

Further Fund Tokenisation – Investment Association Second Interim Report

Following on from their Fund Tokenisation Blueprint of November 2023, the Investment Association has now published a second report on the topic. In just a few months since the original blueprint was published, it is clear that the industry is engaged, thinking is developing rapidly, and the possibilities for fund tokenisation are moving ahead quickly. Reading the new IA report in full makes for essential reading for those firms in the Asset Management industry.

A summary of the key takeaways from the “Further Fund Tokenisation” report include: -

- Feedback from the UK funds industry and wider interest from others (such as technology companies) is “substantial” and it appears that tokenisation is a topic being embraced by forward-thinkers in the industry.
- Two key use cases have been introduced that firms can test with support from UK authorities in sandbox environments including: -
 - fully on-chain investment markets, with tokenised funds investing in tokenised securities such as in the fixed income or other asset classes.
 - the use of tokenised money market fund units as collateral where eligible under the UK regime for noncentrally cleared derivative contracts.
- Other significant considerations for the next stage of the initiative including: -
 - Allowing on-chain fund settlement via digital money.
 - Enabling funds to hold tokenised assets in their portfolios.
 - Expanding the scope of solutions to include the use of public permissioned networks.
- Updates on fund tokenisation Stage 1 actions are set out in detail, and the actions taken so far evidence just how much has been achieved, and how quickly this initiative is progressing.

In our conversations with clients, the topic of Tokenisation is coming up more and more often. We are preparing our people to be ready for implementation. Are you?

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