



# CALL FOR INPUT: THE FUTURE OF TOKENISATION - A JOINT VISION FROM THE AUTHORITIES FOR UK WHOLESALE FINANCIAL MARKETS

Issued 3 July 2026

ICAEW welcomes the opportunity to comment on the *Call for Input: The future of tokenisation - A joint vision from the authorities for UK wholesale financial markets* published by the Financial Conduct Authority on 18 May 2026, a copy of which is available from this [link](#).

ICAEW welcomes this Call for Input and supports the Government's Wholesale Financial Markets Digital Strategy, which sets a clear ambition for the UK to lead in wholesale financial innovation, underpinned by trusted institutions, proportionate regulation and world-class market infrastructure.

Trust in tokenised financial markets depends on more than regulation and technology; it also requires clear frameworks for financial reporting, taxation and independent assurance. Alongside regulatory reform, legal, accounting and tax clarity should be treated as core enablers of adoption.

ICAEW recommends that Specified Investment Cryptoassets (SICs) safeguarding should remain anchored in CASS 6, with targeted additions from CASS 17 where tokenisation creates risks that CASS 6 does not currently address. The amended regime should be driven by custody characteristics rather than token labels: whether an external record of title exists, who controls the means of access, how ownership can be evidenced, and where accountability sits across issuers, distributors, custodians and third parties. We welcome clarity from the FCA on the role of trusts, settlement finality, tokenisation-model classification, and the information needed in a CASS Resolution Pack to support recovery on insolvency.

ICAEW's CASS Working Party and Digital Assets Working Party stand ready to provide further technical input.

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This response of 3 July 2026 has been prepared by the ICAEW Financial Services Faculty with support from ICAEW's CASS Working Party and Digital Asset Working Party. We have provided a response to Q6 in relation to SIC safeguarding requirements as this is an area of expertise for the ICAEW's CASS Working Party and Digital Asset Working Party. As a leading centre for thought leadership on financial services, the faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk, auditing and reporting issues facing the financial services sector. The faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

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## ANSWER TO SPECIFIC QUESTIONS

**Question 6: How should safeguarding requirements for SICs be designed to deliver adequate client asset protection, while remaining proportionate, technology-agnostic and supportive of market development?**

***Please consider whether and where safeguarding requirements should differ by type of SIC, how clients' ownership rights can be protected in the absence of external parties, such as a registrar, CSD or digital securities depository that ensures legal ownership of SICs is accurately recorded and updated, and how safeguarding frameworks should support fungibility, interoperability and clear accountability as tokenised issuance, trading and post-trade models evolve***

### KEY POINTS

1. We agree with the FCA's statement in CP26/4 that CASS 6, as currently framed, does not adequately address some of the unique characteristics associated with the custody of Specified Investment Cryptoassets (SICs), and in its current state would not achieve the intended outcome of protecting and promptly returning clients' SICs in the event of an insolvency.
2. Conversely, while CASS 17 takes account of these characteristics, we appreciate the arguments made by the FCA in this Call for Input that applying it wholesale to SICs could adversely affect fungibility, interoperability and collateral mobility.
3. We therefore propose that safeguarding for SICs be included within the scope of CASS 6 as the primary framework, supplemented with targeted elements from CASS 17 where they better address the unique risks of SIC custody - maintaining continuity while ensuring the regime remains fit for purpose.
4. A single principle runs through our response: the responsibility to address each risk that SIC custody creates should be placed on the party that controls the risk. Control of a token on a client's behalf is the custodian's responsibility and is the subject of CASS. Where a token is held out as representing an underlying asset, two further risks arise: that the integrity of the representation is not borne out in practice (thereby undermining holders' legitimate expectations that the token genuinely and uniquely represents a real, tradeable underlying asset), and that it is distributed appropriately, such that a unique token is not duplicatively distributed ("double-spending"), resulting in multiple claims on the same underlying asset. Primary responsibility for these sits with the token issuer and the distributing firm respectively. By raising these two risks in our response, we are not suggesting that they must be mitigated by the amendments to the CASS 6 rules, however, these are risks that the FCA should take into account while establishing this regime. We develop these points in Section 2.
5. Treating CASS 6 as the primary framework is a matter of substance, not presentation. First, CASS 6's model of establishing and recording legal title through an external record has no equivalent in CASS 17 and continues to operate for SICs that are registered with a registrar, Central Securities Depository (CSD), or Digital Securities Depository (DSD). Second, and most importantly, building on CASS 6 maintains continuity with the custody of traditional, non-tokenised securities, keeping tokenised and non-tokenised holdings of the same security within a single segregation, reconciliation and collateral framework - which is what protects fungibility and interoperability. The principle of segregation is, of course, common to both frameworks; for SICs it is achieved differently, through off-chain records and wallet-level controls rather than through registration alone. The elements we draw from CASS 17 are confined to the points at which the technology introduces a risk that CASS 6 does not address.
6. In short, our response addresses Question 6 as follows. Clear accountability is delivered by allocating each risk to the party that controls it. Ownership is protected in the absence of a registrar, CSD or DSD by control of the means of access and, where the FCA concludes it is appropriate, a trust. Requirements differ according to the custody characteristics that

genuinely vary - whether an external record of title exists and whether such a record is required, and how clearly legal ownership is established - rather than by token type. And the approach is proportionate and technology-neutral, because the elements drawn from CASS 17 are engaged only where the technology creates a risk that CASS 6 does not address, and because the requirements are defined by reference to the firm's control of the asset rather than to any particular technology.

7. A number of the recommendations in Section 3 depend on the FCA's conclusions on the use of trusts for SICs (Section 4); we note that dependency once here rather than repeating it.

## **DIFFERENT TOKENISATION MODELS**

8. We begin with the range of tokenisation models the amended CASS 6 rules will need to accommodate, as the appropriate safeguarding treatment depends on which model applies. The Call for Input identifies two categories - non-digitally native and digitally native SICs.
9. For the purpose of amending the CASS 6 rules to accommodate SIC custody, a more granular view is useful, and we would add a third category, tokenised records, that the consultations have not addressed.
10. Our purpose is not to prescribe rules for each model - we do not think the rules should be designed that way - but tokenisation models have differences in custody characteristics: principally whether an external record of title exists and whether such a record is required, and how clearly legal ownership is established for the model in question. Those are the characteristics which should drive the requirements, rather than the type of token.

### **Non-digitally native (tokenised representations / digital twins)**

11. Here a token represents an underlying specified investment that exists off-chain. Several parties may be involved - the issuer of the token, the firm holding the underlying asset, the firm distributing the token, and the custodian safeguarding the token for an end client - and they may sit in different firms and jurisdictions. These roles give rise to distinct risks, which are most appropriately addressed in different parts of the framework.
12. The first risk is to the integrity of the representation: whether the underlying asset exists, is an asset capable of being tokenised and traded, and has been tokenised only once rather than issued multiple times against the same underlying asset. Primary responsibility for addressing this risk this, sits with the token issuer at the point of issuance, not the custodian.
13. Currently there is not a specific set of rules in place to mitigate this risk; as part of the development of the wider cryptoasset regime, the FCA should consider the most appropriate sourcebook to cover this risk.
14. The second risk arises in distribution: that the firm distributing a tokenised SIC ensures it is a genuine, distributable asset (for example, a publicly traded security) and that it is not distributed more than once. Primary responsibility here sits with the distributor, through the Consumer Duty for retail customers and the conduct and product-governance requirements (such as Product Governance Sourcebook 3 (PROD 3) 3) that apply to professional business.
15. We note that both the double-issuance and double-distribution risks may be capable of mitigation at the technology layer - for example, through smart contracts that lock the underlying or enforce a one-to-one relationship between a token and its underlying - and the rules should be drafted to recognise and accommodate such controls rather than assuming these risks can only be managed through records and oversight.
16. We are not making any recommendation on where the rules in relation to token issuers and the integrity of a token's representation should ultimately sit – albeit this remains an important question for the FCA. Our recommendations are twofold: that the role of the token issuer be defined, so that there is an identifiable accountable party; and that the CASS rules explicitly require the safeguarding firm to maintain a proportional level of oversight over the chain of tokenisation, as described above.

## Digitally native

17. Here the SIC is issued directly onto a distributed ledger. The key distinction for CASS is whether it is registered at a DSD. Where it is, the DSD provides an authoritative external record of title against which the CASS 6 registration and reconciliation model can operate. Where it is not, there is no external record, and control of the means of access becomes the principal protection for the client's ownership, as discussed in Section 3.1 - supported, if the FCA concludes it is the appropriate mechanism, by a trust. Whether a trust is the right device to introduce into CASS 6, and for which models, is in our view a question for the FCA to determine, and we return to it in Section 4. The rules should accommodate both the DSD and non-DSD cases.

## Tokenised records

18. A tokenised record is neither the security nor a representation of it, but a record of an entitlement or position relating to it. For example, this could be a tokenised collateral record, that merely evidences a bilateral arrangement; or potentially the same record that may have the ability to be transferred or traded, creating new rights and obligations in the process. It is currently unclear whether the rules would make a distinction between such records, and in which instances they would be treated as a SIC.
19. As SICs move into CASS 6, the CASS 3 rules may also require an update to account for tokenised records.
20. By way of illustration, registration models already vary: in a digital-twin model the underlying asset is typically registered with a registrar or CSD while the token is not; a digitally native SIC may be registered at a DSD, or may have no external register at all. This is an illustration rather than an exhaustive or settled taxonomy - as we note in Section 4, the legal position is not yet certain.
21. To ensure firms engage with these differences, we recommend the CASS rules bring relevant terminology and definitions into the Handbook (for example, the role of a token issuer); require firms to document and keep up to date a record of which tokenisation model applies to each holding (a 'tokenisation model applicability matrix'); and provide guidance on the factors relevant to that assessment.
22. We suggest this not as documentation for its own sake but because identifying the applicable model is a precondition for applying the correct registration basis, reconciliation method and trust treatment - a firm that has not made that determination cannot reliably segregate or reconcile.

## 3. CASS 6 UPLIFT

23. Building on the models above, we turn to the specific areas where CASS 6 needs to be supplemented for SIC custody as the intention is for CASS 6 to apply to SIC custodians. For each area our approach is the same: retain the CASS 6 requirement and as applicable supplement it with the specific CASS 17 elements that addresses the SIC-specific risk. We do not repeat that framing in each case.

### 3.1 REGISTRATION

24. Registration is the mechanism by which CASS 6 protects a client's legal title: the firm ensures the client, or a nominee, is correctly recorded as owner with an external party, and reconciles against that record (CASS 6.2). For some SICs this mechanism is absent - a digitally native SIC not registered at a DSD has no external register, and title is evidenced by control of the means of access rather than by an entry in a name. Where that is so, registration cannot be the protection, and its role is taken by control of the means of access and, potentially, a trust - though whether a trust is the appropriate mechanism is a question we return to in Section 4.

25. The amended rules should therefore retain the registration requirements where an external record exists, and provide an alternative basis, founded on control of the means of access, where it does not. The registration position varies across tokenisation models, which we discuss in Section 2.

### 3.2 BOOKS & RECORDS

26. CASS 6 requires firms to maintain client-level books and records, maintained independently of any external party. For SICs these records must do more than they do in traditional custody. In addition to maintaining off-chain records (internal ledgers or sub-ledgers that map to the on chain position) a firm's books and records may also need to include details pertaining to the services provided to clients, and the trust structure they are safeguarded under, if applicable.
27. These internal sub-ledgers should be kept synchronised with, and regularly reconciled to, the distributed ledger, so that the firm's record of client entitlements and the on-chain position do not diverge. Those records should evidence each client's entitlement at wallet or address level; record the services provided to the client and the chain of means of access, as CASS 17 requires; and identify whether each holding is in tokenised or traditional form, so that the recovery route in an insolvency is clear (we develop this in Section 3.7 and in connection with the CASS Resolution Pack).
28. The amended rules should set out a bespoke set of books and records requirements for SICs reflecting these needs.

### 3.3 RECONCILIATIONS

29. CASS 6 requires an internal custody record check - performed either by the internal custody reconciliation method or the internal system evaluation method (ISEM) - together with an external reconciliation against the records of any third-party holding the assets.
30. The ISEM is, in principle, capable of applying to SIC custody, as it is systems-based rather than dependent on a line-by-line reconciliation. The systems it would evaluate for a SIC - ledger, wallet and key-management systems - differ from those in traditional custody, so the evaluation criteria would need to be adapted accordingly; but the method itself does not need to be replaced.
31. The external reconciliation requires more thought. Where a SIC is held through a third-party - a sub-custodian or a DSD - the external reconciliation continues to operate as it does today: the firm reconciles its records against that third-party's records. It is where the firm controls the SIC itself that there is no third-party to reconcile against, and the ledger becomes the external point of reference. CASS 17's resource and requirement method accommodates both cases: the firm calculates what it owes clients from its own records (the requirement) and confirms what it actually holds (the resource), confirming the resource from the third-party's records where a third-party holds the SIC, and from the ledger where the firm controls the means of access itself. It is therefore not a replacement for the external reconciliation but a generalisation of it - extending the same discipline to the case where the firm self-custodies, and adding on-chain verification. We recommend that method be brought into CASS 6 to sit alongside the ISEM.
32. The reconciliation also depends on a clear point of settlement finality. Because a transfer on a distributed ledger may not be final at the moment it is initiated, the firm should define, for each distributed ledger it uses, the point at which a transfer is treated as final for the purpose of determining what it holds - and the same point determines when ownership passes to or from a client. Reconciliations should be performed by reference to finalised positions. This has been an area of discussion in traditional asset custody so we suggest that the FCA engages with the industry and auditors on this topic as part of developing the SIC CASS 6 rules.

### 3.4 MEANS OF ACCESS

33. Control of a SIC is exercised through the means of access to it - typically a private key, or a shard of a key. CASS 6 has no equivalent concept, because traditional safe custody assets are not controlled in this way. CASS 17.4 is the only part of the existing framework that addresses this, and we suggest that the FCA considers bringing the requirements into the CASS 6 SIC rules substantially, applying wherever a firm has control of the means of access (Article 9N(4)).
34. These include protection of the means of access across its lifecycle against loss and inaccessibility (CASS 17.4.5), prompt incident identification and resolution (CASS 17.4.6 to 17.4.7), the specific controls at CASS 17.4.8 (recognised standards, single-point-of-failure controls, back-up and recovery), and the means-of-access record (CASS 17.4.9).
35. Two points of adaptation are specific to SICs. Where the firm does not itself control the means of access - for example, they are held through a sub-custodian - the obligation should be met through oversight of the controlling party under the third-party rules, rather than by direct application of CASS 17.4. And the rules should accommodate shared or distributed control, such as multi-party computation or the distribution of key shards, making clear how the means-of-access record and any reconstruction threshold apply where no single party holds a complete means of access.
36. A further consequence of this control model is that transfers, once made, are typically irreversible. The rules should therefore require strong preventive controls over the authorisation of transfers, and a documented process for identifying, escalating and - so far as possible - resolving erroneous or disputed transfers, including the firm's arrangements with counterparties and any technology providers for doing so.

### 3.5 USE OF THIRD PARTIES

37. Both CASS 6 and CASS 17 provide for the appointment of third parties, but the CASS 17 rules are better suited to SICs: they address means of access, the varying levels of cryptoasset protection across jurisdictions, and more stringent requirements where a third-party itself appoints a further third-party. A bespoke section of the CASS 6 rules dealing with appointing a third-party to hold SICs, in line with CASS 17.6, would be appropriate.

### 3.6 USE OF ASSETS, LENDING & COLLATERAL

38. Based on the statements made in CP26/4: Application of FCA Handbook for regulated cryptoasset activities, our understanding is that exemptions within CASS 6, such as such as a Title Transfer Collateral Arrangement (TTCA), would apply to SICs. Based on the different tokenisation models highlighted in Section 2, it is unclear how some SICs would operate within this exemption, particularly tokenised representations and digitally native SICs not registered on a DSD. The key consideration for these categories, is how a potential trust, if implemented, would interact with the title transfer exemptions.
39. The amended rules should make clear on a principles basis, how the existing TTCA rules apply to different SICs. As noted in Section 2, the CASS 3 rules may also require amendments to accommodate tokenised records.

### 3.7 ORGANISATIONAL ARRANGEMENTS

40. The organisational-arrangements duty in CASS 6.2, and its equivalent in CASS 17.2.2, is an appropriate foundation, but is framed too generally to address the operational risks of holding and controlling client assets on distributed ledger technology. We recommend the amended rules set out specific requirements in at least three areas:

## **Operational resilience, cyber security and outsourcing oversight**

41. SIC custody depends on technology - ledgers, wallet infrastructure and key-management systems - whose failure can cause the permanent and irrecoverable loss of client assets rather than a recoverable error. We recommend that the organisational arrangements should consider the operational resilience, cyber security and requirements and how these relate to the safekeeping of assets.

## **Smart contract governance**

42. The long-term vision for tokenisation diagram on page 10 of the Call for Input highlights that smart contracts may be used to automate dividend and coupon payments, subscriptions and redemptions, and other corporate actions. We suggest that consideration should be given to how the CASS 6 SIC rules require these smart contracts to be governed and maintained so that they do not have a detrimental impact on client asset protection.

## **Identification of holdings and insolvency recoverability**

43. On a shared ledger, segregation cannot be achieved by holding assets in physically separate locations; it depends on the firm's ability to identify and attribute client SICs at the wallet or address level, and to distinguish them from the firm's own holdings and those of other clients. Beyond segregation, this matters critically for insolvency: a firm's records must allow an insolvency practitioner to determine, for each holding, whether it is in tokenised or traditional form - and therefore whether recovery runs through a registrar or CSD, or through control of the relevant means of access.
44. Where client SICs are held in a pooled or omnibus wallet, this includes establishing each client's proportionate entitlement to the pool, so that on the firm's failure, the wallet can be allocated among clients correctly and without delay. We therefore recommend that the rules require a robust, documented method of tagging and identifying client SICs, and that the CASS Resolution Pack requirements (CASS 10) be extended so that, for SICs, the pack captures the information an insolvency practitioner would need to identify and access them on a firm's failure.

## **4. LEGAL STATUS AND THE TRUST MODEL**

45. The legal status of tokenised representations and tokenised records - in particular the ownership rights they confer, and how legal title is allocated between a token and its underlying asset - is not yet completely settled. We would encourage the FCA to work with the industry and legal profession to clarify its interpretation of the current common law position, as part of finalising the rules.
46. That uncertainty bears directly on the trust model. CASS 17 previously proposed segregating SICs by means of a non-statutory trust. In our view, whether a trust is the appropriate mechanism to introduce into CASS 6 - and, if so, for which models - is a question for the FCA to resolve. We would, however, highlight one consideration.
47. For a tokenised representation whose underlying asset is already held and protected under an existing arrangement (for example, registered at a CSD), imposing a trust over the token would add a second layer of client-asset protection over what is, economically, a single entitlement. That risks redundancy and operational complexity.
48. The outcome the FCA should aim for, in our view, is that the safeguarding requirements protect the client's entitlement once and effectively, without imposing redundant or conflicting layers where the client's title to the underlying is already secured; the precise mechanism is for the FCA to determine.

## 5. CONCLUSION

49. We support a regime for SIC custody built on CASS 6 and supplemented, only where necessary, by the elements of CASS 17 that address risks CASS 6 does not - principally the protection of the means of access, the resource and requirement reconciliation, and the protection of ownership where no external record exists.
50. We have sought throughout to keep our suggestions for the safeguarding regime within its Article 9N perimeter. Where risks fall outside that perimeter - the integrity of a token's representation, and its suitability for a client - primary responsibility sits with the issuer and the distributor; but we recommend that the CASS rules require the safeguarding firm to maintain proportional oversight of the chain of tokenisation, and that the FCA determine where the primary responsibility for those risks is best placed. Several of our recommendations depend on the FCA's conclusions on the use of trusts. We would welcome the opportunity to discuss any aspect of this response with the FCA.