UK Finance

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Building Digital Markets of the Future

How the UK can unlock deep, liquid tokenised markets across the lifecycle

August 2026

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UK Finance foreword

The UK is well placed to seize the opportunity presented by tokenisation of securities.

The UK should be a global leader in securities tokenisation. We lead the world in banking, insurance, fintech and professional services. Our common law tradition, the UK's reputation as a well-regulated safe harbour financial centre where things are done well, and the truly global nature of our capital markets give us all the tools we need to be a major player in digital assets.

It is undeniable, however, that the UK has been slower to act than some of our competitors. Other jurisdictions have had a head start, and we risk falling further behind.

The UK can still emerge as a key international player in tokenised assets. But only if we act quickly and with greater internal coordination. This report sets out how.

Since our 2023 report on securities tokenisation, important foundations were laid. The landmark digital sovereign debt instrument, DIGIT, is due to be issued early next year with the promise of potential further issuances. We commend the government's commitment in this regard. Working together, the government and our legal community brought further legal clarity for these new markets. The FCA and Bank of England listened to industry on many areas and are developing sound regulatory principles; we look forward to sharing insights on their upcoming roadmap. 16 and counting participants have joined the well-designed Digital Securities Sandbox. These foundations will not, however, build markets on their own.

That is why the next phase must be defined by delivery and pace. Delivery is a central theme of UK Finance's Plan for Growth, and tokenisation can deliver the opportunity to modernise market infrastructure, enhance competitiveness and support growth across the UK economy. Solutions like the Great British Tokenised Deposit (GBTD) harness the digital rails whilst keeping broader financial stability in mind and present a real opportunity on the global stage for the UK to lead.

If we get securities tokenisation right, the rewards for our economy could be enormous, with global tokenised market capitalisation estimated to hit $2 trillion by 2030. The tokenisation of real-world assets has the potential to not only strengthen our financial services sector, but support growth across the wider British economy. By enabling capital, collateral and liquidity to move more efficiently across financial markets, tokenisation releases balance sheet capacity, and unlocks new forms

of innovation and growth. It also makes investments more accessible. The UK has many of the ingredients required for building deep and liquid digital markets. We must now connect those strengths together.

Our home-grown industry took centuries to build and deserves attention. Modernising capital markets will be critical to maintaining the UK's competitiveness in a digital age. The opportunity is clear, but so is the risk of inaction. The decisions taken in the next few years will determine where the world's digital markets are built and governed.

This report draws on interviews, surveys and roundtables across wholesale banking participants, capital market services and infrastructure providers, to offer wholesale focused and thoughtful analysis and data to support the shared efforts of our members, government, regulators, the Digital Markets Champion and wider industry. We thank Oliver Wyman for their support on this journey.

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Oliver Wyman foreword

Three years ago, we set out why securities tokenisation mattered for the UK. Since then, the debate has moved on.

The question is no longer whether distributed ledger technology can support regulated financial assets. It is whether jurisdictions can turn that capability into functioning markets, with sufficient liquidity, trusted settlement and institutional participation to operate at scale.

Tokenisation could be the next catalyst for the UK to consolidate and extend its position as a leader on the global stage. Its significance lies not in the technology alone, but in the potential to modernise the infrastructure through which capital, collateral and liquidity move. Done well, this could improve productivity in wholesale markets, support capital formation and reinforce financial services' contribution to the UK's wider growth agenda.

The UK starts from enduring strengths: openness to international capital and firms; deep and sophisticated markets; globally recognised legal, regulatory and professional expertise; and a concentration of institutions capable of designing and operating complex market infrastructure. These strengths provide a credible basis for leadership. They do not guarantee it.

The next phase is about delivery. Important foundations are being put in place, including DIGIT, the Digital Securities Sandbox and work on digital money, collateral eligibility and prudential treatment.

The priority now is to connect these initiatives and convert policy intent and experimentation into repeatable market activity. That requires a clear end-state, a sequenced roadmap, interoperable forms of digital money, legal and prudential certainty, resilient infrastructure and use cases with a credible commercial rationale. Progress in any one area will be insufficient if the wider system does not develop with it.

Delivery also requires commitment at two levels. As a country, the UK must move with greater pace and coherence across government, policymakers and regulators. Market participants must be prepared to commit senior sponsorship, resources, operational capacity and — where the economics are sound — real investment budget. Markets will not reach scale through pilots alone.

No single institution can create these conditions. Sustained engagement is needed across issuers, investors, banks, custodians, market infrastructures, technology providers, legal and accounting experts, government and regulators. The objective should not be to prescribe one technology or market model, but to establish common conditions within which safe, competitive and internationally connected markets can develop.

This report provides a practical agenda for doing so. It identifies where the UK is best placed to lead, the conditions required for adoption and the actions needed from the public and private sectors. The opportunity is within reach, but leadership must be earned through execution. Now is the time for the UK — and for individual firms — to commit and deliver at pace.

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No report on this topic will ever be complete or up to date, as the industry, technology, and legal and regulatory framework continue to develop and/or become more established. However, in this report, we have aimed to provide a resource that could be useful to the widest range of readers. To keep this report readable, we have deliberately simplified some of the technical content. This report contains general information relating to blockchain technology and digital assets. It does not contain legal, tax, or regulatory advice and is not an endorsement of any business, technology, or product. Readers should do their own research and take advice before taking any action. We make no comment on digital assets as an investment class.

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Why this report matters now

Tokenisation is entering a more consequential phase for the UK.

Leading jurisdictions are moving from experimentation towards live issuance, settlement, collateral and trading activity, while market participants are beginning to make long-term choices about infrastructure, operating models and investment. The UK has established many of the necessary legal, regulatory and institutional foundations, but these will not translate automatically into market leadership. The next phase will determine whether the UK can convert its strengths in wholesale finance into functioning digital markets — or whether liquidity, expertise and infrastructure consolidate elsewhere. This creates a limited window to align public- and private-sector activity around a clear set of priorities.

This report has a specific purpose: to help translate the UK's ambition for digital securities into a focused and commercially credible delivery agenda. It provides an industry-led assessment of where tokenisation can create the greatest value, which use cases should be prioritised, and what market, regulatory and infrastructure conditions are required for adoption at scale. It is intended to move the debate from broad strategic intent towards practical choices on sequencing, ownership and implementation.

The report complements the work of the Digital Markets Champion, adding a wholesale-focused blueprint developed with our members, based on surveys, roundtables, bilateral engagement and Oliver Wyman research.

This report contributes the evidence and perspective of the banking and wider wholesale-market industry to that process. It identifies where firms see the strongest commercial potential, where market-wide coordination is required and where unresolved dependencies continue to inhibit investment. This additional lens supports our shared goals and we will reference the Digital Markets Champion's ongoing work and report to ensure cohesion.

Its purpose is to help move the debate from ambition to execution by identifying the market conditions needed for sustainable digital wholesale markets.

The analysis draws on market research, an industry survey, interviews with banks, asset managers, market infrastructures, policymakers and regulators, and lessons

from leading international jurisdictions. It addresses three questions: what has changed since tokenisation emerged as a strategic issue for wholesale markets; where tokenisation can create the greatest economic and market value; and what the UK must do to convert its strong foundations into deep, liquid and commercially sustainable digital securities markets.

The banking industry supports the direction set by government, the Digital Markets Champion and the regulators, but believes that delivery must now accelerate.

This report should therefore be used as a practical input into the Champion's work programme and the wider implementation of the Wholesale Financial Markets Digital Strategy.

It is intended to help government and regulators calibrate the policy and regulatory roadmap, support the Champion and industry in selecting and sequencing priority use cases, and provide firms with a clearer basis for investment and participation. UK Finance and its members will use it as a reference point for continued engagement with the Champion, government, regulators and market infrastructures, and as a framework against which progress towards functioning markets can be assessed.

Executive summary

Tokenisation is increasingly becoming a market structure and competitiveness issue rather than a technology discussion.

The debate has shifted from technical feasibility to how quickly jurisdictions can translate early progress into market adoption. We now consider whether the UK can convert strong foundations into market leadership before the next generation of wholesale market infrastructure, liquidity pools and standards is anchored elsewhere. This report builds on themes first explored in UK Finance's 2023 report "Unlocking the power of securities tokenisation" (the "2023 report"), while focusing on the conditions required for tokenised securities markets to achieve institutional scale.[1]

Since 2023, developments in tokenised securities have materially accelerated. Experimentation has proven that distributed ledger technology (DLT) can support the issuance, transfer and servicing of financial assets within regulated environments. The United States (US) has moved quickly to establish itself as a leading jurisdiction in this space, through White House sponsorship[2], Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) engagement, and developments in stablecoin and market-structure legislation. And given the size and importance of the US in wholesale markets globally, that change has accelerated investment and institutional activity worldwide. What began as a technology-led discussion is increasingly becoming a competition to build the next generation of wholesale market infrastructure and ecosystem participation.

The UK has put in place many of the key foundations required since our 2023 report and the pace of progress has materially accelerated. In May 2026, the Financial Conduct Authority (FCA) and Bank of England published a landmark joint vision for tokenised wholesale markets, setting out valuable shared regulatory principles and outlining plans for a further roadmap late this year.[3] The Chancellor confirmed at Mansion House that the first DIGIT issuance will take place by Q1 2027, with an intention for further issuances to follow if successful. These are not pilots or statements of intent — they are operational commitments with named timelines.

Yet tokenised securities activity remains nascent. Industry participants remain cautious on committing until there is sufficient commitment from government, policymakers and regulators towards tokenised securities over the long-term. The speed at which other jurisdictions are compounding early advantages into liquidity, standards and ecosystem activity means the UK cannot afford to lose momentum. The foundations are strong. The window to convert them into leadership is now.

Progress made by other jurisdictions offers lessons in how tokenised securities markets could successfully form. The US shows that a clear direction of travel, backed by political sponsorship with enhanced authority, can mobilise private investment even before all legal and regulatory questions are resolved. The EU illustrates both the value and the limits of regulatory frameworks. The Markets in Crypto-Assets Regulation[4] (MiCA) provides a harmonised regime for cryptoassets that are not already financial instruments. Tokenised securities remain subject to existing securities law, with the DLT Pilot Regime providing the more directly relevant framework for DLT-based trading and settlement. The EU experience demonstrates that legal permission is necessary, but does not by itself create issuance, liquidity or market activity at scale. Singapore and Hong Kong show the power of public-private coordination and sovereign sponsorship organised around a credible end-state. Switzerland shows law is strongest when paired with a live venue and a credible settlement asset. The common thread is confidence — deep and liquid markets form when participants believe in the direction of travel strongly enough to invest, build and adopt.

Over the last three years, focus has shifted beyond issuance to critical components of the secondary markets, including collateral, funding and liquidity. Early activity focused on issuance because it was the simplest part of the lifecycle to digitise, but the commercial case for issuance alone is unlikely to justify the investment and transformation required to scale tokenised securities. The commercial case is more compelling in the secondary markets, where the real-time, fractional, 24/7 and programmable nature of tokenised securities support tangible benefits.

Priority use cases such as intraday repo allow for more efficient collateral management, with the potential to unlock material capital benefits. The first scaled networks are establishing in this space, such as Broadridge's Distributed Ledger Repo platform which processed approximately $8 trillion of repo volume in April 2026.[5] Tokenisation creates the greatest value when assets, collateral and cash move more efficiently through wholesale markets.

Applying a framework based on economic value, the UK's competitive advantage and opportunity point most clearly towards building a connected digital securities ecosystem centred on sovereign debt, money market instruments, repo and collateral management, and FX. These priorities align closely with markets in which the UK already has scale and institutional depth — for example derivatives, where the UK commands 50% of global OTC interest rate derivatives turnover, and FX where the UK captures 38% of global volumes.[6] The greatest benefits will come not from isolated tokenised assets but from a flywheel in which investment products supply inventory, funding markets create collateral utility, and risk-management workflows drive adoption — as traditional markets do today, but with the additional benefits that tokenisation helps unlock.

Tokenisation is today's opportunity to strengthen and level up the UK's financial services ecosystem, with benefits that would stretch nationwide. Financial and related professional services contribute approximately £290 billion of annual gross value add to the UK's economy — around £11 in every £100 of UK economic output. The sector employs nearly 2.5 million people, two-thirds of them outside London, and pays over £110 billion in tax each

year.[7] The financial services industry has proven resilient through Brexit, the LIBOR transition and successive market cycles. As the plumbing of wholesale markets shifts to DLT, the UK cannot take its position for granted. Leading in tokenisation would not only protect this engine of the economy — it would support the development of new market infrastructure providers, strengthen the UK's position as an exporter of financial and regulatory expertise, and create high-value employment opportunities across the country.

Successful adoption could reinforce the UK's broader digital economy and help ensure that future market infrastructure, standards and associated economic activity are anchored in the UK.

To achieve this vision, the UK needs to progress work on key pre-requisites while fostering market demand and providing confidence on the long-term commercial case in the UK. The UK has made positive steps forward on the pre-requisites — the Digital Securities Sandbox (the DSS or Sandbox) allows HM Treasury and regulators to temporarily adjust certain legislation for participants in a nimble manner. The Bank of England and FCA have committed to equivalent collateral eligibility in principle.[8] The appointment of the Wholesale Digital Markets Champion (referred to in this report as Digital Markets Champion) was welcomed by industry and signals intent to accelerate.[9] Further details and guidance are required to help industry participants interpret and navigate requirements (see Section 4), but the ball is in motion.

What now limits market formation is clarity on the commercial case. Without that, market demand, liquidity and investment are unlikely to develop at the pace required. Given the most significant UK industry participants have a broader geographic footprint, the UK must provide a clear route to benefits for market participants and end customers. At this relatively early stage of market development, participants need a clearly defined pathway. This includes a phased roadmap, agreement on the priority ecosystems to develop first and visible commitment from policymakers and regulators that tokenised security markets will be championed.

A deep digital securities ecosystem is, however, redundant without an effective digital money ecosystem. Every tokenised transaction has a cash leg and the full benefits of tokenisation are only unlocked when the cash leg is as digital as the asset leg. The UK has built more digital money capability than most jurisdictions. The joint industry Great British Tokenised Deposit (GBTD) initiative, facilitated by UK Finance, is helping to bring tokenised sterling deposits into wholesale markets, with digital asset settlement amongst the first use cases.[10] Fnality's sterling payment system is live[11], settling in central bank money through the Bank of England's omnibus account, with settlement finality designation. The Bank

of England continues to advance Real-Time Gross Settlement (RTGS) synchronisation and wholesale central bank money options. These, and other evolving solutions, can operate in different parts of the digital money chain to complement, as well as compete, with each other. A digital commercial bank money solution might, for example, connect with a digital central bank money solution for final settlement.

To convert foundations into leadership, the UK government and industry should urgently pursue four missions.

1 POLICY

Set a single, holistic vision for digital wholesale markets

A published architecture and roadmap, building on the FCA and Bank of England's May 2026 joint vision, covering end-state, sequencing, collateral eligibility and the sandbox-to-permanent transition, to support more efficient market infrastructure, investment and economic growth.

2 OPERATIONAL

Align the digital money and tokenisation strategies

A cohesive engagement layer that provides greater visibility and signposting across GBTD, Fnality, UK regulated payment stablecoins, RTGS synchronisation and central bank money options — enabling differentiated initiatives to progress independently while remaining interoperable and collectively oriented towards priority wholesale use cases.

3 LEADERSHIP

Back delivery with visible leadership with real authority

The Digital Markets Champion's appointment and first report provide a strong foundation. The next step is to ensure the role is set up for optimal success — with the authority, resources and continuity needed to drive delivery as the market moves from experimentation to implementation.

4 ECOSYSTEM

Concentrate effort on the priority ecosystem

Align policymakers, regulators and industry around sovereign debt, money market instruments, repo, collateral and liquidity management; measure success by depth of adoption and liquidity — wholesale custodian interoperability must be a named component of this mission.

The prize for the UK is large, but so is the risk that the market forms elsewhere. The UK already possesses many of the ingredients required for success — strong legal foundations, deep capital markets, growing digital money capability and clear strengths in collateral, funding and risk management. The challenge is now execution. The alternative is not the status quo: the ecosystem will form regardless. If the ecosystem anchors in New York, Frankfurt or Singapore, the UK's £290 billion industry will operate on infrastructure designed, governed and priced elsewhere. This will reduce the neighbourhood effect that helps markets deepen in the UK and risk future atrophy in domestic market activity. The next phase is to convert strong foundations into adoption and market activity at scale. The next twelve months are a critical window of opportunity for acceleration.

01 State of the market

1.1 What has changed since 2023

Tokenisation refers to the digital representation of financial assets using DLT. This report focuses on tokenisation of securities including vanilla flow instruments (equities, bonds, loans and money markets), traditionally illiquid products (such as real estate) and structured finance. It includes securities issued natively on the blockchain, as well as "hybrid" models.

Hybrid models combine on-chain token issuance or transfer with off-chain legal, custodial or registry structures. This allows firms to remain compatible with existing regulated processes while still capturing many of the efficiency benefits of tokenisation.

Tokenisation is not a uniform concept and may be implemented in different ways depending on the intended commercial outcomes. Law and regulation may dictate certain structuring choices, for example to ensure that transfers are legally effective or regulatory requirements can be met.

Since our 2023 report, tokenised securities use cases have shifted from experimentation and piloting to implementation and scaling. In 2023, most activity focused on proving that DLT could support securities issuance and settlement. The market was characterised by proof-of-concepts, regulatory experimentation and isolated transactions. Today, that debate is largely settled. Governments, regulators, market infrastructure providers and financial institutions have collectively demonstrated that tokenised securities can be issued, transferred and settled within regulated environments. The discussion has increasingly shifted towards commercial adoption, market liquidity and the operating models required to support institutional scale.

Figure 1.1

2023 vs 2026 comparison on state of tokenised securities across key jurisdictions

Jurisdiction	2023	2026	Momentum	Notable developments since 2023
United Kingdom	●	●	▲▲	Commitment on DIGIT, stronger policy, legal and regulatory foundations, incl. the Wholesale Financial Markets Digital Strategy, FCA's final cryptoasset regime policy statements; DSS including, stablecoin settlement update, and private sector initiatives
United States	●	●	▲▲▲	Standout mover; tokenised Treasuries, BUIDL, DTCC and accelerated instant adoption
Switzerland	●	●	■	Sustained leadership leveraging DLT Act and SIX Digital Exchange
European Union	●	●	▲▲	MiCA, DLT pilot regime, and Pontes/Appia strengthen the regulatory and settlement foundations for tokenised markets
France	●	●	▲	Continued issuance activity and infrastructure development
Germany	●	●	▲	Incremental progress in digital securities and infrastructure
Luxembourg	●	●	▲	Continued fund and securities tokenisation activity
Singapore	●	●	■	Maintained leadership through Project Guardian and continued institutional adoption
Hong Kong	●	●	▲▲	Project Ensemble, tokenised bond issuance and stablecoin framework
United Arab Emirates	●	●	▲▲	Strong regulatory innovation and growing ecosystem participation

● High maturity ● Moderate maturity ● Developing maturity
■ Leadership maintained ▲▲▲ Significant acceleration ▲▲ Strong progress ▲ Incremental progress

Source: Oliver Wyman analysis

As confidence has grown in the potential benefits of DLT, policy support for tokenisation initiatives has strengthened across jurisdictions globally. Since 2023, a growing number of jurisdictions have moved beyond experimentation and begun treating tokenisation as a strategic market infrastructure and competitiveness priority. Political sponsorship, regulatory engagement and public sector support have increasingly been accompanied by investment in market infrastructure, digital money and market development initiatives. This matters because wholesale financial markets are shaped by network effects: as jurisdictions attract activity, liquidity, talent and investment, adoption can accelerate further. What was previously a technology race is increasingly becoming a competition to build the next generation of wholesale market infrastructure.

With stronger political impetus, key foundations that previously constrained adoption have started to fall into place. Various legal and regulatory obstacles have been addressed, including through clarifications of existing frameworks and regulatory reforms in respect of cryptoassets and stablecoins in the UK, Europe, Middle East and Asia, among others. Policymakers have become more comfortable with tokenised securities as distinct from unbacked cryptoassets. Digital cash initiatives have expanded significantly, with work undertaken on tokenised deposits, stablecoins, wholesale central bank money and synchronisation mechanisms. These initiatives include Fnality in the UK, BIS' Project Agorá[12] and the ECB's Pontes and Appia initiatives.[13] Market infrastructure providers have increased investment in digital securities platforms, including SDX in Switzerland[14], HSBC Orion[15] and DTCC's digital assets programme.[16] Institutional investors have become more active participants in the market. Individually, none of these developments is transformative. Collectively, they are starting to reduce many of the technical barriers that previously limited adoption.

Together, these developments are helping the market move beyond experimentation and towards a clearer understanding of the use cases most likely to achieve scale.

Early activity focused primarily on issuance. Market participants increasingly recognise that the greatest potential benefits sit elsewhere. Focus has started to shift towards collateral management use cases, including repo, securities financing and settlement. Several of the largest initiatives globally are now focused on improving collateral mobility and funding efficiency rather than simply creating new digital securities. At the same time, growing demand for tokenised money market funds, tokenised treasuries and other real-world assets is helping to create larger pools of digital assets. This creates more opportunities to use those assets in collateral, funding and liquidity-management activities. Infrastructure providers, blockchain networks and financial institutions are competing to attract assets and users. As more participants join a platform or ecosystem, investment tends to follow, which then attracts further activity and adoption. The market is beginning to prioritise around a relatively focused ecosystem of use cases where tokenisation can generate tangible benefits and has a credible path to scale.

1.2 How jurisdictions have responded

Since 2023, jurisdictions have increasingly competed to shape how and where tokenised markets develop. The shift has been characterised by more visible political commitment, clearer regulatory pathways and greater investment in market infrastructure, digital money and ecosystem development. While the direction of travel is broadly consistent, different jurisdictions have adopted different models and priorities, offering a range of important lessons for the UK.

Figure 1.2

Cross-jurisdictional assessment on tokenisation enablers

	Legal certainty	Regulatory and prudential clarity	Market infrastructure and technology readiness	Public sector strategy and political commitment	Market demand and liquidity formation	Commercial case and internal business prioritisation
United Kingdom	Property (Digital assets etc.) Act 2025 plus DSS strengthen common-law footing	FCA Crypto roadmap and BoE/FCA vision materially strengthen clarity, but prudential and settlement detail remain open	DSS live and expanded; LSEG DMI, Archax and HSBC Orion improve readiness, but production depth remains limited	FCA/BoE Vision (2026), DSS and DIGIT demonstrate commitment, but a single market-building strategy and framework absent	Activity has broadened, but repeat issuance and secondary liquidity remain limited	HSBC, LSEG, Archax and asset managers are active, but ownership is uneven
United States of America	2026 SEC/CFTC guidance sharpen perimeter clarity, but no bespoke legal redesign	GENIUS Act (2025) and clearer stablecoin/securities classification, with prudential treatment still evolving	DTC tokenisation relief, Nasdaq tokenised equities, GS/BNY tokenised MMF rails	More supportive federal posture, but still politically variable	BUIDL/Franklin tokenised Treasury and MMF demand is the clearest in the sample	Tokenisation is inside core business lines at BlackRock, BNY, Goldman, Nasdaq and others
Switzerland	DLT Act and associated legal reforms remain the benchmark	FINMA and Swiss institutional model remain among the clearest	SDX and Swiss official-sector infrastructure remain production-grade	Sustained support, but less activist than Singapore or Hong Kong	Repeat issuance exists, but public evidence on liquidity depth is still limited	Durable conviction with tokenisation embedded in market infrastructure strategy
France	MiCA and SG-Forge structures strengthen the legal base	MiCA materially clarified the EU perimeter for stablecoins / service providers	Project Pythagore, DL3S and SG-Forge combine market-wide issuance, settlement and digital-money infrastructure	Credible continuity, incl. through Banque de France, but less visibly activist than some peers	SG-Forge is real activity, but tokenised securities liquidity remains thin	SG-Forge expanded from EURCV to USDCV, showing commitment, but footprint still rather narrow
Germany	Electronic securities act and broader legal extensions have deepened the framework	BaFin-regulated registrars/custodians improved clarity, but bank-scale prudential path is still maturing	KfW/ Bundesbank-linked trials and NRW. BANK digital bond improve readiness, but scale is still developing	More practical commitment via trials and legislative extension	Repeat issuance is emerging, but liquidity remains thin	Cashlink scaled and the ecosystem is moving beyond pure experimentation
Luxembourg	MiCA plus prior sovereign/public digital-bond experience keep the legal posture strong	EU-wide perimeter clarity helps, but prudential innovation is less distinctive	Credible issuance/ servicing hub, but not a leading end-to-end market stack	Supportive and pragmatic, but not especially visible post-2023	Issuance activity exceeds observable market liquidity	Solid ecosystem role, but more hub-led than demand-led
Singapore	MAS stablecoin framework (2023) and strong institutional legal footing	One of the clearest institutional regimes globally	Advanced tokenisation infrastructure (Project Guardian) and digital-money initiatives	MAS-led market development and public-private coordination	Strong ecosystem pull, but public evidence of deep liquidity remains limited	Broad institutional conviction, though less visible than US RWA growth
Hong Kong	Stablecoin legislation and project ensemble strengthen legal footing	Stablecoin sandbox and licensing path are clearer, but still maturing	Repeated sovereign issuance, Ensemble and mBridge participation	Strong government-led market development agenda	Repeated sovereign issuance and project ensemble activity	Stronger private-sector participation, but closely tied to official programmes
United Arab Emirates	2024 Payment token services regulations improve clarity, but the regime remains fragmented	Federal and emirate-level rules are improving, but not unified	mBridge and dirham-backed stablecoin plans strengthen the settlement proposition	Strong competitiveness-driven hub strategy	Broad digital-asset activity exists, with emerging demand for tokenised securities	Strong curiosity and strategic intent, but securities franchises are less visible

■ High maturity ■ Moderate maturity ■ Developing maturity

Source: Oliver Wyman analysis

Despite being a relatively late mover, the US has employed a top-down approach to drive activity and provide industry participants with the confidence needed to invest. In January 2025, the White House issued an executive order[17] on strengthening American leadership in digital financial technology and appointed a Special Advisor for AI and Crypto[18], with a mandate to make the US the undisputed leader in digital assets. In parallel, Congress advanced market-structure legislation intended to establish a comprehensive framework for digital assets.[19] The significance of these developments extends beyond the US itself. Because the US remains the world's deepest capital market and a global anchor for liquidity, market structure and financial infrastructure, changes in US policy have a disproportionate influence on global investment and market activity. This resulted in an acceleration in investment and activity from the private sector into tokenised securities, digital money and related infrastructure.

Leveraging public-private coordination, Singapore has focused on building an ecosystem rather than a series of isolated pilots. The Monetary Authority of Singapore (MAS) expanded Project Guardian[20] to test asset tokenisation across more asset classes and has established industry groups to lead pilots in asset and wealth management, fixed income and foreign exchange, framing the work as part of a broader effort to ensure that emerging digital asset networks are underpinned by international standards and safe market infrastructure.

Hong Kong has pursued two complementary but distinct tracks. Project Ensemble ran by the Hong Kong Monetary Authority (HKMA) tests real-value transactions involving tokenised deposits and digital assets. Separately, the HKSAR Government of the Hong Kong Special Administrative Region (HKSAR) has executed repeated production digital-bond issuances through the Hong Kong Central Moneymarkets Unit (CMU) with HSBC Orion, while the Hong Kong Mortgage Corporation issued HK$12 billion of public digital bonds on a CMU-operated DLT platform. The lesson is not that pilots alone create market leadership. It is that repeat production issuance, broad institutional distribution, public-sector commitment and interoperable settlement arrangements create the confidence needed for firms to invest and participate at scale.

Switzerland remains the clearest example of legal certainty paired with live market infrastructure. The DLT Act has been in force since 2021[21], complemented by regulated infrastructure including SIX Digital Exchange (SDX) and the Swiss National Bank's (SNB) Helvetia[22] work on wholesale central bank money settlement for tokenised securities. Market participants note that SDX appears to be scaling back — reinforcing that infrastructure without sustained transaction volume is insufficient.

Luxembourg has also demonstrated how targeted legal reform can integrate tokenisation into market infrastructure. Through its series of Blockchain Law amendments (I-IV) since 2019, Luxembourg has progressively recognised DLT-based securities accounts, registers and settlement as legally equivalent to traditional ones. The legal framework has also supported the introduction of a control agent role, allowing for issuance account keeping to be decoupled from centralised custody. This supports the holding of tokenised fund units across multiple custodians.

Lessons can be learned across jurisdictions. If the UK builds a digital ecosystem that is sophisticated but domestically bounded, it will fall short of the role London plays in global wholesale finance. We discuss in Section 5 the approach the UK can take.

BOX 1 | LEARNINGS FROM THE EUROPEAN UNION'S DIGITAL ASSET DEVELOPMENTS

MiCA regulation has created a harmonised framework and reduced fragmentation in the broader digital asset market, but it has not, by itself, created deep tokenised securities markets. The lesson is not that legal certainty lacks value; it is that legal frameworks alone do not create liquidity, market participation or commercial momentum. Market activity remained fragmented across jurisdictions, infrastructures and use cases, while recurring issuance, secondary-market liquidity and digital settlement assets developed more slowly than the regulatory framework itself. Recognising this, the Eurosystem has redoubled its efforts through Pontes and Appia — a dual-track strategy to settle DLT-based transactions in central bank money, developed together with industry through dedicated cross-functional workstreams under a clear target architecture and timeline.

1.3 Lessons for the UK

Progress across other jurisdictions offers providers several key lessons for the UK. Four lessons stand out, and each maps directly to the missions set out in Section 5 of this report.

- **Lesson one — vision and leadership with teeth matter most.** A clear direction of travel, backed by political sponsorship with real authority, mobilises private investment even before every legal and regulatory question is resolved. The US transformed market sentiment with vision and mandate first, detailed rules followed [Missions One and Three].
- **Lesson two — legal and regulatory clarity is necessary, but it is not the full answer and will not create markets on its own.** The EU built the world's most comprehensive legal framework for digital assets and still did not get deep tokenised securities markets. What is now moving the EU forward is cross-functional delivery: joint public-private workstreams, a shared target architecture and published timelines [Mission One].

- **Lesson three — public-private coordination creates momentum.** Singapore, Hong Kong or France show that the public sector can do more than permit experimentation: it can organise it. Central banks, treasuries, regulators and debt management offices in other jurisdictions have played decisive roles in setting the vision and roadmap for tokenisation of priority markets and supported this with pragmatic industry groups and guidance on end-state architectures. This has given firms the confidence and the incentive to build and invest [Mission Four].

- **Lesson four — digital money is an anchor, not an adjacency.** The ECB's Pontes and Appia, the SNB's Helvetia and the HKMA's Ensemble projects all place settlement assets at the centre of their tokenisation strategies. No leading jurisdiction treats digital cash as a separate workstream [Mission Two].

Each of these four lessons maps directly to the missions set out in Section 5 — and taken together, they define the delivery agenda the UK must now pursue.

1.4 The UK's positioning relative to global peers

Against that backdrop, the UK enters this phase with structural advantages in three areas. First, English common law remains a structural advantage because it is flexible, principles-based and deeply embedded in global wholesale finance. Over time, there is further scope to strengthen this through a "Common Law Plus" approach that preserves the flexibility of the existing legal framework while providing market participants with clearer practical guidance, including positive statements on permitted activities, clearer signposting of relevant legal and regulatory provisions, and greater clarity on how existing frameworks apply to tokenised securities. This would improve confidence and reduce implementation uncertainty without requiring a wholly new legal regime for digital assets. Second, the UK has a dense concentration of legal, regulatory and market-infrastructure expertise. This matters because tokenised securities are not just a technology question but a question of enforceable rights, custody, settlement finality and market design. Third, the UK has vibrant international wholesale markets in areas such as FX, derivatives and money markets, attracting an outsized share of global volumes. Together, these three components provide a strong starting point to successfully build digital securities markets.

Since 2023, the UK has built upon this starting point by putting materially stronger foundations in place. Updates to the Financial Services and Markets Act enabled the Financial Market Infrastructure Sandbox[23], giving industry, HM Treasury (HMT) and the regulators a regulated live environment to test DLT-based market models. For the first time in the UK, firms have a regulated environment in which they can issue, trade and settle digital securities using modified market infrastructure rules. The FCA and Bank of England are working with 16 firms that have passed Gate 1 and are progressing towards go-live, extending the evidence base beyond isolated proofs of concept.

In parallel, private-sector initiatives such as Fnality and the GBTD solution are beginning to test digital settlement assets in live market conditions. DIGIT could complement these initiatives by providing a tokenised UK government security that helps establish confidence, liquidity and common market practices across the wider ecosystem.[24]

Regulatory and policy development has also accelerated. HMT has set out its cryptoasset regime. In April 2026, the FCA finalised guidance for authorised fund managers using DLT and introduced optional direct-to-fund dealing rules[25], while the PRA updated its expectations on the prudential treatment of tokenised assets and innovations in deposits, e-money and stablecoins. The Bank of England continued its work on digital cash through RTGS renewal, synchronisation capabilities and the exploration of potential wholesale CBDC options.[26]

In May 2026, the FCA and Bank of England published a shared long-term vision and joint call for input on the future of tokenisation in UK wholesale markets.[27] This marked the first coordinated position by the UK's principal financial regulators across prudential treatment, tokenised collateral, settlement assets and future market infrastructure. Commitments included updated PRA guidance, work to enable tokenised equivalents of eligible assets to be used at central counterparties and in the Bank's operations, a live synchronisation service targeted for 2028, and consultation on moving RTGS and CHAPS towards near-24/7 settlement.

In June 2026, the FCA completed a significant stage of its cryptoasset roadmap, establishing final rules for cryptoasset firms.[28] These cover areas including stablecoin issuance, custody, market integrity and financial resilience, with the mandatory regime due to commence in October 2027. While primarily focused on cryptoassets rather than tokenised securities, the framework provides greater certainty for parts of the digital money, custody and intermediation ecosystem on which tokenised markets may depend.

Together, these steps have moved the UK from broad legal and policy enablement towards a more operational framework for live testing and implementation. Care should be taken to preserve, and maintain consistency with, the sound regulatory principles that are now emerging.

BOX 2 | RECENT UK DEVELOPMENTS IN BUILDING SETTLEMENT ASSETS AND THE DIGITAL MONEY ECOSYSTEM

Tokenised securities require a corresponding digital cash leg. The UK is developing a plural architecture, rather than selecting a single form of digital money. This combines tokenised commercial-bank deposits, regulated payment stablecoins and central-bank-money solutions, including renewed RTGS infrastructure, omnibus accounts and synchronisation, alongside continued exploration of wholesale central bank digital currency. These options can support different markets and risk requirements, while providing the payment leg needed for delivery-versus-payment, programmable settlement and more efficient repo and collateral workflows.

Tokenised deposits represent existing commercial-bank money on digital infrastructure and remain a claim on the issuing bank. The UK Great British Tokenised Deposit (GBTD) initiative is piloting how deposits issued by different banks can interoperate, with Barclays, HSBC, Lloyds Banking Group and NatWest among the participants. In December 2025, Lloyds used tokenised deposits to purchase UK gilts on a public blockchain, demonstrating their potential application to securities settlement. LSEG's Digital Settlement House, or DiSH, is intended to provide common settlement infrastructure connecting bank-issued tokenised deposits; the recently announced connectivity with HSBC represents an early step towards linking commercial-bank money to shared digital-market infrastructure.

The UK is also establishing a regulated route for payment stablecoins and related stable-value settlement instruments. The FCA's wider cryptoasset framework and the Bank of England's proposed systemic-stablecoin regime envisage regulated stablecoins operating alongside tokenised deposits and central-bank money, including as potential settlement assets within the Digital Securities Sandbox. Fnality provides a distinct model already in operation: its Sterling Fnality Payment System has processed live transactions since December 2023 using a digital representation of sterling funds held at the Bank of England through its omnibus-account framework, providing wholesale participants with central-bank-money-backed settlement on DLT.

The Digital Markets Champion was appointed to turn the Government's wholesale digital strategy into coordinated industry delivery. The Champion's first report[29], published alongside the Chancellor's July 2026 Mansion House speech, set out a 12-month programme of work, delivered through nine action groups and overseen by an Orchestration Group which is chaired by the Digital Markets Champion.

This first report identified end-to-end tokenised repo as the first cross-sector use case, with the ambition of running a live trial by Spring 2027. It also proposed further work on the Central Securities Depository (CSD) framework, interoperability between platforms and more predictable pathways from the DSS into full authorisation and scale. The Chancellor reinforced this delivery agenda at Mansion House.

The Chancellor confirmed that the first DIGIT transaction would take place by Q1 2027, with Government openness towards potential further issuances. The Transatlantic Taskforce for Markets of the Future published ten joint UK-US recommendations aimed at supporting the development of digital asset markets. Taken together, these developments materially strengthen the UK's direction of travel and coordination mechanisms, although many remain forward commitments rather than delivered market outcomes.

Despite substantial progress over the past 12 months, several of the outcomes envisaged in our 2023 report are still taking shape as the UK moves from policy development and market testing towards implementation and scale. The immediate challenge is no longer whether a digital gilt can be issued, but how that momentum is translated into the recurring issuance, secondary market activity, repo transactions and collateral use needed to support deeper market liquidity over time.

The Sandbox has also continued to mature, with the first participant progressing to Gate 2 and the authorities providing greater clarity on the future direction of travel. The next step is to build on that progress by providing firms with a clearer pathway towards a permanent regime, full authorisation and the future treatment of CSD functions. The Bank of England and FCA have similarly provided an important foundation through their joint vision for tokenised wholesale markets, although detailed questions around collateral eligibility, operating models and implementation timelines will continue to be worked through as the market develops.

Beyond regulation, a number of practical market-building challenges remain. Questions around custody, liability, asset portability and interoperability have become less about principle and increasingly about implementation. Addressing them will require coordinated action across market infrastructures, custodians, issuers and investors, working alongside government, regulators and the Digital Markets Champion. End-to-end repo and collateral workflows have yet to be demonstrated at scale, secondary liquidity and market-making remain limited, and international standards for interoperability continue to evolve. The task ahead is therefore not to establish new foundations, but to build on those already in place and convert growing public and private sector momentum into adoption, liquidity and sustained market activity.

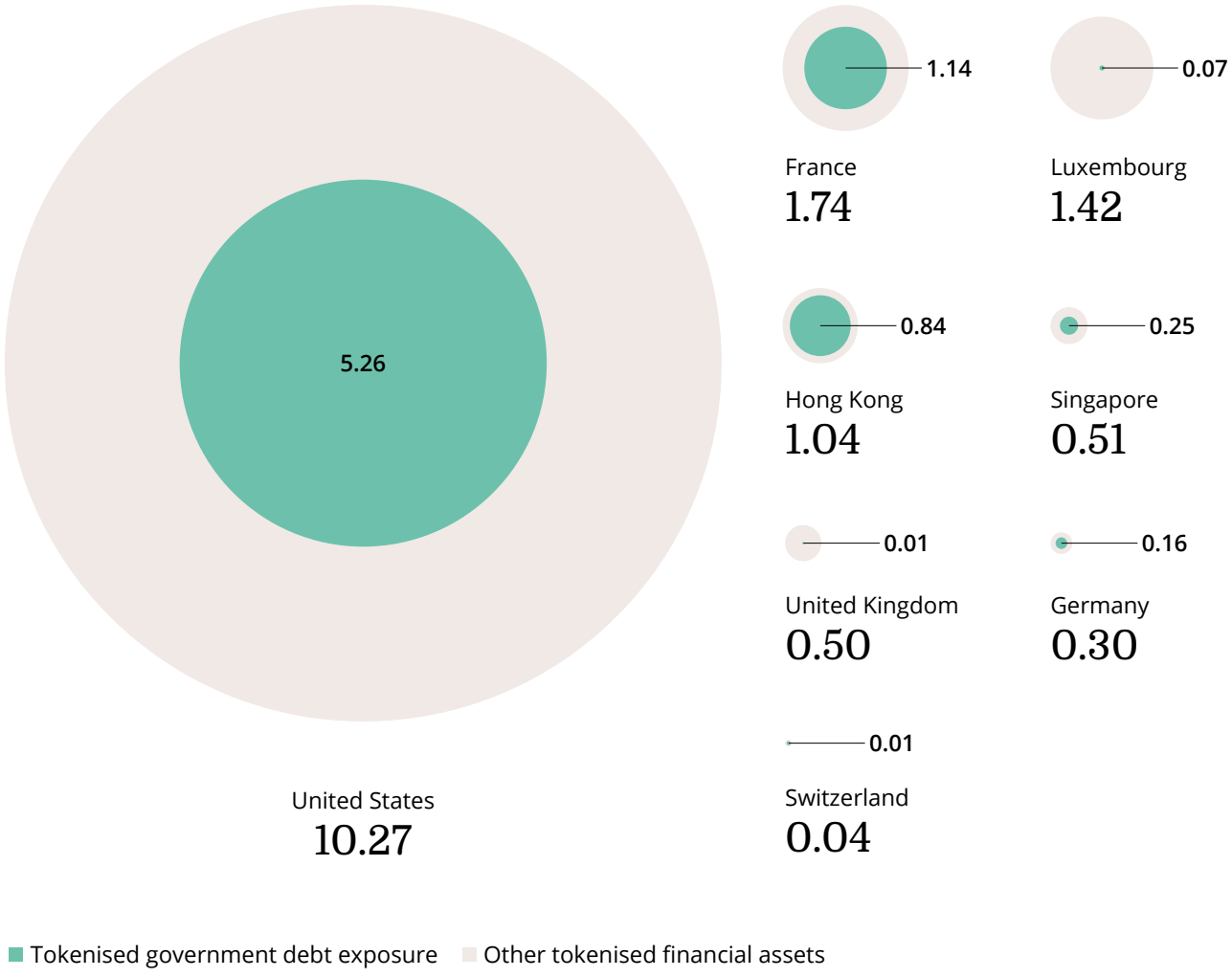
The UK has built stronger foundations faster than most jurisdictions and recent months have seen a genuine step change in commitment — from the FCA and Bank of England's joint vision, to the Digital Markets Champion's action programme, to the Mansion House commitment on DIGIT.

The challenge now is converting that commitment into recurring market activity. The risk is not that the UK is starting from behind. It is that jurisdictions already building commercial momentum establish the standards, infrastructure and liquidity pools of the next generation of wholesale markets before the UK reaches scale.

> "The UK has made good progress, but it feels like it's mid-table. It's not languishing at the bottom, but it's not winning trophies either"
>
> Global sell-side firm

Figure 1.4

Share of securities markets represented by tokenised securities



Source: RWA.xyz; Oliver Wyman analysis. Data as of 4th June 2026. Figures are indicative and non-exhaustive. Includes tokenised financial assets excluding stablecoins and represented assets; government debt reflects sovereign / government-debt exposure. Markets allocated by issuer domicile.

02 Tokenisation benefits

2.1 Summary of key tokenisation benefits

The state of the market analysed in Section 1 makes clear that the UK has the foundations but has not yet converted them into scaled adoption. Understanding where the economic value genuinely lies — the subject of this section — is the essential starting point for the use case prioritisation in Section 3 and the mission design in Section 5.

Given the importance of a strong commercial case to galvanise activity and build the digital securities ecosystem in the UK, a laser focus is required on where tokenisation has tangible benefits. The strongest benefits of tokenisation are expected to emerge after issuance, in the funding, collateral and liquidity workflows that underpin wholesale markets. These are the parts of the market where tokenisation can most reduce friction, improve transfer certainty and make assets more usable across wholesale markets. While early activity focused on issuance, the stronger economic case lies later in the lifecycle, where funding, collateral and liquidity costs are determined. This is already visible in market activity and industry sentiment, as set out in Section 2.2. 39% of respondents ranked collateral and margining the highest-priority lifecycle stage for further development, while 57% identified collateral mobility, improved settlement and broader market access among the most important drivers of economic benefit.

At its core, tokenisation is simply another technology that has a set of core features which drive benefits in specific use cases. As with any technology, tokenisation will not confer the same level of benefits to every use case. Given the significant investment required to establish tokenised markets, objectively assessing use cases against these core features is important. Four capabilities are particularly important:

- **Smart contract programmability —** automates activities such as compliance checks, settlement workflows and corporate actions, reducing manual tasks and operational risk
- **Extended hours operations —** digital infrastructure has the potential to support extended trading and settlement windows and, where beneficial, allow continuous market access for certain use cases

- **Real-time atomic processing —** improves the speed and certainty of transfer, settlement and record updates, enabling delivery versus payment (whereby the cash is transferred if and only if the securities are also transferred), reducing settlement risk

- **Fractionalisation —** reduces minimum size and can broaden access to certain assets, particularly in less liquid markets

These capabilities represent the next stage in the evolution of market infrastructure, building on the shift from physical certificates to dematerialised securities and electronic trading. Taken together, they could support more composable capital markets, in which securities, cash and collateral can be connected, combined and reused across multiple applications rather than being locked into separate product and infrastructure silos. A tokenised bond or money-market fund could, for example, operate not only as an investment asset but also as a building block for repo, collateral, margining and liquidity-management workflows, connected directly to an appropriate digital cash leg. This could make assets more reusable and adaptable within a wider market ecosystem.[30] However, the impact is not uniform: some capabilities create incremental improvements, while others have the potential to reshape how markets operate.

Figure 2.1

Relative value creation across the securities lifecycle

Benefit potential	Smart contracts	24/7	Real-time	Fractionalisation
Pre-trade ↓	Automates eligibility checks and reduces compliance steps	Limited impact as not highly time-sensitive	Faster onboarding through better data reuse	Limited pre-issuance relevance
Issuance ↓	Automates terms, allocation, and ownership recording	Not a core issuance benefit	Shortens issuance steps but depends on full digitisation	Lower minimum investment sizes supports broader access
Secondary trading ↓	Automates transfer rules though depends on venue design	Extends trading hours but depends on liquidity	Faster execution though constrained if cash is off-chain	Useful broadening of investor base for less liquid assets
Clearing and settlement ↓	Automates settlement logic and reduces breaks	More flexible timing, however limited direct benefit	Enables (near) real-time DvP and reduces unsettled trades	Not a settlement driver
Collateral management ↓	Automates margining, eligibility and substitutions	Supports collateral moves outside core hours	Faster pledge/ transfer/reuse of collateral with lower buffers	Improved sizing, but most value comes from mobility and reuse
Post-trade servicing	Automates corporate actions, payments, and reporting	Little relevance as servicing is event-driven, not hour-driven	Faster entitlements updates and payments	Adds servicing volumes, but also increases complexity

■ High ■ Medium ■ Low ■ Marginal/not applicable

Source: Oliver Wyman analysis

Near-term opportunities are likely to be driven by improving existing markets and processes rather than creating entirely new ones. Sovereign debt, money market instruments and selected funds matter because they already sit at the centre of collateral, treasury and funding workflows. Initiatives such as the planned tokenisation service by the Depository Trust & Clearing Corporation (DTCC) on the Canton Network illustrate how a digital-twin model can introduce on-chain functionality while preserving the existing legal and market infrastructure. Under this approach, eligible securities remain recorded within the established system, while a corresponding

tokenised representation can be used in approved digital workflows and later converted back into conventional form. Banque de France and Euroclear's Project Pythagore represent a different model. It is intended to support digitally native short-term debt issuance while allowing investors to continue accessing the instruments through established Euroclear France accounts and infrastructure. Together, these models show that the form of the instrument and the way investors access it are separate design choices. Some markets may begin with tokenised representations of existing securities; others may issue securities natively on DLT while retaining familiar custody and distribution channels.

Much of the market's current activity follows one of these transitional paths. Tokenised money market funds, sovereign debt and other securities are being used to improve the functionality, accessibility and utility of established asset classes. Their value will increase further where they can move beyond a single platform or purpose and become interoperable components within connected funding, investment and collateral.

Figure 2.2

Range of tokenisation models and their use cases

Model	Description	Example	On/off-chain
Derivative token	• Token synthetically replicates the economic exposure (of the underlying asset) • Legal right is to a contractual claim (e.g., against the issuer) rather than underlying, but may be backed by a "deposit token"	**xStocks** Token provides economic exposure to listed equities; designed for fractional ownership, cross-border access and 24/7 trading	Depending on step — off-chain only versus both on/off-chain
Digital twin	• Underlying "real" asset exists in traditional form, often held at CSD or a custodian, with token as the digital representation • On-chain transfers require syncing with off-chain registers requiring 1:1 mapping	**DTCC** Eligible securities are immobilised within DTCC and represented by corresponding tokens that can move between approved wallets and be converted back into conventional form	Both on/off-chain
Digitally native	• Primary record of the security is on-chain, with token itself as the legal representation of the asset • Lifecycle events (e.g., issuance, transfers, corporate actions) handled natively on DLT	**SIX Digital Exchange** Securities issued directly on regulated DLT infrastructure, with the primary legal record maintained on-chain	On-chain only

Source: Oliver Wyman analysis

Tokenisation has the potential to also support new market structures, products and forms of investor participation. While digital twin models are likely to represent the largest opportunity in the short to medium term, digitally native markets offer greater long-term strategic upside for the UK. Unlike digital twins, which primarily improve existing market processes, "digitally native" and "derivative-token" models create greater scope for new product structures, distribution channels and forms of economic exposure. Digitally native issuance may support more automated lifecycle management, more flexible product design and closer integration with digital funding and collateral markets. These benefits should not however be overstated. Tokenisation does not by itself create new economic rights, liquidity or investor demand; those outcomes still depend on the legal structure, distribution model, market infrastructure and commercial use case. These models remain early-stage, and commercially unproven, but point to a more fundamental evolution of capital markets beyond the modernisation of existing products towards a more composable future state.

2.2 Collateral and balance sheet optimisation

Collateral management has emerged as one of the most compelling institutional use cases for tokenisation because it sits at the centre of how wholesale financial markets function.

Every day, banks, asset managers, insurers, clearing houses and other market participants move large volumes of cash and securities to support derivatives positions, securities financing transactions, repo activity and other funding arrangements. These collateral flows play a critical role in managing counterparty risk and maintaining financial stability. They are often, however, operationally complex, fragmented across multiple custodians and constrained by market opening hours, settlement windows and jurisdictional boundaries.

As a result, a significant proportion of high-quality assets remain trapped or underused despite being theoretically available to support market activity.

> "Collateral mobility is the fundamental use case. The benefits are huge if we can crack it"
>
> Global sell-side firm

The scale of collateral markets and use cases is vast. Industry estimates suggest that approximately US$28 trillion[31] of assets are currently being used as collateral globally, while a much larger stock of high-quality assets remains unavailable or inefficiently used because of operational and market frictions. Nasdaq and the ValueExchange[32] estimate that the average large financial institution manages approximately US$74 billion of collateral across repo, securities lending, listed derivatives and OTC derivatives activities. Operational costs now represent a significant proportion of the overall cost of these transactions, particularly in collateral-intensive activities such as OTC derivatives and securities financing.

In practice, collateral management is a coordination problem. A given bank may hold government bonds at one custodian, require collateral at a central counterparty (CCP) in another jurisdiction and need to transfer assets before a market cut-off time to meet a margin call. Although that bank may have sufficient assets overall, operational delays, settlement cycles, market opening hours and fragmented records might prevent those assets from being used efficiently. To manage these risks, such banks often hold larger collateral buffers and liquidity reserves than they would otherwise need. Whilst these buffers are prudent from a risk-management perspective, they consume balance sheet capacity and reduce capital efficiency.

Tokenisation addresses many of these frictions by creating a shared, real-time record of ownership and collateral availability. Instead of relying on multiple reconciliations across separate systems, tokenised assets can be represented on digital infrastructure where ownership, pledging and release of collateral occur more quickly and with greater certainty. Importantly, this does not require assets to move from existing custodians or central securities depositories. Several emerging models instead create a digital representation of collateral while the underlying asset remains where it is. This allows firms to mobilise collateral more efficiently without introducing additional settlement risk.

Figure 2.3

How DLT changes collateral — Bank inefficiencies can be solved through tokenisation

	Collateral mobility	Collateralised trade settlement	Collateral reuse and velocity
Today's challenges	High-quality collateral is trapped across custodians, jurisdictions and market infrastructures, limiting its availability when and where it is needed	Settlement cycles, operational cut-offs and margin workflows create liquidity buffers, funding costs and counterparty exposures	Collateral cannot always be substituted, transferred or reused efficiently, reducing balance-sheet and funding efficiency
Smart contracts	• Automates collateral eligibility and transfer rules • Reduces manual processing and disputes	• Automates margin calls and collateral workflows • Reduces settlement errors and operational breaks	• Automates collateral substitution and optimisation • Simplifies collateral reuse across transactions
24/7	• Enables collateral movement beyond market hours • Supports cross-border collateral mobilisation	• Supports continuous settlement across time zones • Reduces dependency on settlement cut-offs	• Extends collateral availability and reuse windows • Enables continuous collateral redeployment
Real-time	• Accelerates collateral transfers between counterparties • Improves visibility of collateral locations	• Enables near-instant delivery-versus-payment settlement • Reduces liquidity trapped during settlement	• Accelerates collateral pledge and recall processes • Increases collateral turnover and utilisation
Fractionalisation	• Expands eligible collateral inventory available • Matches collateral more precisely to needs	• Aligns collateral amounts to exposures • Improves margin and settlement efficiency	• Unlocks smaller slices of usable collateral • Increases utilisation of available assets

Source: Oliver Wyman analysis

The benefits of tokenised collateral become most visible when firms need to move collateral quickly to meet funding or risk-management requirements. In derivatives markets, collateral must frequently be transferred in response to changes in market value. During periods of market stress, firms may need to source and substitute collateral rapidly to meet margin requirements. Under current market structures, these processes often involve manual intervention, operational cut-off times and delayed settlement. Tokenised collateral can support faster collateral substitution, more efficient movement of assets between counterparties and potentially intraday collateral management. Rather than waiting until the next settlement cycle, firms can respond more quickly to changing liquidity and funding conditions. While these benefits are often framed in terms of efficiency, they may also support market resilience by reducing operational bottlenecks and improving the ability of firms to mobilise liquidity and collateral during periods of stress.

Figure 2.4

Tokenised collateral use cases in different jurisdictions

Jurisdiction	Solution	Collateralised trade settlement	Collateral reuse and velocity
United States	Canton	Industry-wide initiative connecting tokenised collateral, securities and cash across multiple institutions, with DTCC using Canton to support tokenised post-trade workflows	• Strong industry coordination across FMIs, banks and technology providers • Focus on high-volume collateral and funding workflows • Clear path from pilot activity to production deployment
EU-wide	Pontes (ECB and Eurosystem)	Eurosystem initiative connecting DLT platforms to TARGET Services, enabling tokenised collateral and securities transactions to settle using central-bank money	• Direct central-bank sponsorship and leadership • Integration with existing settlement infrastructure • Common framework supporting interoperability across platforms
France	Project Pythagore (BdF and Euroclear)	Transformation programme for the short-term debt market, combining tokenised securities, infrastructure and digital money to support issuance, settlement and collateral workflows	• Banque de France sponsorship and Euroclear market infrastructure participation • Whole-market migration rather than isolated pilots • Strong issuer and buy-side participation
Germany	Eurex/Clearstream/ HQLAx	DLT-enabled collateral mobilisation service allowing securities to be transferred and used as margin collateral without moving the underlying asset	• Built around an existing collateral ecosystem and client base • Clear commercial benefit through collateral mobility and efficiency • Integration across CCP, custodian and collateral infrastructure
Singapore	Project Guardian (MAS)	Cross-border repo transaction using a natively issued digital bond, executed and settled on blockchain infrastructure under MAS Project Guardian	• Clear public-private partnership led by MAS • Strong focus on cross-border interoperability and standards • Concentration on real institutional funding and repo transactions

Source: Canton, Pontes, Project Pythagore, Eurex & Clearstream & HQLAx and Project Guardian.

A growing number of market initiatives have already demonstrated elements of this model in practice. For example, developments from firms such as HQLAx enable firms to transfer ownership rights to collateral while the underlying assets remain with existing custodians. The DTCC has conducted tokenised collateral pilots in the US focused on improving collateral movement across financial institutions. Project Guardian in Singapore has explored the use of tokenised bonds and deposits

within collateral and funding transactions. Broadridge's Distributed Ledger Repo platform has become one of the largest examples of tokenisation in production, settling approximately $7.5 trillion of repo transactions in June 2026. These initiatives differ in design, but all seek to solve a similar problem: improving the mobility and usability of collateral across financial markets.

BOX 3 | THE IMPORTANCE OF WHOLESALE CUSTODIANS AS ENABLERS OF TOKENISED COLLATERAL MARKETS

Wholesale custodians are the bridge between tokenised assets and their practical use as collateral. A token has limited institutional value unless participants can verify legal title, segregation, control, eligibility and valuation; process income and corporate actions; and transfer, pledge or release the asset with settlement finality. Custodians and central securities depositories provide these trust and control functions today. Their role will remain critical where collateral must be mobilised rapidly across counterparties, clearing houses, venues and jurisdictions.

Custodians will be critical to enabling tokenised collateral markets to develop at institutional scale. They are well placed to bridge assets held within traditional CSD and custody structures with regulated digital markets, connecting existing books and records to wallets, collateral platforms and settlement networks. This model can preserve established protections around ownership, segregation, asset servicing and recourse while allowing securities to move and be used on digital rails. DTCC's July 2026 trial illustrates the potential. Nearly 40 financial institutions and technology providers tested tokenised representations of equities, exchange-traded funds and US Treasuries already held at DTCC. Participants used these representations for collateral transfers, repo transactions and equity trades across the Canton Network and DTCC's Hyperledger Besu infrastructure. The tokenised securities retained the same legal and economic rights as the underlying assets and could be converted back into their traditional form.

The UK starts from a position of strength. It combines Euroclear UK & International and CREST, a substantial community of global custodians, deep repo and derivatives markets, and extensive English-law custody and collateral expertise. Early transactions demonstrate the opportunity: Lloyds Banking Group, Aberdeen Investments and Archax used tokenised money-market fund units and UK gilts as collateral for foreign-exchange trades in 2025. The Digital Markets Champion's July 2026 roadmap has now made an end-to-end repo transaction a flagship industry use case and called for the CSD framework to evolve to support tokenisation. This advantage will, however, be lost if each custodian develops a closed platform that traps collateral within a separate digital silo. Custodian interoperability should be treated as shared market infrastructure, not a source of competitive differentiation. It should be developed with the same seriousness as the sub-custody networks that underpin cross-border markets today.

The economic prize from more efficient collateral management could be substantial. Industry analyses suggest that more efficient collateral mobilisation could materially reduce excess collateral requirements, up to between 12% and 30% in some use cases.[33] Other market participants have highlighted the opportunity to reduce the amount of high-quality liquid assets held solely for operational reasons. While the benefits will vary by institution and use case, the common theme is simple: tokenisation helps firms make better use of assets they already hold.

For the UK, this opportunity is particularly relevant because London is one of the world's largest centres for derivatives trading, securities financing and foreign exchange activity, all of which depend heavily on collateral, margining and liquidity management. Applied across UK markets, a 12-30% reduction in collateral buffers could unlock significant balance-sheet capacity. More efficient collateral movement would support repo activity, improve funding efficiency and reduce liquidity fragmentation. More fundamentally, digital securities become more valuable when they can be financed, mobilised and reused across multiple market activities.

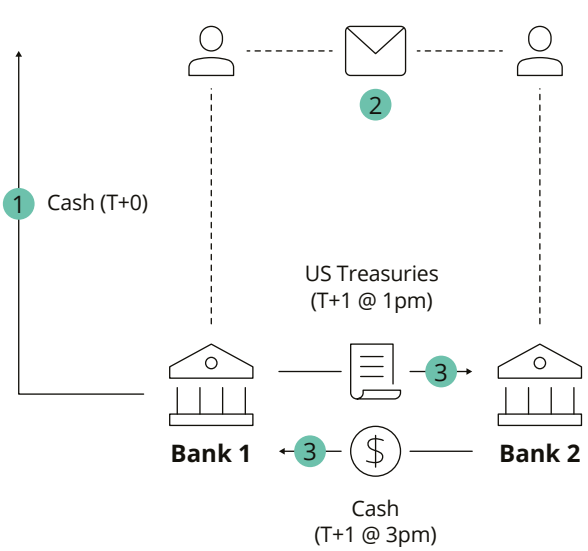
That is why collateral utility, namely the ability to finance, mobilise and reuse assets across multiple activities, is such a powerful driver of liquidity, adoption and scale.

It also helps explain why collateral emerged consistently in our interviews and workshops for this report as one of the areas where the UK has the strongest structural right to win. It further suggests that digital gilts should be viewed as a core source of high-quality collateral within a future UK digital securities ecosystem.

Figure 2.5

Collateral management today versus in a tokenised world

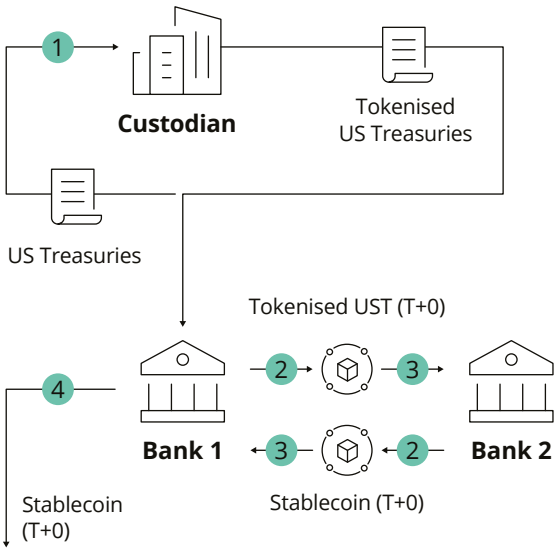
Current state



1. Bank 1 with cash requirement at T+0
2. Employees/teams from custodians must confirm details via email, phone, or chat to ensure custodians aligned to send assets
3. Exchange of cash versus collateral at T+1

- T+1 settlement results in **trapped collateral and funding gap**
- **Liquidity buffer needed** to account for timing mis-matches and/or potential settlement fails
- **Manual processes and settlement risk** from unmatched timeliness

Future state (Blockchain-enabled)



1. Digital twin model locks US Treasuries and mints tokenised US Treasuries
2. + 3. Bank 1 & Bank 2 post tokenised UST and stablecoin (or tokenised deposits) into a smart contract, timing of post may differ, but transfer occurs instantly once both parties satisfy contract
4. Bank 1 to service cash outflow

- T+0 atomic settlement enables Bank 1 to **instantly obtain repo funding** to service cash outflow
- Smart contracts **automate manual processes and facilitate DVP settlement** as the correct collateral must be staked and smart contract state is transparent in real-time
- Lower counterparty settlement **limit utilisation and RWA**

Source: Oliver Wyman analysis

2.3 Operational efficiencies across the trade lifecycle

In addition to the capital and collateral benefits, tokenisation also creates opportunities to improve operational efficiency. Most institutions will operate traditional and digital infrastructure in parallel[34] for a prolonged period, limiting the extent of short-term cost savings. The largest efficiencies will only be realised at scale when firms simplify their operating models rather than simply layering new technology onto existing processes. Operational savings are a supporting benefit, helping to strengthen the business case for collateral mobility, repo and settlement. On their own, however, they are unlikely to drive wholesale market transformation. Today's capital markets operate through a network of custodians, central securities depositories, clearing houses, payment systems and internal books and records. While these arrangements are highly resilient, they often require multiple parties to maintain separate records of the same transaction and continuously reconcile information across systems. This creates operational cost, complexity and delay throughout the lifecycle of a security.

Distributed ledger infrastructure can reduce operational complexity by allowing market participants to interact through a shared record of ownership, transactions and lifecycle events. Rather than each institution maintaining its own version of events and reconciling differences afterwards, participants can reference a common source of truth. The result is not the removal of controls or market infrastructure, but the potential reduction of duplicative record-keeping, manual intervention and operational friction. Over time, this could reduce reliance on highly specialised systems and support a more integrated market infrastructure. Payments, settlement, custody and collateral management could increasingly operate across shared digital rails rather than across separate technology stacks.[35]

Operational benefits can emerge across multiple stages of the securities lifecycle. At issuance, digital infrastructure can simplify documentation, investor onboarding and distribution processes. During settlement, tokenised securities can support shorter settlement cycles and, where appropriate, delivery-versus-payment models that reduce the need for multiple reconciliation steps. In custody and servicing, shared records can improve transparency around ownership, corporate actions and entitlement management. The cumulative effect is not necessarily a dramatic reduction in any single process, but a reduction in the manual touchpoints that persist throughout the trade lifecycle and across the broader market infrastructure.

Several live market examples have already demonstrated these benefits in practice. The Hong Kong Monetary Authority's tokenised green bond programme reduced settlement time from five days to one day[36], while Singapore Exchange reported material reductions in settlement processing times through its blockchain-enabled bond issuance platform.[37]

Multiple digital bond issuances by the European Investment Bank have demonstrated how tokenised securities can be issued and serviced using more streamlined operational processes.[38] These examples illustrate how tokenisation can reduce friction across established workflows or create new workflows that are more efficient overall.

2.4 Revenue opportunities and new products

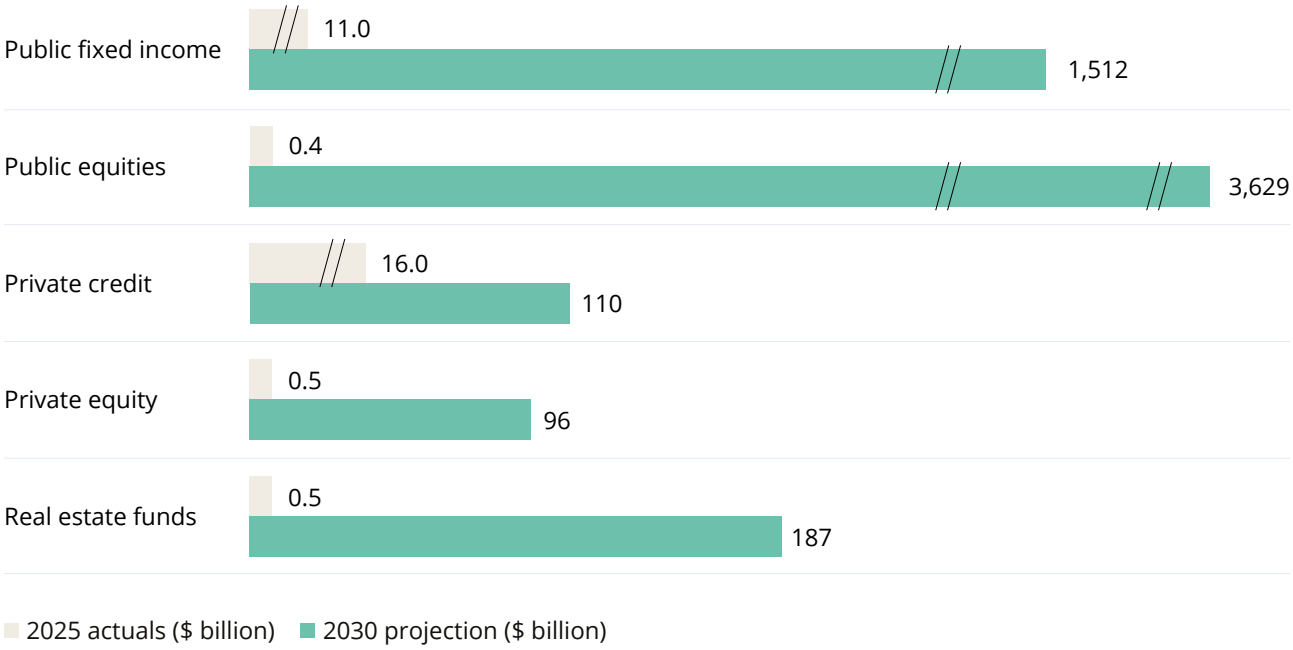
The revenue opportunity from tokenisation is best understood as a combination of scale in existing markets and selective expansion into new markets. In most cases, a tokenised bond is still a bond and a tokenised fund is still a fund. The commercial case therefore comes less from changing the underlying market, and more from making markets cheaper to distribute, easier to access and more efficient to service. This is also reflected in our survey for this report, where 72% of respondents prioritised bonds, funds, and repo-related use cases as the asset classes with the clearest potential. The strongest revenue opportunities are emerging in products where tokenisation can either increase volumes or unlock markets that have historically been constrained by high minimum tickets, illiquidity and heavy operational burden. The examples below illustrate areas where market activity, investment and commercial adoption are already beginning to emerge.

72%

of respondents prioritised bonds, funds, and repo-related use cases

Figure 2.6

Tokenisation volumes and trajectory per product category



~$25-30 billion Tokenisation today is primarily a private credit and Treasury market

$5.5 trillion Citi's $5.5tn 2030 projection assumes a fundamental shift toward public equities, public fixed income and digital collateral infrastructure.

Source: RWA.xyz; Citi Institute; Oliver Wyman analysis

Tokenised money market funds and short-duration funds are among the first products to achieve meaningful scale. They are also some of the most mature tokenised products globally because they sit close to cash management, treasury and liquidity workflows. The market now includes BlackRock's USD Institutional Digital Liquidity Fund, Franklin Templeton's OnChain US Government Money Fund, Ondo, WisdomTree and others, with the top tokenised funds already reaching meaningful scale. For the UK, sterling money market funds and short-duration funds represent a natural first product set, sitting directly within the treasury and collateral workflows prioritised in this report.

Public markets, including fixed income and selected equity products, are also beginning to attract meaningful investment and market activity. Here, the opportunity is not to invent a new market, but to make issuance, settlement and

post-trade processing more efficient and to broaden investor access. HSBC's Orion platform has supported more than $3.5bn of tokenised bond projects since 2023[39], while DTCC is developing a tokenisation service covering components of the Russell 1000, index-tracking ETFs and treasuries.[40] Nasdaq and Intercontinental Exchange (ICE) are building tokenised securities platforms aimed at extending traditional exchange and post-trade infrastructure onto digital rails.[41] These developments show the market is moving away from standalone pilots towards platforms designed to support regular issuance, distribution and secondary-market activity.

Private markets may represent a significant longer-term opportunity, although they are less central to the UK's near-term wholesale-market priorities. Tokenised private equity and private credit initiatives include Hamilton Lane feeder structures, JPMorgan's tokenised private equity fund and MUFG's large-scale real estate tokenisation programme. The attraction is clear: private assets are illiquid, operationally fragmented and expensive to distribute. Tokenisation can reduce minimum investment sizes, broaden investor access and simplify transfer and administration. For the UK's asset management and private capital industry, tokenisation creates an opportunity to expand access to private markets and improve how those markets operate. That opportunity is, however, likely to emerge over a longer timeframe. In the meantime, the collateral, repo and funding markets remain where the UK's near-term strengths are most evident.

Sustainability-linked and adjacent markets illustrate how tokenisation can support the development of new financing and investment ecosystems. Carbon credits, renewable energy certificates and other environmental assets are often constrained by fragmented registries, limited secondary-market liquidity and operationally intensive transfer and verification processes. Tokenisation may help these markets scale by improving transferability, reducing operational friction and broadening participation. While these markets remain relatively small today, they show how digital infrastructure can help new asset classes and financing models grow more quickly and reach scale.

BOX 4 | HOW TOKENISATION CAN SUPPORT THE UK'S SUSTAINABILITY AMBITIONS

Sustainability is increasingly becoming a capital markets question as governments, investors and corporates seek to finance the transition to a lower-carbon economy. This requires markets that can efficiently channel capital towards environmental projects and support the trading, verification and retirement of sustainability-linked assets. In several of these markets, including carbon credits and renewable certificates, growth has been constrained by operational complexity, fragmented infrastructure and limited transparency. Tokenisation can help by improving traceability, simplifying issuance and transfer, and creating clearer records of provenance, ownership and retirement. It can also support more programmable use-of-proceeds features, making it easier for investors to track whether capital is reaching the intended environmental purpose. Tokenisation is therefore attracting interest not because it changes the underlying environmental objective, but because it may help these markets operate more efficiently and scale more effectively.

A useful example is Carbonplace, a bank-backed carbon credit management platform designed to improve the integrity and efficiency of voluntary carbon markets. By supporting the distribution and retirement of certified carbon credits through bank-grade infrastructure, Carbonplace demonstrates how digital infrastructure can improve transparency, traceability and confidence in environmental markets while reducing operational friction for participants. In practice, that means lower administrative burden, better auditability and greater confidence that claims are backed by a verifiable record.

The same principle can be seen in sustainable debt markets. Hong Kong's tokenised green bond programme, the world's first government-issued tokenised green bond, has evolved from proof of concept into repeated real-money issuance, while the European Investment Bank's £50 million digital sterling bond demonstrated how tokenised issuance can operate across both public and private blockchain infrastructure through HSBC Orion. These initiatives show how digital infrastructure can support the issuance, distribution and servicing of sustainability-linked assets within existing capital markets.

The longer-term opportunity may extend beyond digitising existing instruments to creating new forms of regulated financial assets that are only practical on digital infrastructure. Digital-native securities could change the unit in which financial risk, return and cash flows are designed, distributed and traded. A 20-year bond with 20 annual coupon payments, for example, could be separated into 20 tradeable claims, each with its own maturity, yield and investor base. Today, a securitisation tranche, private credit exposure or structured trade may remain largely illiquid on a balance sheet. By issuing these assets as smaller, programmable components, tokenisation could help create secondary markets that would otherwise be uneconomic to operate.

Infrastructure revenues, real-estate interests and other long-dated or less liquid claims could similarly be structured around specific cash flows, investor preferences or risk tolerances, rather than being constrained by the form of the underlying asset or the economics of legacy processing. This could allow products to be designed around investor demand, specific cashflows or risks, rather than the limitations of existing market infrastructure.

The strategic opportunity therefore extends beyond incremental efficiency. It is about expanding what markets can do. Digital-native markets could expand the range of investable assets, support more tailored financing and risk transfer, broaden participation and create new sources of liquidity around instruments that are currently difficult to issue, service or trade. They could also enable securities, cash and collateral to interact more directly through programmable workflows, reducing the need for multiple layers of reconciliation and intermediation. The commercial models remain early-stage and will depend on legal certainty, credible custody, investor protection, reliable valuation and sufficient liquidity. However, this is where tokenisation has the greatest potential to reshape market structure rather than simply modernise existing products. The UK's strengths in structuring, wholesale funding, derivatives, private markets and English law provide a strong foundation for capturing this opportunity. Realising that potential will require a regulatory framework that can support new instruments without defining their final form too early.

The immediate priority for the UK should remain the tokenisation of regulated securities and real-world assets where demand, market infrastructure and the economic case are already visible. But policy and market design should also preserve space for the instruments themselves to evolve. The largest long-term prize may not be a more efficient version of today's securities markets, but the emergence of investable products and markets that do not yet exist in their current form. Section 3 translates these value pools into a prioritisation framework — identifying the use cases where the UK's structural advantage and the economics of the tokenisation most clearly intersect.

03

The UK's opportunity

3.1 The UK's structural advantages

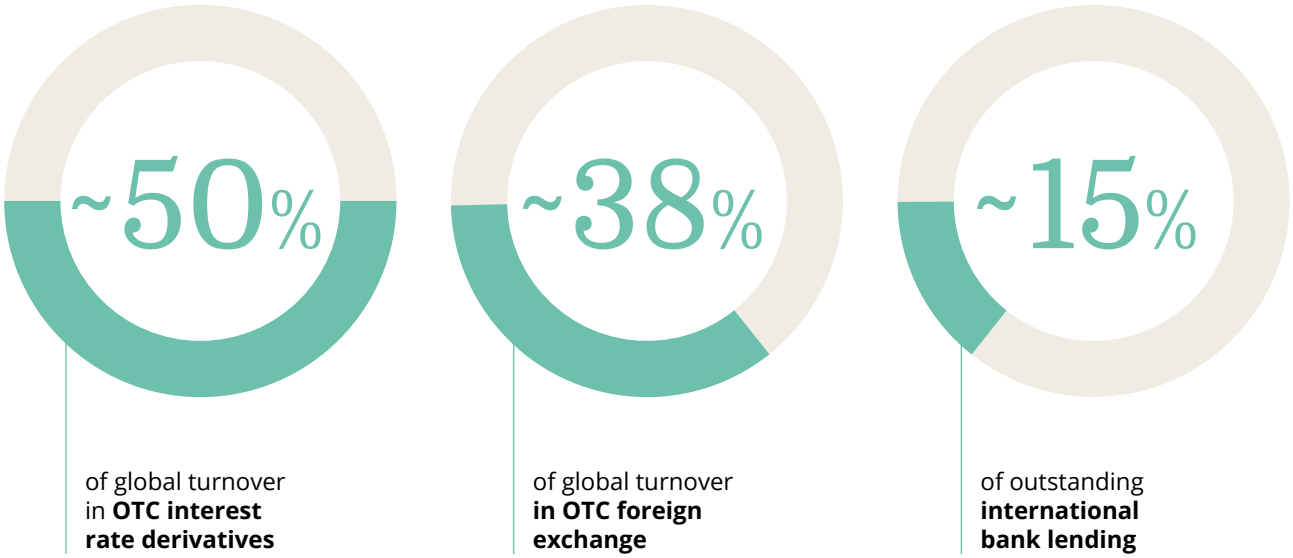
The UK enters the next phase of tokenisation from a position of genuine strength. It is one of the world's leading centres for wholesale finance, with deep capabilities in foreign exchange, derivatives, international banking, investment management and market infrastructure. These activities sit at the heart of global funding, liquidity and risk management, and are supported by a dense ecosystem of banks, investors, market infrastructures, professional services firms and specialist talent. This combination gives the UK an unusually strong platform from which to develop tokenised markets.

These advantages are especially relevant because the UK's greatest strengths are concentrated in the areas where tokenisation could have the greatest economic impact. Foreign exchange, derivatives, repo, securities financing and international banking depend on the efficient movement of collateral, liquidity and risk across institutions and jurisdictions. They are operationally complex, balance-sheet intensive and highly interconnected. Tokenisation could improve how these markets function by making assets easier to mobilise, reducing settlement and reconciliation frictions, and enabling closer integration between securities, collateral and digital money.

Few jurisdictions combine the same depth of market activity, legal expertise, infrastructure and institutional participation.

Figure 3.1

The UK's wholesale market franchise in numbers

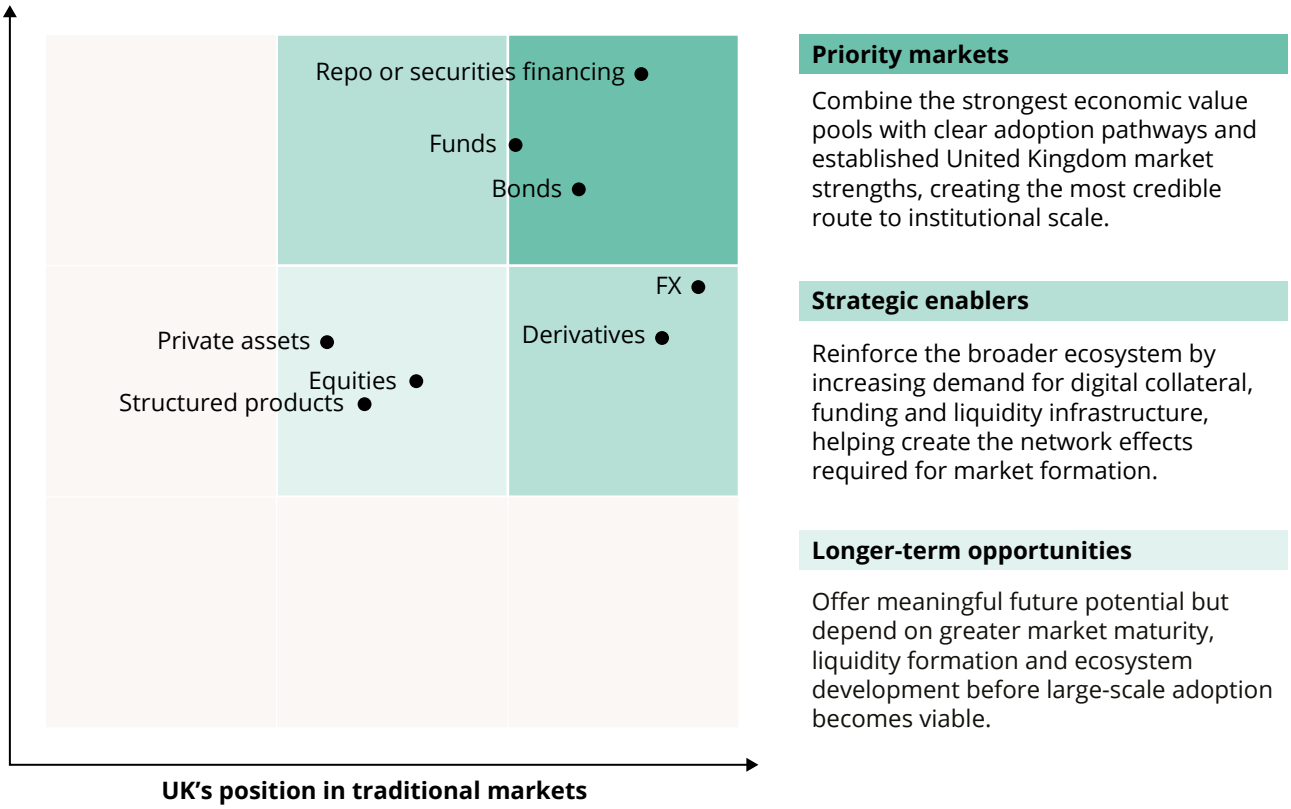


Source: BIS Triennial Central Bank Survey 2025, TheCityUK's "key facts about the UK as an international financial centre 2025

The strategic priority should therefore be to concentrate effort where the UK's existing strengths and the economics of tokenisation most clearly intersect. When taken together, considerations of economic value, competitive advantage and likelihood of adoption all point to a focused set of priorities. These include sovereign debt, money market instruments and selected funds, alongside collateral management, repo, liquidity management and funding use cases. This is consistent with industry feedback. 72% of respondents to our survey for this report identified collateral, repo, funds and debt instruments among the areas where the UK has the strongest opportunity to build a differentiated position.

Figure 3.2

UK asset class and use case prioritisation framework



Source: Oliver Wyman analysis

3.2 Building an ecosystem

The benefits of tokenisation are likely to be greatest where tokenised assets become part of a connected ecosystem rather than a collection of standalone products. Investment, funding and risk-management workflows reinforce one another. Tokenised funds, money market funds and other investment products increase the supply of digital assets. Those assets can be financed through repo and securities financing markets, improving collateral mobility and funding efficiency. Greater collateral mobility supports more efficient margining, collateral substitution and liquidity management in derivatives and other risk-management workflows. As these activities become more efficient, demand for digital collateral increases, creating a reinforcing cycle between investment activity, funding markets and risk management. Singapore's Project Guardian has increasingly evolved in this direction, moving beyond individual tokenised asset pilots towards integrated funding, collateral and settlement use cases.

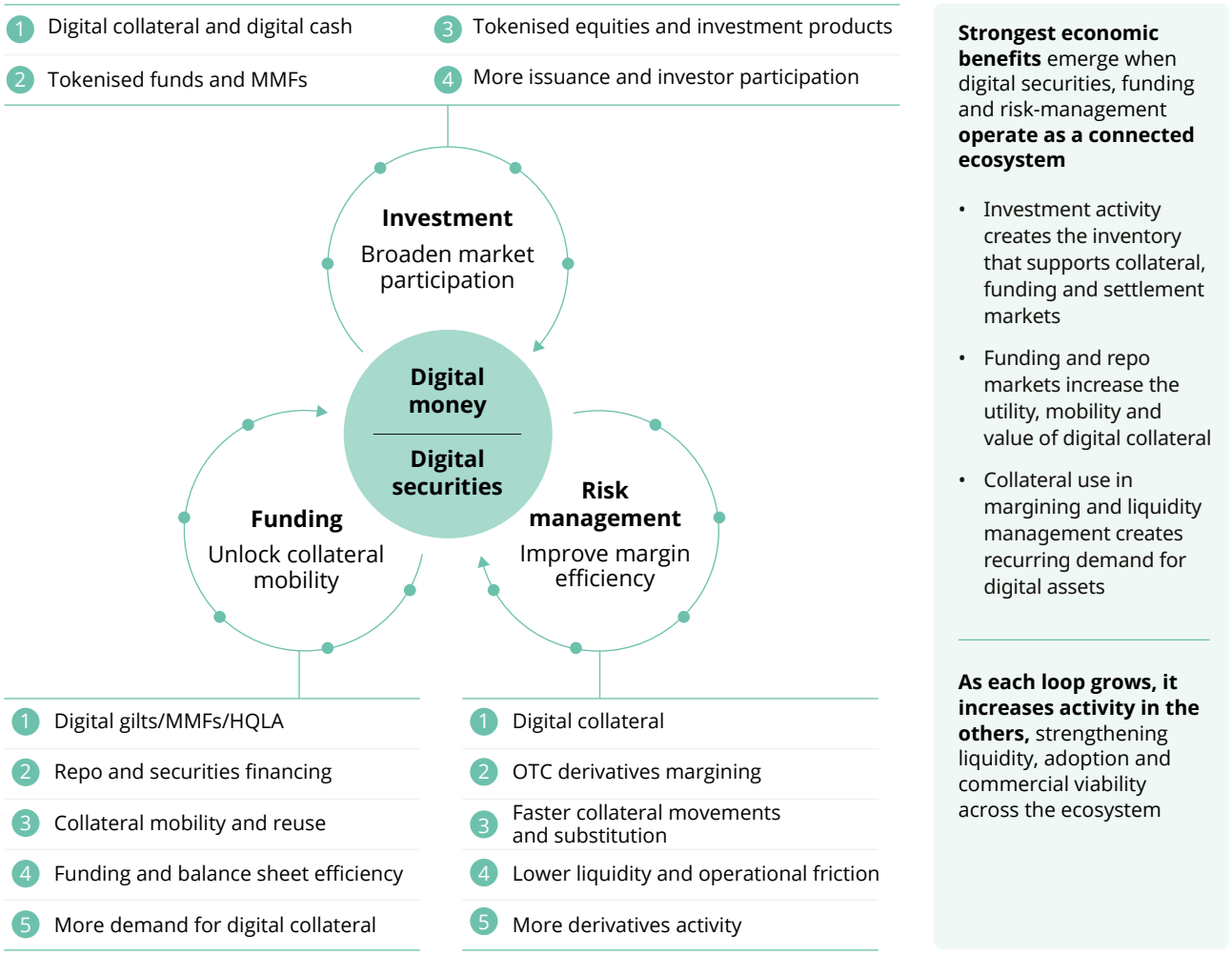
Digital money is a critical part of the flywheel to enable scaling of tokenised securities markets. The flywheel only spins if the cash leg is inside it. The full benefits of tokenisation depend on digital settlement assets developing alongside digital securities. These could take the form of tokenised deposits, central bank money or other wholesale settlement solutions.

Digital money needs to be designed into the market from the outset. It should connect directly with securities, collateral and trading platforms rather than being added later as a separate service. Section 4.1 examines the role of digital money and the remaining conditions required for scale, with Section 5 setting out the recommended actions.

> "If the asset is going on-chain, the cash has to follow"
>
> Global sell-side firm

Figure 3.3

Vision for UK digital securities markets



Strongest economic benefits emerge when digital securities, funding and risk-management **operate as a connected ecosystem**

- Investment activity creates the inventory that supports collateral, funding and settlement markets
- Funding and repo markets increase the utility, mobility and value of digital collateral
- Collateral use in margining and liquidity management creates recurring demand for digital assets

As each loop grows, it increases activity in the others, strengthening liquidity, adoption and commercial viability across the ecosystem

Source: Oliver Wyman analysis

The logical end-state is a connected digital wholesale market in which investment, funding and risk-management workflows reinforce one another. The strongest opportunities identified in this report share a common theme: they improve how risk, liquidity and collateral are managed across wholesale markets. The UK's opportunity is to build a digital wholesale market ecosystem in which investment products provide inventory, funding markets create collateral utility and risk-management workflows drive adoption and scale. In this model, digital securities are not the end goal, they are the foundation for more efficient funding, collateral and risk-management markets. The UK's ambition should be to become the leading centre for digital market risk management, building on its wholesale market strengths identified in Section 3.1.

The UK is not starting from zero, but the pieces are not yet connected. Several of the building blocks are already in place or in flight: DIGIT can provide trusted digital inventory, the Sandbox provides the regulatory environment, Fnality and the GBTD solution provide candidate settlement assets, and the FCA and Bank of England have set the direction of travel. The remaining challenge is to give firms sufficient confidence that these building blocks will come together to form a market capable of supporting activity at institutional scale. Section 4 translates the flywheel described above into conditions required to achieve that outcome, while Section 5 sets out the actions needed to deliver it.

3.3 The value at stake for the UK

Tokenisation presents an opportunity to reinforce one of the UK's most important industries while supporting growth across the wider economy. Financial and related professional services contribute approximately £290 billion of annual gross value added — around £11 in every £100 of UK economic output — employ nearly 2.5 million people, two-thirds of them outside London, and pay over £110 billion in tax each year. The industry has been resilient through cycles, from Brexit to the LIBOR transition. However, as the infrastructure underpinning wholesale markets begins to shift towards shared digital rails, the UK cannot assume that its existing position will be preserved. Market activity, infrastructure investment and specialist capabilities could increasingly concentrate in jurisdictions that establish scale first.

Tokenisation could raise productivity across the wider UK economy by making the financial system faster, less resource-intensive and better able to support investment. Financial services is an industry on which many others depend. Making finance cheaper, faster and more accessible can benefit businesses and households across the economy. Tokenisation could reduce duplication, reconciliation and manual processing across the trade lifecycle, while allowing collateral and liquidity to move more quickly between firms and markets. This could lower the resources tied up in operational processes, settlement buffers and precautionary liquidity, strengthening the productivity and international competitiveness of UK financial services. A proportion of these gains could then pass through to the wider economy through lower transaction costs, faster access to funding and more efficient financial intermediation.

More efficient use of capital, collateral and liquidity could increase the financial system's capacity to support lending, investment and market activity. Faster collateral mobilisation, intraday liquidity management and secured funding could reduce the cash and high-quality assets held against operational frictions and settlement risk. This could release balance-sheet capacity for market-making, lending or investment. The effect of this should not be overstated: released capacity will only translate into additional financing where there is demand, sufficient risk appetite and appropriate prudential treatment. Nevertheless, in a system where capital and liquidity are scarce resources, even modest improvements in how they are deployed could be economically material. The largest benefits are likely to arise where tokenised securities, digital cash and collateral infrastructure operate as a connected ecosystem rather than as isolated platforms.

Tokenisation could connect a wider range of investors with productive assets and make previously uneconomic financing structures viable. Lower issuance, distribution and servicing costs may improve access to corporate debt, private credit, infrastructure and other assets that are currently expensive or difficult to distribute. Greater transparency, automation and transferability could support smaller transactions, more tailored financing structures and more effective secondary markets. Over time, digitally native instruments could allow financing to be structured around specific cash flows and risk profiles rather than being constrained by the economics of legacy infrastructure. Tokenisation will not remove the underlying risks of illiquid assets or create investor demand where none exists, but it could reduce the structural frictions that currently limit issuance, participation and liquidity.

Leadership in tokenised markets could create a broader UK growth ecosystem spanning finance, technology and professional services. This could include regulated financial institutions, market infrastructures, legal and advisory firms, digital-identity providers, technology companies and specialist operational functions. Many of these capabilities are exportable: the opportunity includes not only transactions conducted through UK markets, but also the infrastructure, legal frameworks, standards and services used by tokenised markets internationally. Given the geographic distribution of financial and professional-services employment, this could support skilled jobs and investment beyond London, particularly where established financial centres combine with technology and university clusters. Capturing this value will depend on firms building substantive capabilities in the UK rather than merely connecting to platforms and standards developed elsewhere.

Realising this economic prize requires the UK to concentrate effort on a small number of connected markets with a credible route to scale. Not all use cases will produce benefits of equal magnitude and maintaining new and legacy infrastructure in parallel could initially increase costs. The priority should therefore be markets where the UK has structural advantages, where existing frictions are material, and where there is a realistic pathway to repeat issuance, liquidity and broad participation. The goal is not simply to tokenise existing markets. It is to build a more productive and competitive financial system that can support investment, growth and the UK's long-term role in global markets.

04 Conditions to scale

The UK has established many of the foundations required, and the priority has now shifted from proving that tokenisation works, to creating the conditions for institutional scale.

The challenge is no longer whether securities can be issued, transferred, settled, and serviced using DLT, but whether markets can achieve sufficient liquidity, participation and commercial momentum to become self-sustaining. Some of the priorities identified in our 2023 report have therefore been (partly) addressed, while new requirements — particularly around digital money, liquidity formation, and the commercial case — have emerged as the critical determinants of scale. This section examines all those conditions in turn, using a consistent lens: where the UK stands, the priority gaps, and what needs to happen, drawing on the lessons from other jurisdictions set out in Section 1.3.

Institutional scale requires both enabling foundations and market formation, with the UK having already made substantial progress on many of the former. Successful markets need legal certainty, regulatory clarity, market infrastructure and settlement assets. They also need liquidity, participation and a compelling commercial case.

The distinction matters because the UK's remaining challenge increasingly lies in market formation. 59% of respondents ranked market infrastructure readiness, market demand or the commercial case among the most important barriers to scale. The conditions examined in this section connect directly to the four missions in Section 5 for the UK's call to action.

Figure 4.1

Conditions required for scale — UK's status quo and what needs to happen

1 Digital money and settlement assets

Foundational component of the ecosystem – atomic settlement, collateral mobility and programmable transactions require the cash leg to move with the asset leg

2 Legal certainty

Complete remaining reforms relating to collateral, settlement finality and conflicts of law, and translate legal certainty into market confidence

3 Regulatory and prudential clarity

Provide greater clarity on prudential treatment, collateral eligibility, custody and the path from sandbox to scale

4 Market infrastructure and technology readiness

Improve interoperability across platforms and define a coherent end-state market architecture

5 Public sector strategy and political commitment

Establish a single market-building roadmap with clear ownership, milestones and accountability

6 Market demand and liquidity formation

Build recurring issuance, financing activity and buy-side participation to create self-sustaining markets

7 Commercial case and internal business prioritisation

Improve investment confidence through clearer roadmaps, visible market momentum and scalable liquidity

Source: Oliver Wyman analysis

4.1 Condition one Digital money and settlement assets

Digital money is a prerequisite for almost every other condition required for scale and should be treated as a priority. Every tokenised transaction has a cash leg. Atomic delivery-versus-payment, intraday collateral substitution, programmable margining and 24/7 settlement all require settlement assets that move at the same speed, on the same rails, as the tokenised securities themselves. Without them, digital securities settle against conventional payment systems and most of the benefits described in Section 2 are left unrealised. This is why no leading jurisdiction now treats digital cash as separate from tokenisation strategy (see Section 1.3).

Where the UK stands. The UK has built more digital money capability than most jurisdictions. Fnality's sterling payment system is live, settling in central bank money through the Bank of England's omnibus account, and is the first DLT-based payment system to receive settlement finality designation in the UK. GBTD is delivering tokenised sterling deposits with leading banks and building societies, with wholesale use cases, like digital asset settlement, among its first live transactions. The Bank of England is advancing RTGS renewal and synchronisation, has supported private sector digital settlement solutions, and continues to assess whether additional forms of central bank money — including a wholesale CBDC — may be needed as tokenised markets develop, without having committed to introduce one. The final FCA rules establish a regulatory baseline for non-systemic UK-issued qualifying stablecoins. The updated DSS guidance also permits specified stablecoins to be used as settlement assets where they meet the authorities' minimum criteria and receive approval. These developments broaden the range of settlement models that can be tested, but the systemic, payments and long-term wholesale-settlement frameworks continue to develop.

Priority gaps. These initiatives have developed alongside the tokenisation agenda. Several settlement assets will serve the market — from tokenised deposits, to stablecoins, to central bank money. Digital money must work seamlessly with the Sandbox, DIGIT and other tokenised market infrastructure. It must also become embedded in repo, collateral and liquidity-management activities. At the same time, a move toward real-time gross or atomic settlement carries significant intraday liquidity implications that must be planned for explicitly. In today's model, banks' intraday liquidity requirements are compressed by multilateral netting. Real-time gross and atomic settlement can reduce principal and settlement risk. However, where they replace existing netting arrangements, firms may need more intraday liquidity and prefunding.

The effect will depend on the asset class, transaction model, operating hours and availability of intraday credit. Market design should therefore preserve netting where it remains economically valuable and assess the liquidity consequences before new settlement models are adopted. The Bank of England's settlement architecture work must account for this dimension explicitly.

What needs to happen. Digital money is the foundation of tokenised markets and should evolve with digital assets to ensure interoperability and unlock value. This is the single most important alignment task identified in this report (Mission Two). The development should also address the AML/KYC proportionality issue for tokenised deposits directly — reviewing whether transaction-level compliance requirements create an unintended competitive disadvantage relative to stablecoins and publishing a position on target adjustments that preserve standards while reducing friction on wholesale use.

4.2 Condition two Legal certainty

Legal certainty remains an important foundation for institutional adoption. However, the challenge has evolved. The question is now less whether tokenised securities can be accommodated within the UK legal framework, and more whether the remaining areas of legal uncertainty can be resolved in support of market-scale activity.

Where the UK stands. The UK's common law foundation has been progressively reinforced. Important developments include the UK Jurisdiction Taskforce's legal statements, the Law Commission's work on digital assets and the Property (Digital Assets etc.) Act 2025.The UK's legal framework is widely regarded as one of its strongest competitive advantages because it underpins many of the wholesale markets where tokenisation is expected to create value, including derivatives, securities financing and collateral management. The Sandbox provides a legal testbed within which DLT-based issuance, trading and settlement can operate. As a contribution to market understanding, Annex 1 brings together a selection of the key legal and regulatory materials relevant to digital securities in the UK.

Priority gaps. Three areas would benefit from completion. First, statutory clarity on the digital securities models falling within scope of the Financial Collateral Arrangements Regulations, and a framework for collateral arrangements outside their scope, remain essential for the collateral and repo use cases this report prioritises, alongside the broader question of collateral eligibility considered later in this report. Second, cross-border legal uncertainty should be addressed in a targeted way. The priority is not to revisit the legal basis for tokenised securities. It is to give firms greater confidence in how existing rules apply when assets move between platforms, ledgers and jurisdictions, particularly in cross-border transactions and multi-platform market structures.

Third, clarity on settlement finality and netting where transactions span DLT platforms and conventional systems. A recurring theme heard from industry participants was that legal certainty increasingly exists in principle, but is not always reflected in market confidence, particularly where institutions are considering large-scale operational, liquidity or balance-sheet commitments. The remaining challenge is thus often one of interpretation and application rather than fundamental legal validity, particularly for structures that sit between well-understood traditional securities and fully digital market models.

What needs to happen. The lesson from Switzerland (Section 1.3) is that legal reform delivers most when explicitly connected to live infrastructure and a settlement asset. The remaining legal workplan should therefore be sequenced in lockstep with the market's development of priority use cases — collateral law reform ahead of the collateral ecosystem build — rather than

progressed as a standalone law reform agenda. 55% of survey participants identified legal certainty and implementation questions as barriers to committing balance sheet. The objective should be to resolve the remaining targeted legal questions rather than reopen broader debates regarding the legal validity of tokenised securities. Alongside targeted legal reform where required, greater use of practical guidance, standard documentation, and industry signposting could help firms apply existing frameworks with greater confidence.

4.3 Condition three Regulatory and prudential clarity

Regulatory and prudential clarity remain important conditions for scale. The core challenge is no longer the perimeter itself but how existing and emerging requirements translate into practical operating models, capital treatment and market participation. The FCA and Bank of England have articulated a clear direction of travel for tokenised wholesale markets, and many of the foundations identified in our 2023 report are now being addressed.

It is important to note that not all digital assets are regulated in the same way. Some tokenised securities may fall within specific new custody requirements, while other cryptoassets are covered by the FCA's separate cryptoasset regime. The relevant rules therefore depend on what the asset represents and how it is being used, rather than simply on whether DLT is involved.

Where the UK stands. The FCA has confirmed that tokenised securities fall within the regulatory perimeter[42] and continues to develop its approach to custody and tokenised securities. The PRA has begun to clarify prudential expectations considering BCBS 545. HMT has established the UK's new cryptoasset regulatory framework. The Sandbox allows firms to test against modified rulebooks. The FCA and Bank of England's joint vision for tokenised wholesale markets set out useful agreed regulatory principles and provided a clearer strategic direction.

Priority gaps. The binding constraints are now prudential and eligibility-related rather than perimeter-related, and the FCA and Bank of England have identified these areas as requiring further work. Progress is required on the practical application of collateral, settlement and derecognition models, as well as on the pathway from DSS participation to scaled market deployment and permanent regulatory treatment. Whilst significant progress has been made by the FCA to address concerns relating to CASS (the Client Assets Sourcebook), regulators and industry will need to continue working together on its practical application to tokenised securities markets.

Institutions require greater clarity on accounting treatment. Where a tokenised security has the same economic and risk characteristics as its conventional equivalent, accounting outcomes should not differ solely because of its technological representation.

Unfavourable or uncertain capital treatment of tokenised securities and settlement

assets makes participation uneconomic for banks. Uncertainty over whether tokenised gilts and other high-quality assets will be eligible collateral at the Bank of England, CCPs and under margin rules suppresses the strongest use cases. Several participants in our research noted that collateral eligibility should not be viewed purely as a regulatory question. Industry should use the characteristics associated with Bank of England Level A collateral eligibility[43] as a readiness benchmark, focusing not only on the tokenised representation itself but on the liquidity, market depth, credit quality, and robustness of the underlying market.

Four further gaps compound these constraints:

Definitional framework: While recent FSMA and Regulatory Activities Order amendments[44] have clarified that tokenised financial instruments fall within the broader regulatory framework, the use of "cryptoasset" terminology can create unnecessary confusion between covering tokenised securities and the broader cryptoassets regime. The joint FCA and Bank of England Call for Input signals a recognition that securities tokenisation should be considered on its own merits, separate from although related to the broader cryptoasset regime. UK Finance would call for the definition to be reconsidered should primary legislation create the opportunity.

Branch participation and authorisation: Recent FCA guidance has provided greater clarity regarding branch participation in relevant cryptoasset activities, representing a positive step forward for firms seeking to offer tokenised securities services alongside conventional securities businesses. Further clarity from the PRA would be beneficial for dual-regulated firms, particularly regarding permissions and supervisory expectations. As the framework develops, regulators should continue to monitor its practical operation and ensure that participation models remain proportionate, risk-based and competitively neutral across branches and UK-incorporated entities.[45] Concerns also arise because branches cannot currently be direct participants in the DSS, and on whether the DSS framework should evolve to accommodate a broader range of participants while maintaining appropriate safeguards.

AML/KYC proportionality: Tokenised deposits typically operate within permissioned banking environments where participants are known and transactions can be monitored throughout, while stablecoins can also be transferred outside regulated intermediaries, including between unhosted wallets. These differences can create disproportionate friction for wholesale banks and a structural competitive disadvantage for the settlement asset most aligned with the UK's regulatory model. This is not an argument for lower standards but for proportionality and global alignment.

Digital-twin disclosures: Digital-twin structures can differ materially in their legal and economic design. In some models, the token represents the security itself; in others, it represents a contractual claim against an intermediary that holds the underlying asset. Disclosure requirements should make this distinction clear, including the identity and obligations of the entity maintaining the link to the underlying security, the source of the authoritative ownership record, the reconciliation arrangements, and the consequences of an intermediary default or a mismatch between on-chain and off-chain records.

Institutions consistently report that greater clarity in these areas would strengthen internal business cases, support investment decisions and make it easier to commit resources and scale activity.

What needs to happen. A published timeline for prudential and collateral-eligibility decisions would do more to unlock investment than further perimeter guidance. The US experience (Section 1.2) demonstrates that confidence in the direction of travel can be as important as complete regulatory certainty.

Regulators should continue to articulate the intended end-state, including the principle that tokenised gilts should receive equivalent treatment to conventional gilts where risks are equivalent. They should also provide greater visibility on the sequencing and timing of key decisions relating to collateral eligibility, prudential treatment, custody and settlement.

The market does not require every policy question to be resolved before adoption begins. It does, however, require confidence that key prudential, collateral, custody and settlement questions are being addressed within a coherent long-term framework — and that the regulatory direction established to date will not be subject to unnecessary reversal or uncertainty. Targeted guidance and supervisory clarification can help firms progress implementation while preserving the UK's principles-based approach.

On the Digital Securities Sandbox specifically: The DSS can be expanded through primary legislation to accelerate the transition to a permanent regulatory framework, and government should commit publicly to this pathway. Government and regulators should consider whether branch participation can be accommodated within the DSS while maintaining appropriate safeguards. This would support international participation and reinforce the UK's leadership in internationally connected digital markets.

On the definitional issue: HMT should commit to reconsidering the "specified investment cryptoasset"[46] definition at the next legislative opportunity, and the FCA should in the meantime provide operational clarity on how firms should interpret the current framework.

On AML/KYC: The Bank of England, FCA and HMT should continue to engage internationally on the outstanding compliance gaps for stablecoin transactions that leave the regulated perimeter, and jointly review whether current requirements create an unintended competitive disadvantage for tokenised deposits and publish a position.

4.4 Condition four Market infrastructure and technology readiness

Market infrastructure is increasingly becoming the focus of tokenisation activity globally. The discussion has shifted from whether tokenised securities can be issued to how issuance, settlement, custody, collateral management, and digital cash can operate together within a scalable market architecture.

Where the UK stands. The Sandbox is live with cohorts of entrants spanning issuance, trading and settlement.[47] The planned DIGIT issuance will provide a widely recognised tokenised government security around which secondary trading, repo, collateral and liquidity management use cases can develop. Both incumbent financial market infrastructures (FMIs) and newer digital market infrastructure providers are investing in digital capabilities, and several UK-based platforms now operate at or near production scale. The UK therefore starts from a relatively strong position, with activity underway across issuance, settlement, digital cash, and market infrastructure development rather than relying on individual flagship initiatives.

Priority gaps. Our 2023 report identified the need for interoperability across technologies, alignment between token standards and underlying DLT platforms, verifiable credentials to support KYC and AML, compatible messaging standards, clearer treatment of "accounts", "book entries", "credits" and "debits" in regulation, and fit-for-purpose conflicts of law frameworks. Those issues remain relevant, but the priority now is translating them into practical market standards and operating safeguards that support liquidity, custody, settlement and collateral mobility at scale. The largest infrastructure challenge is no longer proving the technology but converging around a market architecture capable of supporting liquidity and market activity at scale. Fragmentation across platforms and standards could weaken interoperability and limit network effects. At the same time, uncertainty about the move from sandbox testing to permanent market infrastructure makes it harder for firms to invest with confidence.

Wholesale custodian interoperability is a specific and under-addressed gap within this. Custodians hold the assets that underpin every collateral, repo and settlement workflow the UK is seeking to build. Yet there are currently no sub-delegation or sub-custody interoperability agreements between digital custody platforms equivalent to those that underpin cross-border trading in traditional markets. Without these, tokenised securities remain confined within individual custody silos rather than forming part of a functioning, connected market ecosystem.

What needs to happen. Convene industry to agree a minimum set of interoperability and messaging standards for the priority use cases, and define DIGIT's role beyond first issuance, including listing, secondary trading, repo and collateral eligibility, so it functions as trusted digital inventory for the wider ecosystem rather than a standalone

proof point. The UK is well positioned to play a leadership role in developing common standards and interoperability frameworks, building on its longstanding role in shaping global market conventions and financial infrastructure. On wholesale custodian interoperability specifically, government and regulators should make custodian connectivity a named expectation within the market infrastructure workplan, set a clear challenge to major custodians to develop sub-delegation and interoperability agreements for digital custody platforms and to consider whether industry standards bodies should be tasked with producing a common framework for sub-custody in tokenised markets. The UK's large custodian community is a competitive asset — but only if it operates as a connected network rather than a set of isolated platforms.

BOX 5 | DIGIT — FROM SOVEREIGN ISSUANCE TO ECOSYSTEM CATALYST

UK Finance has long supported the development of a UK digital gilt programme because sovereign issuance can do something few other initiatives can: provide a trusted focal point around which wider market activity can form. In that sense, DIGIT, the new digital sovereign debt instrument of short duration that combines certain features of both gilts and treasury bills, is best understood as a catalyst for broader market development rather than simply a standalone issuance initiative. Sovereign issuance programmes matter because they create trusted digital inventory, familiarise market participants with new infrastructure and provide reference assets that can be used across funding, collateral and settlement markets.

The government deserves significant credit for the commitment it has shown to date. The DMO's primary responsibility is to finance the Government efficiently while supporting liquid and well-functioning gilt markets. Against that backdrop, the commitment to a first DIGIT issuance by Q1 2027, together with the Government's stated intention to consider further issuances following a successful launch, represents a meaningful investment in the future development of UK capital markets infrastructure. Delivering a digital gilt programme requires time, resources, operational preparation and market engagement. Even before issuance, members report increased client interest, new conversations around digital securities and greater focus on the infrastructure required to support future market activity. DIGIT is already helping to build momentum across the ecosystem.

> "We have had calls from clients enquiring on digital securities off the back of DIGIT; it has started the conversation"
>
> Global custodian

The next phase should build on this momentum. Feedback from market participants, reinforced by the results of our survey for this report, consistently highlighted the need for greater clarity on the future DIGIT roadmap. Repeat issuance and future volumes, collateral and repo usability, and secondary market activity emerged as the highest priorities for maximising DIGIT's market impact, accounting for 67% of responses. The appointment of joint lead managers and connected platforms represents a meaningful step in itself.

> "It can't be a one-off. There's a big lift involved and firms need an articulated roadmap and framework"
>
> Global buy-side firm

By distributing responsibilities across multiple institutions, it accelerates information flow to the market, reduces integration bottlenecks and builds the familiarity needed for secondary market activity to develop. The market wants confidence that there will be a repeatable programme capable of supporting investment, infrastructure development and ecosystem adoption over time. Importantly, the first issuance should be viewed as the beginning of a broader market-development programme rather than the definitive blueprint for the long-term market structure. As the market evolves, future issuances could test different configurations, distribution models, settlement approaches and combinations of new and existing market infrastructure, helping the UK build practical experience across a range of operating models. Greater commitment to repeat issuance, accompanied by a clearer roadmap for how digital gilts are expected to support collateral, funding and liquidity markets, would provide institutions with the conviction needed to invest, build and scale.

4.5 Condition five
Public-sector strategy and political commitment

Public-sector commitment and visible leadership have become increasingly important determinants of market development. International experience suggests that successful tokenisation ecosystems emerge not only from legal reform and regulatory innovation, but from sustained political sponsorship, clear strategic direction and effective coordination across public and private stakeholders.

Where the UK stands. In May 2026, the FCA and Bank of England published a joint call for input setting out a shared vision for tokenised wholesale markets, alongside commitments on prudential treatment, collateral eligibility, a synchronisation service by 2028 and plans for a joint roadmap later in 2026. HMT is also progressing DIGIT as a tokenised government security that could provide a trusted asset around which secondary trading, repo, collateral

and liquidity management use cases can develop. The government has appointed a Digital Markets Champion to lead, join up and coordinate the private sector's work on digitalisation. These are meaningful signals of intent. Overall, they demonstrate that the UK has moved beyond experimentation and is actively building many of the foundations required for future digital wholesale markets.

Priority gaps. Significant coordination progress has been made. The Digital Markets Champion has published his first report, establishing nine action groups with named chairs and a live repo use case trial targeted for Spring 2027. The Transatlantic Taskforce has published its recommendations. The Mansion House speech has confirmed the timeline for the first DIGIT issuance. What remains is to build on this coordination architecture and translate it into measurable market outcomes. The priority gaps are now less about whether a coordination mechanism exists and more about whether it has sufficient authority, resources and continuity to drive delivery at the pace required. A time-limited advisory mandate is the right starting point; as the market moves from experimentation to implementation, the role will need to evolve accordingly.

What needs to happen. Publish a single digital wholesale markets strategy with named ownership, sequencing, and milestones. Building on the strong start made by the Digital Markets Champion through their first report, early work and published Terms of Reference, the next phase should focus on equipping the role for success as the market moves from experimentation to implementation. This would place it on more enduring footing, ensuring it has the resources and capability needed to maintain momentum as digital wholesale markets move from experimentation to implementation. A strengthened mandate would provide greater authority to work across HMT, the FCA, the Bank of England and the Debt Management Office (the "DMO"), helping to translate industry engagement into coordinated delivery against an agreed roadmap. Progress should be measured against market outcomes rather than process outputs and reported publicly. The objective should therefore be not simply to launch additional initiatives, but to provide the market with greater certainty regarding priorities, sequencing and the intended end-state for digital wholesale markets. This closely aligns with the survey where 91% of respondents identified stronger public commitment and alignment as a priority and a clear national strategy among the public-sector actions most likely to accelerate market development. This is the accountability mechanism our 2023 report called for, and which this report now reinforces (Missions One and Three). The government should go further — the government's commitment must be felt, not just announced.

France demonstrates through its financial centre strategy that a concierge-style approach to attracting investment can influence where firms choose to locate operations and infrastructure. That approach relies on proactive engagement with firms at the highest levels of government.

As firms now make decisions about where to locate (or where to locate their second hub after the US), they need to see clear government commitment: not only a compelling regulatory framework, but active, personalised engagement that signals the UK genuinely wants their business. The Office for Investment, which already plays this role for broader inward investment, should be explicitly tasked with extending its function to include digital wholesale markets — engaging with firms considering where to domicile tokenisation infrastructure, custody platforms, issuance programmes and treasury operations, and ensuring they receive the same senior-level attention as any other major investment decision.

4.6 Condition six Market demand and liquidity formation

Market demand and liquidity formation have emerged as the most important determinants of whether tokenised securities achieve institutional scale. Legal certainty, regulation, and infrastructure can make participation possible, but they do not create markets on their own. Successful digital securities ecosystems emerge when participants have confidence that sufficient liquidity will develop and that there is a compelling commercial reason to participate. This increasingly differentiates the jurisdictions that are building markets from those that are primarily building frameworks.

Where the UK stands. The UK has made substantial progress on many of the foundations required for adoption, but tokenised securities activity remains concentrated in pilots, isolated issuances, and early-stage infrastructure initiatives. Liquidity remains limited, secondary markets remain shallow and buy-side participation is still developing. Compared with leading jurisdictions, the UK's challenge is no longer legal readiness or regulatory engagement but converting these foundations into recurring market activity and ecosystem participation.

Priority gaps. Institutional liquidity is built from several reinforcing conditions. Sufficient issuance creates investable inventory and buy-side participation creates demand. Market-makers commit balance sheet and provide continuous pricing, while repo and securities financing markets fund positions efficiently. Digital cash supports reliable settlement, and custody, wallet and operational infrastructure allow assets to move between participants. Common standards and interoperability prevent activity fragmenting across isolated platforms. Market-makers are central to liquidity formation: they will only commit capital at scale if they can manage risk, access financing markets, and reuse collateral within a clear legal, regulatory, and operational framework. Several of the conditions discussed throughout this section, including collateral eligibility, repo

market development, digital cash availability, settlement infrastructure, and regulatory treatment, ultimately determine whether liquidity providers can support deep and resilient markets. Without meaningful buy-side participation, however, digital securities risk remaining isolated instruments rather than becoming part of a functioning market ecosystem.

> "There needs to be clear recognition that for it to scale it needs collaboration from the buy-side and the sell-side"
>
> Roundtable discussion

What needs to happen. Creating early momentum will require a combination of recurring issuance, stronger buy-side engagement, market-maker participation, and financing activity around a focused set of priority markets. For the UK, this means providing greater certainty around the future DIGIT programme and issuance pipeline, involving the buy-side such as investors and asset managers more directly in market design needed for their participation, ensuring that collateral eligibility and financing arrangements support market-making activity, and tracking progress through indicators such as issuance volumes, secondary-market participation, repo activity and collateral usage to make progress towards the tipping point visible. The objective is not simply to increase activity, but to create the conditions under which liquidity becomes self-reinforcing and market adoption becomes commercially sustainable.

4.7 Condition seven Commercial case and internal prioritisation

Commercial viability and internal prioritisation are the final gating factors and will only shift once a credible path to scale becomes visible. Even where legal, regulatory and infrastructure conditions are favourable, institutions still need to justify investment internally. This is particularly important given the scale of investment required to redesign operating models, integrate infrastructure and support new products.

Where the UK stands. The UK has established a growing ecosystem of tokenisation initiatives spanning issuance, settlement, digital money, and market infrastructure, including DIGIT, the Sandbox, GBTD and a range of industry-led pilots. However, most activity remains concentrated in testing, capability-building and early market development rather than scaled commercial deployment. While a small number of institutions are investing actively, many firms continue to assess tokenisation alongside competing strategic, regulatory and technology priorities and are waiting for stronger signals regarding future market direction, liquidity formation, and adoption. The challenge of broader adoption is particularly relevant for the buy-side, which must ultimately demonstrate how tokenisation creates tangible benefits for end investors through improved access, distribution, liquidity, operational efficiency or investment outcomes.

> "People don't care whether a security is tokenised or not. They care whether it's cheaper, faster or better than the traditional alternative"
>
> Global sell-side firm

Priority gaps. The scale of investment required to redesign operating models, integrate infrastructure, and support new products remains significant. Responses to our survey for this report consistently identified return on investment, strategic alignment and change capacity, and buy-side demand among the most important internal decision factors (84%). 73% of those surveyed expected significant or very significant programme investment to be required by 2030. While many institutions recognise the long-term potential of tokenisation, the commercial case often remains difficult to quantify in the absence of sufficient market activity, liquidity, and recurring revenue opportunities. This creates a circular challenge: firms are reluctant to invest before markets scale, while markets struggle to scale without institutional investment.

What needs to happen. The US experience demonstrates that confidence in the direction of travel can be as important as complete certainty, and the commercial case is unlikely to emerge through experimentation alone. Institutions need confidence that markets will achieve sufficient scale and utility to justify long-term investment, particularly in the early stages of market development when the eventual commercial case is unclear and unproven.

This requires greater clarity on future issuance, liquidity, settlement infrastructure and regulation. Industry will also benefit from discussion on how initiatives such as DIGIT, the Sandbox and GBTD fit into a long-term market model.

Public-sector commitment, stronger roadmap visibility, and continued progress on liquidity formation can help improve the economics of participation, while shared infrastructure, common standards and collaborative initiatives can reduce the cost of adoption. Firms should also seek to consolidate fragmented tokenisation initiatives into fewer strategic programmes aligned to priority use cases, helping convert external market signals into internal investment decisions and delivery priorities. Over time, the strongest commercial cases are likely to emerge in the priority markets identified throughout this report — particularly collateral management, funding, and liquidity management — where the economic benefits are sufficiently large and visible to justify sustained investment. The challenge is no longer proving that tokenisation works. It is creating the market conditions that give firms confidence to invest, commit resources and scale activity on a self-sustaining basis. Section 5 sets out the actions required to achieve that outcome.

BOX 6 | MANAGING THE RISKS OF TOKENISED MARKETS

Tokenisation changes the location and nature of risk rather than eliminating it. Many of the same characteristics that create value — faster settlement, greater collateral mobility, more integrated infrastructure and increased automation — can also create new operational, cyber and liquidity risks if not managed appropriately. Shared ledgers and programmable settlement can reduce reconciliation errors, operational friction and some counterparty exposures, but they may also introduce new channels of contagion through cyber events, interoperability failures, smart contract defects, operational concentration and faster intraday liquidity transmission.

Operational-resilience expectations are becoming clearer, but are not yet complete for all tokenised-market models. The FCA has applied its existing operational-resilience framework to regulated cryptoasset firms and provided crypto-specific examples. Separate guidance on DLT-specific risks across permissioned and permissionless infrastructure is still being developed. Firms will therefore need to apply existing resilience principles while also addressing risks specific to the technology and operating model, including network governance, cyber security, key management, data integrity, third-party dependencies and recovery arrangement.

The UK's opportunity is not simply to adopt tokenisation safely, but to help define how digital wholesale markets manage risk as they scale. The policy objective should not be to remove intermediaries or friction indiscriminately, but to create the conditions under which digital securities can be adopted safely at scale. This requires clear governance frameworks, robust standards, tested recovery and contingency arrangements, and clearly defined roles for custodians, market infrastructures and liquidity providers. In many respects, this aligns closely with the UK's existing strengths in collateral management, liquidity management and wholesale market risk management.

05

CALL TO ACTION

Turning the UK's foundations into market leadership

The analysis in Sections 1 to 4 of this report points to a clear conclusion. The UK has established strong foundations and the pace of commitment has accelerated materially in 2026. The task now is conversion — turning policy intent, regulatory commitment and private sector capability into recurring market activity at scale. Tokenised securities activity remains concentrated in pilots, secondary markets are shallow, buy-side participation is still developing, and as other jurisdictions compound early advantages into liquidity, standards, and ecosystem activity, the UK's window to lead is shortening.

The challenge is no longer establishing the conditions for adoption. It is acting on them, at pace and in concert.

This section sets out a coordinated programme of action — organised around four missions and structured to show what needs to happen and by when. Each mission addresses a distinct dimension of the market-building challenge grounded in the analysis set out in Sections 1 to 4. These missions draw from the lessons of jurisdictions that are moving faster, and closely reflect the priorities identified by survey respondents:

> "You need all participants to have confidence in what is coming"
>
> Global sell-side firm

1 POLICY

Mission one — Set a single, holistic vision for digital wholesale markets

A published architecture and roadmap, building on the FCA and Bank of England's May 2026 joint vision, covering end-state, sequencing, collateral eligibility and the sandbox-to-permanent transition, to support more efficient market infrastructure, investment and economic growth. We provide a starting vision in this report in Section 5.1, drawn from our members, which could be built upon further with the cross-industry taskforce.

2 OPERATIONAL

Mission two — Align the digital money and tokenisation strategies

Digital money and tokenisation strategies need to be aligned. Through an engagement framework, conditions can be created for private sector and central bank money options to each progress independently, but in a way that collectively supports wholesale tokenisation use cases. The engagement framework will allow for signposting and updates, so that it is easier for industry and stakeholders to have updates on the respective progress and merits of each. Furthermore, without restraining the ability of solutions to innovate, the framework will create visibility of decision dates for key milestones and interoperability.

3 LEADERSHIP

Mission three — Back delivery with visible leadership with real authority

The appointment of the Digital Markets Champion is welcome; the Digital Markets Champion should be set up for optimal success by extending the role's mandate from coordination and reporting to named use case delivery, with executive authority, dedicated resources and milestones tied to market outcomes rather than process.

4 ECOSYSTEM

Mission four — Concentrate effort on the priority ecosystem

Align policymakers, regulators and industry around sovereign debt, money market instruments, repo, collateral, and liquidity management, and measure success by depth of adoption and liquidity.

For each mission, the actions are mapped to three groups of stakeholders — policymakers, regulators, and industry — across two different time horizons: the next 18 months and the next 36 months. The two horizons reflect a deliberate choice: some actions must be completed quickly to unlock everything else; others take longer to deliver but must begin immediately. The 36-month horizon is not a deferral — it is a commitment with a start date.

Government, regulators, and industry must act now, in partnership and with sustained commitment. The prize — a connected UK digital wholesale market ecosystem, leading in collateral, funding, liquidity, and risk management — is within reach. But it will not arrive without a shared strategy, visible leadership and the discipline to concentrate effort on what matters most.

5.1 Mission One Set a single, holistic vision for digital wholesale markets

The issues identified in prior sections share a common thread — the UK has strong individual components but no shared architecture connecting them all into a functioning market. The UK would benefit from a clearer, more ambitious vision for what digital wholesale markets should become, and how tokenisation can support the UK's broader competitiveness and growth agenda. A strong vision should do five things: define the long-term market end-state, identify the priority use cases where the UK has the greatest potential to lead, clarify the role of digital money in supporting wholesale market activity, establish measurable indicators of progress and provide a mechanism for public-private coordination across regulators, market infrastructures and market participants.

The HMT's Wholesale Financial Markets Digital Strategy, and the FCA and Bank of England's vision provides an important foundation, particularly through the Sandbox and the emphasis on safe experimentation. However, several gaps remain. First, the long-term end-state for UK digital wholesale markets is not yet fully defined. Second, priority use cases need to be sequenced around areas of real market advantage, such as sovereign debt, repo, collateral, securities financing, derivatives and FX.

Third, the role of different forms of digital money — including tokenised deposits, wholesale central bank money, regulated stablecoins and enhanced RTGS settlement — needs to be better understood and clarified. Fourth, success metrics need to move beyond pilots and proofs of concept towards adoption, liquidity, collateral mobility and production activity. Finally, governance needs to evolve from consultation to coordinated delivery, with clear roles for regulators, industry, and market infrastructures.

Building on the work already undertaken, the following vision, developed by our members, is intended as a common reference point for the UK digital wholesale markets by 2030. It does not prescribe final market architecture. Instead, it proposes a common direction of travel against which future policy decisions, market developments and investment priorities can be made and assessed. This could be a starting point for discussion in support of the Digital Markets Champion and cross-industry taskforce, seeking to align priorities, identify gaps and coordinate delivery across the ecosystem:

VISION

The UK is the world's leading international centre for tokenised finance, where assets, money and financial obligations move seamlessly across issuance, trading, financing, collateral management and settlement activities. Digital infrastructure is woven into the fabric of wholesale markets, enhancing existing market capabilities and enabling capital, collateral, and liquidity to circulate more efficiently throughout the financial system in support of investment and growth. Rather than simply digitising existing processes, the UK has pioneered new market models for financing, collateral mobility, settlement and liquidity management that were not possible in traditional market infrastructure. The result is a more efficient, resilient and globally competitive wholesale market that supports economic growth, accelerates capital formation, strengthens financial stability and reinforces the UK's position as a leading global financial centre.

What would this mean for the UK market:

- The UK operates a connected digital wholesale market ecosystem spanning sovereign debt, money markets, repo, collateral management, securities financing, derivatives and FX, in which digital assets can be issued, financed, mobilised as collateral, reused intraday and settled seamlessly across market infrastructures.
- Settlement is underpinned by interoperable forms of digital money — whether tokenised deposits, wholesale central bank money, regulated stablecoins or enhanced RTGS settlement — enabling atomic settlement, intraday collateral mobility and programmable financial transactions across priority wholesale use cases.
- The Sandbox has transitioned into a permanent regulatory framework, providing firms with the legal certainty, regulatory clarity and investment confidence required to commit production capital and scale market activity.
- Common standards are in place for messaging, identity, interoperability, digital credentials and asset portability, enabling UK infrastructures to connect domestically and internationally while positioning UK market architecture as an exportable global standard.
- Success is measured not by pilot counts but by adoption depth: repeat issuance, secondary market liquidity, collateral reuse rates, financing activity, ecosystem participation and international adoption across buy-side, sell-side and infrastructure providers — reported publicly against agreed targets.

This vision is intended as a starting point rather than a detailed blueprint for UK digital wholesale markets. It provides a shared reference point for the Digital Markets Champion, the cross-industry taskforce, industry, government and regulators, helping to establish a common direction of travel and a basis for coordinated delivery.

The vision is deliberately technology-neutral and does not prescribe a specific market structure, infrastructure model or policy outcome. Rather, it provides an analytical foundation that can be tested, refined and developed through the cross-industry taskforce. Working closely with HMT, regulators, and industry, the Digital Markets Champion would lead this process, building consensus around priorities, maintaining momentum and driving delivery of the agreed roadmap.

Achieving this vision will require the UK to work through a set of strategic questions. What role should digital wholesale markets play within the UK's broader financial market strategy? Which use cases have the greatest potential to drive adoption and market transformation? What forms of digital money are required to support future market activity? How should success be measured? And what governance mechanisms are needed to coordinate delivery across the public and private sectors?

The cross-industry taskforce would provide the primary forum through which the vision is developed and translated into practical recommendations. Responsibility for legislative change, regulatory decisions, public-sector investment and operational implementation would remain with the relevant authorities, including HMT, the DMO, the FCA, the PRA and the Bank of England. The objective is not to replace existing decision-makers, but to strengthen accountability, coordination and execution across the ecosystem.

To help translate this vision into a practical programme of work, we have identified six areas that are likely to prove critical to the future development of UK digital wholesale markets. These are not intended to represent a complete implementation plan. Rather, they provide an initial framework for informing, refining and ultimately realising the long-term vision for the UK market.

1. Technology principles, not technology prescription.

There should be no mandated end-state infrastructure or single approved technology. The market will determine which solutions succeed. However, there are non-negotiable features that any solution — whether tokenised deposits, wholesale CBDC, regulated stablecoin or DLT-based settlement — must meet: interoperability with existing market infrastructure, reliable settlement finality with legal recognition, sterling denomination for wholesale sterling markets, and connectivity across custody, collateral and payment rails. A patchwork of solutions is acceptable and is a likely outcome provided all the patches are known, interoperable and serve a coherent market architecture. The vision should articulate these non-negotiables clearly so that technology choices are made against shared principles rather than in isolation. The UK should not prescribe a single infrastructure model but should make clear that the preferred architecture is institutional-grade, regulated and accountable — open to qualified institutions and fosters interoperability on day one. Shared regulated infrastructure connecting qualifying participants is the model most consistent with the UK's wholesale market architecture and institutional risk management standards.

2. Custody and sub-custody standards.

Good digital custody means robust encryption and key management, digital wallet frameworks that meet regulatory requirements for client asset protection, clear rules for holding bearer instruments and critically connectivity between custodians. In traditional markets, sub-custody networks made cross-border trading possible by allowing assets to be held and transferred across chains of custodian relationships. The same architecture must develop for tokenised securities. The vision should set out what good looks like for digital custody and issue an explicit challenge to the UK's custodian community to build the sub-delegation and interoperability agreements needed to make the ecosystem work.

The drive and commitment must be there, even if the operational, liability and technical challenges of a new environment are real.

3. Settlement infrastructure principles.

The UK would benefit from greater visibility regarding the digital payment and settlement solutions emerging across both the public and private sectors, including how they distinguish from one another, where they interoperate and the settlement principles they share. This supports market coordination, informs commercial decision-making and helps firms invest with confidence. The role of digital money and settlement assets within the wider digital wholesale market architecture is considered in more detail under Mission Two.

4. AML/KYC architecture for wholesale markets.

The compliance framework should not systematically disadvantage the settlement asset most consistent with the UK's regulatory model. Tokenised deposits typically operate within permissioned banking environments where participants are known and transactions can be monitored throughout, while stablecoins can also be transferred outside regulated intermediaries, including between unhosted wallets. In wholesale markets where banks are fully accountable for compliance outcomes, these differences can create disproportionate friction. The vision should set out the principle that wholesale AML/KYC requirements should be proportionate to the nature of the participants and the risk profile of the activity and commit to a review of whether current requirements need adjustment for tokenised wholesale settlement.

5. A plain-English menu of what is permitted today.

The UK's common law framework is a competitive advantage but only if participants know how to use it. In the funds industry, the UK has developed clear, accessible guidance on what can be done, by whom and under what conditions. The same clarity is needed for digital securities. Firms should not require highly specialised legal interpretation to deduce whether a particular digital securities activity is permitted in the UK. The vision should include a commitment to publish a positive, plain-English statement of what digital securities activities can be conducted in the UK today covering issuance, custody, transfer, settlement, collateral use and servicing equivalent to the menus that exist in the funds and derivatives space.

> This is as much a cultural adjustment as a legal one with the goal to make the UK's openness visible and legible, not just real.

6. Asset class sequencing.

The vision should be explicit that the UK's near-term priority is tokenised regulated securities and real-world assets where institutional demand, market infrastructure and the economic case are already established — sovereign debt, money market instruments, repo, etc. The regulatory framework should remain flexible enough to accommodate new instruments and new market structures as they emerge. But the immediate focus must be the use cases most likely to generate recurring liquidity and broad institutional participation.

This vision should remain a living framework rather than a fixed architecture. It is intended to support the work of the Digital Markets Champion, industry, government and regulators by providing analytical foundations and market-informed standards that the cross-industry taskforce can test, refine and develop over time. Through this process, the Champion would help align stakeholders around a common direction of travel and identify the actions required to achieve it.

	Next 18 months	Next 36 months
Policy-makers	• Develop and publish a draft holistic vision and market architecture principles for UK digital wholesale markets, led by cross-industry taskforce working in close collaboration with UK Finance and other relevant stakeholders, with the Digital Markets Champion as named owner accountable for driving the delivery of the programme and the cross-industry taskforce serving as the primary mechanism for delivery coordination, industry engagement and roadmap development. • Convene cross-functional working groups — across sell-side, buy-side, infrastructure and legal — to pressure-test the vision and identify gaps. • Define measurable success metrics and track delivery, led by the Digital Markets Champion, including the repo use case by April 2027. • Publish a committed roadmap for outstanding policy and regulatory actions, with clear milestones, dependencies and funding decisions, led by government and regulators in support of the Digital Markets Champion. (Conditions three, five) • As a measure requiring legislative change, commit to reconsidering the "specified investment cryptoasset" definition at the next legislative opportunity and provide interim operational clarity in the meantime. (Conditions two, three)	• Report publicly on progress against the committed vision and roadmap. • Update sequencing as use cases mature and the market develops. • Maintain the working groups as an ongoing mechanism for course-correction and gap identification. • Complete relevant legal clarity decisions sequenced against the sandbox-to-permanent transition. (Conditions two, three)
Regulators	• Engage actively in the vision-setting process: provide regulatory architecture input to the working groups convened by the Digital Markets Champion. • Publish a timeline for the key regulatory decisions required to deliver the end-state. • State explicitly that tokenised gilts and other high-quality tokenised assets should receive equivalent prudential treatment to their conventional equivalents where risks are equivalent. • Commit to decision timelines on collateral eligibility at the Bank of England and CCPs, and the custody and client-assets (CASS) framework. • Issue coordinated FCA/PRA guidance confirming DSS eligibility for branches.	• Deliver the prudential treatment decision: confirm the end-state for tokenised securities equivalence. • Deliver collateral eligibility decisions, sequenced against the priority use cases. • Finalise the custody and CASS framework for tokenised securities.
Industry	• Engage at seniority in the working groups convened by the Digital Markets Champion. • Bring buy-side, sell-side and infrastructure perspectives to shape the target architecture. • Identify and communicate the commercial conditions required for production commitment. • Hold government and regulators to the committed roadmap and timelines. • Respond actively to calls for input, consultations and industry engagement initiatives to help shape the future market framework.	• Formally endorse the published vision and align internal strategies to it. Promote understanding of the agreed market vision, roadmap and priority use cases across institutions and market participants. • Consolidate fragmented internal tokenisation programmes into a single strategic programme aligned to the priority use cases. • Wholesale custodians should commit to building interoperability and sub-delegation frameworks for digital custody platforms — treating connectivity as a shared market infrastructure obligation rather than a competitive decision. • Convert the published roadmap into internal investment decisions and delivery priorities. (Condition seven)

5.2 Mission Two Align the digital money and tokenisation strategies

Every tokenised transaction has a cash leg, and the full benefits of tokenisation are only unlocked when the cash leg is as digital as the asset leg. The second mission is not to select a single digital money model, but to create the conditions for multiple settlement assets to develop, compete and interoperate across priority wholesale tokenisation use cases. The UK has already made meaningful progress through the likes of GBTD, Fnality, and continued exploration of RTGS synchronisation and central bank money options. The challenge is ensuring that these initiatives evolve in a sufficiently coordinated manner to support market adoption, liquidity formation, and operational interoperability. At the same time, each solution should be able to progress and innovate.

As noted under Mission One, greater visibility across settlement infrastructure is important for market coordination. The Eurosystem's approach, seen in the Pontes and Appia projects, demonstrates how useful it is for the market for a central bank to provide both short-term and longer-term clarity on the future role of central banks, and central bank money, within wholesale financial markets. This facilitates further market cohesion and alignment on priorities. The Bank of England has done a good job on publishing frequently on its own digital money experimentation. What is missing is a picture across public and private innovations. One of the good outputs that we could see, from the Payments Action Group within the cross-industry taskforce, working in close coordination with UK Finance and other trade associations, would be to produce periodically an overview of what digital payment and digital settlement solutions are available across the market, how they distinguish from each other, how they interoperate, and what settlement principles they share.

Through a similar engagement framework to those seen in Europe, greater clarity could be developed on the role and interaction of different settlement assets and on the progress of each solution. The framework would focus on engagement and encouraging interoperability, however, private sector and central bank money options would each progress in an independent way and market forces would be allowed to determine which solutions prevail in practice.

	Next 18 months	Next 36 months
Policy-makers	• On AML/KYC: The Bank of England, FCA and HMT should continue to engage internationally on the outstanding compliance gaps for stablecoin transactions that leave the regulated perimeter, and jointly review whether current requirements create an unintended competitive disadvantage for tokenised deposits and publish a position. • Continue work to develop digital central bank money capabilities, in a way that enables effective interoperability with private-sector options. • Work collaboratively with industry to define interoperability expectations across all settlement asset options so firms can build with confidence against a single direction of travel.	• Enable the settlement asset infrastructure (private and public) required for the priority use cases, in line with roadmap commitments.
Regulators	• Set out the conditions under which tokenised gilts will be eligible collateral at the Bank of England. • Set out collateral eligibility conditions at CCPs and under margin rules for other high-quality tokenised assets. • Publish a clear timeline for these eligibility decisions — this is the single highest-leverage regulatory action for the priority use cases. (Condition three)	• Extend and update the eligibility framework as additional asset classes and use cases develop. • Coordinate internationally to ensure UK collateral rules remain interoperable with major clearing and collateral venues. (Conditions two, three)
Industry	• Collectively commit to embracing tokenisation architecture and prioritise engagement and coordination and to define interoperability standards. • Define internal requirements for digital settlement assets across the priority use cases. • Communicate interoperability needs clearly to HMT and the Bank of England to inform the roadmap. • Share practical implementation experience and deployment challenges through trade associations and industry forums to support market-wide understanding of digital settlement assets.	• Ensure the cash leg infrastructure develops in step with the asset leg — holding both policymakers and infrastructure providers to the published roadmap. • Publish lessons learned from live implementation and interoperability efforts to support broader market readiness and adoption.

5.3 Mission Three
Back delivery with visible leadership with real authority

Section 4, on conditions to scale, identified two persistent barriers: the absence of a coordinated national delivery mechanism and the commercial uncertainty that follows from it. Mission Three addresses this coordination challenge directly. Until recently, progress was made without a clear national coordination mechanism.

The appointment of the Digital Markets Champion, their first report and the publication of the Terms of Reference changed that and are welcome developments. The formal structure of a taskforce reporting to the Chancellor creates a visible accountability mechanism and the connection to the Wholesale Financial Markets Digital Strategy through the Leeds Reform gives the role a clear strategic anchor. The nine action groups, Orchestration Group structure and live repo use case targeted for Spring 2027 represent credible delivery architecture. The task now is not to establish coordination, but to ensure the mechanism in place has the mandate, visibility and support needed to drive delivery at the pace the market requires.

The Digital Markets Champion's current mandate is focused on coordination, convening and reporting, reflecting the UK's present stage of market development. As attention increasingly turns from experimentation to implementation, three areas merit further consideration. First, the mandate is advisory rather than executive, with no decision-making authority, dedicated budget, or formal mechanism for driving action across regulators and institutions. Second, the role is currently structured as a time-limited appointment, which may constrain its ability to provide the longer-term continuity and visible commitment that market participants often look for when making strategic investment decisions. Third, the Terms of Reference are silent on priority use cases, sequencing, institutional commitments and measurable market outcomes. A report to the Chancellor is an important milestone, but it is not itself a measure of market adoption or delivery.

Mission Three provides the Digital Markets Champion role with an enhanced mandate. Building on the strong foundations already established, this would provide the authority, visibility and public accountability needed to maximise this role's impact, supported by regulators that are organised and resourced to engage at pace. Working in close coordination with UK Finance and other industry bodies, the Digital Markets Champion would serve as the focal point for delivery, convening cross-functional working groups, tracking progress against published milestones and market outcomes, and helping to coordinate, connect and build upon the significant body of work already underway, ensuring that expertise is shared, duplication is avoided and momentum is sustained.[48]

This structure would strengthen accountability across the ecosystem and improve coordination between the public and private sectors, helping to build momentum while maintaining the appropriate checks and balances. Responsibility for statutory, regulatory and public policy decisions would remain with the relevant authorities, including HMT, the DMO, the FCA and the Bank of England.

	Next 18 months	Next 36 months
Policy-makers	• Resource the Champion with greater authority and resources required to drive delivery across missions. • Put in place public progress reporting against published milestones and liquidity formation indicators — including issuance volumes, secondary market participation, repo activity and collateral usage. • Convene and chair cross-functional working groups across buy-side, sell-side, infrastructure providers and legal to drive at pace delivery of the vision. (Condition five)	• Ensure cross-departmental coordination between HMT, the DMO, FCA, the Bank of England and other relevant departments (such as the Office for Investment) remains active, accountable, and publicly visible. (Condition five)
Regulators	• Identify and appoint the internal teams responsible for engaging with the Digital Markets Champion's programme across FCA, PRA and the Bank of England. • Build the governance structures needed to support rapid, coordinated regulatory engagement. • Establish a clear internal escalation path for decisions requiring cross-authority alignment. Regulatory speed is itself a deliverable — the programme cannot move faster than the regulators who underpin it. • Engage actively with the Digital Markets Champion's taskforce from its establishment in July 2026 — providing regulatory architecture input and committing to decisions timelines for priority use cases, so the commitments made by the regulators, in advance of the Chancellor's 2027 Mansion House speech and the Digital Markets Champion's 2027 report are grounded in credible regulatory commitments rather than aspirational timelines.	• Institutionalise joint FCA/Bank of England coordination mechanisms as the market transitions from sandbox to permanent conditions. • Commit to and maintain a regular public progress reporting cycle tied to the Digital Markets Champion's milestones. • Scale internal regulatory capacity as the market grows and permanent frameworks come into force.
Industry	• Adopt common standards for messaging, interoperability, and credentials across the priority use cases. • Contribute to and co-fund shared market infrastructure rather than building proprietary solutions. • Publish adoption metrics so progress is measurable and network effects compound. • Engage actively with the FCA and Bank of England's tokenisation roadmap, consultations and calls for input, helping to translate policy development into practical market implementation. • Support market-wide education and awareness initiatives to improve understanding of digital securities, digital money and related regulatory developments.	• Establish an industry-led metrics framework to track adoption depth, liquidity and ecosystem participation across the priority use cases. • Report publicly against the targets and milestones set in the first 18 months. • Hold the market collectively accountable — including through industry body coordination — for delivery against the framework. • Work collaboratively with private-sector led bodies (such as the Centre for Finance, Innovation and Technology) to use and build on existing forums. • Contribute to ongoing capability-building across the ecosystem through training, knowledge-sharing and professional development initiatives.

5.4 Mission Four Concentrate effort on the priority ecosystem

Section 3 of this report, on the UK's opportunity, identified areas to prioritise. Section 4 then examined the conditions required for adoption at scale.

Together, they point to the same conclusion: scale comes from focus.

Concentrated effort around a small number of connected use cases will generate the network effects and institutional momentum that dispersed activity cannot. Mission Four operationalises that conclusion. The UK risks dissipating effort across too many use cases and asset classes at once. The analysis in this report points to a clear priority ecosystem: sovereign debt, money market instruments, repo and collateral management and FX. The fourth mission is to concentrate policy, regulatory and industry effort on these use cases treating liquidity formation as an explicit market-development objective rather than an assumed outcome, and measuring success by adoption depth and liquidity, not pilot counts. This is where the UK's competitive advantages are greatest and where the value at stake is highest.

Prioritisation should not be interpreted as limiting innovation. Rather, it reflects the reality that institutional-scale markets require a critical mass of issuance, investors, liquidity providers, custodians, market infrastructures and settlement assets operating around a common set of workflows. Without that concentration, activity risks remaining fragmented across isolated pilots and platforms, preventing markets from reaching institutional scale. Once self-sustaining activity begins to emerge, the ecosystem can expand naturally into adjacent products and use cases. Prioritisation should also build in interoperability potential, as this reinforces the UK's advantage.

"The challenge we have here is overcoming the network effects"

Roundtable discussion

	Next 18 months	Next 36 months
Policy-makers	• Publish a DIGIT issuance calendar — a committed cadence of issuance, not a one-off — to give the market a predictable supply of trusted digital assets. • Define DIGIT's full architecture role beyond first issuance: listing, secondary trading, repo eligibility and collateral use, so it serves as trusted digital inventory for the wider ecosystem (see DIGIT box, Section 4.4). • Convene the buy-side — asset managers, insurers, pension funds and treasurers — directly in the design of the priority use cases, so the build converges on what demand requires. (Conditions four, five, six)	• Review and extend the priority ecosystem where adoption is demonstrated and the commercial case is proven. • Maintain active buy-side engagement as the market scales. (Conditions four, six)
Regulators	• Convene and endorse industry work on interoperability and messaging standards for the priority use cases. • Make wholesale custodian interoperability a named expectation within the market infrastructure workplan: set a clear public challenge to major custodians to develop sub-delegation and connectivity agreements for digital custody platforms, with a defined timeline. • Endorse credential standards to support KYC, AML and investor eligibility workflows across the ecosystem. • Coordinate internationally to ensure UK standards are exportable and compatible with major global venues and clearing infrastructure. (Condition four)	• Deliver statutory clarity on the Financial Collateral Arrangements Regulations for digital securities. • Resolve conflicts of law for cross-border tokenised transactions — prioritising the collateral and repo use cases. • Clarify settlement finality rules for transactions spanning DLT and conventional systems. • Transition from sandbox-era guidance to permanent rules for the priority use cases. (Conditions two, four)
Industry	• Stand up cross-functional working groups for each priority use case — sovereign debt and repo, collateral and margining, money market funds, digital money — with named chairs, defined deliverables, timelines and senior sponsorship. • Consolidate fragmented internal tokenisation initiatives into a single strategic programme aligned to the priority use cases. • Share practical use cases and implementation experience across the priority ecosystem, including through buy-side, sell-side and market infrastructure engagement. • Wholesale custodians should treat sub-delegation and interoperability agreements as a priority commitment — not a deferred technical question — and publish timelines for connecting digital custody platforms to one another on terms comparable to traditional sub-custody networks. • Translate the published roadmap and mission targets into internal investment decisions and delivery priorities. (Conditions two, six, seven)	• Use industry forums and trade associations to identify common barriers to adoption and coordinate market-led solutions where appropriate. Promote greater understanding of emerging business models, technologies and market structures through industry-led engagement and knowledge sharing. Where practical implementation challenges are identified, industry should work collectively to develop guidance, share experience and build confidence across the ecosystem. • Commit real issuance volume: move from pilots to recurring activity across the priority use cases. • Commit inventory and balance sheet to support secondary market liquidity and repo activity. • Make adoption visible through published metrics so network effects compound across the ecosystem. (Conditions three, six)

5.5 Conclusion — The next twelve months

The next twelve months represent a critical window for the UK to convert strong foundations into market leadership. Since our 2023 report, tokenisation has moved from a technology discussion to a market-structure question: where will future wholesale activity, infrastructure, standards and liquidity be concentrated? The UK enters this phase with substantial advantages. It combines strong legal foundations, credible regulation, deep capital markets, live digital-money capability and distinctive strengths in collateral, funding and risk management. It also benefits from the spirit of openness that has long underpinned London's success as a global financial centre: a willingness to welcome international capital, institutions and innovation, while providing a trusted framework within which markets can operate. That combination of openness and high standards should remain central to the UK's proposition. In an increasingly fragmented global market, the ability to offer a safe, well-regulated and internationally connected environment can itself become a source of competitive advantage.

These strengths will only translate into leadership if the UK now moves at pace. That requires a more coordinated market-building programme, with clear priorities, accountable delivery owners, committed participants and visible progress against milestones. The Digital Markets Champion should be equipped with the authority, resources and time horizon needed to coordinate the ecosystem effectively, working closely with government, regulators and the institutions responsible for delivery.

The objective is not to relax standards in pursuit of speed, but to combine faster execution with the legal certainty, resilience and market integrity for which the UK is known. The choice is no longer whether to explore tokenisation, but whether the UK is prepared to shape it. If it acts with openness, discipline and urgency, the UK can become the preferred global home for trusted digital wholesale markets. If it does not, others will set the standards, build the infrastructure and capture the liquidity of the next market cycle.

> "People absolutely hate deadlines, but once they have one, they all know which way is north"
>
> Industry expert

From the coffee houses of seventeenth-century Threadneedle Street to today's global capital markets, the UK's success has been built on relationships, innovation and openness to the world. New technology may change how markets operate, but it does not change the importance of trust, collaboration and shared ambition. The foundations are in place. The opportunity is clear. The challenge now is collective execution. If government, regulators, market infrastructures and industry act together, the UK can build deep, liquid and internationally connected digital markets for the future.

Annex

Annex 1: A practical guide to key UK legal and regulatory materials for digital securities

One of the UK's strengths in digital securities is the depth and maturity of its legal framework. However, familiarity with that framework can be uneven across the market as law, regulation and market practice continue to evolve. As a contribution to broader market understanding, this Annex brings together a selection of the principal legal and regulatory materials relevant to digital securities in the UK.

Note: This Annex is intended as a practical reference point only and does not seek to provide legal advice. Market participants should consult the latest legal and regulatory materials and obtain appropriate advice in relation to specific structures, activities and transactions.

Key legislative tools

- All of the laws that typically apply to the relevant security and activity (irrespective of whether it is tokenised). In particular:
  - the Companies Act 2006 (including provisions relating to shares, registers of members and securities issuance)
  - the Financial Markets and Insolvency (Settlement Finality) Regulations 1999
  - UK GDPR and Data Protection Act 2018
- Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, including provisions relating to admissions to trading, market abuse and other aspects of the UK cryptoasset regime
- Financial Services and Markets Act 2023 ("FSMA 2023"), including reforms to the UK's framework for digital assets, market infrastructure and financial services regulation
- Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ("RAO"), as amended, including amendments relating to cryptoassets, digital settlement assets and the new UK cryptoasset regime
- Property (Digital Assets etc) Act 2025, key law for recognising digital assets as property
- Electronic Trade Documents Act 2023
- Uncertificated Securities Regulations 2001 (SI 2001/3755)
- Financial Collateral Arrangements (No. 2) Regulations 2003

Legal guidance materials

- Law Commission: Digital Assets 2023 Final Report and resultant Property (Digital Assets etc) Act 2025
- The UKJT's Control Panel Report on Control of Digital Assets
- The UKJT Legal Statement on Digital Assets and English Insolvency Law
- The UKJT Smarter Contracts Report
- The UKJT Legal Statement on Digital Securities
- The UKJT Digital Dispute Resolution Rules
- The UKJT Legal Statement on Cryptoassets and Smart Contracts

Laws modified for Digital Securities Sandbox (DSS) participants

Digital Securities Sandbox. Section 13 of the Financial Services and Markets Act 2023 gave the Treasury the power to modify the application of an enactment for the purposes of the FMI Sandbox (the first of which became the DSS). The laws and regulations waived for participants include:

- The Stock Transfer (Gilt-edged Securities) (CGO Service) Regulations 1985 ("STRs")
- The Government Stock Regulations 2004 ("GSRs")
- The Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("MLRs")
- Prospectus Regulation (Regulation (EU) 2017/1129 of the European Parliament and of the Council ("UK Prospectus Regulation")

Please see the Bank of England Digital Securities Sandbox Rules Instrument 2024 for information on further modifications available to participants, including those under the central securities depositories regulations (UK CSDR).

Regulations

The UK's approach to the regulation of digital assets is technology-neutral. Tokenisation generally changes the technology used to record, transfer or settle an asset rather than the underlying regulatory treatment of the asset itself.

Existing UK financial services regulation continues to apply to tokenised securities and related activities. Depending on the structure and activity, this may include the Financial Services and Markets Act 2000, the Regulated Activities Order, the FCA Handbook, the PRA Rulebook, UK market infrastructure requirements, financial crime requirements, prudential requirements, conduct of business requirements, operational resilience requirements and market abuse rules.

Regulatory developments continue in this area and whilst much clarity has been achieved further technical refinements will be made and guidance provided to industry. Call for inputs, discussion papers and consultation papers show the regulators' early thinking on intended approach, whilst policy statements provide valuable confirmed guidance.

An example of a key consultation (which will translate into confirmed guidance) is the Bank of England and Financial Conduct Authority's approach to joint regulation of systemic stablecoin issuers. The FCA's overview dated 30 June 2026 of its policy statements issued to date under its Crypto Roadmap is key[49], and surrounding commentary from law firms supports analysis.

In setting out their shared vision for tokenisation in UK wholesale markets in May 2026, the FCA and Bank of England provided a useful recap on already established regulatory principles. The final cross-authority strategic roadmap expected to be published by the regulators later this year will also be instructive.

Regulatory rulebooks

- FCA Handbook, in particular the CRYPTO, CASS (6, 16 and 17), CRYPTOPRU and PERG (19) modules
- PRA Rulebook
- Bank of England regulatory framework for financial markets infrastructure ("FMI") and systemic digital settlement assets

Key regulatory themes relevant to digital securities include

- Authorisation and perimeter analysis
- Conduct of business requirements
- Prudential requirements
- Client asset and custody requirements
- Operational resilience
- Market abuse and market integrity
- Financial crime and sanctions compliance
- Outsourcing and third-party risk management

Sample considerations that may arise in practice

Market participants may wish to consider a number of broader questions when assessing digital securities arrangements, including:

- The legal nature and characterisation of the relevant digital security, settlement asset or tokenised arrangement, and whether this gives rise to considerations that differ from traditional market structures

- Whether the use of digital assets introduces additional conflicts of law, jurisdictional or cross-border considerations
- The extent to which existing legal concepts relating to ownership, custody, transfer, security interests, trust arrangements and insolvency apply to the proposed structure
- The regulatory status of the relevant activities, assets and participants, and whether any additional authorisations, permissions or compliance requirements may apply
- Whether digital custody, settlement, payment or market infrastructure arrangements introduce additional operational, governance, resilience or risk-allocation considerations
- Whether any specific legal or regulatory frameworks apply to the issuance, trading, settlement, custody or collateral use of the relevant assets
- How proposed arrangements interact with financial crime, sanctions, market integrity, prudential and investor protection requirements
- The circumstances in which digital securities and digital settlement assets may be recognised for collateral, margining, funding or liquidity purposes
- Whether legal rights, ownership records, control arrangements and transfer mechanisms are reflected accurately and consistently within the relevant technology, operational processes and data models, particularly where assets move across platforms or infrastructures.

These considerations are not exhaustive and are intended solely as illustrative examples of the issues that may arise in practice when assessing digital securities arrangements. Market participants should obtain the appropriate legal or regulatory advice in relation to specific activities, transactions and business models.

Legal certainty alone does not create market readiness. As digital securities move towards production use, increasing attention is turning to how legal rights, ownership records, transfer mechanisms and control arrangements are represented consistently across technology platforms, data models and operational processes. The quality of the underlying data is equally important. Legal and operational information must be authoritative, interoperable and traceable to the relevant legal framework. Converting legal certainty into operational confidence and market scale will require continued collaboration between lawyers, technologists, operations specialists and market practitioners. As digital markets evolve, that shared understanding will become an increasingly important foundation for future market development.

Annex 2: Status update on progress of each mission in our 2023 report

	Short term: Next 18 months	Medium term: 18 months to 5 years
Mission 1 Enable innovation and experimentation, underpinned by legal and regulatory certainty	HMT should urgently roll out the first FMI sandbox for the use cases identified as most pressing.	Parliament, the BoE, and HMT should provide legal and regulatory clarity about the use of tokenised securities for collateral purposes, in line with recommendations from the Law Commission.
	HMT should urgently further define the roadmap for the FMI sandbox, including a view of how it will prevent cliff-edge effects when the sandbox ends	The BoE and the PRA should clarify capital requirements for tokenised securities in light of the BCBS 545 standard, while also accounting for potential concerns around fragmentation of liquidity.
	HMT, FCA and PRA should continue to distinguish between tokenised securities, crypto assets, and the underlying DLT, and ensure that usage is not conflated or misinterpreted by industry.	HMT should clarify that tokenised assets should not be conflated with the use of DLT or blockchain infrastructure for existing, regulated financial services and processes.
	HMT, FCA, and BoE should provide further flexibility on Central Securities Depositories Regulation (CSDR) and any provisions to allow industry participants to navigate the requirements to use a CSD.	The FCA, the PRA and the BoE should decide which, if any, regulatory standards or concepts need to be amended to support tokenised securities.
	HMT and the BoE should continue to support the development of digital cash solutions to enable the settlement of transactions.	
	HMT, via the Debt Management Office, should issue a digital gilt within the FMI sandbox.	
	HMT and FCA should take further actions beyond the issuance of a digital gilt that encourage experimentation with tokenised securities and further participation in the sandbox.	
	HMT, PRA, and FCA should support further two-way engagement between industry participants, regulatory representatives, and legal experts specialising in digital assets and securities tokenisation.	
Mission 2 Foster a flourishing UK digital market by promoting interoperability and safe innovation at scale	HMT, the FCA, and the BoE should support industry participants as they convene and develop voluntary standards for tokenised securities.	The Law Commission, the UK Jurisdiction Taskforce, Parliament and HMT should provide legal and regulatory clarity around custody arrangements for tokenised securities.
	HMT should explore if there is industry appetite for a shared, national infrastructure for tokenised securities.	HMT should consider developing a principles-led approach to the application of the Client Assets Sourcebook (CASS) rules.
		HMT should promote the UK as a centre of excellence on tokenised securities and other digital assets.
Mission 3 Become a leader in global standards for the tokenised securities market	The UK government should lean on its existing endowments to foster discussion and collaboration around supra-national standards for securities tokenisation.	
	HMT should collaborate and partner with leading jurisdictions and connect to their pilots or sandboxes.	

Mission One has moved furthest
DSS exists, DIGIT is in procurement/ execution, CSDR flexibility has been temporarily created, and prudential treatment is materially clearer.

Mission Two is partly built but not yet market-structural
Standards, custody, CASS and infrastructure direction are emerging, but interoperability and collateral portability are not yet proven.

Mission Three remains mostly positioning
The UK is active in global forums and bilateral initiatives, but there is limited evidence it has converted that into binding or widely adopted supranational standards.

Implemented/enabled Ongoing/emerging

Endnotes

1 Unlocking the power of securities tokenisation (UK Finance, 2023)

2 Strengthening American Leadership in Digital Financial Technology (The White House, 2025)

3 FCA and Bank of England set out shared vision for tokenisation in UK wholesale markets (Bank of England, 2026)

4 Markets in Crypto-Assets Regulation (MiCA) (ESMA, 2023)

5 Broadridge's Distributed Ledger Repo Achieves 268% Year Over Year Growth in April (Broadridge, 2026)

6 Global FX trading hits $9.6 trillion per day in April 2025 and OTC interest rate derivatives surge to $7.9 trillion: Triennial Survey (BIS, 2025)

7 No time to lose: Reasserting UK leadership in financial and related professional services (TheCityUK, 2026)

8 FCA and Bank of England set out shared vision for tokenisation in UK wholesale markets (Bank of England, 2026)

9 Government publishes Terms of Reference for Wholesale Digital Markets Champion (GOV.UK, 2026)

10 Tokenised sterling deposits (UK Finance, 2025)

11 Sterling Fnality Payment System (Fnality)

12 Project Agorá: exploring tokenisation of wholesale cross-border payments (BIS, 2026)

13 ECB commits to distributed ledger technology settlement plans with dual-track strategy (ECB, 2025)

14 Digital Securities Solutions (SIX)

15 HSBC and Digital Assets and Currencies (HSBC)

16 Future proofing today's financial services infrastructure for an interconnected and digital economy (DTCC)

17 Strengthening American Leadership in Digital Financial Technology (The White House, 2025)

18 David O. Sacks (The White House, 2025)

19 H.R.3622 — Digital Market Clarity Act (Congress.gov, 2025)

20 MAS Expands Industry Collaboration to Scale Asset Tokenisation for Financial Services (MAS, 2024)

21 Federal Council brings DLT Act fully into force and issues ordinance (Swiss federal authorities, 2021)

22 Project Helvetia (SNB)

23 Digital Securities Sandbox (DSS) (Bank of England)

24 Digital Gilt Instrument (DIGIT) pilot update (GOV.UK, 2025)

25 PS26/7: Progressing fund tokenisation (FCA, 2025)

26 Refer among others to HM Treasury Wholesale Financial Markets Digital Strategy (Link, 2025) and Modernising money and markets — speech by Sarah Breeden (Bank of England, 2026)

27 FCA and Bank of England set out shared vision for tokenisation in UK wholesale markets (Bank of England, 2026)

28 FCA, Policy Statement, Overview of our cryptoassets regime policy statements (FCA, 2026)

29 Wholesale Digital Markets Champion — first report to the Chancellor (GOV.UK, 2026)

30 Composability is a system design principle that deals with the inter-relationships of components. A highly composable system provides components that can be selected and assembled in various combinations to satisfy specific user requirements. Digital Assets: Final Report (Law Commission of England and Wales, 2023)

31 Tech-enabled collateral optimisation: From must-have to game changer (Securities Finance Times, 2024)

32 The $340 Million Case for Tokenized Collateral: What Industry Steps Are Needed for Adoption (Nasdaq, 2026)

33 Collateral Tokenization: How a $340 Million Opportunity is Driving a Digitalized Collateral Management Revolution (Nasdaq, 2026)

34 Oliver Wyman describes the running of duplicate processes across both traditional and digital rails as the «dual rail» phase

35 Digital Rails, Real Economics: Digital Assets & the Future of Wholesale Banking (Morgan Stanley & Oliver Wyman, 2026)

36 Hong Kong's tokenised green bonds (ICMA, 2024)

37 SGX taps blockchain-enabled bond issuance platform to cut settlement time to 2 days (The Business Times, 2022)

38 EIB issues its first ever digital bond in pound sterling (EIB, 2023)

39 UK takes key step to digital gilt issuance this year (Financial Times, 2026)

40 DTCC Advances Development of New Tokenization Service, Convenes 50+ Firms to Drive Digital Assets Adoption (DTCC, 2026)

41 The New York Stock Exchange Develops Tokenized Securities Platform (ICE, 2026)

42 PS26/7: Progressing fund tokenisation (FCA, 2025)

43 Refer to 'Eligible collateral' (Bank of England)

44 Financial Services and Markets Act 2023 (GOV.UK)

45 UK Finance recognises the importance of branches conducting business with the appropriate licences and authorisations. For a considered view on which crypto-related activities require full authorisation, please refer to UK Finance's detailed suite of responses to the FCA's Crypto Roadmap

46 Future financial services regulatory regime for cryptoassets (regulated activities) — Policy Note (GOV.UK, 2025)

47 Sandbox Entrant information and Sandbox Approval notices (Bank of England)

48 Industry-led initiatives, including those set out below, are making a significant contribution to the development of tokenised financial markets. We encourage coordination across these efforts which will be increasingly important to avoid duplication, share expertise and support coherent market development. Notable examples include:

- Investment Association: The Investment Fund 3.0 (IF3) Lab is advancing fund and asset tokenisation through collaboration with regulators and industry
- ICMA: The Bond Data Taxonomy (BDT) provides a standardised, machine-readable language for key bond information typically contained in a bond term sheet. By defining these data elements unambiguously, the BDT promotes straight-through processing (STP) and interoperability between different systems and stakeholders where data is exchanged during a debt security's lifecycle
- ISDA: The Fintech Open Source Foundation (FINOS) Common Domain Model (CDM) (developed by ISDA, ISLA and ICMA) is an open-source, standardised model that creates a single, shared standard for tokenised instruments, lifecycle events, and contractual logic, enabling interoperability and reducing fragmentation across tokenisation initiatives
- TheCityUK: Published recent reports championing the digitalisation of capital markets, including January 2026's No Time to Lose and the 2025 report, The Digitalisation of UK Capital Markets
- The City of London Corporation for its leadership in supporting the first Digital Markets Champion report

49 FCA, Policy Statement, Overview of our cryptoassets regime policy statements (FCA, 2026)

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