

Welcome to Tokenisation and the new digital financial world:

Tokenisation is transforming how financial systems handle value, ownership, and trust. As legal and technological frameworks mature, it will underpin the next generation of digital finance — connecting traditional banking with Distributed Ledger Technology innovation.

In the last months we have Digital UK Gilts used to stabilise FX trading between major parties and Stablecoins Regulatory requirements from the US and Hong Kong/China come into force. Tokens enable greater efficiencies, less cost, speed and trust uncoupled but still connected to parts of Traditional finance infrastructure. This new financial world is termed DeFi (decentralized finance) and uses Distributed Ledger Technology.....
So, what is tokenisation?

Tokenisation

It is the process of converting something of value — whether that's a real-world asset, data, or right — into a secure digital token that can be stored, transferred, or traded. It allows physical or traditional assets to exist in digital form, often using blockchain technology.

Types of Tokenisation

1. Data Tokenisation — Replaces sensitive data (e.g., credit card numbers) with random tokens for privacy and security. Common in payment systems.
2. Asset Tokenisation — Represents ownership or rights to real or digital assets (e.g., bonds, property, commodities). Enables trading, fractional ownership, and transparency.

How Tokenisation Works in Stages:

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| A. Identify | Select the asset or data to be tokenised. |
| B. Create Token | Generate digital token representing asset. |
| C. Attach Metadata | Define ownership, rules, and value details. |
| D. Store Securely | Keep tokens in a secure ledger (often blockchain). |
| E. Transfer/Exchange | Tokens can be traded or redeemed instantly. |

Banking & Finance Examples

- Payments & Security — Tokenised card numbers protect against fraud (e.g., Apple Pay, Google Pay).
- Asset Tokenisation — Digital representation of assets like bonds or real estate, enabling fractional ownership and faster settlement.
- Tokenised Deposits — Bank money represented digitally for instant settlement.
- Securities Infrastructure — Streamlined issuance and settlement via smart contracts.
- Collateral Management — Real-time liquidity and programmable transfers.
- Alternative Investments — Access to tokenised art, private credit, and green assets.

Key Benefits

- Efficiency — Faster, automated transactions.
- Transparency — Immutable audit trails.
- Liquidity — Easier trading of illiquid assets.
- Security — Stronger data and asset protection.
- Programmability — Smart contracts enable automated payments and compliance.

Challenges

- Evolving legal and regulatory frameworks.
- Need for interoperability between traditional and digital systems.
- Custody and key management of digital assets.
- Market adoption and liquidity development.

Key Opportunities

- Global Trade
 - Highly manual and tokenisation will speed up ‘paperwork’ and enabling \$33 trillion value to be more actively used, e.g. Bills of Lading. Contracts used across the world are 80% written in English Law.
- Digital Asset Management
 - Digital UK Gilts is just the start
- Corporate Cash Management
 - Real time corporate cash management increases the pace of transactions, and as instant payments grows, so do the economies that encourage faster transactions.

Tokens are far from a new idea. Metallic token or tallies were used extensively in the Industrial Revolution. Miners and Railway employer used them ensure appropriate payment to the correctly identified employee and often tracking their whereabouts in the pit complex. Now it is simply digital.