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Dear FCA,

Financial Services Consumer Panel[1] response to the Future of Tokenisation – Call for Input

The Financial Services Consumer Panel welcomes the opportunity to respond to this Call for Input. Tokenisation has the potential to deliver meaningful benefits for consumers through lower costs, faster settlement, improved transparency, and broader access to investment opportunities. The Panel therefore welcomes the FCA and the Bank of England's joint work to set out a long-term vision and regulatory framework for tokenised wholesale markets.

Across the consultation questions, the Panel supports the authorities' commitment to maintaining high standards of market integrity, operational resilience, and consumer protection as tokenised and traditional infrastructures evolve in parallel. We welcome the development of the Digital Securities Sandbox, the ambition to ensure equivalent prudential and collateral treatment for tokenised and non-tokenised assets, and the progress on initiatives such as the Digital Gilt Instrument and the Real Time Gross Settlement (RTGS) Synchronisation Service.

However, the Panel is concerned that the Call for Input places significant emphasis on industry infrastructure and operational considerations, with consumers referenced only briefly in Chapter 5. As tokenised products begin to reach retail channels, particularly money market funds, gold, and private market assets, it is essential that consumer outcomes are embedded from the outset. As consumer engagement increases, potential use cases will also increase.[2] Without this consideration, the UK risks

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[1] https://www.fca.org.uk/panels/consumer-panel
[2] Why tokenizing real-world assets could unlock lending growth in emerging markets | World Economic Forum

developing tokenised market infrastructure that is efficient for firms but not user-friendly, accessible, or aligned with consumer expectations.

The Panel also encourages the authorities to provide greater clarity on the sequencing of asset classes and the rationale for a phased approach. A clearer roadmap would help avoid fragmented, asset-specific consultations and ensure that tokenisation develops coherently across markets.

We further highlight the importance of interoperability, liquidity, and international alignment—areas that are fundamental to consumer protection. Access alone does not guarantee liquidity, and retail participation cannot sustain markets without institutional depth. Interoperability is therefore not optional; it is essential to prevent digital illiquidity and ensure consumers can move assets safely across networks.

Throughout our response, the Panel encourages the FCA, the Bank of England, and HM Government to ensure that consumer protection, market coherence, and interoperability are treated as foundational design principles. These considerations will be critical to ensuring that tokenisation delivers genuine, long-term benefits for consumers.

We would be pleased to continue engaging with the FCA as it develops and implements this important regulatory framework.

Thank you for considering our response.

Kind regards,

Chris Pond
Chair, Financial Services Consumer Panel

Annex A

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?**

Consumers benefit when financial services become cheaper, faster, safer and more accessible. Tokenisation can accelerate this as it promises to:

- Lower transaction and settlement costs, which should ultimately reduce consumer fees. Reduced reconciliations, and automated lifecycle events will help reduce settlement costs for consumers.
- Offer faster settlement, reducing the risk of failed transactions and giving consumers quicker access to their money.
- Offer fractional ownership to asset classes previously out of reach (e.g., property, private equity, gold). Fractionalisation can expand consumers participation in the market and support more efficient primary issuance, especially in fixed income and funds.
- Offer more transparent products, reducing hidden risks and improving consumer trust. Real-time ownership data and automated reporting can strengthen market integrity and reduce operational risk.

From a Consumer’s perspective, the asset classes most likely to benefit first are:

- Money market funds for the faster settlement and easier access.
- Government bonds for more efficient way to access and reduce consumer investment costs.
- Private equity / alternatives as fractionalisation could open access, but only if consumer protections are strong.
- Gold and commodities giving access to smaller tickets and more secure retail access.

In the UK, money market funds and government bonds are already being tokenised in live pilots or early-stage production. Private equity, gold and commodities are not yet live at scale in the UK. The FCA acknowledges tokenisation could open access to private markets, but no UK-regulated tokenised private equity products exist yet. The Investment Management Association’s roadmap places private markets in later phases, after tokenised funds and tokenised assets are proven in safer categories.

The Panel believes that acceleration will only happen if:

- Markets remain safe and well-regulated.
- Consumers can trust the service and can rely on clear rights, protections and redress.
- Tokenised markets do not become fragmented or illiquid, leaving consumers stuck in assets they cannot sell.

The Panel would like to highlight that tokenisation may well unlock supply of more assets that are fractionalised and globally accessible, but supply does not equal liquidity. True liquidity requires active market makers, deep pools of buyers and sellers, reliable price discovery and interoperability. This means consumers will only see the real benefits when tokenised markets are liquid, interoperable and institutionally supported.

Consumer benefit will depend on clear disclosures, strong custody rules, reliable liquidity, fair pricing and execution. Non-technical retail consumers may well buy a tokenised piece of gold, but retail flow alone doesn't build deep, stable markets. Consumers may gain access, but without institutional liquidity providers, markets will remain shallow and volatile.

Markets are entering a hybrid phase where traditional and tokenised assets must operate together. It's exciting, but it also splits liquidity across multiple systems. Firms advising financial services companies can support this ecosystem by helping design tokenised products that meet UK regulatory standards and efficiently bridge traditional and tokenised worlds with consumers and interoperability in mind.

The Panel is particularly concerned that the current Call for Input places an overwhelming emphasis on industry infrastructure and operational considerations, with consumers mentioned only briefly at the end of the document (Chapter 5, paragraph 5.5). This imbalance is concerning. If consumer needs are not embedded from the outset, the UK risks building tokenised market infrastructure that is efficient for firms but not user-friendly, accessible, or aligned with consumer expectations. We therefore call on the FCA, the Bank of England, and the Government to take this point seriously as the future of tokenisation is being developed, ensuring that consumer outcomes are treated as a foundational design principle rather than a late-stage add-on.

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

The Panel broadly agrees with the proposed vision and regulatory principles set out in the paper, and considers them balanced, pragmatic, and aligned with emerging global best practice.

The Panel would like to emphasize that consumers face several risks if tokenisation is rolled out without standards, safeguards and clear consumer participation in the design. Those risks are:

- Illiquid secondary markets where consumers may be unable to exit positions, especially in stress events.
- Fragmented trading venues where assets are split across chains and platforms make price discovery harder for consumers to understand.
- Dual infrastructures where traditional and tokenised systems running in parallel creating confusion to consumers and inconsistent protections. Traditional and tokenised infrastructure coexist for years creating a split liquidity across multiple systems. This duality risks uneven consumer outcomes, where some markets are efficient and others are not.
- Limited accessibility, complexity and opacity where consumers may not understand how tokenised assets work or what rights they have.

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?**

The priority areas: settlement regime, prudential treatment, collateral eligibility, Specified Investment Cryptoassets (SIC) custody, and Digital Gilt Instrument (DIGIT) are the right ones to consider. However, the Panel would have welcomed proposed minimum liquidity expectations for tokenised assets, as well as further detail on how the UK intends to coordinate with MAS, ESMA, the SEC, and IOSCO on standards.

Although this is a wholesale-focused paper, retail access to tokenised MMFs, gold, and private equity assets is increasing. Clear expectations around consumer protection will therefore be essential.

We would also have appreciated some indication of when other asset classes, those not yet covered by the current Call for Input, will be considered. The rationale for taking a gradual, asset-class-specific approach is not fully articulated, and there is a real risk that this will lead to multiple, sequential consultation papers on the same underlying mechanisms, simply applied to different products. This could delay the arrival of tokenised products in the market, slowing consumer experimentation and at the same extend limiting the ability of firms to innovate on different asset classes.

The Panel therefore calls on the FCA, the Bank of England, and the Government to consider this point as the future of tokenisation is being developed. A clearer roadmap, including visibility on when additional asset classes will be brought into scope, would help ensure that tokenisation develops in a coherent and consumer-centred manner, rather than through a series of fragmented, asset-specific consultations. The Panel believes that embedding consumer outcomes from the outset is essential if the UK is to build tokenised markets that are operationally efficient.

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?**

The Panel does not represent the voice of industry and therefore cannot fully respond to this question. However, we believe that firms would benefit from greater clarity on asset class road map, settlement, custody, and cross-border arrangements.

Although this paper does not explicitly seek the consumer perspective, consumers will need assurance that tokenised assets can be bought, sold, transferred, and valued consistently. Safeguards should include:

- Interoperability standards across chains and platforms
- Consistent rules across jurisdictions where this is feasibly possible.
- Mandatory and independent assessment on cyber and liquidity risk management for platforms offering tokenised assets.
- Clear ownership rights and consumer disclosures on liquidity, settlement, and redemption rights
- Robust custody and valuation for digital assets
- Market-wide stress testing for tokenised secondary markets

The Panel would like to highlight that tokenisation can unintentionally create digital illiquidity and the only way to avoid liquidity black holes is interoperability and network-of-networks models. This reinforces that interoperability is not optional, it is essential for consumer protection.

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

Although the Panel is not responding to this Call for Input on behalf of a firm, the Panel believes that interoperability matters most in settlement, collateral mobility, liquidity across chains and platforms, identity and KYC portability across cross-border tokenised markets. The real challenge is not a single network, but a network-of-networks, the ability to move between networks to find liquidity.

The Panel agrees with the Call for Input document that perhaps some of the most valuable initiatives include.

- **IEEE 3205-2023 cross-chain communication standard** that is already gaining traction. IEEE 3205-2023 is the first globally recognised technical standard for cross-chain communication. It defines how different blockchains can securely exchange messages, transfer assets, and interoperate. IEEE 3205-2023 is relevant because it reduces the risk of vendor-specific or chain-specific fragmentation, supports the FCA/BoE's principle of technology neutrality and helps ensure fungibility of tokenised assets across networks.
- **The Real Time Gross Settlement (RTGS) Synchronisation Service** will allow external ledgers including Distributed ledger technology (DLT) networks to synchronise movements of tokenised assets with real-time settlement in central bank money.
- **The Digital Gilt Instrument (DIGIT)**, the UK's flagship initiative to issue digitally native government bonds on DLT.

And international noteworthy initiatives include:

- **Project Guardian (MAS)** tokenised funds, FX, repo, and cross-chain settlement.
- **Project Agorá (BIS)** tokenised cross-border payments and settlement using shared ledger models. A public–private initiative, led by the Bank for International Settlements, alongside six other central banks and more than 40 financial institutions.

- **Project Meridian FX APAC** synchronised settlement for cross-border FX using distributed ledger technology (DLT).
- **DLT Pilot Regime (EU)** the closest analogue to the UK's Digital Securities Sandbox. Firms operating cross-border will need alignment between Digital Securities Sandbox (DSS) and DLT Pilot to avoid fragmentation.
- **Banque de France / ECB wholesale CBDC experiments** These pilots test DLT-based settlement in central bank money, including atomic settlement.
- **Deutsche Börse D7** One of the most advanced digital post-trade infrastructures in Europe. Supports digitally native and tokenised securities. Already used for large-scale issuance in Germany.
- **SIX Digital Exchange (Switzerland)** Fully regulated digital asset exchange and CSD. Supports tokenised bonds, equities, and structured products.
- **Brazil's Drex (Digital Real)**, the most advanced wholesale CBDC in the region. Drex is designed to support tokenised assets, tokenised deposits, and programmable settlement. Drex is one of the few global examples of a national-scale tokenised financial infrastructure, aligning with the UK's interest in sovereignty, governance, and cross-border interoperability.
- **Brazil's tokenised government bond pilots (Tesouro Direto)**. Brazil is experimenting with tokenised sovereign debt, similar to the UK's DIGIT initiative.

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 depositary 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.**

From the Panel's perspective, the safeguarding framework for Specified Investment Cryptoassets (SICs) must ensure clear ownership rights, robust protection in insolvency, and consistent treatment across tokenised and non-tokenised markets, while supporting interoperability and market coherence. The Call for Input acknowledges that existing CASS rules do not fully address the unique characteristics of SICs, particularly where custody relies on private keys or where no registrar, Central Securities Depository (CSD) or Decentralised Securities Depository (DSD) is involved. This creates potential gaps in consumer protection that must be addressed early before tokenisation assets becomes mainstream assets to investments.

We believe the safeguarding regime should therefore be designed around the following principles:

- Clear ownership rights: Consumers must have confidence that their SICs are properly recorded, segregated, and recoverable. The paper highlights the need for "a responsible, identifiable, regulated person standing behind the activity" (Ch. 3.2), which is essential for redress and legal certainty.
- Protection where no external registrar or Central Securities Depository (CSD) exists: Consumers will need to know how ownership rights can be protected "in the absence of external parties, such as a registrar (Ch. 5.5).
- Fungibility and interoperability: Safeguarding rules must avoid creating fragmented or asset-specific protections that confuse consumers or reduce their ability to move assets across systems.
- Technology-neutral, proportionate rules: We understand that the regulators approach to technology is neutral between DLT and non-DLT systems. Safeguarding requirements should therefore focus on outcomes, recoverability and accuracy of records.
- Forward-looking roadmap: The Panel would welcome clearer indication of when other asset classes will be considered, and the rationale for sequencing. A more coherent roadmap would help ensure that safeguarding evolves consistently across asset classes and avoids regulatory gaps.
- Embedding consumer outcomes from the outset: While this paper is wholesale-focused, retail access to tokenised MMFs, gold, and private equity is increasing. Consumer protection cannot be a late-stage consideration. Safeguarding rules must be designed with the end-user in mind to ensure tokenisation delivers genuine consumer benefit rather than introducing new risks.

Overall, the Panel believes that the safeguarding regime for SICs must provide certainty, consistency, and resilience, ensuring that tokenisation enhances consumer outcomes and supports a coherent, interoperable market structure.

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?**

The Panel believes that the roadmap is comprehensive with clear next steps but would like to see more clarity on:

- consumer engagement and testing
- cross border regulatory alignment
- liquidity and interoperability standards
- SIC custody and settlement arrangements.

The Panel would have also appreciated consideration of other asset classes not yet covered by the current proposals, together with a clearer indication of when these will be brought into scope. Without such visibility, there is a risk that tokenisation policy will evolve through a series of fragmented, asset-specific consultations, despite relying on the same underlying mechanisms.

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?**

The Panel believes it would be useful to consider the tokenisation of assets beyond Money Market Funds and Gilts, extending it to other asset classes and products where early engagement with regulators would be particularly valuable.

- Tokenised ESG and sustainability-linked instruments including carbon credits where data integrity and reporting are critical.
- Tokenised private equity and alternatives such as property and creative rights, where liquidity, valuation, and transferability need regulatory clarity.
- Retail access to tokenised gold and funds is growing where institutional liquidity is what will make these markets stable and scalable.

The Panel recommends that, rather than assessing each asset class in isolation, the approach to tokenisation should be considered holistically across all asset classes. A more integrated framework would help streamline the number of separate consultations issued and reduce the burden on stakeholders responding to multiple, overlapping requests for input.