

**Insights**

## **FCA SHARES JOINT VISION ON TOKENISATION FOR UK WHOLESALE MARKETS**

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### **SUMMARY**

Technological innovation continues to reshape traditional financial systems and infrastructure, but the regulatory response is now entering a more decisive phase. As explored in our [Emerging Themes in Financial Regulation and Disputes 2026](#) articles to date, the focus is shifting from exploration to implementation across digital assets and market infrastructure.

Against this backdrop, the FCA and Bank of England (BoE) have published a [joint call for input on the introduction of tokenisation in UK wholesale financial markets](#).

Responses to the call for input close on 3 July 2026. This article explores the key elements of that proposal and what it means for firms.

### **WHAT IS TOKENISATION?**

Tokenisation uses distributed ledger technology to represent assets and ownership digitally, opening up new ways to issue, trade and settle those assets.

### **WHY TOKENISE?**

The case for tokenisation is increasingly clear:

- in practice, tokenisation enables faster settlement through mechanisms such as automatic delivery versus payment (DvP);
- there is an ability to develop new tokenised products and services;
- tokenisation can improved liquidity in the market, as it allows market participants to trade a greater variety of products; and

- tokenisation can also increase efficiency, as it can centralise information through a single ledger and reduces the need for reconciliations

Together with tokenisation, firms can employ a variety of “applications” that operate via smart contracts, with the records being stored on the underlying blockchain. In practice, these applications can enhance both market efficiency and governance by facilitating know your customer (KYC) protocols, surveillance, asset servicing, collateral, and market making.

## TOKENISATION: THE PAST AND PRESENT

The FCA and BoE have already introduced several initiatives to facilitate the digitalisation of UK financial markets, in a bid to modernise these markets by using new technologies. Since 2023, the Bank of England explored the need for a [digital pound](#), a central bank digital currency (CBDC) issued by the Bank of England and backed by the UK government.

Testing of tokenisation was accelerated in 2024, when the FCA and BoE introduced a [Digital Securities Sandbox](#) (DSS). This allowed firms to test new technologies in a safe environment. Supplementing this, HMT announced the introduction of a [Digital Gilt Instrument](#) (DIGIT) in 2024, to encourage the development and adoption of blockchain technology within UK capital markets.

Considering these developments, firms have increasingly requested regulatory certainty, clarity, and a direction of travel for tokenisation in UK wholesale financial markets. Against this backdrop, the FCA and BoE have set out a joint vision for a tokenised framework, requesting input from firms. Responses to this call for input will form part of the FCA and PRA’s roadmap for digital wholesale markets.

## A TOKENISED VISION: ELEMENTS AND PRINCIPLES

As part of their vision, the FCA and BoE imagine several principles and elements to underpin a tokenised framework:

### DIGITAL ISSUANCE

A tokenised marketplace would involve tokenised securities, cash, and collateral being efficiently issued, traded, cleared, and settled, supported by clear post-trade processes.

Tokenising securities can give rise to novel forms of issuance such as fractionalised issuance. This involves issuing smaller portions of securities via digital tokens. A broader range of individuals can then participate in the market, encouraging financial inclusion.

Despite new novel forms of issuance, the FCA and BoE stress the need for tokenised security issuers and holders to maintain a direct relationship. As with traditional wholesale markets, this

relationship should allow information to be transparently shared from security issuers to owners, thereby encouraging stringent corporate governance.

## DIGITAL SETTLEMENT

Asset settlement is likely to be where tokenisation delivers the most immediate value. The framework's use of blockchain means that all market participants can share access to 'golden source' ownership data, with faster settlement enabled through mechanisms such as automatic DvP. Existing market infrastructure, including regulated clearing houses and central securities depositories, would continue to play an important role alongside new digital infrastructure.

Notwithstanding their openness to using blockchain for settlement, the FCA and BoE stipulate that any wholesale settlement should ultimately take place using central bank money. This is seen as a risk-free asset and is viewed to maintain overall trust in the financial system.

## MARKET INTEGRITY

Fundamental to the FCA and BoE's vision of a tokenised framework is the concept of market integrity. Tokenised markets should be clean and free of financial crime, such as money laundering and market abuse. To enable this, it is envisaged that tokenised market participants would be subject to KYC checks, a process that could be carried out via the blockchain itself.

In addition, a tokenised framework can produce verified and immutable client and transaction records through its use of blockchain technology, with records stored on a decentralised ledger. These features indicate that principles like market integrity can be embedded within a tokenised framework from the outset.

## MARKET LIQUIDITY

Tokenised infrastructure can improve market liquidity by introducing a greater number of financial products and participants, however, to truly improve liquidity, the FCA and BoE identify that tokenised securities need to be interoperable. This means that non-tokenised and tokenised securities can be freely exchanged.

In practice, interoperability will be critical to avoiding fragmented liquidity across tokenised and non-tokenised markets. For example, if there are significant barriers to exchange tokenised or non-tokenised securities, or across different blockchains, this could reduce or fragment liquidity in the market.

Noting that these barriers detract from the very liquidity that tokenisation is intended to promote, the FCA and BoE have suggested implemented blockchain interoperability standards, allowing a tokenised network to exchange data, assets, and information seamlessly.

## INDIVIDUAL ACCOUNTABILITY

For firms, this means ensuring clear individual accountability under existing regimes such as the [Senior Managers and Certification Regime \(SM&CR\)](#). Consistent with the FCA's SM&CR, this ensures that such individuals are accountable, with the possibility of enforcement action being taken against them or their firm in case of issues.

Unlike traditional finance, however, tokenisation can create situations in which a responsible person isn't easily identifiable, such as when operating on a decentralised exchange (DEX). While the FCA and BoE have provided some direction – noting that for settlement activity in digital securities within scope of the UK CSDR, accountability may rest with a Digital Securities Depository (DSD) through the Digital Securities Sandbox (DSS) – the broader question of which entity or individual would be held accountable in all circumstances remains under consideration.

In parallel, the Bank of England is considering the eligibility of tokenised assets as collateral in its own Sterling Monetary Framework (SMF) operations, including the DIGIT pilot, and is upgrading its securities and collateral management system in 2027 to enable direct connectivity to digital asset ledgers. The Bank will also set out its policy considerations for how tokenised collateral assets already acceptable as regulatory collateral by central counterparties (CCPs) could be eligible under UK EMIR, with a discussion paper expected later this year.

The FCA and BoE have also provided clarity on the prudential treatment of tokenised assets. The PRA has confirmed, through a Dear CEO letter published alongside the Call for Input, that tokenised traditional assets should, in general, receive the same prudential treatment as their non-tokenised equivalents, where legal rights are identical and underlying risks are comparable. This confirmation is intended to remain in place until the PRA consults on and finalises its prudential framework following the completion of the Basel Committee's current targeted review of its cryptoasset prudential standard.

## PREPARING FOR TOKENISATION

As tokenisation moves closer to deployment, firms will need to act now not only to manage risk, but to position themselves to take advantage of new market opportunities. If your firm wants to take advantage of the benefits of a tokenised framework, it will need to adhere to the FCA and BoE's standards. This is also true of firms that interact with tokenised assets, either directly or indirectly.

It is therefore important that your firm readies itself for a tokenised framework. This includes considering the following points:

- **Improving Systems:** Assess whether your systems can accommodate tokenised assets. If they cannot, and your firm intends to deal with such assets, assess the steps and costs associated with improving your systems.

- **Product Governance:** If your firm intends to issue or trade in tokenised securities, or develop services around tokenised products, it will need to apply product governance principles to these revenue streams. This is especially true of tokenised assets that encourage wider market participation, as products and services around these may be subject to the [consumer duty](#).
- **Preventing Market Abuse:** As tokenisation is decentralised, market abuse is a real risk, with transactions taking place on a distributed ledger. Your firm needs to be satisfied that it can detect and report instances of market abuse for tokenised assets as they arise.
- **Operational Resilience:** Assess your firm's third party and operational risk when interacting with tokenised assets. Blockchains have in the past been subject to cyber-attacks due to code weaknesses or exploitation of their decision-making protocols. These risks will need to be accounted for in your firm's decision to become a tokenised market participant. In addition, the FCA and BoE expect firms to conduct an initial and ongoing assessment of the suitability of any blockchains they use, covering areas such as governance and performance levels, and to undertake appropriate exit planning to ensure continuity of service in the event that a particular blockchain or DLT solution becomes unsuitable.

## KEY TAKEAWAY

The destination may still be evolving, but the direction of travel is clear. The focus is shifting from policy development to implementation. Rather than introducing bespoke rules for tokenised frameworks, the FCA and BoE are taking a technology agnostic approach, with firms expected to apply existing regulatory frameworks to tokenised products and services for the foreseeable future.

Firms that act now to assess and enhance their systems, processes and governance will be best placed to navigate this transition – and to capture early-mover advantage as tokenisation moves into real-world deployment in UK wholesale markets.

***Please do not hesitate to get in touch with us if there are any questions about this or the proposed regime.***

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Written with assistance from Mayur Kiri.

## RELATED CAPABILITIES

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## MEET THE TEAM



### **Suhail Mayor**

Associate, London

[suhail.mayor@bclplaw.com](mailto:suhail.mayor@bclplaw.com)

[+44 \(0\) 20 3400 4626](tel:+442034004626)



### **Samantha Paul**

Knowledge & Innovation Counsel,  
London

[samantha.paul@bclplaw.com](mailto:samantha.paul@bclplaw.com)

[+44 \(0\) 20 3400 3194](tel:+442034003194)

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