of such other assets and thereby ensuring that the protections afforded by the UK's settlement finality

regime apply from the point at which instructions are entered within the platform for innovation.

- **L6:** The legal workstream has not identified any legal or regulatory blockers to the deployment of the core technical capabilities in the platform for innovation, although further work will be required as part of any implementation phase, accompanied by appropriate regulatory engagement where necessary. In particular, further regulatory engagement is recommended in relation to the mechanism contemplated for locking customer funds in connection with retail payment transactions and depending on the outcome of that engagement may impact the final implemented structure. Further functionality extensions beyond those assessed as part of the Experimentation Phase will need to be analysed as part of any implementation phase.

- **L7:** DvP between the platform for innovation and another designated system can be achieved through bilateral co-ordination between those systems.
- **L8:** Specific dispute resolution frameworks may need to be developed by third party applications (such as marketplaces or other technology providers integrating with the platform for innovation), and supported by the platform for innovation, to achieve appropriate risk allocations between end users.
- **L9:** The core functionality envisaged as part of the platform for innovation is not precluded in principle by Consumer Duty requirements, where applicable.
- **L10:** The platform for innovation project will factor in data privacy by design and default to enable compliance with data protection requirements.

- **L11:** The UK legal framework does not recognise the concept of a general-purpose settlement venue, and as a result the platform for innovation would, to the extent it carries out certain functionality beyond that contemplated by the Experimentation Platform, need to comply with several different statutory regime in the absence of a general-purpose regulation.
- **L12:** Participation in the components of the platform for innovation that amount to a designated system under the SFRs would be limited to specific actors. However, that should not limit participation in other components of the platform for innovation, for example the API Layer (depending on the precise implementation). More broadly, as a payment system, the platform for innovation will have to comply with proportionate, objective and non-discriminatory access criteria.



03

Realising the platform
for innovation



Realising the platform for innovation

Collaborative innovation

Through the RLN Experimentation Phase, the UK financial services industry explored how a platform for innovation would benefit the UK.

By virtue of being a common interface, the platform for innovation could encourage new market entrants to benefit from reduced barriers in the form of reduced costs of integration with payments and settlement systems. This could be achieved by virtue of a common point of entry to payments infrastructure or derived from reduced costs as a result of operating tokenised deposits of customers from different financial institutions on a shared infrastructure. The API and Orchestration Layer could enable the implementation of new capabilities where the underlying systems don't have native support. The Tokenisation Platform could support the tokenisation of commercial bank money, other forms of money and potentially assets.

The Experimentation Phase proved that innovation can be done collaboratively. The project brought together various financial institutions with UK Finance and a team of vendors, as well as engagement with the wider UK community of innovators, FinTechs and BigTechs.

Engagement with a range of innovators was undertaken as it is envisaged that authorised third party business applications (e.g. e-commerce storefronts, PoS terminals and FinTechs) would be able to easily integrate via common APIs to provide the front-end services while the platform for innovation provides the underlying infrastructure. The home buying use case demonstrated this, with Coadjute plugging into the API layer to offer a front-end service to customers.

As part of engaging wider stakeholders across the industry, 91 firms participated in an innovators workshop to help gauge market interest in the platform for innovation.²⁹ 98% of firms expressed their intention to engage further, which highlights the significant interest and potential that innovators see in the platform for innovation.

The Experimentation Phase identified several promising use cases based on analysis of the outputs from the RLN innovator workshop, Project Rosalind,³⁰ the Brazilian CBDC project (Drex)³¹ and the RLN Discovery Phase.³²

These use cases encompass a range of industries and applications, showcasing the versatility and potential for a platform for innovation. For example, digital trade documents exchange, loan syndication,

²⁹ [RLN Innovator Workshop Recap: Driving collaboration in financial services | Insights | UK Finance](#)

³⁰ [Project Rosalind: developing prototypes for an application programming interface to distribute retail CBDC \(bis.org\)](#)

³¹ [Ap_RCN_UCLA_19.1.23.pdf \(bcb.gov.br\)](#)

³² [Regulated Liability Network: UK | Policy and Guidance | UK Finance](#)

trade finance, rental deposit scheme, intra-day repurchase (repo), multi-party automated split payments (e.g. for food or taxi platforms), cross-border payments with foreign exchange (FX) conversation, re-insurance, invoice financing, derivatives clearing margin management, and more.

Going forward, the financial services industry should continue to support a collaborative approach to innovation and engage with the wider community to explore different use cases that could be delivered via the platform for innovation.

In the Experimentation Phase a federated 'network of networks'³³ model was explored for the Tokenisation Platform, where each tokenised deposit issuer had its own 'application network' on which its customers were modelled. This highlighted the potential to support significant transaction volumes and showcased an architecture that could allow a shared ledger to be created incrementally, federating pre-existing single-issuer networks over time. This maximised the autonomy and control of each issuer but made it more difficult at a practical level to directly showcase some core shared ledger differentiators including simultaneous atomic settlement across partitions.

Further research is required on shared ledger technology to understand the best design to deliver enhanced resilience and functionality. Continued collaborative research with innovators will also help explore the core shared ledger differentiators and benefits. This research could be taken forward by both the public and private sectors in an environment such as the Digital Securities Sandbox or as part of the Bank's proposed programme of research into wCBDC and RTGS functionality. For example, this could help compare the benefits of providing settlement in central bank money for DvP use cases either by integrating with separate

commercial bank money and financial asset ledgers or by using a shared ledger that includes central bank money, commercial bank money and other financial assets. There could also be further work on the optimum technology from a cybersecurity and resilience perspective.

Commercial viability

The payments industry is interested in working alongside regulators to investigate how an iterative approach to realising the platform for innovation concept can be supported with a sustainable governance and funding model.

The Experimentation Phase explored how the platform for innovation could generate revenue through various avenues including annual subscriptions or membership fees, joining fees, and per-item fees. The potential fee structure was modelled by considering all ecosystem participants, ensuring that the cost per transaction is aligned with and benchmarked against current payments systems, with a net benefit realised for those utilising the foundational capabilities. This was supported by legal analysis to ensure adherence to requirements under competition law relating to price-setting and dealing with third parties. Similarly, the governance model was designed to enable private sector ownership and delivery, ensuring a fair return for all on innovation.

As is it not appropriate to reach any decisions on how the concept could achieve commercial viability, the Experimentation Phase considered a range of possible fee structures that share value between customers, innovators, banks, other financial institutions and FMIs, and the underlying platform for innovation. However, further engagement with both the market and regulators would be required to establish the potential mechanisms by which it would

³³ This is an architecture in which the Tokenisation Platform is built on a single technology, Corda in this case, but where each tokenised deposit issuer had their own 'application network' on which their own customers were modelled.

cover its costs and generate an appropriate return.

The project discovered that commercial viability could be achieved with the introduction of further use cases, beyond those explored in the Experimentation Phase. These use cases introduce different transaction types and payment flows, potentially reducing transaction costs for the ecosystem on a per item basis, and generating an earlier payback period for participants. It would be beneficial to engage with regulators on the commercial framework, legal certainty, minimum consumer protections and consolidation of programmes.

Fitting into the wider landscape

From the outset, the Experimentation Phase recognised that any platform for innovation would have to sit within the wider UK payments and settlement landscape. The design of the technology architecture reflected this and connected to a range of simulated existing systems, such as Open Banking, FPS and RTGS. The technology and legal work considered how this connectivity between the platform for innovation and existing systems could be delivered.

The Experimentation Phase found that the API and Orchestration Layer could act as an access point to channels and business applications, and connect to a multitude of settlement venues to ensure settlement finality. Whereas the Tokenisation Platform could act as a payment and clearing system for tokenised deposits, potentially including settlement using wCBDC.

Given its potential position in the ecosystem and the unique incremental benefits that it could enable (namely maintain singleness

of money, unlocking new functionality and real-time settlement), a key finding from the Experimentation Phase was that a platform for innovation could complement some of the key payments initiatives in the UK.

The Experimentation Phase found the platform for innovation overlaps with current ecosystem components and broader payments vision for the UK and globally. The project selected the Bank Discussion Paper on innovation on money and payments, Joe Garner’s Future of Payments Review, NPV, digital pound objectives and G20 Roadmap for Enhancing Cross-border Payments³⁴ as reference, as these initiatives are considered key and broadly aligned with other existing initiatives (see Table 3).

Table 3: High-level assessment of the platform for innovation against other initiatives

How does the platform for innovation address the Bank Discussion Paper on 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?	How does the platform for innovation support the Bank 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?	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 addresses the singleness of money, settlement via central bank money, and innovation, 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 work did not address resilience but this should be addressed as a future area of research.	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 work assessed that the platform for innovation does not improve the in-person customer experience.	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’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. The work did not include an assessment of cryptocurrencies.

The platform for innovation 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 existing initiatives to enable a different prioritisation of funding and investment for UK financial

institutions. An example of this could be the work that the Bank is leading to manage Important Business Services³⁵ risk. Given the number of potentially competing investment priorities for these institutions, an investment towards any other initiatives may be considered only if a superior outcome is achieved. This analysis should be further explored in the next iterations of the platform for innovation.

34 [G20 Roadmap for Enhancing Cross-border Payments: Consolidated progress report for 2023 - Financial Stability Board \(fsb.org\)](#)

35 [See Section 2 of “Operational resilience: Impact tolerances for important business services”](#)

Public-private partnership is key

The Bank has encouraged more action by banks to understand how tokenisation might be applied to bank deposits to enhance functionality across retail payments and explore what interbank payment rails would be needed to support this.^{36,37} The RLN Experimentation Phase has done exactly that and put forward a positive vision.

Additionally, in its Dear CEO letter 'Innovations in the use by deposit-takers of deposits, e-money, and regulated stablecoins'³⁸, the Bank and the Prudential Regulation Authority (PRA) set out the regulator's expectations regarding the tokenisation of commercial bank deposits.

The Experimentation Phase concluded that the tokenisation of commercial bank money via the platform for innovation could adhere to these expectations. The legal workstream found the mechanism for achieving the tokenisation of deposits should not have the effect of changing the regulatory characterisation of the regulated liabilities. Essentially, tokenised deposits are an incremental development of commercial bank money, rather than a new form of money.

The Experimentation Phase has gone further to explore potential innovations with central bank money. The project demonstrated multiple models for the issuance of retail CBDC (rCBDC) (e.g. Rosalind-style via API connections to a central rCBDC ledger, and directly via the Tokenisation Platform) as

well as the use of a simulated tokenised wCBDC to facilitate settlement of tokenised commercial bank deposit transactions, which could be the next step change in settlement enhancements. This aligns with the Bank's Discussion Paper on innovation in money and payments, specifically the desire to further explore innovations in wholesale central bank money and the principles for retail payments.

The Experimentation Phase progressed research on the potential delivery of a CBDC in the UK. It investigated whether both a rCBDC and wCBDC could be built on the Tokenisation Platform, along with tokenised commercial bank money, rather than only on a central bank ledger. The Experimentation Phase showed that the platform for innovation could settle through RTGS or potentially using an omnibus account scheme, if no wCBDC is available. However, a wCBDC can offer enhanced settlement functionality from a technology standpoint, compared to existing RTGS integration.

For all these reasons and the wider ambitions for the platform for innovation to become a FMI,³⁹ engagement with the Bank and other regulators is crucial on the findings of the Experimentation Phase as well as any future phases of work (e.g. on the security and resilience of a future platform for innovation). The participants would welcome discussions with the Bank to explore how the findings from this project align with their approach to innovation in money and payments.

³⁶ [Speech given by Andrew Bailey at the Financial and Professional Services Dinner, on Monday 10 July 2023 \(bankofengland.co.uk\)](#)

³⁷ [Modernising the trains and rails of UK payments – speech by Sarah Breeden | Bank of England](#)

³⁸ [Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins \(bankofengland.co.uk\)](#)

³⁹ The ambition is for RLN to become an FMI at the appropriate time (i.e. once fully commercially and operationally established, and once it hits the relevant thresholds in terms of its activity), which is not expected to be the case from the outset etc. This would require considerable engagement with the regulators.

Summary and conclusion

The Experimentation Phase enabled participants to draw the following conclusions from the project, which may help inform future phases of work:

- It is possible to build a platform for innovation that synthesises existing and new capabilities.
- Today's payment systems do not exhibit all the features required by economic actors, e.g. locking/unlocking functionality and programmable payments.
- The platform for innovation highlights the untapped innovation potential if we add new features to current processes (e.g. by enhancing existing customers journeys and process flows as proven through the P2P marketplace, home buying and settlement of tokenised bond use cases).
- The platform for innovation could help realise over 40 business benefits to end customers, financial institutions, innovators / intermediaries, and central authorities, among others.
- The delivery of a platform for innovation remains subject to multiple design options that can be used to decide the optimal architecture for delivery in future phases of work.
- The legal and regulatory framework is sufficiently flexible to support multiple arrangements and deployment visions for the platform for innovation. This remains subject to further implementation, including reflecting the output of any regulatory engagement.
- The operating model and corporate structure could take different forms based on technology design choice, implementation approach, and other criteria.
- It is possible to create a commercial framework that delivers value to customers, innovators that connect to

the platform, banks and other financial institutions that are participants of the platform, other FMIs, and the platform for innovation itself. However, these innovations and capabilities cannot be delivered in isolation. Developing a platform for innovation alongside several other industry initiatives, highlights the need for holistic design choices across the UK's payments infrastructure to enable sound investment decisions and commercial viability.

- The platform for innovation goes beyond existing initiatives and has the potential to provide an opportunity to align and take a holistic view across all investment decisions, where possible. Closer public-private sector collaboration would be key to overcome any challenges and ensure success.

The technology work identified several other critical learnings, which can inform future work:

- The suite of foundational capabilities proved suitable for third-parties building sample business applications. For example, card integration with merchant terminals was demonstrated, but further work may be required to ensure the architecture can support the latency required by card networks and payment gateways⁴⁰. The business application vendors identified specific APIs that would have made their work easier.
- The core 'functional consistency' principle, that it is possible for different forms of money to have the same operational characteristics, was demonstrated. For example, some use-cases require a concept akin to locking, but not all forms of money support this. The project demonstrated how different implementations of the concept could be provided for different forms of money, such as a model based on escrow, with only limited differences of behaviour being visible in the API.

⁴⁰ Note that testing of non-functional requirements was in general out of scope for this project

- The likely requirements for the Orchestration Layer to support reconciliation with banks' existing accounting systems were identified, and the relative advantages and disadvantages of different forms of settlement (synchronised and atomic) were studied. In particular, multiple tokenisation models were explored, and their bank integration impacts (such as with deposit systems, reconciliation processes, and customer statements and advice) were examined.
- A federated 'network of networks' model was explored for the Tokenisation Platform. This highlighted the potential to support significant transaction volumes and showcased an architecture that could allow a Tokenisation Platform to be created incrementally, federating pre-existing single-issuer networks over time. This maximised the autonomy and control of each issuer but made it more difficult at a practical level to directly showcase some core shared ledger differentiators including simultaneous atomic settlement across partitions and some models of programmability, and the potential to increase resilience through recovery of data from peers.

Additionally, participants identified a number of key questions that will require further investigation. These include but are not limited to:

- Could a different set of use cases, deployment approaches, and foundational capabilities help demonstrate higher value and open up new payment innovations?
- What level of functional consistency is desirable, e.g. should locking be available on all payment accounts?
- What is the potential of tokenised deposits? (Connecting to a tokenised deposit system is an integration task for each bank that needs to be justified through incremental capability)
- What is the optimum set of assets to be on a common settlement venue? And what is the incremental benefit of having a multi-asset settlement venue?
- What is the benefit delta across different settlement systems (e.g. wCBDC, RTGS+, omnibus account)? And what is the best way to provide central bank money into a tokenised settlement system?
- What is the roadmap to commercialisation, including the operating models and tokenisation models to be used?

- What is the scope and cost of integrating with participant bank's existing systems (e.g. deposit, payments, reconciliation, charging/billing, digital channels)?
- How can, and should, the platform for innovation advance the industry's cybersecurity and resilience?
- Could the platform for innovation potentially act as a synchronisation operator in the Bank's model for RTGS synchronisation?

The Experimentation Phase provides a foundation for a route forward, recognising that there is a need for viable commercial models to deliver programmable payments and settlements that would enable new transaction flows and deliver economic value to the wider UK economy. With the Experimentation Phase ending, this offers an opportunity for other financial institutions and public sector organisations to engage with the learnings from the experiments and become involved in the future phases of work to progress the platform for innovation.

Engagement with public sector (e.g. HMT, the Bank, FCA, PSR, etc.) and other stakeholders is vital to align on a single vision for the UK's platform for innovation. Alignment will enable investment of resources into that single vision and avoid duplicative efforts, especially those that may pose additional challenges and complexities.

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