

ICMA response to FCA and Bank of England Call for Input on future of tokenisation

Introduction

The International Capital Market Association (ICMA) welcomes the opportunity to provide feedback on the shared vision set out by the FCA and the Bank of England (BoE) for tokenisation and the future of UK wholesale markets.

ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association serving around 630 members in 71 jurisdictions globally. Its members include private and public sector issuers, banks and securities dealers, asset and fund managers, insurance companies, law firms, capital market infrastructure providers and central banks. ICMA provides industry-driven standards and recommendations, prioritising three core fixed income market areas: primary, secondary and repo and collateral, with cross-cutting themes of sustainable finance and FinTech and digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

ICMA DLT Bonds Working Group

ICMA's response reflects the views of a subset of its [ICMA DLT Bonds Working Group](#), which includes issuers, banks, investors, market infrastructures, law firms, data providers as well as technology providers across the spectrum of international debt capital markets. Since its inception in 2022, the Working Group has issued the following guidance as well as resources:

- [DLT Bonds Reference Guide](#) (December 2024)
- [Contributions](#) to the [Guardian Fixed Income Framework](#) (published in November 2024) and [leadership](#) of the [Fixed Income workstream](#) (since early 2025)
- [Considerations for risk factors and disclosure in DLT bond offering documents](#) (November 2023)
- [ICMA FAQs on DLT and blockchain in bond markets](#) (September 2022)

Consistent engagement with UK regulators

ICMA members appreciate the constructive and consistent engagement with HM Treasury (HMT), the FCA and the BoE since the early stages of Financial Services and Markets Act (FSMA) 2023 and FMI sandbox proposals. This is underscored by our responses to previous consultations on the topic of innovation within the UK's capital markets, including:

- [HMT's Consultation on the first Financial Market Infrastructure Sandbox – The Digital Securities Sandbox](#) (the HMT DSS Consultation, in August 2023);
- [BoE's and FCA's joint consultation on proposals to implement and operate the Digital Securities Sandbox](#) (May 2024); and
- [HMT's and the UK DMO's Announcement of Preliminary Market Engagement Exercise for the Digital Gilt Instrument \(DIGIT\) Pilot](#) (April 2025).

ICMA Contacts

Please don't hesitate to contact Gabriel Callsen, Senior Director, FinTech and Digitalisation (gabriel.callsen@icmagroup.org) and Francisco Parente, Associate Director, FinTech and Digitalisation (francisco.parente@icmagroup.org), to discuss further ICMA's response.

ICMA response to questions on FCA and Bank of England call for input on the future of tokenisation

Question 1: Where do you see the most potential benefit to the UK market from tokenisation and why? Where do you see the main opportunities for tokenisation for your business?

ICMA Response:

Tokenisation is a key factor in efforts to modernise wholesale market infrastructure, improve operational efficiency and support resilience, competitiveness and access to capital across the wider economy, while reinforcing the UK's position as a jurisdiction that enables responsible innovation in the future DLT-based wholesale markets. However, ICMA members understand that for these gains to materialise at scale clear regulatory frameworks, coordinated infrastructure development with a view towards interoperability and a sustained focus on practical use cases are necessary.

Question 2: Do you agree with the vision and regulatory principles we have set out in this paper?

ICMA Response:

ICMA members agree in principle with the vision and regulatory principles set out in the paper. However, from a commercial bank perspective, the following amendments to two of the principles set out in Chapter 3 should be considered:

- **Operational resilience needs to be maintained:** In case of breach of a DLT platform, whilst appropriate exit planning is one potential tool to mitigate potential damages, it is important to highlight that in the event of an exit, there is a possibility that assets may become stranded for a period of time;
- **The ability for issuers of securities and their holders to have a direct relationship needs to be maintained:** As set out in the paper, there must be a clear differentiation between the different forms of tokenised exposures, both for the market and for customers. However, we note that the lack of clear delineation between different categories of digital assets in some jurisdictions has created significant additional cost in correctly classifying products. To avoid the occurrence of a similar issue within the UK's future wholesale financial markets, ICMA members would welcome the publication of guidance further clarifying the rights and treatments of different forms of tokenised securities; and

Additionally, ICMA members would also welcome the inclusion of an additional principle on **regulatory alignment**. As outlined in the FCA and the BoE’s shared vision, we would welcome greater alignment between FCA, BoE, and HMT to ensure that there is consistency in approach and terminology across the UK’s framework for tokenised securities. This would assist in addressing existing divergence in rules regarding cryptoassets (eg, differing prudential treatment of stablecoins and digital settlement assets). This coordination and alignment should extend to the regulators’ work with the ICO.

Question 3: Do you agree with the priority areas we have identified, and our long-term ambition in each of these? Are there any other priority areas you think are important?

ICMA Response:

ICMA members support in principle the plans to allow the use of tokenised collateral for Central Counterparties (“CCPs”) and the Sterling Monetary Framework (“SMF”), which could support faster settlement and automated margining, reducing delays in moving collateral and helping lower the capital tied up in these processes.

Tokenisation facilitates the use of a wider range of assets as collateral and provides greater visibility into complex structures by allowing for more efficient tracking of underlying exposures and collateral pools.

The collateral eligibility (or ineligibility) of tokenised products will be a key driver in the demand for these products, and is an area in which other jurisdictions (eg, the [European Union](#)) are progressing rapidly. The inability to be used as collateral in line with their traditional equivalents could significantly diminish demand and hamper the appetite for issuers to issue tokenised assets in the UK, potentially proving a significant detriment to the UK’s international competitiveness in the future tokenised securities space. We therefore encourage the acceleration of these efforts to allow the use of tokenised collateral.

Question 4: To what extent is regulation preventing you from offering tokenised securities products in or from the UK? Are there any specific rules and regulations you would like to see changed?

ICMA Response:

ICMA members welcome the steps undertaken to date (which we responded to in previous consultations, as highlighted in the ‘Consistent engagement with UK regulators’ section of this response). These include adjustments to a number of pieces of legislation and the aim to place tokenised and traditional securities on an equal footing, in line with the vision set out in the FCA and BoE’s proposed principles presented in Chapter 3 of the call for input, as well as the broader proposals set out throughout the paper. However, we understand that, in order for said vision to be achieved, some further adjustments are deemed necessary, as described below.

Regulatory clarity and support are essential to allow for the adoption of tokenised securities, and the development of the future UK wholesale financial markets. Particularly, ICMA members understand that:

- **Maintaining a clear delineation between tokenised financial instruments and cryptoassets is essential** for the development of DLT-based bond markets and the broader tokenised UK wholesale financial markets; and
- **Tokenised securities should be incorporated into the existing regulatory framework** to the extent possible, further solidifying their status as equal to traditional securities.

On “specified investment cryptoasset” (SIC) custody, ICMA members welcome in principle the shared ambition to provide a safeguarding framework that ensures adequate protection of clients’ SICs and operates effectively in a market where tokenised and non-tokenised structures coexist.

Members understand that (i) providing clear indication of what constitutes an SIC or a “relevant specified investment cryptoasset” (RSIC), (ii) providing clarifications as to the level of control of qualifying cryptoassets for which authorised custodians may fall in scope of safeguarding regulation, and how to assess said control, and (iii) avoiding the need for “double registration” under cumbersome regimes by authorised custodians would greatly assist in ensuring that the extensive work done by the regulators to develop a comprehensive and coherent new regulatory framework for cryptoassets, including safeguarding requirements, stays fit for purpose in assisting the development of tokenisation in UK wholesale markets. Another area where some ICMA members find difficulties for the offering of tokenised securities products in the UK is the English law corporate legislation relating to the maintenance of registers for bonds. The UK Law Commission, in its [Final report on digital assets](#) published in June 2023, recommended the performance of a review of “*the laws governing the tokenisation of equity and other corporate securities by UK companies*”, including reforms to recognise and support the use of DLT for the “*issuance and transfer of tokenised securities*”.

While firms have found avenues to navigate these issues in the absence of the reforms suggested by the UK Law Commission, they add a layer of complexity to transactions that further slow them and increase total costs. As such, we would support an acceleration of the timeline for the performance of the aforementioned review, potentially removing another layer of complexity that is preventing the development of the future UK wholesale financial markets.

While the full suite of regulatory changes required for the long-term digitalisation of financial markets may not be completely identified for some time, we would encourage the FCA and BoE to identify whether minor changes to existing frameworks could be made in a shorter timeframe to provide greater certainty.

Question 5: Where and how is interoperability most important for your firm? What domestic and international initiatives – including international standards - be most valuable?

ICMA Response:

ICMA members welcome in principle the FCA and BoE’s vision for interoperability presented in the call for input. Particularly, we welcome the commitment to emphasise and ensure interoperability: (i) between new tokenised infrastructures and non-tokenised ones; (ii) of settlement infrastructures, both within the market and with the BoE’s own; and (iii) across private forms of money. Further to this, however, we consider taking international interoperability into account of critical importance from a cross-border perspective, given the global nature of financial markets. We would also like to emphasise the importance of enabling sufficient integration of legacy and tokenised systems, beyond settlement infrastructure, which is essential to enable a transition between traditional and tokenised financial services, minimising liquidity fragmentation and ensuring that there is sufficient demand to drive investment.

ICMA members consider common standards to be critical to facilitate interoperability, both within the UK and on a cross-border basis. As such, a key initiative to promote interoperability and facilitate automation of issuance, trading, settlement and distribution both of traditional debt securities as well as DLT-based securities is ICMA’s [Bond Data Taxonomy](#) (BDT).

In essence, the BDT provides a common language in a machine-readable format of the key economic terms of a debt security irrespective of its form and the underlying technology¹. The BDT has been adopted by a range of stakeholders to date, both for multi-currency, syndicated, digital (DLT-based) bonds, as well as traditional debt securities. It also forms a centrepiece of the [Guardian Fixed Income Framework \(GFIF\)](#), published in November 2024, which aims to scale asset tokenisation. Implementations and latest announcements can be found on [ICMA’s website](#).

Question 6: How should safeguarding requirements for SICs be designed to deliver adequate client asset protection, while remaining proportionate, technology-agnostic and supportive of market development? Please consider whether and where safeguarding requirements should differ by type of SIC, how clients’ ownership rights can be protected in the absence of external parties, such as a registrar, CSD or digital securities depository that ensures legal ownership of SICs is accurately recorded and updated, and how safeguarding frameworks should support fungibility, interoperability and clear accountability as tokenised issuance, trading and post-trade models evolve.

ICMA Response:

N/A

¹ These key economic terms are to be read as an addition to the legal documentation itself, which prevails in case of discrepancies.

Question 7: Do you agree with our roadmap of initiatives and next steps? Is there anything else you would like to receive clarity on in our roadmap that is not in this paper, or any parts you would like us to prioritise?

ICMA Response:

ICMA members agree in principle with the proposed roadmap of initiatives and next steps presented by the FCA and BoE. The shared vision set out in the paper underlines regulators' consistent engagement with the market in shaping the future of the UK wholesale markets.

Further, we recognise that the ongoing work on the Digital Securities Sandbox (DSS) will assist in guiding the future UK regulatory regime for digital securities. We would welcome updates on the activities of the DSS, as highlighted in our [response](#) to the HMT DSS Consultation, with further communication on the progress made prior to the issuance of a final report.

Reinforcing the above, we note that HM Treasury is required to provide a report on the DSS activities by 10th January 2028 and that, under section 14 FSMA 2023, this must contain an assessment of the efficiency or effectiveness of the DSS activities and that the FCA and BoE are required to provide to the Treasury such information or other assistance as the Treasury needs to prepare that report. Given the new focus on providing clarity, direction and trusted foundations as a partnership between the public and private sector, there is an opportunity to accelerate and merge the statutory DSS report with the new proposed consultations of specific rule changes in the roadmap's timelines, assuming that the FCA and BoE have had sufficient time and opportunity to assess the Gate 2 entrants' activities within the DSS.

While DLT acts a catalyst for the continuous drive towards digitalisation, it is important to acknowledge the risk of market fragmentation and divergent approaches which will hamper its development. Generally, as mentioned in the response to question 5, ICMA members understand that the harmonisation of practices and collaboration on common standards continue to be critical to foster the development of DLT-based bond markets as a reliable source of funding both for the public sector and the wider economy.

Question 8: Are there any new products you would like to discuss with us, in particular any early-stage initiatives and experiments, where you would find early engagement with the regulators particularly useful?

ICMA Response:

A great channel for further engagement of the market is the use of collaborative public-private working groups. Such collaborative initiatives and forums of open communication with the broader market, allowing for dialogue and input, are able to leverage existing expertise and the work that is already being done by market participants, assisting in ensuring that the UK remains innovative and competitive.