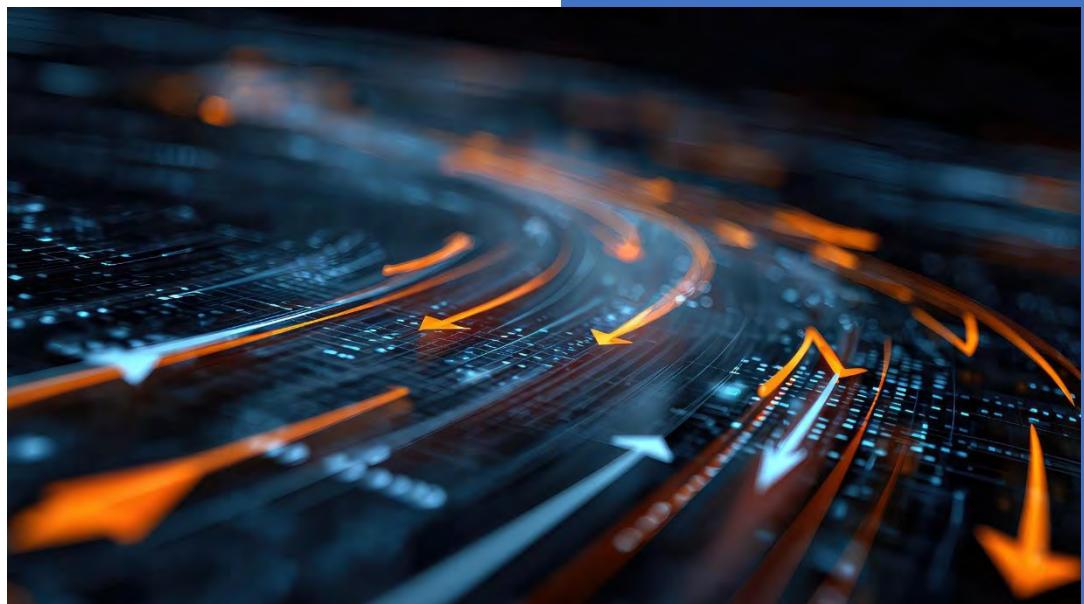


Digital Transformation & The New Market Landscape Roundtable Report



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ISITC Europe Roundtable - Digital Transformation & The New Market Landscape

Date: November 26, 2025

Location: Edinburgh (hosted by Franklin Templeton)

Chairs/Facilitators: Richard Leigh, Director, SIO & ISITC Europe, Gary Wright, Director, ISITC Europe

Sponsors: TORI Global (sponsoring event and drinks)

Attendees: Industry participants across post-trade, buy and sell side, custodians, compliance, market infrastructure, technology providers

Overview & Context

Beyond accelerated settlement, digital innovation is reshaping the very structure of capital markets. This roundtable discussion was to explore how tokenisation, blockchain, AI, and emerging market models could redefine trading, settlement, and client service.

- **Event Nature:** Informal, collaborative roundtable session conducted under the Chatham House Rule. Focused on open industry dialogue around how and if digitalisation could be introduced into or aside of the existing market structure.

ISITC Europe Updates & Initiatives

- **Focus for 2026:**
 - Major shift towards AI, including compliance benchmarking with the EU AI Act.
 - Plans to collaborate with partners, such as the SIO to develop and launch further events targeting new market needs and regulation.
- **Podcasts as Information Resources:**
 - City Chronicles: Industry and personal journeys.
 - TalkTime: Topical issues, with new publications on withholding tax (highlighting \$16.5b/year unclaimed and Swift's corporate actions modernization).
 - Future series to demystify AI (short-form explanations), aligning with regulatory and risk management priorities.

1. Main Topics Discussed

1.1. Tokenization and Digital Assets

- **Definition and Scope:**

- Digital assets primarily refer to Distributed Ledger Technology (DLT)-based platforms.

- Differentiation between tokenized traditional assets (bonds, funds) and cryptocurrencies.

- **Industry Landscape and Use Cases:**

- Most adoption observed on the fund side, especially in money market funds and operationally intensive processes.
- Bonds settling on blockchain platforms represent advanced use cases (e.g., ECB planning Euro CBDC rollout: first phase in October 2026).
- Estimated \$3 trillion in default transactions (e.g., repo) using stablecoins and blockchain.

- **Accounting and Operations:**

- Adoption challenges include system integration (tracking digital coins vs. stocks and cash) and dual-transaction processing.
- CBDCs expected to simplify processing and reconciliation, enabling cash and securities to settle together on a single platform.
- Potentially eliminates need for manual operations and facilitates instantaneous settlement.

- **Custodianship and Wallets:**

- Traditional custodians moving to support digital assets via wallet infrastructure, with legal/regulatory assessments alongside partners (Deloitte, PwC).
- Emphasis on asset protection and client money rules in a wallet-based ecosystem.

- **Product Offerings and Market Dynamics:**

- Low institutional and retail uptake for tokenized products so far; most use by blockchain-native or treasury clients.
- Demand remains low but interest is increasing, especially for operational testing and infrastructure build-out.
- Use cases such as using tokenized assets as on-chain collateral identified as promising (notably for LDI or derivative-heavy clients).

1.2. CBDCs and Settlement Innovation

- **Euro CBDC Timeline:** October 2026 for the initial phase of the digital euro (EUR CBDC).

- **Settlement Process Changes:**

- Expected to revolutionize settlement by combining cash and securities transactions, reducing operational risk, complexity, and manual intervention.

- Projects aim to align front-office experience (unaware of technology adoption) with significant operational efficiency back-end.

- **Integration with Traditional Markets:**

- CBDCs seen as bridging infrastructure, enabling seamless on-chain/off-chain settlements.
- Central banks considering roles as lenders of last resort or stablecoin issuers (highlighting the lack of international regulation for crypto and stablecoins).

1.3. Market Readiness, Incentives, and Barriers

- **Regulatory Frameworks:**

- Regulation and risk appetite are limiting meaningful adoption; EU AI Act is a first mover in AI, with similar rules anticipated from FCA and potentially US regulators.
- Uncertainties tied to legal, jurisdictional, and operational boundaries (e.g., where digital ledgers are domiciled, client money protections).

- **Technology Gaps:**

- Legacy systems are not ready; significant investment and upgrade needed, especially for real-time/T+1 settlement.
- Many firms constrained by outdated core technology and fragmented processes.

- **Cost and Liquidity:**

- Removing intermediaries promises cost savings, but achieving critical liquidity (e.g., a major issuer moving to blockchain) is seen as the true catalyst for industry migration.
- Risks include liquidity fragmentation if blockchain and traditional asset pools remain distinct.

- **Interoperability:**

- Absence of standardized data models and lack of interoperability between blockchains undermine broad adoption.
- Industry collaboration needed to overcome dual operating models and enable seamless asset transfer/settlement.

1.4. Legal, Regulatory & Jurisdictional Challenges

- **Settlement Finality & Law:**

- Real-world adoption constrained by national laws (e.g., CREST in the UK requires settlement on UK soil).

- Internationalization (e.g., Clearstream's "Uno" project to de-nationalize) seen as key to cross-border settlement fluidity.
- Existing tokenization practice underpinned by traditional legal infrastructure; legislative reform needed for full-scale digital asset market.

- **Corporate Actions and Tax:**

- Divergent regulation complicates cross-border securities, corporate actions, and tax treatment on digital rails.

- **KYC, AML, and Transparency:**

- Blockchain offers transparency but does not automatically solve compliance without clarity on legal responsibilities and data standards.

1.5. Infrastructure Modernization (Crest, Euroclear, LSEG DMI, Swift)

- **Efforts to Dematerialize and Modernize:**

- Large-scale initiatives to eliminate physical certificates (target: non-certificate status by 2027) to pave way for full digitization.

- **Stock Exchanges and Digital Infrastructure:**

- LSEG's Digital Market Infrastructure (DMI) aims to democratize access for small and large participants.
- Lowering entry barriers contingent upon viable business models and client demand.

- **Swift's Evolving Role:**

- Swift transitioning from a private network to an integrated, open network supporting blockchains, retail, and institutional clients.

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- Successful pilot of blockchain interoperability via Swift highlighted as game changing.
- Advice issued: Stay close to Swift developments; expect them to shape future market infrastructure.

- **Data Providers & Interoperability:**

- Access Fintech, DTCC, and others see their future role as enabling normalized data flow and interoperability between legacy and blockchain ecosystems.

1.6. Artificial Intelligence in Operations

- **Scope of AI Use:**

- Organizations distinguishing between Robotic Process Automation (RPA), early automation, and newer generative/agentic AI.
- Key adoption areas:
 - Data analytics for pinpointing operational inefficiencies and root causes of errors.
 - Front office: automating client engagement, goal-based advice, and feedback analysis.
 - Back office: fails management, year-end reviews, mailbox management, regression testing, and fund settlement matching.
- **Generative & Agentic AI:**
 - Companies deploying proprietary Large language models (LLMs), leveraging Microsoft (i.e. Copilot) and third-party partnerships, and rolling out AI-driven process optimization.
 - Example applications: extracting data from emails (typed and handwritten), automating fund settlement matching, and applying AI for regression testing in system upgrades.
- **Innovation Hubs:**
 - Notable innovation coming from global operations centres (e.g., India), where operations, technology, and front office teams are often co-located.
- **Data Readiness & Risks:**
 - Emphasis on clean, standardized data for meaningful AI outcomes.
 - Warnings raised on pitfalls of AI and machine learning when based on poor data; need for careful human oversight and non-circular AI-on-AI validation.
 - Industry-wide efforts in developing best practices and frameworks for responsible AI use, referencing ISITC's EU AI Act Benchmarking and SIO's cross-firm collaboration on safe deployment/governance.
- **Regulatory Scrutiny:**
 - Regulators increasingly embracing advanced data analytics and AI tools to monitor and enforce compliance (notably in reg reporting).

1.7. Organizational Change, Talent, and Future Roles

- **Automation & Changing Roles:**
 - Anticipation of workforce shifts as operations and collateral management are automated—future roles may focus on data science, process design, or AI oversight.

- Stress on need for industry "to reimagine" operations rather than just automate legacy processes.
- Need to develop new skills, move beyond legacy mentalities, and redesign business models for modern markets.

- **Legacy Technology:**

- Constraints posed by long-standing, poorly understood systems.
- Incremental upgrades common, with financial and resource limitations preventing wholesale change.

- **Data Standardization Challenges:**

- Efforts like ISDA/CDM to standardize data fields encountering inertia due to organizational pride in local processes and breadth of regulatory requirements (e.g., 700 fields for SFTR reporting).

2. Action Items

1. Podcast & Membership Engagement:

- Participants encouraged to explore ISITC Europe content and consider membership of ISITC Europe or the SIO.

2. AI Benchmarking:

- Firms to assess exposure to AI, review ISITC Europe AI Benchmarking platform for EU compliance, and contribute to evolving best practice/guidance.

3. Industry Collaboration on Data Standards:

- Organizations to engage in cross-industry working groups (e.g., ISDA/CDM, SIO) to push forward common data standards for tokenization and AI.

4. Evaluate Blockchain Infrastructure Readiness:

- Operations, legal, and IT teams to assess readiness for digital asset adoption; focus on legacy modernization and integration planning.

5. Monitoring Regulatory Developments:

- Ongoing review of upcoming EU AI Act, CBDC timelines, and national dematerialization milestones (e.g., CREST by 2027).

6. Strategic Swift Engagement:

- Relationship managers to increase engagement with Swift as their role in distributed ledger infrastructure grows.

7. Talent Planning:

- HR and leadership to consider the implications of large-scale operational automation on workforce structure and upskilling/reskilling needs.

8. Operational Duality Support:

- Asset managers/custodians to collaborate on dual traditional/digital operating models, reducing complexity and risk in hybrid environments.

Follow-Up

- ISITC and SIO to continue development of best-practice frameworks for AI governance in the industry.

Closing Remarks

- Emphasis on innovation—solutions should be future-focused, not just automation of legacy processes.
- Collaboration and communication across roles and organizations are key to navigating industry transformation.
- Thanks, extended all participants, with a special mention to hosts Franklin Templeton and sponsors TORI Global.

About ISITC Europe and the SIO

ISITC Europe CIC is one of the oldest trade associations in the UK, being established in 1989. It is now incorporated as a not-for-profit Community Interest Company (CIC) with legal responsibilities, Directors but no shareholders. ISITC Europe promotes education, innovation, and collaboration throughout the global Capital Markets. Scottish Investment Operations (SIO) has been supporting investment operations firms and their employees since 2000.

In 2024 ISITC Europe partnered with the SIO to produce a full-day conference focused on the impact of accelerated settlement. The event received widespread support from across the Scottish capital markets and the reviews were outstanding. In 2025 we returned to Edinburgh for a half-day event made up of two interactive roundtable sessions.

About TORI Global

TORI Global is a specialist financial services management consultancy dedicated to improving operational efficiency and reducing costs for our clients. Its team of seasoned experts, including many who have held C-suite and senior leadership roles in the biggest organisations in the industry, bring deep knowledge across banking, insurance, wealth, and asset management. Having worked within

these industries, they understand the challenges first-hand. That's why, while they are always ready to discuss strategy, they have a relentless focus on achieving material and measurable results.