



# **GDF Tokenization Forum**

## **Community Highlights – Session 2**

Thursday 25 April 2024

# GDF Tokenization Forum

## Session 2



### **Amarjit Singh**

Partner | EMEIA  
Assurance Blockchain  
Leader | Financial Services  
**EY**



### **John Allan**

Head of Innovation  
and Operations Unit  
**The Investment  
Association**

Thursday 25 April 2024

08.00 PST | 11.00 ET | 16.00 BST

# FUND TOKENIZATION

“Within the UK, we have confirmed that there are no significant legal or regulatory barriers to the industry blueprint for tokenisation – unlocking the opportunity to implement Distributed Ledger Technology in fund processes. We stand ready to consider any applications under the existing regulatory regime, or test new use case propositions through our sandbox.”

**Sarah Pritchard**  
FCA

“We now stand on the precipice of a huge technological change. With its reputation for pushing the frontiers of innovation, and its world leading investment management sector, the UK is ideally placed to seize on the transformative capabilities of tokenisation and apply them to investment funds... the UK is on the side of the pioneers.”

**Bim Afolami MP**  
Economic Secretary to the Treasury

# FUND TOKENIZATION

## TECHNOLOGY WORKING GROUP

### Phase One:

*Fund Tokenisation* – enabling UK funds to leverage DLT (complete)



### Phase Two:

*Further Fund Tokenisation* – an exploration of further stages (complete)



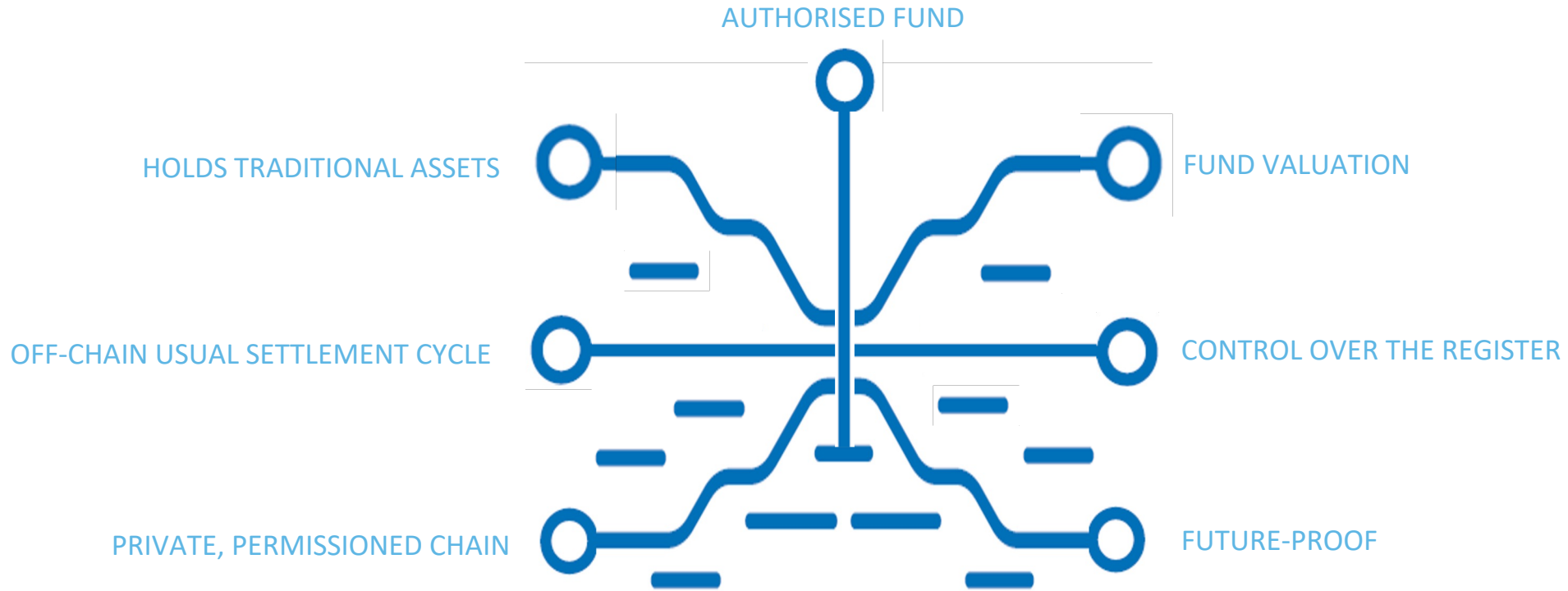
### Phase Three:

*Artificial Intelligence and other tech* – utilising new opportunities across the sector (H1 2024+)

Technology Working Group under the HM Treasury's Asset Management Taskforce

# HIGHLIGHTS

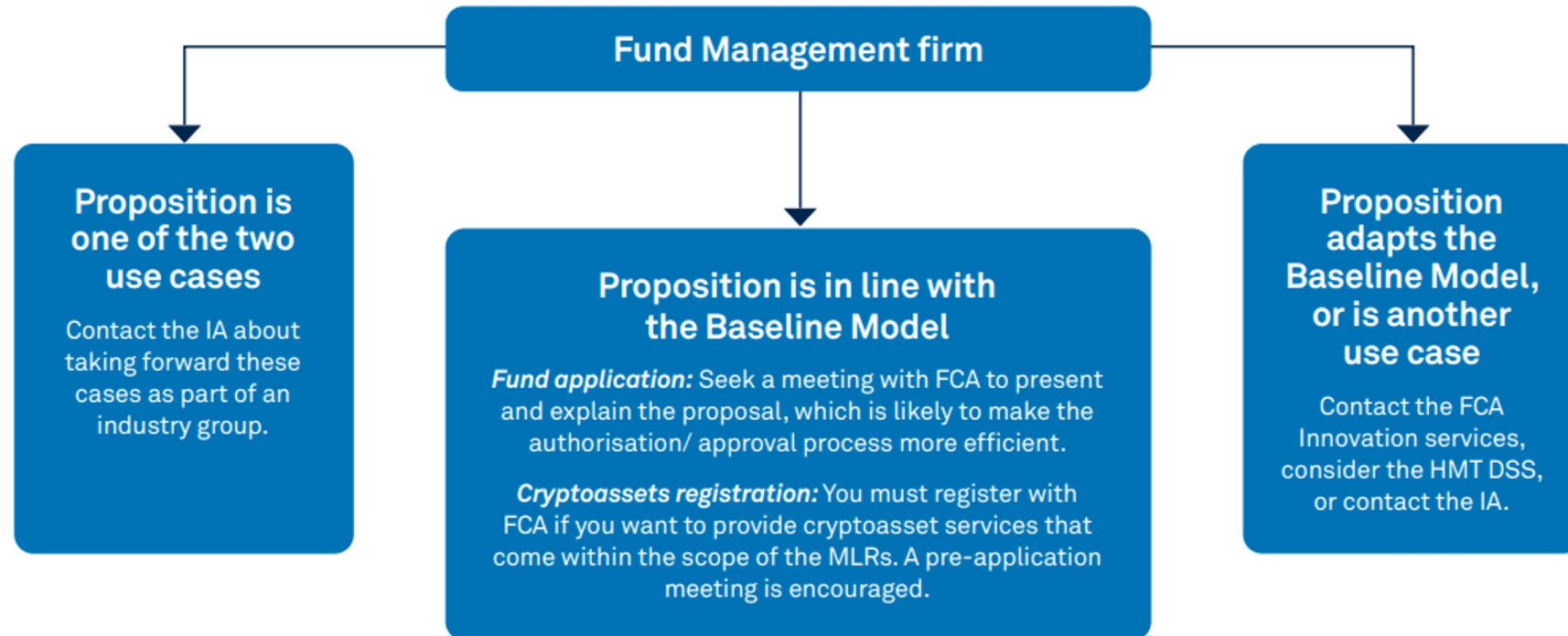
AN AGREED MODEL BETWEEN INDUSTRY AND REGULATOR



UK investment firms can utilize DLT to tokenize shares or fund units under this model, serving as an entry-level framework subject to future evolution.

# FURTHER DEVELOPMENT

## PRACTICALITIES: NEXT STEPS AND GUIDES



Appendix 1: Model Prospectus disclosure

Appendix 2: Interoperability and technical standards

Expecting further developments to take place by firms utilizing different operating models, i.e. changing the seven characteristics of the initial model

# EXPLORATION OF USE CASES

## EXPERIMENTATION: FURTHER USE CASES

### Use Case One: Money Market Fund tokens as collateral

This has been successfully tested in other jurisdictions, and involves the tokenisation of the MMF unit, either by the issuer or the holder, to enable the token to be pledged in bilateral uncleared trades as margin or used as collateral in the repo market. This could help secondary market liquidity and relieve redemption pressure of funds in times of market stress by eliminating the need for investors to redeem from the fund to access the cash.

### Use Case Two: Tokenised fund buying tokenised securities

Again, other jurisdictions have successfully carried out experimentation on tokenised securities, particularly in the bond market<sup>20</sup>. A group of firms are willing to work through variants of this use case, experimenting with securities from different asset classes, with the authorities, perhaps in the DSS. This is subject to the identification of detailed scenarios, interest from counterparties, the provision of suitable assets by the sell-side and confirmation of the operational details by the authorities.

To utilize existing regulatory pathways that we have (e.g. UK's Digital Securities Sandbox) to explore how investment funds can better interoperate with the capital markets ecosystem

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**Ben Brophy**

Global Head of Blockchain  
Centre of Excellence

**Fidelity**



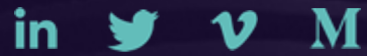
**Itay Tuchman**

Founder and CEO  
**TomorrowNext**

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*For more information on the GDF Tokenization Forum, please contact the Secretariat Madeleine Boys at [madeleine@gdf.io](mailto:madeleine@gdf.io).*