



Abstract

A concise, high-impact overview of ISITC Europe's response to the Digital Champion, spotlighting the milestones, opportunities and actions shaping the UK's digital-markets future.

Infrastructure, Finality and Readiness

Executive Summary of ISITC Europe's
Response

Executive Summary

ISITC Europe CIC's formal response to the Wholesale Digital Markets Champion's first report is written from the perspective of Financial Services firms that must translate the UK's digital markets programme into practical decisions: what to build, when to invest, which dependencies matter, and where the commercial case is already sufficiently strong to act.

The paper focuses on the UK programme and the implications for firms operating in, or interacting with, UK wholesale markets. Many of the issues it identifies, including settlement finality, interoperability, prudential treatment and institutional adoption, have wider international relevance, but comparative analysis of other jurisdictions sits outside its current scope.

ISITC Europe broadly supports the direction of the Champion's report, including its focus on repo, fixed income and uncleared OTC derivatives; the importance of collateral mobility; the role of RT2 synchronisation and DIGIT; and the need to manage a prolonged period in which conventional and digital market infrastructure operate in parallel. The paper does not restate that programme but examines what it means operationally for firms.

Its central conclusion is that digital wholesale markets are moving from experimentation towards infrastructure delivery, but different use cases will become commercially viable at different times.

For some firms and activities, particularly collateral mobility, intraday repo, smart-contract lifecycle management and certain digital fund models, the commercial rationale already exists.

For others, mainstream adoption depends on regulatory and infrastructure milestones that are still being delivered.

The paper distinguishes between improvements genuinely enabled by distributed ledger technology and those already achievable through better process design, automation, and T+1 investment. **It identifies five structural DLT enabled improvements:**

- securities collateral mobility,
 - higher velocity intraday repo,
 - automated corporate actions,
 - digitally enabled securities lending, and
 - lifecycle management of uncleared OTC derivatives.
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By contrast, improvements such as reconciliation, operational resilience and position transparency are not inherently dependent on DLT.

Settlement finality is a prerequisite for mainstream institutional adoption, not simply a feature of the UK programme. Without legally robust finality, the institutional investor base remains constrained, limiting issuance economics, secondary market liquidity, and the scale at which digital securities can develop.

The UK programme explicitly recognises this dependency and is building the cash and securities leg architecture required to address it. RT2 provides the cash leg, while the securities leg depends on an appropriately authorised CSD or ICSD.

The paper identifies ClearToken CSD's progress towards ICSD authorisation as the primary currently active route to securities-leg finality in the UK, while recognising that incumbent ICSDs could provide alternative routes if they extend their existing frameworks to digital instruments.

The paper also identifies a wider downstream equivalence chain that must be coordinated if tokenised instruments are to become investible at scale. Regulated market admission, UCITS eligibility, index inclusion and permanent prudential treatment are interdependent. Coordination across these areas is essential so firms can understand the regulatory trajectory, sequence investment appropriately, and avoid building on assumptions that later prove incorrect.

ISITC Europe makes seven recommendations to the Wholesale Digital Markets Champion and Industry Taskforce. These are:

- To treat ICSD authorisation and associated settlement finality as explicit programme objectives.
- To publish a coordinated downstream-equivalence roadmap.
- To begin the permanent PRA prudential workstream now.
- To design the digital CSD framework to support multiple authorised providers.
- To publish a UK fund-tokenisation development roadmap.
- To establish a legal-certainty programme for smart contract instrument templates.
- To ensure that insurance and pension fund requirements are explicitly represented in framework design.

For industry participants, the paper draws an important distinction between firms that must build digital-market infrastructure and firms that will consume digital instruments through existing intermediaries.

Custodians, prime brokers, investment banks, fund administrators, platforms, transfer agents, and digital FMI providers face direct technology and connectivity decisions.

Asset managers, insurers, pension funds, wealth managers, broker-dealers, and most end investors will experience digital markets primarily as a new market and product set delivered through existing relationships.

Accordingly, every firm should establish a formal digital markets programme now, but not every firm needs to make material technology investment immediately.

Governance, regulatory monitoring, infrastructure assessment, product and commercial planning, and board and client communication should begin now; technology investment should then be triggered according to each firm's role and the relevant market infrastructure milestones.

Communication is part of that readiness: firms need to explain their digital markets strategy, intended actions, and rationale to clients, customers, shareholders, and other stakeholders, while client facing teams need sufficient understanding to respond credibly as interest and demand develop.

The immediate task for firms is therefore to establish governance, identify the dependencies relevant to their business model, engage their infrastructure and service providers, define the regulatory and market triggers that will determine when planning becomes active investment, and establish a clear communication and education plan for boards, clients and customer facing teams. For policymakers and the Industry Taskforce, the priority is to make those dependencies explicit, coordinated, owned, and timed.

Overall, the UK's digital markets opportunity is real, but more specific and conditional than headline narratives sometimes imply. The firms best positioned to capture it will be those that clearly distinguish between immediate commercial opportunities, infrastructure dependencies, and longer-term regulatory milestones, and that begin preparing their organisations before those milestones become binding.

A note on T+1: T+1 is an immediate operational priority and an important foundation for digital-market readiness. The digital transition will not replace existing settlement infrastructure in the near term; it will add new settlement locations, processes, and controls alongside it.

The automation, data quality, settlement discipline, and operational resilience firms need for T+1 are therefore the same foundations they will need to process digital instruments efficiently.

Firms should not defer current post-trade modernisation in anticipation of future digital infrastructure.

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