

The Evolution of the Tokenised Money and Payments Markets in the United Kingdom From October 2027

Summary of a private discussion hosted by Taurus



The likely evolution of money and payments

p.7

The case against doing nothing

p.10

There are opportunities as well as threats

p.11

On 23 September 2026 Taurus hosted a private dinner discussion that explored The Evolution of the Tokenised Money and Payments Markets in the United Kingdom From October 2027. That date marks a turning point. On 25 October 2027, the “crypto-asset” regime for the United Kingdom comes into effect, and Stablecoins will be regulated in detail for the first time. They will take their place in a money and payments “eco-system” in which traditional bank deposits, Tokenised Deposits, Stablecoins and, possibly, a Central Bank Digital Currency (CBDC) interact seamlessly without imperilling the “singleness” of money.

Regulatory clarity will make it easier to issue Stablecoins. Yet the regime is also designed to protect the bank deposits that fund lending to the real economy. Stablecoins are therefore unlikely to flourish in the domestic market, where Tokenised Deposits are likely to prevail, even though they cannot yet settle payments between customers of different banks.

This does not mean established financial institutions can afford to do nothing. The age of the bank account is ending and the age of the digital wallet is beginning, putting their payments, foreign exchange, money and capital markets businesses at risk. There are opportunities as well as threats. London could become an offshore centre for the issuance of US dollar Stablecoins, while banks could turn their comparatively low appetite for risk into an advantage in underwriting programmable money.

But many institutions are still assessing whether there is a commercial case for investment. They either join collective endeavours, build proprietary platforms or do nothing. The result is fragmentation, both within and between institutions.

The discussion explored how tokenised money and payments can be made interoperable, and why the answer lies in a division of labour between technology vendors and financial market infrastructures.

This private discussion was moderated by Future of Finance and attended by senior representatives of Tier 1 banks, financial market infrastructures, payment providers and Stablecoin issuers.

This is a summary written by Future of Finance, which is fully responsible for the content. It reflects a range of opinions expressed during the private discussion.



Contents

Section	Title	Page
	Introduction	2
1.0	Background	4
2.0	The likely evolution of money and payments in the United Kingdom from October 2027	7
3.0	The case against doing nothing	10
4.0	There are opportunities as well as threats	11
5.0	How to invest in change	12
6.0	Summary and conclusion	14
	More about Future of Finance	15
	More about Taurus	15

1.0 Background

The Bank of England and the Financial Conduct Authority (FCA) have worked since 2023 to design a money and payments system for the United Kingdom that promotes choice and competition by enabling businesses and households to pay and get paid with different but fungible forms of money. These include traditional bank deposits, tokenised bank deposits, regulated Stablecoins and – potentially, with the Bank of England due to publish information about a design phase by the end of 2026 – a Central Bank Digital Currency (CBDC).

What the regulators are seeking is clear. It is a money and payments “eco-system” in which several different forms of money – fiat currency deposits, e-money, Stablecoins and Tokenised Deposits – interact seamlessly without imperiling the “singleness” – that a pound is a pound irrespective of who issues it – of money.

An important phase in the realisation of this design begins on 25 October 2027. On that date the “crypto-asset” regime for the United Kingdom – enacted via regulations issued in February 2026 under the Financial Services and Markets Act 2000 – finally comes into effect. Among the financial instruments regulated in detail under the new regime is the most successful of the new forms of tokenised money to be issued so far: Stablecoins.

Compared with their initial proposals for Stablecoins, published in 2023, both the Bank of England and the FCA have moved considerably to accommodate concerns expressed by digital money issuers during the consultation period. However, issuers must still comply with a range of requirements to secure an authorisation to stay in the Stablecoin business or issue a new Stablecoin. The most important requirements are:

- **Systemic versus non-systemic Stablecoins.** The new regime is heavily influenced by the concern of the Bank of England that successful Stablecoins will attract deposits from the commercial banks, undermining the ability of the banking system to fund lending to the real economy, including households as well as corporations. The FCA alone will regulate non-systemic Stablecoins but, once a Stablecoin is judged to be “systemic” – a label that will be applied to any Stablecoin judged liable to undermine the financial stability of the United Kingdom – the issuer will be regulated by the Bank of England as well as the FCA. Systemic issuers will face bank-like capital requirements as well, to further ensure Stablecoins do not have an unfair advantage over banks when competing for deposits. For Stablecoin issuers that are not systemic from launch, it leaves open the question of how seamless the transition from non-systemic to systemic status can be.
- **Issuance ceiling.** Instead of limiting the impact on bank deposits by imposing ceilings on the value of a Stablecoin that can be purchased by holders, the regulators have capped the amount of a systemic Stablecoin that can be issued at £40 billion. This “guardrail,” which is described as temporary, reflects central bank concern about an outflow of deposits from the commercial banks into a rapidly growing Stablecoin.

- **Backing asset requirements.** Backing assets must be held 1:1 relative to the Stablecoins in issue and the matching records reconciled every day, with any discrepancies resolved the same day. Issuers are allowed to maintain a backing surplus of 5 per cent above a 1:1 match so they can accommodate temporary fluctuations in the value of the backing assets. Non-systemic Stablecoin issuers can invest up to 95 per cent of their reserve assets in short-term, interest-bearing bank deposits or government debt, with the remaining 5 per cent held in the form of on-demand commercial bank deposits, though they are also required to calculate and cover their daily redemption risk.¹ Systemic Stablecoins, by contrast, can invest only 70 per cent of their reserves in interest-bearing assets, and these must also be government debt only. The remaining 30 per cent must be held as unremunerated cash deposits at the central bank. Both sets of requirements are designed to ensure issuers can meet redemption requests. Indeed, issuers are entitled to raise cash by selling and repurchasing assets in the repo market. The 30 per cent requirement set for systemic issuers is based on historical stress events such as the Silicon Valley Bank (SVB) failure of March 2023. However, the Bank has given itself the latitude to adjust this down to as low as 5 per cent as a Stablecoin is scaling after launch.
- **Safekeeping of backing assets.** Issuers of each non-systemic Stablecoin are obliged to hold backing assets separately in a statutory trust for the benefit of holders, segregating the assets from those of the issuer, and so protecting them from creditors in the event that the issuer fails. Systemic Stablecoin issuers must add a second statutory trust to hold assets reserved to meet wind-down costs, so these do not fall on holders either. Assets must be held by independent custodians, though up to 20 per cent of backing assets can be held by a custodian that is part of the same group. Custody is also regulated under the new regime, and providers must be authorised under it.
- **Rights to pay interest to holders of Stablecoins.** Issuers of both non-systemic and systemic Stablecoins are forbidden to pay interest to holders directly, to mitigate the risk of banks losing deposits. However, issuers can pay activity-based rewards (such as cashback tokens and loyalty points) to holders that use Stablecoins to settle transactions rather than simply retaining them for income like a time deposit.
- **Redemption rights.** The regulators reason that Stablecoins cannot claim to be money if they are not redeemable at par, on demand, with the issuer. They do not believe this requirement can be met by a secondary market in which holders can sell their Stablecoins to a third party. Accordingly, holders of non-systemic Stablecoins must be able to settle redemptions with the issuer no later than the end of the next business day (T+1) following completion of financial crime checks. Issuers of systemic Stablecoins must meet redemption requests, in the sense of ensuring funds are in the holder's wallet, within 24 hours of completing financial crime checks.
- **Disclosures.** To ensure that prospective holders of a Stablecoin have sufficient information to understand it, issuers must publish a disclosure document (QCDD²) on their website and in an FCA-controlled repository before offering the Stablecoin for sale. The document must be updated at least every three months and whenever the information becomes inaccurate.

¹ This is the Backing Asset Composition Requirement (BACR), which combines the 5 per cent of the backing asset pool that must be held in on-demand deposits (dubbed the On-Demand Deposit Requirement (ODDR)) with a Core Backing Asset Requirement (CBAR). The CBAR requires firms to hold additional core backing assets equal to the greater of 5 per cent of the backing asset pool or the highest daily redemption percentage over the previous 180 redemption days.

² A Qualifying Cryptoasset Disclosure Document (QCDD).

- **Access to payments systems.** Non-systemic Stablecoins can access payment systems via third parties, but systemic Stablecoins are expected to access them directly.

Issuers already active in the Stablecoin market have until 28 February 2027 to secure the right to continue in business while their application for authorisation under the new regime is under consideration by the regulators. From 25 October 2027, all issuers must be authorised under the new regime.

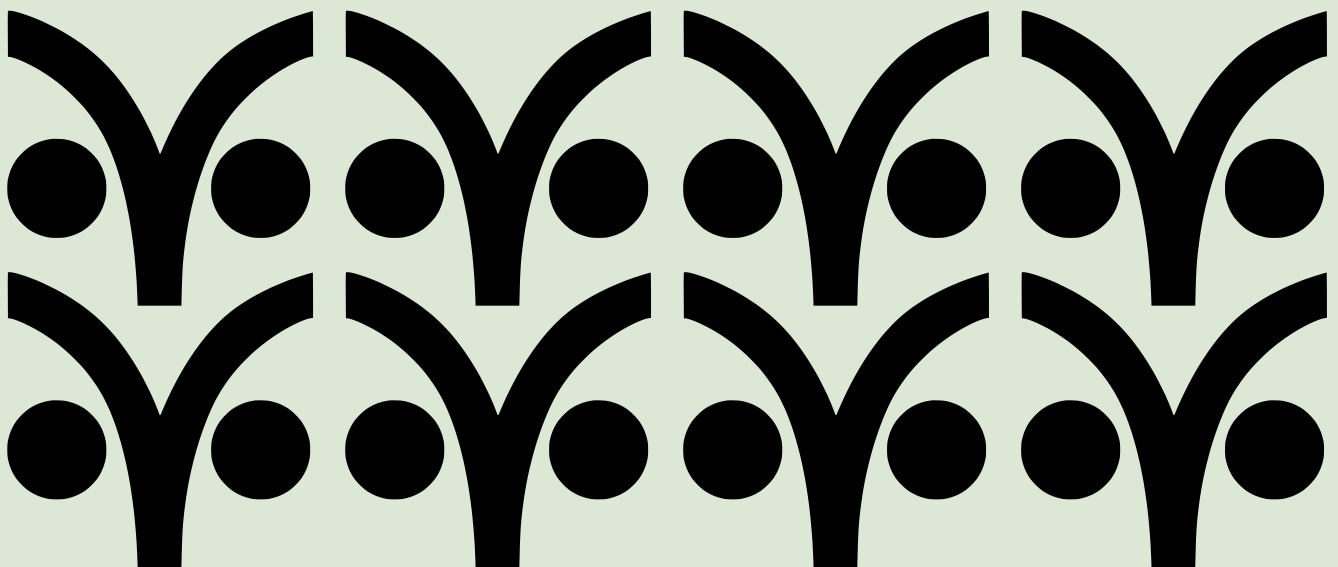
In addition to the new “crypto-asset” regulatory framework, regulators in the United Kingdom recognise that ensuring different forms of money are readily exchangeable requires an infrastructure to make exchanges of tokenised and traditional forms of money seamless.

A Retail Payments Infrastructure Board (RPIB), chaired by the Bank of England, has been established to work with the industry on the design of a new payments infrastructure. A crucial benefit of the new infrastructure will be functionality that overcomes the principal limitation of the Tokenised Deposits issued to date: enabling Tokenised Deposits to be used for payments between banks as well as between customers of the same bank.

A consultation on the design of the new payments infrastructure began on 25 June 2026 and closed on 11 September 2026. The goal is to hand the completed design to a Delivery Company, funded by the payments industry, to build the new infrastructure.

2.0

The likely evolution of money and payments in the United Kingdom from October 2027



Despite the resolution of the uncertainty surrounding the regulation of Stablecoins, it is unlikely that Stablecoin issuance will now burgeon in the United Kingdom. The new regulatory regime itself is designed to limit the impact on the bank deposits that Stablecoin issuers must attract if they are to achieve scale.

This is because the Bank of England regards deposits as crucial to the manufacture of credit. It is estimated that bank lending accounts for 85 per cent of lending to households in the United Kingdom, and nearly half of lending to corporates based in the United Kingdom. If Stablecoins lead to a disorderly exit of funds from the bank deposit market, it would be highly disruptive to the real economy.

For that reason, both the Bank of England and the major regulated banks are emphasising Tokenised Deposits as a preferable form of tokenised money. Unlike Stablecoins, these do not require a new regulatory framework. As a digital version of bank deposits, they can be regulated under existing laws and regulations. Importantly for holders, deposits that are tokenised continue to enjoy insurance protection under the Financial Services Compensation Scheme (FSCS).

This does not mean Tokenised Deposits are innocuous. They meet the crucial need for fiat currency on-chain. They are also programmable. Use-cases for conditional payments executed via smart contracts now under active consideration include remortgaging, payments to suppliers on physical receipt of goods, fraud reduction through richer data and tighter controls and atomic settlement of tokenised financial assets such as securities and funds.

So Tokenised Deposits offer established banks advantages that Stablecoins cannot. Where Tokenised Deposits are less effective than Stablecoins is their lack of interoperability. They cannot, for example, be used to settle payments between the customers of different banks. At present, Tokenised Deposits are intra-bank rather than inter-bank instruments. They can be used to settle payments between customers of the same bank only.

The Great British Tokenised Deposit (GBTD) initiative – in which seven banks are working with the UK Finance trade association to build a Tokenised Deposit payments platform – is addressing the lack of inter-bank functionality. Tokenised deposits of participating banks will be exchangeable, with obligations settling between them in central bank money via a renewed Real Time Gross Settlement (RTGS) system at the Bank of England. Pilot testing of the GBTD model will be complete by end-2026, with work beginning on construction of the market infrastructure in 2027.

Until Tokenised Deposits become exchangeable between banks in the domestic market, Stablecoins, whether issued by banks or non-banks, will remain better adapted to making payments between customers that use different banks. However, in the domestic market Stablecoins will still struggle to compete on speed and price with the fast and cheap payments services already available to consumers.

Stablecoins are much more competitive in cross-border payments, where services remain slow, expensive, opaque and hard to access. By contrast, Stablecoins are available to anyone who can transfer funds to a digital wallet and can be used to make payments at any time of day or night. They also incur lower transaction charges. Yet even in cross-border payments, the advantage of Stablecoins might not endure.

The Bank for International Settlements (BIS) is hosting Project Agorá, in which seven central banks and more than 40 banks are exploring the use of Tokenised Deposits to settle cross-border transactions. Agorá relies on a shared, multi-jurisdictional ledger (or single programmable platform) that facilitates atomic settlement of wholesale payments between banks in central bank money in seven currencies on a multilateral rather than a bi-lateral basis.

The banks taking part in Project Agorá have had to invest in linking their systems to the Tokenised Deposit platform and to develop the smart contract capabilities needed to pay and get paid with tokenised money. If Project Agorá moves into production, other banks will incur similar investment costs and must pay transaction fees to use the service. It follows that there will be opportunities for technology vendors and intermediary institutions to provide the necessary connectivity at lower cost than in-house investment.



3.0 The case against doing nothing

Project Agorá appears unthreatening to banks. Payments with Tokenised Deposits that achieve settlement finality between banks in central bank money are, in legal and regulatory terms, no different from the payments in commercial bank that settle at central banks today. But the tokenisation of money is not a simulacrum of the status quo.

The age of the bank account is ending. The age of the digital wallet is beginning. Unlike a bank account, which can hold money deposited at a single bank, a digital wallet can hold money from multiple banks. It can also hold not only tokenised money, whether in the form of Tokenised Deposits or Stablecoins, but tokenised securities, funds and other assets as well.

Functionality can also be added to a digital wallet. A corporate payment conditional on the delivery of goods can be executed when a delivery note is received. A consumer that purchases goods online can pay using Stablecoins once the goods are received. A digital wallet can also interact with wallets in other currencies and jurisdictions, enabling payments in foreign currencies to be made more quickly and at lower cost.

These prospects threaten banks with the loss of deposits to Stablecoins, which will undermine their ability to lend. They are also liable to lose payment customers to digital payment providers. Indeed, banks have already ceded a large proportion of their payments business to the new breed of non-bank payments service providers (PSPs).

Now, their money and capital markets business is at risk too. Experiments to move the Treasury Bill and Certificate of Deposit (CD) market in the United Kingdom on-chain are in hand. The United Kingdom government will also issue a digital government bond in early 2027, and the Bank of England is supporting its use as collateral in open market operations.

The foreign exchange business of banks is also vulnerable to on-chain atomic swaps. A digital Stablecoin is already being used to convert Sterling held in a conventional bank account into on-chain tokens that can be held in a wallet for transfer and exchange into any currency anywhere, over a variety of blockchain networks. This disintermediates correspondent banks.

An institutional provider of payments infrastructure in the United Kingdom is working with a leading Stablecoin issuer to offer a cross-border payments service in euro and US dollars to holders of digital wallets. The service, which is available 24/7/365, delivers instant settlements without the heavy transaction costs, slow timetable and frustrating cut-off times of conventional cross-border payment methods.

Although settlement risk in major currency pairs is solved by CLS, a large proportion of foreign exchange activity remains outside its reach, and the CLS service is not available 24/7/365. The correspondent banks that currently service this activity are already vulnerable to lower cost, round-the-clock, conveniently accessible services that use tokenised money. As tokenisation extends to a wider range of financial assets, to encompass delivery versus payment (DvP) as well as payment versus payment (PvP), that vulnerability will increase.

4.0 There are opportunities as well as threats

But there are opportunities for banks as well as threats. The most obvious benefit of the “crypto-asset” regime that comes into effect in October 2027 is that regulatory clarity will make it substantially easier for issuers of Stablecoins to secure authorisations to issue. Given the incentives banks have to issue Tokenised Deposits, this will likely be of value mainly to non-banks rather than banks.

However, banks would be unwise to ignore a wider market opportunity in Stablecoins. 99 per cent of Stablecoins in issue are denominated in US dollars. This presents banks based in London with an opportunity akin to the Euromarkets, which grew from a relatively small number of US dollar deposits in the 1950s into giant syndicated loan and bond markets in the 1960s and 1970s.

With a clear and predictable regulatory regime in place, and with the longstanding advantages of a geographical location between Asia and North America, political stability, financial proficiency, the English language and English law, London has the potential to become the offshore centre for the issuance of foreign currency Stablecoins, especially US dollar Stablecoins.

A second major opportunity for banks is common to Tokenised Deposits as well as Stablecoins. This is the programmability of tokenised money. The ability of digital wallets to accommodate any kind of token functionality as well as any form of tokenised asset means the number of users and use-cases will multiply in line with the number of tokenised asset classes and token functions. Digital wallets have the potential to accelerate the growth of tokenisation.

For established banks, embracing programmability is not a trivial step. Building the necessary infrastructure will demand resources for which other projects are competing. Reared in a culture of compliance and of combatting financial crime, banks are also unlikely to develop quickly the appetite for risk that will allow them to automate payments via smart contracts on public blockchains. Customers content to rely on agentic artificial intelligence (AI) to select and purchase items on their behalf will further test the risk appetite of banks.

AI is probabilistic, but bank workflows are deterministic. Banks will want customers to sign agreements and issue instructions. They will want controls, audit trails where they can follow the steps that led to a transaction being executed, and escalation procedures that insert a human being into the loop, who can break the automated process.

However, that low appetite for risk is also a competitive advantage for banks. Both retail and corporate users of programmable money must take a great deal on trust. They will prefer to trust a slow-moving and cautious bank that can make them whole if they incur a loss, rather than relying on a move-fast-and-break-things start-up that is less solid financially.

In fact, programmable tokenised money is likely to find its earliest adopters in bank treasury departments. Intra-day repo, for example, is facilitated by programmability. Used judiciously, it could increase the yield on idle cash by making it available to short-term borrowers and reduce the costs of borrowing cash to cover liquidity shortages.

5.0 How to invest in change

Yet engaging in intra-day repo requires more than a change of attitude. It needs legal agreements to be rewritten. It also needs systems capable of supporting extremely short-dated transactions in terms of filtering, sourcing and retrieving eligible assets, identifying eligible counterparties, monitoring risk throughout the day and reporting transactions in a compliant way.

Issuing a Stablecoin or a Tokenised Deposit entails a similar level of investment. Capital costs of this kind are a major obstacle to established financial institutions embracing tokenised money and payments wholeheartedly. For them to invest in a new technical infrastructure, the return on investment needs to be visible. Until it is, most institutions will avoid full commitment and engage instead via a collective network (such as Fnality or Partior) or a consortium (such as the GBTD).

To obtain a budget to invest, tokenisation enthusiasts at traditional financial institutions must educate senior management about the opportunities. They must also persuade internal control functions that the risk can be managed. Above all, they need internal sponsors. This entails identifying the businesses that can profit from an investment in tokenisation, through increased revenues or cost savings. The leaders of these businesses will become supporters.

None of this internal education, persuasion and evangelisation is easy when tokenised money and payments – even Stablecoins – are still immature. Inevitably, tokenisation experts at traditional financial institutions direct attention to wherever progress seems to be occurring or activity is liveliest, be it cryptocurrency staking or tokenised money market funds. But in markets as immature as tokenised money and payments, the active area is always shifting, and confidence is damaged if expectations are raised and then dashed.

Another problem is the multiplicity of options. Blockchain networks, and vendors of on- and off-ramps, digital wallets and digital asset custody services multiply continuously. It is difficult for banks to choose between the various offerings because the field of contenders has yet to be winnowed. Buyers worry that any vendor they choose might fail or get taken over or trap them in a technological cul-de-sac or create a conflict with a competitor.

When an environment is in such a state of flux, the obvious temptation for senior management is to procrastinate until the opportunity is clearer. This is tantamount to doing nothing. The second temptation is to invest in a proprietary tokenisation platform. This is always a defensive act. It creates closed networks, designed specifically to prevent clients and business being lost. Proprietary platforms fragment the market, hampering growth.

Growth depends on open networks, in which clients of one institution can interoperate cheaply and easily with the clients of another institution. Closed, proprietary networks are also usually built in technological silos separate from the legacy systems of the same institution. This hampers internal interoperability. Tokenisation platforms cannot thrive if they remain independent of legacy systems. Traditional financial instruments will coexist alongside tokenised instruments for a long time, and clients expect their banks to support both.

Clients are not interested in how financial institutions organise their systems. They invest in pursuit of alpha and are indifferent whether the return stems from tokenised or non-tokenised investments. In reports, they want to see their holdings of cryptocurrency and tokenised money, securities and funds alongside their holdings of traditional securities, funds and cash. How a service provider structures and operates its systems is no concern of theirs.

Which is why the supreme question facing participants in the tokenised money and payment markets of the United Kingdom is this: How can tokenised money and payments systems be made interoperable between institutions and within institutions? The answer is a division of labour between private technology vendors and public financial market infrastructures.

Technology vendors and financial market infrastructures play different roles. Vendors supply the tools (such as digital wallets) that enable financial institutions to enter the tokenised money and payments markets with products and services that can compete on cost and quality. Financial market infrastructures supply the trust that enables financial institutions to offer tokenised products and services with the confidence that transactions will settle and assets will be safe.



6.0 Summary and conclusion

A new regime for the regulation of “crypto-assets” comes into effect in the United Kingdom in October 2027. Established financial institutions must decide whether to seek authorisation under the regime to offer tokenised money and payment services, such as Stablecoins and Tokenised Deposits.

Stablecoins are unlikely to flourish in the domestic market in the short term, though Stablecoins have a role to play in the transition and, potentially, a sustained role to play in cross-border payments. Work is in hand to enable Tokenised Deposits to settle payments between banks as well as within them, ultimately in central bank money, both domestically and across borders.

Despite the striking similarities between commercial and central bank money today, and commercial and central bank money in a tokenised future, established financial institutions must adapt. They need to hedge their existing payment services against the threat of Stablecoins. They must also develop digital wallet services, including services that exploit the programmability of tokenised money. If they do nothing, their foreign exchange and money and capital markets business is at risk.

The options available to established financial institutions include issuing a Stablecoin. In fact, there is an opportunity for London to become the centre of Stablecoin issuance in multiple currencies, rather as it hosts the Euromarkets today, assuming UK regulatory structures develop that are conducive to international competition. Long-established, heavily regulated financial institutions are also in a strong position to underwrite the risks associated with programmable money.

Many established financial institutions have yet to be convinced that there is a commercial case for investing in tokenised money and payments. They either invest in collective endeavours, or build proprietary platforms, or do nothing. The result is fragmentation, and a consequent lack of interoperability, both within and between established financial institutions.

Solving this lack of interoperability will unlock growth in the tokenised money and payments markets of the United Kingdom. The solution lies in a new division of labour between technology vendors (which supply economically what established financial institutions need to pay and get paid in tokenised money) and financial market infrastructures (which supply the confidence established financial institutions and their clients need to use innovative ways of paying and getting paid).

More about Future of Finance

Future of Finance (FoF) is an events, research and media platform providing financial institutions around the world with independent distribution and content marketing opportunities. Its overriding goal is to bring together all parts of the financial services ecosystem – including banks, brokers, asset managers, insurers, financial market infrastructures, technology companies, data vendors, FinTechs, digital asset players, central banks, regulators and policymakers – to discuss and explore the current state of play and likely future outcomes.

Future of Finance helps entrepreneurs and established financial institutions fulfil their ambitions to use digital technology to transform the money and capital markets, while supporting the wider ecosystem to work and evolve together to create open, trustworthy and prosperous financial markets.

For more information and upcoming events, visit www.futureoffinance.biz

More about Taurus

Founded in 2018, Taurus is a Switzerland-based financial technology company providing enterprise-grade digital asset infrastructure, with 14 offices around the world. It offers services for issuing, storing, and trading all types of digital assets, including cryptocurrencies, tokenized assets, Stablecoins, and digital currencies. Taurus has earned global recognition for excellence in digital asset infrastructure, receiving eight industry awards in 2025, including Euromoney's World's Best Custody Services, Digital Banker's Best Digital Assets Solution by a Vendor, and Future of Finance's Best Digital Asset Tokenization Platform. Additionally, Taurus operates a marketplace for private assets and tokenized securities and is a securities firm regulated and supervised by FINMA. For more information, visit <https://www.taurushq.com> or contact:

Lamine Brahimi

Co-Founder &
Managing Partner
lamine@taurushq.com

Sebastien Dessimoz

Co-Founder &
Managing Partner
sebastien@taurushq.com

Kylie Poole

UK & Nordics Director
kylie.poole@taurushq.com

Let's connect with our team



For more information, visit www.futureoffinance.biz or reach out to:

James Blanche
Head of Business Development

james.blanche@futureoffinance.biz
+44 7897 026 508

Wendy Gallagher
Commercial Director and Co-Founder

wendy.gallagher@futureoffinance.biz
+44 7725 160 903

Future of Finance Limited
16 Rocks Lane
London SW13 0DB
www.futureoffinance.biz





TAURUS