Financial Services and Markets Bill [HL]

AMENDMENTS

TO BE MOVED

IN GRAND COMMITTEE

[Supplementary to the Fourth Marshalled List]

Amendment No.

After Clause 46

LORD HOLMES OF RICHMOND

164J★ After Clause 46, insert the following new Clause—

"Issuer Digitalisation Council

(1) The Secretary of State must, within 12 months of the day on which this Act is passed, by regulations made by statutory instrument establish an Issuer Digitalisation Council ("the Council") for the purpose of—

(a) defining and publishing standards and guidance to enable traditional and digital issuers to operate in a digitised UK capital market;

(b) publishing a cost-benefit framework for the adoption of tokenised issuance and associated digital infrastructure by issuers;

(c) providing advice to the Treasury, the FCA and the PRA on matters relating to digital market infrastructure.

(2) The Council must include within its scope—

(a) onboarding processes for issuers entering a tokenised market;

(b) token design standards and issuer obligations in respect of lifecycle events (including issuance, transfer, redemption, corporate actions, and maturity);

(c) disclosure obligations applicable to tokenised securities and digital settlement assets;

(d) analysis of the relative costs and benefits of adoption of tokens compared to traditional issuance models.

(3) Regulations under subsection (1) must provide for—

(a) the composition of the Council, which must include representatives of issuers, regulated intermediaries, the FCA, the PRA, the Bank of England and the Treasury;

(b) a requirement to publish its work programme and outputs;

(c) annual reporting to Parliament by the Secretary of State.

(4) The Council is not a public body for the purposes of the Public Bodies Act 2011 unless the Secretary of State so provides by order.

(5) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament."

Member's explanatory statement
The Council is modelled on existing FCA panel structures (see Schedule 1ZA to FSMA 2000, as amended by Schedule 2 to this Bill). A regulatory cost-benefit framework for adoption is intended to avoid the market failure of issuers refusing digitalisation due to perceived regulatory uncertainty. The 12-month deadline mirrors the approach taken in section 3 of the Financial Services Act 2012 for the creation of the Financial Policy Committee.

LORD HOLMES OF RICHMOND

164K★ After Clause 46, insert the following new Clause—

"Common token and data standards

(1) The FCA may, having consulted the Bank of England, the PRA and the Council established under section (*Issuer Digitalisation Council*), make rules requiring regulated institutions to—
   (a) adopt and implement a unified token standard aligned with ISO 20022 and such other international best practice as the FCA may specify;
   (b) use a common data taxonomy for the representation and communication of tokenised assets, rights and obligations;
   (c) implement messaging standards compatible with such standards as will promote interoperability between regulated institutions and public sector payment and settlement systems.

(2) The FCA must publish and maintain a digital assets taxonomy, which must—
   (a) define the categories of tokenised instrument, digital settlement asset and cryptoasset to which rules under subsection (1) apply;
   (b) be reviewed at least every two years;
   (c) be developed in consultation with the Council, the Bank of England, the Treasury and international standard-setting bodies.

(3) Rules under subsection (1) may—
   (a) make provision applying to different categories of regulated institution, including authorised persons, recognised bodies, and participants in regulated payment systems;
   (b) provide for a transition period not exceeding three years from the date on which rules are made;
   (c) specify minimum technical requirements by reference to standards maintained by third parties, as those standards have effect from time to time.

(4) For the purposes of this section, "regulated institution" means—

(a) an authorised person, as defined in section 31 of the Financial Services and Markets Act 2000 (authorised persons);

(b) a recognised body within the meaning of Part 18 of the Financial Services and Markets Act 2000 (recognised investment exchanges, clearing houses, CSDs and other parties);

(c) a participant in a regulated payment system within the meaning of Part 8C of the Financial Services and Markets Act 2000 (inserted by Schedule 2 of this Act)."

Member's explanatory statement
This amendment uses the existing FCA rule-making powers under section 138I of FSMA 2000 but applies them specifically to digital asset standards. The reference to ISO 20022 avoids specifying a proprietary standard. Linking to the Part 8C payment systems framework ensures payment rail neutrality. The mandatory taxonomy prevents regulatory arbitrage through definitional ambiguity — a known failure mode in crypto regulation globally.

LORD HOLMES OF RICHMOND

164L★ After Clause 46, insert the following new Clause—

"FCA rules: model contracts

(1) The FCA must, within 18 months of the day on which this Act is passed, make rules setting out model clauses for use in financial transactions involving tokenised securities, including provisions addressing—

(a) transfer of title and settlement finality;

(b) corporate action entitlements;

(c) insolvency treatment of tokenised assets.

(2) The rules may make different provision for different types of tokenised instrument or distributed ledger system."

Member's explanatory statement
This amendment proposes the use of model clauses for tokenised securities transactions, following the approach taken in other jurisdictions including Singapore.

LORD HOLMES OF RICHMOND

164M★ After Clause 46, insert the following new Clause—

"Payment rail neutral framework for digital assets

(1) The Secretary of State may by regulations made by statutory instrument establish a framework for the use of digital settlement assets as payment and settlement instruments in wholesale and retail markets, covering—

(a) tokenised bank deposits issued by authorised deposit takers;

(b) regulated digital settlement tokens, being digital settlement assets backed on a one-to-one basis by fiat currency held in a segregated account;

(c) synthetic models involving tokenised representations of commercial bank money;

(d) fully-backed stablecoins issued by an authorised person as defined in section 31 of the Financial Services and Markets Act 2000 (authorised persons).

(2) Regulations under subsection (1) must be made in accordance with the following principles—

(a) payment rail neutrality, meaning that no single payment instrument or technology must be privileged over others without objective justification based on risk;

(b) safety, meaning that each instrument type must be subject to requirements ensuring the safety of user funds, including capital, liquidity or collateral requirements calibrated to the risk profile of the instrument;

(c) redeemability, meaning that holders of instruments within subsection (1)(b) and (d) must be able to redeem at par on demand or within a specified period;

(d) transparency, meaning that issuers must publish regular disclosures covering reserve composition, redemption terms, and operational risks.

(3) The FCA may make rules giving effect to a framework established by regulations under subsection (1), including rules specifying—

(a) the authorisation requirements applicable to each instrument type;

(b) prudential and conduct requirements;

(c) the requirements for recognition of a digital settlement asset as a "digital settlement asset" for the purposes of Part 8C of the Financial Services and Markets Act 2000 (inserted by Schedule 2 of this Act).

(4) In exercising functions under this section, the FCA and the Treasury must have regard to the objective of not creating regulatory asymmetries between instrument types that produce materially equivalent economic outcomes for users.

(5) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament."

Member's explanatory statement

This amendment operationalises payment rail neutrality. The four instrument types are intended to reflect current market reality. The redeemability and transparency requirements borrow from the Electronic Money Regulations 2011 (which the Bill partially repeals) but update them for a digital ledger technology environment. Subsection (4) creates an explicit anti-asymmetry duty, seeking to guard against lobbying that might push regulators to favour one rail.

LORD HOLMES OF RICHMOND

164N★ After Clause 46, insert the following new Clause—

"Custodial infrastructure: bridging traditional and token-native systems

(1) The Secretary of State may by regulations made by statutory instrument designate the following as regulated activities for the purposes of the Financial Services and Markets Act 2000 (in addition to any activities already so treated)—

(a) safeguarding and administering tokenised securities using a distributed ledger system;

(b) operating infrastructure bridging a traditional central securities depository and a distributed ledger system ("bridge infrastructure");

(c) providing omnibus or segregated tokenised custody arrangements for retail or wholesale clients.

(2) The FCA must make rules, within 24 months of any designation under subsection (1) taking effect, specifying—

(a) the conditions for authorisation as a tokenised custodian in each category;

(b) client asset protection requirements, including requirements for segregation of tokenised assets equivalent in outcome to the requirements applicable to traditional custody;

(c) operational resilience requirements for bridge infrastructure;

(d) disclosure obligations to clients regarding the technical and legal nature of their custodial arrangement.

(3) Rules under subsection (2) must ensure that—

(a) a custodian operating both traditional and tokenised custody is subject to requirements that are equivalent in outcome to those applicable to traditional custody under the Client Assets Sourcebook (CASS);

(b) no competitive advantage is conferred on tokenised custodians relative to traditional custodians through differential treatment of materially equivalent risks.

(4) A statutory instrument containing regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by a resolution of, each House of Parliament."

Member's explanatory statement

This amendment uses the existing regulated activities order mechanism (section 22 of FSMA 2000). The bridge infrastructure category means existing central securities depositories (CREST, Euroclear) will not be replaced overnight; they will be bridged.

LORD HOLMES OF RICHMOND

164P★ After Clause 46, insert the following new Clause—

"Tokenised markets issuer pathway

(1) The FCA must, within two years of the day on which this Act is passed, publish a tokenised markets issuer pathway, setting out—

(a) the regulatory requirements applicable to issuers wishing to issue securities in tokenised form, across all stages of the issuance life cycle;

(b) governance requirements for the operation and maintenance of tokenised securities programmes;

(c) life cycle management standards, covering issuance, secondary market trading, corporate actions, redemption and maturity;

(d) composability requirements: standards enabling tokenised securities to interact with decentralised finance protocols, digital payment rails, and cross-border settlement systems;

(e) interoperability requirements consistent with the standards mandated under section (*Common token and data standards*);

(f) disclosure standards for tokenised securities, including prospectus disclosure adaptations.

(2) The pathway must be developed in consultation with—

(a) the Council established under section (*Issuer Digitalisation Council*);

(b) the Bank of England;

(c) the Prudential Regulation Authority;

(d) industry representatives nominated by the Treasury.

(3) The pathway is not a binding instrument but the FCA must have regard to it when exercising its functions under the Financial Service and Markets Act 2000 in relation to tokenised securities."

Member's explanatory statement
This amendment proposes a "pathway" model, which is deliberately non-prescriptive. The FCA's duty to "have regard" intends to provide market participants with regulatory certainty. The composability requirement in subsection (1)(d) seeks to prevent the creation of isolated tokenised issuance silos that cannot interact with the broader digital financial system.

LORD HOLMES OF RICHMOND

164Q★ After Clause 46, insert the following new Clause—

"Long-term payment rail innovation and neutrality

(1) In exercising its functions under Part 8C of the Financial Services and Markets Act 2000 (payment systems) and under any regulations made under section (*Payment rail neutral framework for digital assets*), the FCA must have regard to the principles that—

(a) no payment instrument, payment rail, or settlement mechanism should receive regulatory treatment that is materially more favourable than that received by other instruments, rails or mechanisms presenting materially equivalent risks, unless such differential treatment is objectively justified on grounds of systemic risk, consumer protection, or financial stability;

(b) stablecoins, tokenised deposits, and alternative settlement assets should be capable of competing on a level regulatory playing field, as those markets evolve.

(2) The FCA must publish, at intervals of not more than three years, a review of whether the existing regulatory framework for payment rails—

(a) remains consistent with the principles in subsection (1);

(b) provides a sufficiently flexible framework to accommodate innovations not foreseeable at the time of this Act;

(c) creates any regulatory asymmetries that require correction.

(3) Following a review under subsection (2), the Treasury may make amendments to regulations made under section (*Payment rail neutral framework for digital assets*) or to the payment systems framework in Part 8C of the Financial Services and Markets Act 2000 (payment systems) as appear to the Secretary of State to be necessary to maintain payment rail neutrality."

Member's explanatory statement

The amendment ensures that the regulatory framework does not ossify around the payment technologies that are current at the time of enactment. The three-year review cycle mirrors the approach taken for the FCA's Regulatory Initiatives Grid.

Financial Services and Markets Bill [HL]

AMENDMENTS

TO BE MOVED

IN GRAND COMMITTEE

[Supplementary to the Fourth Marshalled List]

30 June 2026