

To:

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12 December 2025**Consultation Paper CP 25/28: Progressing Fund Tokenisation**

Coinbase Global, Inc. with its UK subsidiary CB Payments Ltd. (together, **Coinbase**) appreciates the opportunity to respond to Consultation Paper CP 25/28: Progressing Fund Tokenisation (the **Consultation Paper**) published by the Financial Conduct Authority (**FCA**).

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

Coinbase supports the FCA's exploration of the tokenisation of capital markets. We believe the FCA has an opportunity to lay the regulatory groundwork for a more efficient and inclusive financial system. With the announcement of the US-UK Taskforce on Markets of the Future there is also a tremendous opportunity for the two most important financial centres to take a bold approach to tokenisation that will transform global capital markets to the benefit of investors and corporates looking for new pools of capital.

As a firm, we stand ready to assist the FCA as it revisits existing regulation in light of new ways to issue, trade and manage securities and look forward to engaging with the FCA in this important endeavour.

Yours sincerely,



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Introduction

The UK has a near-term opportunity to lead on the future of tokenised capital markets. This includes enabling tokenised fund trading and management on open, interoperable blockchain infrastructure. However, the opportunity is, even in the near-term, not limited to fund tokenisation, but extends to underlying assets including equity securities. This submission responds to Chapter 5 setting out a model that will drive transformative changes to global capital markets, expand investor access, and deliver new pools of capital.

Many jurisdictions are actively considering tokenising capital markets and are at different stages in their tokenisation journeys. The UK can be a leader in this space if it moves decisively, now, while global rules are not yet set. We note that the UK has already made important steps, including with the introduction of the Digital Securities Sandbox (DSS), but the path to global leadership in tokenisation will require an ambitious approach – one that allows tokenised instruments to trade in a decentralised environment. This is what US regulators are actively working on with publicly-stated plans to implement targeted guidance and relief to allow tokenised equities to be traded, transferred, lent out and borrowed against frictionlessly in the onchain decentralised financial (DeFi) system.

Together with US regulators, we have thought deeply about (i) the characteristics of onchain protocols that allow for decentralised trading and (ii) the ways in which centralised players may exercise limited discretion in verifying users of such onchain protocols, in order to allow the technology to natively address the policy concerns giving rise to regulation of today's registered trading venues and intermediaries. While a discussion of these characteristics and limited-discretion verification hooks goes beyond the scope of this Consultation response, we believe it is important for us and other industry participants to engage in this discussion with the FCA.

The Benefits of Tokenisation

Tokenised securities markets – not just funds but also equity and debt instruments – present numerous improvements over the current market structure.

- **Greater investor control:** Self-custody wallets give investors the option to directly hold and manage their portfolio of securities, removing dependency on third parties and lowering counterparty risks.
- **Lower investor costs:** Fewer intermediaries in the securities issuance and trading processes means fewer opportunities for fee extraction, which benefits all investors.
- **User choice and competition:** Permitting securities to operate on DeFi infrastructure will drive innovation and foster competition across the entire

securities markets, which will benefit even those investors who choose not to use it.

- **24/7 market access:** Round-the-clock trading allows ongoing price discovery, including continuous NAV calculation, and thus facilitates global liquidity pools.
- **Global investor participation:** Peer-to-peer and decentralised trading protocols give UK issuers global investor access that increases liquidity, improves price discovery, and thus makes markets more efficient.
- **Access to financial market primitives:** Standardised token formats allow fund units (or other assets) to be pledged as collateral and to interact with custody, lending, and portfolio tools, improving capital efficiency, portfolio construction and cash management.
- **Real-time settlement and programmable flows:** Settling trades instantly and automating asset movements reduce idle capital and free up balance sheets, improving overall capital efficiency.
- **Automated compliance and clearing:** Smart contracts streamline regulatory checks and clearing processes, lowering operational risks and cutting costs for market players.
- **Streamlined administration:** Tokenisation allows fund (and other securities) issuers to embed corporate actions onchain, including governance and distributions such as voting and dividends.
- **Improved resilience and security:** Decentralised infrastructure removes single points of failure and supports continuous operation across jurisdictions, strengthening market stability.
- **Lower issuance cost for SMEs:** Lowering costs and simplifying the process of raising capital particularly benefits SMEs and early-stage companies that traditionally face high barriers.

The UK should take bold steps to achieve the benefits afforded by tokenisation.

Opportunity for the UK

Once tokenisation becomes reality, an investor anywhere in the world needs only a digital asset wallet on a smartphone and an internet connection to instantly buy global funds, equities or other assets. No local broker required. No market hours to navigate. Trades settle near-instantly. A fund investor could buy or sell units at a known price, rather than committing to trade at a then-unknown Net Asset Value calculated once a day. Without elevated fees typical in cross-border transactions today that make small investments infeasible, permissionless blockchain networks make it possible to invest in fractions at a time.

This is made possible because financial assets including stablecoins, funds, and equities are recorded onchain and controlled through an investor's digital asset wallet rather than

on the books of an intermediary, allowing investors to move or use them across onchain apps and markets. Even small investments can be put to work to generate revenue or finance real-world activities, increasing financial participation, literacy and independence among those outside the traditional financial system, known as the “unbrokered”.

The benefits are broader than just funds, which are just a vehicle to invest in debt and equity markets, where the benefits of tokenisation can be most profound. UK capital market activity, particularly equity issuance/IPOs, has fallen 90% in the last decade (source: AFME) as a result of competition from deeper markets, weak valuations and lower liquidity in London, and a shift of growth-stage companies towards private capital instead of public markets. This has led to fewer UK companies going public, lower investor participation, and a shrinking UK domestic equities ecosystem. Tokenisation can re-energise UK capital markets by providing the benefits laid out above. A bold and ambitious framework for tokenised assets would position the UK as a hub for tokenisation and digital asset issuance, and attract global issuers and investors.

Cross border collaboration can accelerate the tokenisation process and increase the benefits to UK market participants. UK corporates and investors arguably stand to benefit more than any other groups from a US - UK collaboration on tokenisation. While it is currently possible for UK corporates to attract investment from US investors and for UK investors to invest in US companies, cross-border investing in the current system is filled with friction. To provide customers access to foreign investments, UK and US brokers must collaborate, which introduces additional processes, fees and delays for cross-border investments. Many brokers choose to avoid the operational costs of integrating with a foreign broker and therefore do not offer cross-border investments to customers. Given the comparatively larger size of the US market, the UK is likely to see increased capital inflows as a result of reduced friction in US - UK cross-border investing, driven by tokenisation.

Embracing tokenisation is not just about keeping pace with the US – it will reinforce the UK’s role as a global financial leader and ensure UK corporates and investors reap the benefits. The UK has a long-standing reputation for regulatory innovation, legal certainty and deep capital markets. By showing leadership on digital assets, it can strengthen its competitive advantage and attract international investment, talent, and firms looking for a trusted jurisdiction. If the UK seizes this moment, it can shape global standards, set the pace for financial innovation, and ensure London remains at the forefront of next generation financial services.

The recently announced US-UK Taskforce on Markets of the Future provides the opportunity to deliver once-in-a-generation reforms. Alignment between the US and UK, two leading global financial centres, will incentivise other jurisdictions to adapt to the

ambitious innovation of the US and UK and position the UK firmly at the center of the financial markets of the future.

Principles that should guide the FCA's end-state

As the UK moves forward with tokenisation, we recommend the following principles to guide the FCA's work:

- **Personal sovereignty** – Support a principles-based framework that accommodates self-custody, permissionless protocols, and composability, with objective outcome tests rather than technology mandates or (inadvertent) private-chain preferences.
- **Technology neutrality** – Recognise that a token representing the same ownership interest as the underlying security should not be treated as a separate security merely because it is onchain.
- **Atomic settlement** – Treat stablecoins as permitted settlement assets for tokenised instruments—without holding caps—to realise the FCA's portfolio tokenisation vision and enable atomic delivery-versus-payment across funds and equities.
- **Decentralised Finance** – Clarify that decentralised (fully automated) trading protocols and limited-discretion verification hooks by traditional intermediaries into those protocols do not make it Multilateral Trading Facility (MTF)/exchange activity.
- **Fit-for-purpose rules** – refrain from applying prescriptive rules designed for regulated intermediary workflows (for example, best execution) where policy rationales do not apply to deterministic onchain execution.

Financial Markets of the Future

Sequencing tokenisation of funds, assets and cash flows is not necessary (Q24)

The FCA asks whether respondents agree with the three phases of tokenisation, first funds, then (the underlying) assets, and lastly cash flows, as laid out in the Consultation. We agree there are broadly three phases to tokenisation, but these phases need not be pursued in a rigid order as appears to be suggested in the Consultation. Direct asset tokenisation can and should progress in parallel with fund-focused work so the UK realises benefits for consumers and market integrity sooner.

Equity securities are a natural choice for tokenisation, and there is no reason why funds should be tokenised ahead of the equity securities of individual companies. Critically, , there is a product market fit for onchain tokenised equities. Retail investors want to own stakes in the companies that shape their lives and capture their imagination. Retail investors expect the trading experience delivered by blockchain technology (described in the following section). US SEC Chairman Paul Atkins has indicated on multiple occasions, including his December 4, 2025 Remarks at the Investor Advisory Committee Meeting, that there are no insurmountable regulatory or technical hurdles to individual equities trading onchain now and has directed SEC staff to recommend ways the SEC can use its exemptive authorities to make this a reality.

To truly bring assets onchain means representing existing financial instruments directly on public, permissionless infrastructure with materially the same rights and obligations (as opposed to creating derivative instruments), enabling optional self-custody, 24/7 access, and atomic settlement on immutable ledgers. This approach supports interoperable, composable markets and thereby facilitates innovation and competition that ultimately drive better consumer outcomes. It clearly aligns with the FCA's technology-positive stance outlined in this consultation.

Investors expect an all-in-one place, instant access user experience for securities trading (Q23)

The FCA asks how changing investor habits and expectations are influencing the design of tokenised products. Investors increasingly expect to engage with financial markets the way they already engage with crypto: a single interface, accessible via phone or desktop, with continuous access, instant settlement, and the ability to move assets seamlessly between digital asset wallets or platforms and put them to work across services. 24/7 market access allows retail investors with a "business hours" job to trade when they choose to, rather than on their employer's time. This stands in contrast to the siloed

products with batch processing and intermediated workflows existing in today's financial system.

To meet these expectations, tokenised products should be designed around the following principles:

- Offer a digital asset wallet-native "global portfolio" experience in one interface so investors can hold and manage assets directly in real-time, while preserving optional, intermediary-supported access for those who prefer it.
- Preserve user choice on self-custody, enabling investors to directly hold tokenised instruments and transact peer-to-peer, alongside custodial options for those who want them.
- Embrace composability and portability so tokenised assets are not trapped in a single account or venue: investors should be able to post assets as collateral, borrow against them, and integrate them into onchain workflows.
- Enable fractional participation and global reach by default, lowering minimums and latency frictions that keep smaller investors on the sidelines, while preserving the same economic rights as the underlying instrument.
- Abstract protocol complexity: hide gas, enable fee-payment in fiat or stablecoins, and keep product disclosures outcome-focused rather than technology-heavy. This way the UX matches modern app expectations without sacrificing onchain guarantees.
- Enable embedded compliance where desired through e.g. reusable onchain attestations for identity, eligibility, or jurisdiction, making controls portable across services without fragmenting infrastructure or foreclosing permissionless innovation.

Of course, consumers expect this experience while continuing to enjoy consumer protections they have grown accustomed to. We strongly support the FCA pursuing an outcome-oriented approach to the existing Consumer Duty regime and COBS rules to firms offering tokenised assets to consumers, where the applicability of existing rules be reconsidered where decentralised systems make compliance unnecessary from a policy perspective or not possible (e.g. by way of analogy, removing emissions testing for electric vehicles).

Composability and interoperability (Q25)

The FCA seeks input on what processes firms want to begin to make composable. We commend the FCA's desire to support composable financial infrastructure. In addition, it is equally important for the FCA to promote financial infrastructure being interoperable. Both composability and interoperability are forms of standardisation that allow systems to

integrate with and rely on each other. Composability can be thought of as vertical standardisation, and interoperability as horizontal standardisation.

Composability is one of the key benefits of open, permissionless blockchain networks and protocols. Whereas today's financial infrastructure typically requires industry participants to rebuild their software stack from scratch, the open protocols underpinning the DeFi infrastructure can be copied, forked and built upon, a concept colloquially referred to as "money legos." Thus, market participants in DeFi do not have to reinvent the wheel but can instead build and improve upon prior innovations.

A concept closely related to but distinct from composability is interoperability. Because DeFi markets exist on widely used base layers such as the Ethereum blockchain with universal token standards, anything represented onchain using such standards travels and functions seamlessly and near-instantaneously across the decentralised financial system. This is true for funds in the form of stablecoins, tokenised assets of any kind, including funds and equity securities, but also user credentials.

A basic but powerful advantage of a financial system that is built around composability and interoperability is compliance. Verification for identity, eligibility, and jurisdiction can be performed once and then reused via cryptographic attestations, thus embedding compliance where desired while keeping open, permissionless infrastructure intact. Such attestations tied to user wallets enable transfer controls to be enforced programmatically. Manual intervention remains possible where needed or desired, but is no longer required. This relieves users from the burden of having to repeatedly share sensitive data and service providers from the administrative effort of collecting such data and enforcing related restrictions, which also reduces the attack surface and thus cyber risk for such sensitive data online.

Another advantage of such an open and compatible financial system is increased capital efficiency. When tokenised assets are usable across the financial system rather than trapped in an account, assets can be pledged and mobilised across counterparties and protocols, subject to eligibility rules, improving balance-sheet usage and access to financing without adding intermediated frictions.

Reporting and audit are similarly simplified by common schemas for onchain disclosures and attestations and public availability of relevant data, giving supervisors direct sight of relevant state changes and improving oversight relative to siloed databases.

To allow tokenised securities markets to achieve their full potential, the FCA should signal that it will protect both composability and interoperability through objective, outcome-based criteria and encourage market-led standards for assets, attestations, and

messaging so tokenised instruments and attestations remain portable across services and use cases.

Composability and liquidity — how Automated Market Makers reshape profiles for less-liquid assets (Q26)

The FCA inquires how ‘composability’ impacts the liquidity profile of less liquid or illiquid assets. In traditional order-book markets, liquidity depends on a coincidence of wants: a buyer and seller must meet at the same price at the same time, which often fails for smaller-cap equities or other less-liquid instruments. In contrast, in an Automated Market Maker (AMM)¹ prices are set algorithmically based on the ratio of tokens in a liquidity pool, ensuring immediate liquidity without needing a matching buyer or seller on the other side. This materially changes the liquidity profile: investors can enter or exit positions at any time and at a transparent price (with price ‘slippage’ a function of depth and trade size). Market makers provide liquidity by simply supplying inventory programmatically, with trades executed algorithmically along constant price curve rather than actively adjusting resting quotes across fragmented venues.

Interoperability amplifies these effects. Because money, assets, and messages live on shared rails and move and settle in lockstep, assets trading via AMMs can be used as collateral without being withdrawn, allowing liquidity to remain deep when it is most needed. For example, tokenised equities posted as collateral can support credit lines that backstop liquidity provisioning, programmatic fee-sharing can attract inventory dynamically, and atomic cash–asset swaps remove settlement frictions that otherwise constrain risk capital. These building blocks compound into a more elastic supply of liquidity over time, especially for assets that are episodically rather than continuously traded.

Design matters. Slippage, price dislocation during thin periods, and liquidity provider incentives, like with central limit order books used by traditional exchanges, are legitimate concerns, but they can be mitigated by curve design (including concentrated-liquidity style ranges), dynamic fees that widen in stress and tighten in calm, and hybrid mechanisms (e.g., auction-based sequencing around the open/close or for larger blocks). Reference pricing and deviation guards anchored to robust benchmarks can further protect price integrity for tokenised equities. These mechanisms provide meaningful pre-trade transparency, and atomic settlement then reduces the operational and counterparty risks associated with manual interventions.

¹ An AMM is an autonomous software protocol, meaning it is a piece of code. The code allows two assets to be priced against each other based on the amount of each asset available for the other at any given price. Buyers, sellers and liquidity providers interact with the code rather than each other or any intermediary.

No model can ensure liquidity, and some assets will remain expensive to trade in size. But moving from “no fill” to “always fill with explicit slippage” is a step-change for market access, especially when coupled with atomic DvP. Over time, programmable incentives, portability of collateral, and interoperable verification attestations facilitating access support deeper pools and better price formation, allowing long-tail instruments to trade more reliably than on thin order books.

Evolving roles in a tokenised end-state (Q27, Q28)

The FCA asks how tokenisation can enhance consumer outcomes, what major changes industry participants predict for the role of asset managers or other market participants in a tokenised end-state, and what the opportunities and risks are. A core promise of blockchain technology is reduced intermediation through automation. For portfolio management, processes such as order capture, allocation, and reconciliation become programmable routines on shared rails requiring less and less manual intervention. Transparency increases because state changes and entitlements are recorded onchain, which strengthens auditability and enhances supervisory visibility.

These capabilities also enable hyper-personalisation. Instead of corralling investors into omnibus vehicles, smart contracts can enforce per-wallet strategies and constraints at scale, bringing separately managed account-style tailoring to retail while maintaining policy controls and guardrails in code. Because the same rails move money, assets, and messages, portfolio rebalancing, cash management, and tax-lot operations can be orchestrated atomically, reducing latency and errors that arise from multi-system hand-offs. Ownership can be continually tracked on the blockchain rather than updated manually and periodically by a registrar in its internal spreadsheet, improving timeliness and accuracy while reducing administrative overhead.

As these workflows shift onchain, the role of the asset manager will evolve from an administrator of manual back-office steps to a protocol participant and strategy curator. Today, a large fund manager can have more than 1,000 employees focused just on transfer agent function. Blockchains obviate that administrative need. The business model of a manager will increasingly focus on strategy logic, risk parameters, and eligibility rules, overseeing execution quality and conflicts, and their differentiation on research, product design, distribution, and client outcomes.

The role of the registrar similarly transitions from that of an administrator and recordkeeper to that of a supervisor and coordinator overseeing largely automated processes, but with the ability to synchronise records with legacy systems where needed and correct potential errors by minting/burning tokens (with an onchain audit trail). Such a digital registrar would retain responsibility and accountability while leveraging automation for accuracy and speed.

Market integrity and financial stability in a tokenised model (Q29)

The FCA asks how market integrity and financial stability risks may evolve in the future tokenised system. Making core workflows atomic, transparent, and less dependent on single intermediaries can improve market integrity and system-wide resilience.

Atomic delivery-versus-payment means the cash and asset legs settle simultaneously or not at all, eliminating counterparty settlement risk and reducing fails and cascades from unsettled trades. Decentralised infrastructure removes single points of failure associated with centralised processors, reducing the chance that an outage at one node disrupts market-wide operations. Public, immutable ledgers give supervisors near real-time insight into positions, ownership, and flows, strengthening surveillance relative to siloed, private databases.

In traditional markets, stress events typically involve margin negotiations between brokers and clients, reliance on credit lines, and delayed information flow. This leads to leverage extending and counterparty exposure concentrating. In contrast, DeFi's programmatic liquidations and atomic settlement rapidly and predictably unwind debt without dependence on intermediary balance sheets. This ensures that leverage is flushed out immediately rather than masked. Self-custody preserves user control and reduces concentrated custody contagion. Real-time onchain transparency gives full visibility and allows regulators and market participants to learn from and react to crises without delay.

Where onchain settlement uses stablecoins, programmable cash legs reduce intraday credit exposures and support immediate finality without additional intermediaries or deferred netting cycles. This highlights the necessity and importance of a stablecoin regime that is not hampered by undue frictions such as position limits or caps.

There are risks that must be managed. The efficacy of DeFi protocols depends on robust and resilient code. Smart contract defects, upgrade errors, and key-management failures can be mitigated through audits, staged rollouts, multi-sig and time-delayed administrative controls, and clear onchain error-correction processes surfaced through a digital registrar-style actor. Execution risks from operating on open networks, including frontrunning and maximal extractable value (MEV), can be addressed with MEV-aware mechanisms such as batch auctions, commit-reveal, and sequencing policies that maintain permissionless access while improving execution quality. Whether and how the above or other controls should be implemented depends on the details of a specific proposal for tokenised securities market infrastructure. Our detailed analysis of such controls exceeds the scope of this Consultation response.

Taken together, atomic settlement, transparent state, and fewer single points of failure reduce settlement risk and operational fragility, while targeted controls for code, keys, and execution preserve market integrity under a tokenised model.

What to recreate, what to simplify, and where the Handbook should evolve (Q30, Q31)

The FCA seeks input on what areas of the current funds framework will need to be recreated, what areas could be simplified across different parts of the Handbook, and what areas of the Handbook, or wider rules and legislation, need to be reconsidered to support tokenisation. A future-proof framework for tokenised capital markets should not entail rebuilding analogue processes on new rails; it requires translating core protections into onchain processes and simplifying existing rules that assume intermediated workflows. The FCA can preserve consumer protection and market integrity while enabling tokenised funds and equities by permitting essential functions to be performed in code on open, permissionless infrastructure with outcome-based regulatory expectations.

First, recreate the recordkeeping and error-correction backbone as a digital registrar function. Onchain cap-table management should mint, burn, and correct errors with an auditable trail, preserving the ability for human intervention where necessary while improving accuracy and timeliness of records. This mirrors today's registrar role but delivers stronger auditability and fewer reconciliation breaks.

Second, recognise stablecoins as settlement assets for tokenised instruments. Programmable cash-legs allow atomic DvP, reduce intraday credit exposures, and make end-to-end automation practical at scale. The FCA's roadmap already contemplates digital cash and money-like instruments and an interim environment (e.g., sandbox/waivers) pending finalisation of the stablecoin regime. Clear recognition prevents settlement from becoming a sequencing bottleneck as tokenised funds and equities grow.

Third, tailor prescriptive rules built for centralised intermediary workflows. Deterministic, onchain execution and atomic settlement change the policy calculus for requirements that assume venue routing, deferred netting, and fragmented data. The FCA should adopt outcome-based expectations (price transparency, fair access, and conflict management) and adjust or disapply prescriptive rules where their rationales are no longer engaged. For example, where "best execution" routing constructs do not map to AMM-based price formation, or where duplicative reporting creates noise rather than insight.

Fourth, address market-integrity risks with design-level controls rather than technology mandates. Any operational risks uniquely presented by permissionless blockchains will be sufficiently addressed by existing rules on operational resilience under SYSC 15A. Firms

should implement incident and continuity plans for exceptional network events, aligning with the FCA's emphasis on resilience for public-chain operations, but firms should only be expected to work with third parties to the extent possible and proportionate where there is no contractual relationship due to the decentralised nature of the infrastructure..

Fifth, clarify perimeter questions for decentralised infrastructure. Where technology and providers provide services to enable financial activity and are unable to exercise more than non-substantive discretion that does not give rise to the policy concerns financial regulations were drafted to address, technology and technology service providers should not become subject to regulations based on legal technicalities. Regulation exists to address policy goals. Where policy goals are achieved absent regulation, regulation need not apply. For example, autonomous protocols and limited-discretion verification tools should not be treated as MTF or "exchange" activity when they exhibit characteristics that natively mitigate the types of risk financial intermediary regulation is designed to address.

This ensures networks and participants are not misclassified as a financial intermediary while keeping accountability with the regulated firms that provide on/off-ramps.

Finally, promote interoperability and portability across the ecosystem. Market-led standards for assets, attestations, and messaging will keep tokenised instruments usable across services, reduce vendor lock-in, and enhance supervisory visibility through consistent onchain data structures.