

UK Mansion House speech and the National Payments Vision - what this means for digital assets and tokenization

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The Chancellor of the Exchequer’s Mansion House speech on 14 November 2024 and the National Payments Vision—published on the same day—set out key policy initiatives regarding the future of the UK financial services sector. Notably, distributed ledger technology (DLT) and tokenization play an important role in the government’s agenda.

What has happened?

On 14 November 2024, the Chancellor of the Exchequer Rachel Reeves delivered her inaugural [Mansion House speech](#) – see our summary of the key takeaways [here](#). Among other things, one of the key initiatives announced is a pilot for the issuance of digital gilts using distributed ledger technology (DLT).

On the same day, the government also published its [National Payments Vision](#) (NPV), which recognized that the UK is at a technological inflection point, and highlighted the transformative potential of DLT in the payments space.

Digital Gilts: What will this look like?

During the Mansion House speech, the Chancellor of the Exchequer announced the launch of a pilot issuance of a Digital Gilt Instrument (otherwise referred to as “DIGIT”) using DLT. Further indications of what the pilot entails emerged on 18 November 2024 in a [Written Ministerial Statement](#) by Tulip Siddiq, the Economic Secretary to the Treasury.

Although the technical details of the DIGIT program have yet to be established, Tulip Siddiq noted that the DIGIT envisioned by the government will be a digital bond “with similar features to a conventional gilt”. Traditionally, gilts are sovereign debt instruments which have been issued by the Debt Management Office (DMO) on behalf of HM Treasury (HMT). According to the Written Ministerial Statement, due to the experimental nature of the DIGIT, the pilot is expected to operate independently and outside of the DMO’s gilt and Treasury Bill operations. The digital gilts will be issued via the [Digital Securities Sandbox](#), which opened for applications earlier this year (for further details, see our [previous article](#)).

The government notes that it intends to work with industry over the course of 2025 on the issuance of the DIGIT, and to consider the technology options available to facilitate an issuance.

DLT and the UK payments sector

The NPV outlines the government's ambitions for supporting the growth and competitiveness of the UK payments sector, such as by developing clear regulatory frameworks, building on Open Banking, focusing on fraud prevention, and establishing a statutory footing for digital verification services.

One significant observation in the NPV is the numerous developments in distributed ledger technologies, such as in asset tokenization, and the initiatives relating to central bank digital currencies, stablecoins and the Regulated Liability Network (i.e. an industry-led financial market infrastructure initiative, which allows central bank money and commercial bank money to operate via a shared ledger).

Importantly, the government acknowledges that the UK needs to be "ready" for future innovations, and that there is a need to modernize the UK's retail payments infrastructure, including by taking into account future possibilities posed by technology—"particularly distributed ledger technology".

The government further highlights the continuation of the design phase for a potential "digital pound", a retail central bank digital currency which would be a type of digital banknote issued directly by the Bank of England. Although no formal decision has been taken on whether or not to issue a digital pound, the government recognizes the need to explore the concept, in order to avoid falling behind international peers. Any decision to proceed with a digital pound would be accompanied by the introduction of primary legislation (which would guarantee privacy and control of money) and further public consultation, prior to any launch. The NPV also mentions the work being undertaken to explore wider innovations in the payments space, including initiatives to experiment with DLT in the context of wholesale payments, as indicated in the Bank of England's recent Discussion Paper on Innovation in Money and Payments (see our article on this [here](#)).

Why does this matter?

The latest developments – in particular, the confirmed launch of the DIGIT – is a strong signal of the UK government's recognition of the transformative potential of digital assets and DLT in the financial sector. Such initiatives both in the tokenization of securities, and in the development of on-chain payment instruments, will help to facilitate the growth and scaling of the digital assets adoption in the UK and, in turn, support the government's aim to secure the UK's position as a leading global financial center.

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Next Steps

We will continue to follow key developments such as the Financial Services Growth and Competitiveness Strategy (which is expected to be issued by the government in Spring 2025 following the [Call for Evidence](#)), a potential digital pound, and upcoming draft legislation for fiat-backed stablecoins.

For more information, feel free to get in touch with a member of the team and visit our [Hogan Lovells Digital Assets and Blockchain Hub](#).

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