Investor & Issuer Forum Response to the FCA and Bank of England Call for Input: The Future of Tokenisation

3 July 2026

The Investor & Issuer Forum (I&IF) welcomes the opportunity to respond to the FCA and Bank of England's Call for Input on the future of tokenisation in wholesale financial markets and strongly supports the ambition for the UK to lead the next generation of wholesale market innovation, supported by trusted institutions, effective regulation and world class market infrastructure.

We believe this represents a significant strategic opportunity to modernise market infrastructure, improve efficiency, and enhance the competitiveness, resilience and attractiveness of UK capital markets. If implemented successfully, it has the potential not only to improve existing market processes but also to strengthen the UK's position as a leading international financial centre.

The I&IF believes innovation and high standards of governance are complementary, not competing, objectives. Realising that opportunity, however, requires more than technological innovation alone. The UK's future market structure should not be designed from the perspective of any one participant, institution or technology, but from the perspective of the investment chain as a whole.

The decisions taken now will shape how ownership, governance, stewardship and capital allocation operate for decades to come. Technology should be judged by how it strengthens the fundamental characteristics that make public markets effective.

In our view, the greatest opportunity lies in using tokenisation to solve existing market inefficiencies while preserving the characteristics that have made UK public markets internationally trusted. Whether tokenisation strengthens UK public markets will depend less on the technology itself than on the policy choices, market architecture and incentives that shape its implementation.

For this reason, we believe the evolution of tokenised markets should remain firmly anchored in the principles that underpin successful public markets: transparency, accountability, effective stewardship, efficient price discovery and constructive relationships between issuers and investors.

The Investor & Issuer Forum

The I&IF is the UK's independent forum which exists to improve understanding, alignment and effectiveness across the UK listed equity investment chain. Our work focuses on how stewardship operates in practice, how information and expectations flow across the investment chain, how accountability is maintained and how relationships between investors, issuers and intermediaries support long-term sustainable value creation.

This response reflects the I&IF's neutral, cross-market perspective, informed by discussions across the I&IF Steering Committee and Working Groups (Chairs of many of the UK's largest listed companies alongside Chief Executive Officers, Chief Investment Officers and other senior leaders from asset owners and asset managers.) It does not necessarily represent the individual views of the Steering Committee members or the organisations they represent, many of whom may choose to submit separate responses to the FCA.

This response has also been shared with, and informed by feedback from, the I&IF's Cross-Industry Stakeholder Group, which brings together organisations from across the investment chain, including Governance for Growth Investor Campaign (GGIC), Pensions UK, the Investment Association, the Investor Forum, the Quoted Companies Alliance (QCA), the Investor Relations Society, the Confederation of British Industry (CBI) and the GC100.

This submission is intended to focus on the views of the investment chain as a whole and complement the detailed legal, operational and technical responses submitted by other organisations. Our focus is on the broader implications for market structure, stewardship and the long-term effectiveness of UK public markets.

Guiding Principles

The I&IF believes that the success of tokenisation will ultimately be determined by whether it strengthens the fundamental characteristics of well-functioning public markets. We therefore believe the following principles should underpin the future design and development of tokenised markets:

- Preserve transparency of ownership and economic interests.
- Maintain clear governance rights and issuer accountability.
- Support efficient price discovery and market integrity.
- Avoid regulatory and tax distortions between ownership models.
- Promote interoperability and coordinated regulation.
- Prioritise practical solutions to existing market inefficiencies.
- Ensure innovation strengthens the competitiveness and attractiveness of UK public markets.

Together, these principles provide the framework through which we have considered tokenisation and, in our view, should underpin future policy and regulatory development.

Informed by the Investor & Issuer Compass

Our response is also informed by the Investor & Issuer Compass, developed by the I&IF as a practical reference point designed to support long-term value creation and improve alignment across the UK equity investment chain.

Co-created with asset owners, asset managers and listed companies, the Investor & Issuer Compass identifies five enabling conditions for well-functioning public markets: proportionate and practical expectations, empowered and accountable boards, constructive dialogue, clear focussed decision useful reporting and aligned responsibilities across the investment chain.

Although developed independently of this consultation, these conditions provide an important reference point for considering tokenisation. While market infrastructure may evolve, the conditions required for effective stewardship and long-term value creation remain constant.

Strategic Considerations for the Future Design of UK Public Markets

The Steering Committee was strongly supportive of innovation and recognised the considerable opportunities tokenisation presents. Equally, members were clear that technology should strengthen the operation of public markets rather than redefine their underlying purpose. These are the overarching views of our members:

1. Keep the objective focused on stronger public markets

The success of tokenisation should be judged by whether it improves the effectiveness, resilience and competitiveness of UK public markets. Technology is not the objective. Better markets are. Innovation should therefore support long-term investment, improve confidence in market infrastructure and reinforce the attractiveness of UK public markets for companies and investors alike.

> ***Recommendation:*** *The FCA should assess tokenisation proposals against their contribution to the long-term effectiveness, competitiveness and attractiveness of the UK public markets, rather than the adoption of new technology alone.*

2. Favour direct ownership over synthetic exposure

The Steering Committee expressed a clear preference for blockchain native issued shares and other tokenisation models that preserve direct ownership together with the associated governance and rights, transparency and issuer-investor relationships.

Members were considerably more cautious about synthetic or derivative based token structures that risk further separating economic ownership from legal ownership, fragmenting voting rights and weakening stewardship.

> ***Recommendation:*** *In our view future policy should encourage tokenisation models that reinforce ownership, accountability and transparency and effective issuer-investor relationships while avoiding incentives that favour synthetic exposure over ownership of the underlying share.*

3. Preserve transparency, governance and stewardship

Transparency of ownership is fundamental to effective public markets. As markets evolve, issuers should continue to understand who holds meaningful economic interests in their companies, who they are accountable to and to whom directors owe a duty of care. Likewise, governance and voting rights, economic interests and stewardship responsibilities should remain closely aligned. Innovation should strengthen these relationships - not make them more opaque.

Members also highlighted the need to consider how extended or continuous trading would interact with existing market infrastructure, disclosure obligations and market integrity, including the practical challenges of making price-sensitive announcements, maintaining orderly price formation and protecting against market abuse in a 24-hour trading environment.

> ***Recommendation:*** *Future market design should preserve a clear link between economic ownership, governance and voting rights and stewardship responsibilities, ensuring issuers retain appropriate visibility of those with meaningful influence over their companies.*

4. Protect market integrity and price discovery

Tokenisation should support efficient price formation, healthy liquidity and market confidence. Members expressed concern that additional fragmentation of trading activity could disproportionately affect smaller listed companies and ultimately weaken the attractiveness of public markets. Innovation should improve market quality rather than increase complexity.

Members also emphasised that maintaining confidence in UK capital markets should remain a central objective as tokenised markets evolve. This will require a regulatory framework that continues to uphold high standards of transparency, market integrity, investor protection and fair, orderly markets.

> ***Recommendation:*** *The FCA should consider the implications of tokenisation for market fragmentation, liquidity and price discovery, particularly for smaller listed companies, and ensure that innovation strengthens rather than weakens the attractiveness of public markets.*

5. Coordinate regulation and remove structural distortions

Tokenisation spans market infrastructure, company law, regulation, taxation and disclosure and requires a holistic system policy approach. No single regulator or institution can determine the future market structure in isolation. Its success will therefore depend on coordinated policy making across relevant institutions.

Members also emphasised the importance of ensuring that tokenisation is integrated with the wider programme of UK market reform, including the completion of dematerialisation and the transition towards a fully digital shareholding system. Rather than being developed as a standalone initiative, tokenisation should form part of a coherent roadmap for modernising UK market infrastructure, with related reforms to market structure, shareholder disclosure, corporate governance and taxation evolving in a coordinated and mutually reinforcing way

Equally important is ensuring that existing regulatory and tax frameworks do not unintentionally encourage synthetic structures over direct ownership.

> ***Recommendation:*** *The FCA and Bank of England should continue working closely with HM Treasury, the FRC and other relevant authorities to develop a coherent, future focused policy framework that aligns tokenisation with wider market reforms and minimises regulatory arbitrage across models. Greater certainty around the direction of travel will support business planning, encourage investment in market infrastructure and strengthen confidence in the UK's long-term reform agenda.*

6. Focus innovation on solving real market problems

Members identified considerable opportunities to improve shareholder identification, voting, vote confirmation, post-trade processing and other longstanding inefficiencies across the investment chain.

These practical applications represent some of the most compelling opportunities for tokenisation. The greatest opportunity is not creating entirely new forms of market activity but using technology to make existing public markets work better.

> ***Recommendation****: Priority should be given to applications of tokenisation that address existing market inefficiencies, including shareholder/tokenholder identification, voting, vote confirmation and post-trade processes, where the benefits are tangible and widely shared across the investment chain.*

Conclusion

The I&IF has deliberately adopted a principles-based approach to this submission. Our intention is not to comment on every technical aspect of tokenisation, but to contribute the perspective of the investment chain as a whole and to help ensure that technological innovation supports the long-term health of UK public markets.

The UK has an opportunity not simply to become a leader in tokenised markets, but to demonstrate internationally how innovation can strengthen confidence in public markets.

If implemented well, tokenisation has the potential to reinforce the UK's position as one of the world's leading capital markets, strengthening transparency, accountability, stewardship and efficient capital allocation while addressing existing market inefficiencies. If implemented poorly, its risks increasing fragmentation and complexity.

The I&IF encourages the FCA to adopt a principles based approach to tokenisation, ensuring that future market design is assessed not simply against technological innovation, but against its ability to strengthen transparency, governance, stewardship, market integrity and the long term competitiveness of UK public markets

The I&IF looks forward to continuing to work with the FCA, Bank of England and other market participants to help ensure these choices strengthen the long-term competitiveness and attractiveness of UK public markets and would be pleased to discuss any aspect of this response in more detail.

Yours sincerely,

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