UK as a Global Services Provider

Current Realities, Tokenised Finance, and Pathways to Sustained Leadership

A fact-checked assessment of the United Kingdom's services economy, its strengths and pressures, and the strategic opportunity of the tokenised financial system

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October 2026

Prepared as an independent, evidence-based report
Drawing on official statistics (Office for National Statistics), industry compilations (TheCityUK, AFME and others), and public policy documents

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This report is intended for policymakers, market participants, researchers and others concerned with the long-term competitive position of the United Kingdom as a global provider of services.

Preface

This report examines the United Kingdom's position as a global provider of services at a moment of structural transition. Services account for approximately four-fifths of UK economic output. Within that total, financial and related professional services occupy a distinctive place: they generate the largest net export surplus of any national financial centre, support high measured productivity, and furnish much of the legal, accounting and advisory infrastructure on which the wider economy depends. At the same time, the services economy faces well-documented pressures, slow productivity growth, comparatively low investment, the lasting effects of the United Kingdom's departure from the European Union, and intensifying competition from other international centres.

The purpose of the report is threefold. First, it establishes a carefully sourced baseline of the services economy as it stands in late 2026. Second, it identifies the principal weaknesses and constraints that currently limit performance, distinguishing cyclical from structural and policy-induced factors. Third, it assesses the emerging tokenised financial system not as a speculative technology bet, but as a practical opportunity to improve the efficiency, functionality and international attractiveness of the United Kingdom's wholesale markets and the professional services that surround them.

The analysis rests on a clear hierarchy of evidence. Official statistics from the Office for National Statistics are treated as primary. Industry compilations are used where they identify underlying data and are attributed accordingly. Contested estimates (particularly those relating to the effects of Brexit or the prospective scale of tokenisation) are presented as ranges or with explicit caveats rather than as settled facts. Where discrepancies exist between sources or vintages, they are recorded and, where possible, resolved.

The report does not argue that tokenisation will, by itself, reverse the relative erosion of the United Kingdom's share of certain global markets. It does argue that the legal, regulatory and market-infrastructure decisions taken over the next few years will influence whether the United Kingdom remains a leading venue for the next generation of wholesale financial activity, or whether that activity migrates elsewhere. The recommendations that follow are therefore framed as realistic, largely low-cost measures that can be pursued within existing institutional arrangements.

Readers seeking only the principal findings will find them summarised in the Executive Summary. Those wishing to examine the evidence in greater detail are directed to the substantive chapters and to the data tables and verification notes in the appendices.

November 2026

Executive Summary

UK as a Global Services Provider: Current Realities, Tokenised Finance, and Pathways to Sustained Leadership

Note on evidence: Headline figures in this chapter are drawn from primary official releases (primarily the Office for National Statistics) and established industry compilations (TheCityUK, UK Finance). They are presented as approximate magnitudes with source and vintage indicated. Where estimates differ or data are subject to revision, ranges or caveats are noted. Full verification, exact vintages, and detailed tables appear in the substantive chapters.

1. Purpose and Scope of This Report

This report examines the United Kingdom as a global provider of services at a moment of structural transition. It pursues three connected objectives. The first is to describe, with reference to official statistics and established research, the services economy as it exists today: its scale, composition, competitive strengths, and performance in international trade. The second is to identify, with supporting evidence and without selective emphasis, the weaknesses and pressures that currently constrain its performance. These include the long-running slowdown in productivity growth, the frictions associated with the United Kingdom's departure from the European Union, and intensifying competition from other financial and professional centres. The third is to assess how the emerging tokenised financial system may function as a strategic opportunity and to be understood not as a speculative technology bet but as a practical lever for improving the efficiency, functionality, and international attractiveness of the UK's wholesale markets and the professional services that surround them.

The report is deliberately balanced. It does not advance an optimistic narrative of unbroken success, nor a narrative of structural decline. Where credible estimates differ(as they do on the scale of post-Brexit effects on services trade, the interpretation of the productivity slowdown, and the realistic pace and impact of tokenisation) it presents the range of views and the sources of disagreement rather than selecting a single figure for convenience. Where data are subject to revision, as services trade statistics frequently are, this is flagged. Where primary official sources and industry estimates diverge, the former are given precedence and the latter are identified as such.

The scope is the services economy as a whole, with particular emphasis on financial and related professional services. These activities account for a disproportionate share of the United Kingdom's export earnings, tax receipts, high-productivity employment, and global reputation, and they are the sectors most directly affected by the transition to tokenised market infrastructure. The report is written for policymakers, regulators, senior practitioners, and informed readers who require a rigorous, source-disciplined assessment rather than an advocacy document.

The remainder of this Executive Summary synthesises the report's principal findings and recommendations. It mirrors the structure of the full report: the current services landscape; the position of financial and related professional services; broader services strengths and interlinkages; weaknesses and challenges; the tokenised financial system; recommended pathways; monitoring indicators; and an overall conclusion.

2. The Services Economy Today

The United Kingdom is, by conventional measures, a services economy. Services account for roughly four-fifths of gross domestic product (around 79 to 80 per cent according to successive Office for National Statistics (ONS) releases) and a comparable or slightly higher proportion of employment. This share is among the highest in the advanced economies and has risen gradually over several decades as manufacturing and primary activities have declined as a proportion of output. In recent periods, services have been the principal driver of aggregate growth. ONS data show, for example, that services output rose 0.9 per cent in the three months to August 2026 compared with the three months to May 2026, while production and construction contracted over the same period. Movements in the ONS Index of Services have largely determined the direction of monthly GDP, and the relative resilience of services has repeatedly cushioned the wider economy against external shocks.

The composition of the sector is diverse, and this diversity is itself a source of resilience. The largest components by output include real estate activities, human health and social work, wholesale and retail trade, professional, scientific and technical activities, information and communication, financial and insurance activities, and administrative and support services. Some of these (such as health and social work and much of retail) are primarily domestic in orientation. Others, notably financial services, professional and business services, information and communication technology, education, and the creative industries, are substantially tradable and internationally competitive. It is the second group that determines the United Kingdom’s standing as a global services provider, and it is the second group on which this report concentrates.

Table 1. Indicative composition and recent performance of UK services (selected indicators)

Indicator	Approximate magnitude / recent movement	Principal source and vintage
Services share of GDP	79-80%	ONS (consistent across recent Blue Book and monthly releases)
Services growth (3 months to Aug 2026)	+0.9%	ONS Index of Services / GDP monthly estimate, Oct 2026
Strongest contributing sub-sectors (3m to Aug 2026)	Professional, scientific & technical (+2.8%); Information & communication (+2.8%); Administrative & support (+3.0%)	ONS Index of Services, Aug 2026
Employment share of services	Majority of workforce jobs (typically 80%+)	ONS / House of Commons Library summaries

The geographical distribution of services activity is uneven. London and the South East account for a disproportionate share of output in the highest-value tradable categories, particularly finance, legal services, management consultancy, and advanced digital services. However, a large proportion of employment in financial and related professional services is located outside London in centres such as Edinburgh, Manchester, Leeds, Birmingham, Bristol, Belfast, and Cardiff. These regional hubs form an important component of the national picture. Regional disparities in productivity

nevertheless remain wide by international standards and constitute one of the structural weaknesses discussed below.

In international trade, services are the United Kingdom’s most successful export category. The country has run a persistent deficit in trade in goods for many years, offset in substantial part by a large surplus in trade in services. Exports of other business services (including legal, accounting, consultancy, research, and technical services) are the largest single category, followed by financial services, travel, transport, telecommunications, computer and information services, and charges for the use of intellectual property. The United States is the largest single destination for UK services exports, while the European Union remains collectively the largest regional market, although its share has declined gradually. Readers should note that the ONS and the OECD attribute services trade to partner countries using different conventions, which can produce materially different statements about geographical patterns; like-for-like comparisons are essential.

The productivity profile of the services sector is mixed and is one of the central tensions of the report. Financial services, certain professional services, and parts of information and communication generate output per worker well above the economy-wide average. Yet the economy as a whole has experienced a prolonged slowdown in productivity growth since the global financial crisis of 2008, a slowdown more pronounced in the United Kingdom than in several comparable economies. Because services constitute such a large share of the economy, the performance of the sector cannot be separated from the national productivity problem. A services economy that grows chiefly by adding employment, rather than by raising output per hour worked, will find it increasingly difficult to sustain rising living standards and to finance public services.

3. Financial and Related Professional Services: Global Position and Domestic Role

Financial and related professional services are the most internationally prominent element of the UK services economy. The evidence supports a clear assessment of their strength. According to figures compiled by TheCityUK, the United Kingdom is the world’s largest net exporter of financial services, with a surplus in the order of $127 billion in 2024, exceeding that of any other country and larger than the combined surpluses of Singapore, Switzerland, and Luxembourg. When related professional services are included, TheCityUK estimates a combined surplus of £119.1 billion ($152.5 billion) in 2024. The UK holds leading or near-leading positions in cross-border banking, foreign-exchange trading, specialty and international insurance and reinsurance, the issuance and trading of international debt securities, over-the-counter derivatives, commodities and shipping-related finance, asset management, and a wide range of professional advisory services. London is consistently ranked among the top global financial centres in major benchmarking exercises, and the UK is generally placed among the leading FinTech ecosystems by investment and company formation.

Table 2. Selected indicators of UK financial and related professional services strength

Indicator	Approximate magnitude	Principal source
FS trade surplus (2024)	~$127 billion	TheCityUK (Key facts as international financial centre)
Combined FS + related	£119.1 billion	TheCityUK

Indicator	Approximate magnitude	Principal source
professional surplus (2024)		
GVA contribution (2025)	~£290 billion (~11% of total)	TheCityUK
Employment (2024)	Almost 2.5 million (≈7.5% of total UK employment); two-thirds outside London	TheCityUK
Productivity relative to whole economy	≈2.6 times	TheCityUK
Cross-border banking share	Highest globally (≈14.6% of outstanding international bank lending)	TheCityUK / BIS data via TheCityUK
Specialty risk insurance market share (London)	≈43% of global specialty risk classes	TheCityUK

These advantages rest on durable foundations. The first is depth and liquidity: the concentration of banks, asset managers, insurers, exchanges, clearing houses, law firms, accountancy firms, and advisers in a limited geographic area creates network effects that are difficult for competitors to replicate. The second is the legal and institutional framework: English law is the governing law of choice for a very large share of international commercial and financial contracts, and the predictability of the English courts together with the independence of the Bank of England and the Financial Conduct Authority are widely valued by international participants. The third is the time-zone position, which allows UK-based firms to transact with Asian and American counterparts within a single working day. The fourth is the talent base and the language of business. Together these factors constitute an agglomeration advantage that helps explain why the UK has retained its leading position despite the disruption of recent years.

The domestic economic contribution is substantial. Financial and related professional services account for a significant share of gross value added, for roughly 2.5 million jobs when related professional services are included (a majority of which are located outside London), and for a large proportion of corporation tax and other receipts. The sector also performs an enabling function for the rest of the economy: it channels savings into investment, provides credit to households and businesses, manages the pensions and long-term savings of tens of millions of people, insures risks that would otherwise inhibit commercial activity, and furnishes the legal, accounting, and advisory infrastructure on which firms in every other sector depend. A material weakening of the financial and professional services ecosystem would therefore have effects well beyond the sector’s own output.

The report is equally clear, however, that the position is not static and that the evidence shows a gradual erosion of relative standing. The UK’s share of global financial services exports has drifted down over the past decade (from higher levels earlier in the 2010s toward the mid-to-high teens of per cent in recent years, according to various compilations). Some domestic indicators have weakened: the UK’s share of global equity market capitalisation has declined, initial public offering activity on London markets has been subdued relative to both its own history and to competing venues, and several large companies have chosen to list, or to move their primary listing, elsewhere most often in the United States. Competing centres, including New York, Singapore, Hong Kong,

Dubai, and several continental European cities, have grown in relative importance in specific segments. These developments do not amount to a collapse, and the UK remains the dominant European centre by most measures. But they show that leadership cannot be assumed to be self-perpetuating, and that a position built over a long period can be eroded incrementally by small disadvantages in cost, regulation, market access, and policy certainty.

4. Broader Services Strengths and Interlinkages

The United Kingdom's standing as a global services provider does not rest on finance alone. Professional, scientific and technical activities (including legal services, accountancy, management consultancy, architecture, engineering, advertising, and research and development) form a large and internationally competitive cluster. UK law firms and accountancy practices are among the largest and most globally networked, and their services are frequently exported in conjunction with financial products. Information and communication, and in particular software, data services, cybersecurity, and digital platforms, represents one of the faster-growing components of the economy and a major recipient of venture and growth capital. The creative industries, encompassing film, television, music, publishing, design, gaming, and advertising, contribute substantial output and exports and exercise a cultural reach disproportionate to the country's size. Higher education and related educational services constitute a significant export, earning revenue from international students, research collaboration, and transnational provision.

The interlinkages between these sectors are as important as their individual strengths. Financial infrastructure provides the capital, risk management, and transaction services on which technology, creative, and professional firms depend, while those firms in turn supply financial institutions with legal advice, audit, consultancy, software, data, and talent. This mutual reinforcement is a defining feature of the UK model, and it is the basis for the report's argument that policy toward one part of the services economy cannot safely be made in isolation from the others. It also underpins the potential for spillovers from tokenisation. If the UK succeeds in building a distinctive tokenised wholesale market, the benefits would extend beyond banks and asset managers to law firms drafting digital-asset documentation, accountancy and audit practices developing assurance methods for on-chain records, technology firms building and operating market infrastructure, and consultancies advising international clients on adoption. Conversely, if the opportunity is missed or captured elsewhere, these adjacent services would face the prospect of supplying expertise to markets organised in other jurisdictions.

5. Weaknesses and Challenges in the Present

A credible account of the United Kingdom's position must give full weight to its weaknesses. The report identifies four broad categories of challenge and, in each case, presents the range of estimates and the main points of dispute.

The first is the productivity puzzle. Since the global financial crisis, UK output per hour has grown far more slowly than in the preceding decades and more slowly than in many peer economies. The Office for Budget Responsibility has repeatedly revised its productivity assumptions downward. Research by the Productivity Institute and others attributes the shortfall to a combination of factors: persistently low business investment, weak diffusion of best practice from frontier firms to the long tail of less productive ones, regional imbalances, skills mismatches, and compositional effects

arising from the expansion of lower-productivity services employment. These explanations are not mutually exclusive, and the weight attached to each is contested. What is not contested is the implication: a services economy cannot sustain rising prosperity on the strength of a few high-productivity clusters alone, and the gap between the leading firms and the rest represents both a weakness and a potential source of future gains.

The second is the effect of the United Kingdom's departure from the European Union on trade in services. Estimates of the overall impact vary. Academic work from the London School of Economics and other institutions suggests that services exports are materially lower than they would have been had the UK remained in the single market, although the magnitude differs by method and by the counterfactual chosen (commonly cited figures include an overall shortfall in the region of 4-5 per cent for services exports, with larger effects in more regulated sectors). The OBR's long-standing assumption has been that Brexit would reduce long-run productivity by around four per cent relative to remaining in the EU, an assumption that incorporates effects on both goods and services. Services trade has proved more resilient than some early forecasts anticipated, and the UK's absolute services exports have continued to grow. But the effects are concentrated in precisely those categories where regulation matters most. The loss of passporting rights has required many financial firms to establish and capitalise EU subsidiaries, to relocate some activity and staff, and to navigate a patchwork of national regimes. Regulated professional services face restrictions on mutual recognition of qualifications, and the movement of people between the UK and the EU has become more costly and administratively demanding. The Trade and Cooperation Agreement offers comparatively limited disciplines on services, and regulatory divergence over time remains a source of uncertainty.

The third category is competitiveness. Industry analyses, including those of UK Finance, point to a combination of higher operating costs, a cumulative burden of taxation and levies on financial firms, regulatory complexity, and in some instances slower decision-making and policy delivery than in competing jurisdictions. Rival centres are actively courting international business with targeted incentives, streamlined authorisation processes, and favourable listing regimes. The report treats these claims with appropriate caution, since industry bodies naturally emphasise the burden on their members and since regulatory standards have important protective functions. Nevertheless, there is sufficient convergence between independent evidence and industry testimony to conclude that the cumulative effect of cost and complexity is a genuine concern, particularly at the margin where firms decide where to locate new activity or book risk.

The fourth category comprises structural issues. Regional concentration of high-value services leaves much of the country with lower productivity and fewer opportunities. Skills gaps are emerging in digital, data, and tokenisation-related fields, where demand is rising faster than domestic supply. Investment shortfalls affect both public infrastructure and private capital formation. Fiscal and demographic constraints limit the room for large-scale public intervention. Specific market weaknesses, including a relatively thin domestic securitisation market and reduced dynamism in public equity markets, constrain the capacity of the financial system to channel capital to growing firms.

The report balances this diagnosis with counter-evidence. Services have proved more resilient than goods production. The UK retains its position as the world's largest net exporter of financial services. Its institutions remain highly regarded, and its capacity to attract international firms and talent endures. The correct conclusion is not that the UK's position is failing, but that it is under

sustained pressure and that complacency would be costly.

6. The Tokenised Financial System as a Strategic Opportunity

Tokenisation refers to the representation of financial assets (such as securities, funds, deposits, or other claims) as digital tokens recorded on a shared ledger, often with programmable features that allow certain actions (settlement, collateral transfer, or the payment of income) to be automated. The report treats tokenisation as a development in market infrastructure whose significance lies in the practical benefits it may deliver. It avoids both the exaggerated claims of enthusiasts and the dismissiveness of sceptics.

The potential benefits are real but conditional. They include faster and, in some cases, near-instantaneous settlement, which reduces counterparty risk and frees capital; improved mobility of collateral across institutions and markets; programmable functionality that can reduce operational errors and reconciliation costs; lower lifecycle costs for issuance, servicing, and record-keeping; the possibility of new products and wider access to certain asset classes; and, if properly designed, improvements in resilience and transparency. The realisation of these benefits depends on resolving significant challenges, including interoperability between platforms, legal certainty over ownership and settlement finality, integration with central-bank money, the management of new operational and cyber risks, and the development of the necessary skills.

The United Kingdom has assembled an unusually coherent set of initiatives. The Bank of England and the Financial Conduct Authority articulated a joint vision for the development of tokenised markets and sought industry views through a Call for Input published in May 2026. The Digital Securities Sandbox (DSS), operated jointly by the Bank and the FCA, allows firms to test the issuance, trading, and settlement of digital securities under a modified regulatory framework; as of late 2026, multiple firms (including established institutions such as HSBC) had progressed through the early gates toward live activity. HM Treasury has advanced the Digital Gilt Instrument (DIGIT) as a pilot that would issue a UK government security using distributed-ledger technology (the first tokenised sovereign issuance by a G7 country) thereby providing a benchmark for the wider market; progress includes the appointment of lead managers and an expected issuance window in early 2027, conducted within the DSS. Policy work on the tokenisation of funds has advanced, a regime for systemic stablecoins is being developed with an intended start in 2027, and the authorities have signalled an intention to pursue prudential treatment that does not disadvantage tokenised instruments relative to conventional ones. A synchronisation service, intended to link tokenised settlement with central-bank money, is targeted for around 2028.

The UK’s advantages in this field are substantial. Its regulators have established a leading position in sandbox-based experimentation. English law provides a mature and predictable basis for contracts and for the legal treatment of digital assets, a point reinforced by recent legislative and judicial clarification. The depth of its existing markets offers the volume necessary to make new infrastructure viable, and its FinTech ecosystem provides a pipeline of technological innovation. The report is equally explicit about the limitations. Implementation is complex and slow. Interoperability between competing platforms is not assured, and fragmentation would erode the benefits. Questions of legal finality and systemic risk require careful resolution. Skills are scarce. Other jurisdictions, including Singapore, Switzerland, the European Union, Hong Kong, and the United States, are pursuing their own programmes, and first-mover advantage is not guaranteed to translate into lasting leadership.

The strategic importance of tokenisation to the wider services economy lies in its capacity to reinforce the UK's existing strengths rather than to replace them. A modernised wholesale market infrastructure would lower costs and improve functionality for the firms that already use London as their base, and it would create new demand for legal, accounting, technology, and advisory services. It would also create an export opportunity, since expertise developed in building and regulating tokenised markets can be supplied to other jurisdictions. The report therefore presents tokenisation as a means of sustaining competitiveness, not as a stand-alone solution to the UK's structural difficulties.

7. Recommended Pathways to Sustained Leadership

The report's recommendations are designed to be realistic, phased, and tied to identified weaknesses and to existing momentum. They are grouped under six headings, and each is accompanied in the full report by measurable milestones and a statement of the respective roles of government, regulators, and industry.

First, the UK should scale tokenised wholesale market infrastructure. This requires the successful delivery of DIGIT as a credible benchmark issuance, the progressive expansion of the Digital Securities Sandbox and its graduation into a permanent regime, the timely delivery of central-bank money synchronisation, and active promotion of interoperability standards so that new platforms connect rather than fragment the market.

Second, the authorities should provide regulatory and policy clarity with proportionality. Where cumulative requirements impede innovation or the location of new activity without materially improving the protection of investors or financial stability, they should be streamlined. Policy should be stable and predictable, since uncertainty is itself a cost. Where possible, the UK should pursue mutual recognition or targeted equivalence arrangements that reduce friction with major partners.

Third, the UK should address competitiveness and cost. This includes simplification of taxation affecting high-value services, targeted investment in skills in digital assets, data, and related professional expertise, and facilitation of the mobility of specialist staff, which is essential to sectors whose product is expertise.

Fourth, market access and openness should be strengthened. The UK should build on its non-EU corridors, most importantly with the United States, and on emerging markets in Asia and the Gulf, while continuing to address residual frictions with the European Union through pragmatic cooperation. It should also leverage its comparative strengths in specialty risk, cross-border finance, and professional services.

Fifth, broader productivity and diffusion measures are needed. These include incentives for private investment, support for regional services hubs so that the benefits of high-productivity activity are more widely shared, and initiatives to speed the adoption of best practice, including digital and data-driven techniques, across the long tail of firms.

Sixth, a robust risk and resilience framework must accompany every step. Cyber security, financial stability safeguards, operational resilience, and consumer and investor protection in tokenised markets should be treated as preconditions of success, since a major failure in a novel market would damage confidence in the broader reform effort.

These measures are organised in the full report into a roadmap with short-term, medium-term, and longer-term horizons. In the short term, the priorities are the delivery of pilots, the clarification of the regulatory path, and the removal of identifiable administrative frictions. In the medium term, they are the establishment of permanent regimes, the operation of central-bank money settlement for tokenised assets, and measurable progress on skills and regional distribution. In the longer term, they are the consolidation of the UK's position as a leading centre for tokenised wholesale markets and the export of related expertise.

8. Monitoring and Indicators

Because the report argues for evidence-based adjustment rather than one-off fixes, it proposes a compact set of indicators against which progress should be assessed. These include the UK's share of global services and financial services exports and the net trade surplus; the share of listings, issuance, and trading activity retained in London relative to competing centres; the volume and value of activity in the Digital Securities Sandbox and subsequent permanent regime; the number of tokenised issuances and the proportion settled against central-bank money; productivity growth in services, disaggregated by sector and region; levels of private investment and foreign direct investment in financial and professional services; and the supply of skilled labour in digital and related fields. Regular publication of these indicators by an appropriate body would allow policymakers and the market to identify early signs of success or deterioration and to adjust policy accordingly.

9. Conclusion

The picture that emerges from the evidence is one of a strong foundation under real pressure. The United Kingdom possesses one of the world's most developed services economies, a globally leading financial and professional services cluster, a well-regarded legal and regulatory framework, and a practical programme for the modernisation of market infrastructure through tokenisation. It also faces a prolonged productivity slowdown, persistent frictions in its largest regional services market, a gradual erosion of relative position in several indicators, and intensifying competition from other centres.

Neither complacency nor alarm is warranted. The evidence supports a measured conclusion: that the UK can retain and evolve its global role if it acts deliberately on the areas within its control. Tokenisation offers a genuine and timely opportunity to improve efficiency and functionality in the markets where the UK is strongest, but its value depends on disciplined delivery, regulatory clarity, international interoperability, and the broader measures needed to restore competitiveness and productivity. No single reform will be decisive. Sustained leadership will depend on the cumulative effect of well-sequenced, evidence-based decisions, regularly tested against outcomes and adjusted as conditions change. The chapters that follow set out the supporting evidence in detail and develop each of these conclusions and recommendations.

Selected Sources for This Summary

- Office for National Statistics: Index of Services and GDP monthly estimates (including August 2026 releases); Blue Book and related national accounts series.
- TheCityUK: *Key facts about UK-based financial and related professional services* (2026

edition and related press releases); *Key facts about the UK as an international financial centre* (2025/2026 materials). Figures on trade surplus, GVA, employment, and productivity drawn from these compilations.

- Bank of England and Financial Conduct Authority: Joint Call for Input and shared vision on tokenisation in UK wholesale markets (May 2026); Digital Securities Sandbox materials and dashboard updates; policy statements on systemic stablecoins (June 2026); speeches and updates on DIGIT and synchronisation service.
- UK Finance and related industry analyses on competitiveness and the position of international banks.
- Office for Budget Responsibility: Productivity and Brexit-related assumptions in successive forecasts.
- Academic and independent research: London School of Economics and related papers on post-Brexit services trade; Productivity Institute work on the productivity puzzle.
- HM Treasury: Updates on the Digital Gilt Instrument (DIGIT) pilot.

All figures are subject to revision. Exact data vintages and full methodological notes appear in the substantive chapters.

Chapter 2: Introduction and Methodology

2.1 Purpose and Rationale

This chapter sets out why the report has been written, what it seeks to establish, and the methods by which its conclusions have been reached. It serves two functions. For the reader who wishes to understand the substance of the argument, it explains the questions the report asks and the conceptual framework within which they are addressed. For the reader who wishes to test the argument, it documents the sources, the rules for selecting and weighing evidence, the treatment of contested estimates, and the known limitations of the analysis, so that each factual claim in the later chapters can be traced to its origin and assessed on its merits.

The report addresses a question of considerable economic and political significance: how the United Kingdom, whose economy is overwhelmingly composed of services and whose international reputation in finance and professional services is among its most valuable assets, can retain and extend its position as a global provider of services in a period of structural change. The question is not merely descriptive. It bears directly on the country’s capacity to generate export earnings, to attract investment, to sustain high-value employment, and to finance public services from a tax base in which financial and professional services play a disproportionately large part. A rigorous answer requires an accurate account of the present position, an honest diagnosis of the pressures acting upon it, and a realistic assessment of the options available.

The rationale for combining an economy-wide analysis of services with a specific examination of the tokenised financial system requires explanation. Tokenisation is sometimes presented as a self-contained technological subject, discussed principally by specialists in digital assets and market infrastructure. The approach taken here is different. The report treats tokenisation as one of several

instruments by which the competitiveness of the UK's wholesale financial markets, and of the professional and technology services that surround them, may be maintained or improved. It is therefore analysed in relation to the broader economic context, to the specific weaknesses that have been identified, and to the practical constraints of regulation, legal certainty, interoperability, and skills. This integrated treatment is a deliberate methodological choice, and it shapes the structure of the report as a whole.

The report is also written with a particular discipline of tone. The subject lends itself to two opposite errors. The first is boosterism: the tendency to present the UK's strengths as permanent and its challenges as transient, and to treat each new technology as a guarantee of future leadership. The second is declinism: the tendency to extrapolate from selected adverse indicators to a conclusion of inevitable decline. Both distort the evidence and both lead to poor policy. The report seeks instead to describe the present accurately, to quantify wherever the data permit, to identify uncertainty where it exists, and to confine its recommendations to measures that are realistic in light of existing initiatives and constraints.

2.2 Context: Why the Question Arises Now

Several developments combine to give the subject particular urgency at the present time. The first is the maturing of the post-Brexit settlement. Several years have now elapsed since the end of the transition period, and the initial uncertainty about how trade in services would adjust has been replaced by a body of empirical evidence. That evidence permits a more considered assessment than was possible in the immediate aftermath of the referendum or the withdrawal agreement. It also allows the distinction to be drawn between immediate shocks, which have largely been absorbed, and longer-term frictions, which may continue to accumulate as regulatory regimes diverge.

The second development is the persistence of the productivity problem. The slowdown in output per hour that began around the time of the global financial crisis has now lasted for well over a decade, long enough to be regarded as a defining feature of the UK economy rather than a cyclical aberration. Because services constitute so large a share of output, any serious account of UK economic performance must address the productivity of the services sector directly. The distinction between the high-productivity segments of services, such as finance and certain professional activities, and the large lower-productivity segments is central to the report's analysis.

The third is the intensification of international competition for financial and professional business. Established and emerging centres have pursued active strategies to attract firms, listings, talent, and capital. Changes in market structure, in the location of capital raising, and in the preferences of issuers and investors have altered the competitive landscape. The United Kingdom's historic advantages remain formidable, but they are no longer sufficient, on their own, to guarantee continued pre-eminence.

The fourth is the emergence of tokenised and digital market infrastructure as a practical, rather than purely experimental, area of policy and commercial activity. Over the past several years the UK authorities have established a sandbox for digital securities, begun a pilot of a digital government bond, developed a regime for stablecoins, and set out a shared vision for the tokenisation of wholesale markets. These initiatives have moved the subject from speculation to implementation. At the same time, comparable programmes are under way in other major jurisdictions, and decisions taken in the near term about standards, legal treatment, and infrastructure are likely to influence the

competitive geography of wholesale markets for many years. It is therefore an appropriate moment to assess the opportunity systematically, to separate demonstrated benefits from aspiration, and to consider how the UK's existing strengths can be applied to it.

A fifth consideration is fiscal and political. The public finances are under sustained pressure, and the contribution of financial and professional services to tax receipts, to employment, and to the balance of payments is therefore a matter of direct public interest. Decisions about taxation, regulation, immigration, and public investment all influence the sector's competitiveness, and they are most likely to be made well when they are informed by accurate and impartial evidence.

2.3 Scope and Boundaries

2.3.1 Sectoral scope

The report covers the services economy of the United Kingdom as a whole, using the standard definition employed by the Office for National Statistics, under which services comprise those activities classified in the service sections of the Standard Industrial Classification 2007. This encompasses, among others, wholesale and retail trade, transportation and storage, accommodation and food service, information and communication, financial and insurance activities, real estate, professional, scientific and technical activities, administrative and support services, public administration, education, human health and social work, and arts, entertainment and recreation. Within this broad field, the report concentrates on those activities that are tradable internationally or that provide the infrastructure on which tradable activities depend. Sectors that are overwhelmingly domestic in their orientation, such as most retail and social care, are discussed principally for their contribution to aggregate output, employment, and productivity, rather than for their role in international competitiveness.

Financial and related professional services receive particular emphasis. In this report, financial services refers to banking, insurance and pensions, asset and wealth management, capital markets, payments and market infrastructure, and the associated FinTech sector. Related professional services refers to legal activities, accounting and audit, management consultancy, and certain technical and advisory activities that are commonly supplied alongside financial products and that are measured in industry sources as part of the broader financial and professional services ecosystem. Because different bodies define these boundaries differently, the report states in each instance which definition underlies a given figure. For example, figures for the employment contribution of financial and related professional services published by industry bodies include categories that official statistics classify elsewhere, and they cannot be compared directly with a count restricted to the financial and insurance section alone.

2.3.2 Tokenisation scope

The term tokenisation is used throughout in a defined and limited sense: the representation of financial assets or claims as digital tokens on a shared or distributed ledger, together with the associated infrastructure for issuance, trading, settlement, custody, and servicing. The report is concerned primarily with the wholesale dimension of tokenisation, namely government and corporate securities, funds, collateral, money-market instruments, and the forms of money used to settle them, including central-bank money, commercial-bank money, and regulated stablecoins. It does not address unbacked crypto-assets, speculative retail trading, or non-financial applications of

distributed-ledger technology, except where these bear directly on regulatory design or on risks to the wider financial system. This delimitation is intended to preserve the report's focus on the strategic and economic dimension of the subject and to avoid conflating infrastructure reform with the volatile consumer market in crypto-assets.

2.3.3 Geographical and temporal scope

The analysis is of the United Kingdom as a whole, with attention to the devolved nations and the English regions where data permit. Comparisons are drawn with other major economies and financial centres, principally the United States, the European Union and selected member states, Switzerland, Singapore, Hong Kong, and the United Arab Emirates, where such comparisons illuminate the UK's relative position. The principal period of analysis is from the global financial crisis to the present, a span that captures the productivity slowdown, the referendum and withdrawal from the European Union, the pandemic and its aftermath, and the emergence of tokenisation as a policy issue. Longer historical series are used where they provide necessary context. Forward-looking statements are confined to the roadmap in the recommendations and are identified as judgements rather than forecasts.

The report reflects information available at the time of drafting. Policy in this field is moving quickly, and timelines for the Digital Securities Sandbox, the digital gilt pilot, the stablecoin regime, and related initiatives are subject to revision by the authorities. Dates and milestones cited in the report are therefore stated as announced intentions, not as commitments, and they should be verified against the most recent official publications before reliance is placed upon them.

2.3.4 Matters excluded

Several related subjects fall outside the scope of the report. It does not attempt a comprehensive analysis of UK trade in goods, of the manufacturing sector, or of the public sector, except where these illuminate services performance. It does not provide investment advice or assessments of individual firms or products. It does not examine the detailed technical architecture of particular distributed-ledger platforms, which is a matter for specialist literature. And it does not offer a full legal analysis of the treatment of digital assets under English law or other systems, though it draws on authoritative legal work where relevant to the conclusions.

2.4 Research Questions

The report is organised around a small number of research questions, each of which corresponds to one or more chapters and to a defined body of evidence.

Table 2.1. Research questions and corresponding chapters

Research question	Primary focus	Corresponding chapter(s)
Descriptive: What is the current scale, composition, productivity, and international performance of the UK services economy, and how have these changed?	Official statistics on output, employment, productivity, and trade	Current landscape of the UK services economy
Comparative: What is the UK's position in global financial and related	Triangulation of official trade statistics, industry	Financial and related professional services

Research question	Primary focus	Corresponding chapter(s)
professional services, on what foundations does it rest, and what does the evidence show about the trend in its relative standing?	compilations, and international benchmarks	
Diagnostic: What are the principal weaknesses and challenges, what is the quality of the evidence for each, and where do credible estimates differ?	Explicit handling of ranges and uncertainty	Weaknesses and challenges
Evaluative: To what extent and under what conditions can the tokenised financial system contribute to the competitiveness of UK wholesale markets and of the wider services economy, and what are the realistic limits of that contribution?	Regulatory documents, pilot results, industry studies, and international comparisons	Tokenised financial system
Prescriptive: What feasible, sequenced measures would address the identified weaknesses and take advantage of identified opportunities, given existing initiatives and constraints?	Linkage of each proposal to evidence	Recommendations and pathways
Governance and learning: By what indicators should progress be monitored, and how should policy be adjusted in light of results?	Monitoring framework and emphasis on evidence-based adjustment	Monitoring section within recommendations; conclusion

Taken together these questions move from description through diagnosis and evaluation to prescription, and the structure of the report follows the same sequence. A recommendation is advanced only where it can be traced to a diagnosed weakness or an evidenced opportunity, and a diagnosis is advanced only where it can be traced to identified evidence.

2.5 Analytical Framework

The analysis rests on a framework with four interlocking elements: a structural description of the services economy, a competitiveness assessment, a diagnostic of constraints, and an evaluation of options. Each element draws on established concepts in economics and policy analysis, and each is applied consistently throughout the report.

The structural description uses the conventional national-accounts approach. Output is measured as gross value added by industry at current prices and in chained-volume terms, employment by jobs and by hours worked, and productivity as output per hour or per job. These measures are supplemented, in the case of international performance, by balance-of-payments statistics on exports, imports, and net trade, disaggregated by service type and, where available, by partner. The structural description establishes the scale and composition of the sector and identifies the segments in which productivity and international competitiveness are highest.

The competitiveness assessment draws on the concept of comparative and agglomeration advantage. In financial and professional services, advantage arises not only from the cost or quality

of individual firms but from the density of the surrounding ecosystem, including the availability of capital, specialist talent, legal infrastructure, regulatory credibility, and proximity to counterparties. The report therefore assesses competitiveness along several dimensions: market depth and liquidity; legal and regulatory quality; cost and taxation; access to talent; connectivity with other markets; and innovation capacity. Wherever possible these dimensions are measured by reference to observable indicators, such as trade shares, listing and issuance volumes, benchmark rankings, and survey evidence, rather than by assertion.

The diagnostic of constraints distinguishes between cyclical, structural, and policy-induced factors. A cyclical factor is one that may be expected to reverse as economic conditions change. A structural factor reflects deep features of the economy, such as the distribution of skills or the pattern of regional development, that change only slowly. A policy-induced factor is one that arises from decisions of government or regulators and that can, in principle, be altered by them. This distinction is of practical importance because it determines which problems are susceptible to policy remedy and over what time horizon. A recommendation that addressed a purely cyclical problem with structural reform, or that proposed a quick policy fix for a deep structural condition, would be poorly founded.

The evaluation of options applies four criteria. The first is effectiveness: whether the measure addresses an identified weakness or realises an identified opportunity, and with what magnitude of effect. The second is feasibility: whether the measure is practicable given existing legislation, institutional capacity, fiscal constraints, and international commitments. The third is proportionality: whether the benefits justify the costs, including the risks to financial stability, market integrity, and consumer and investor protection. The fourth is robustness: whether the measure would continue to deliver value under a range of plausible future conditions, including slower adoption of tokenisation, adverse changes in the international regulatory environment, or a renewed shock to the economy. Measures that satisfy all four criteria are given priority in the roadmap.

2.6 Sources and the Hierarchy of Evidence

2.6.1 Principles of source selection

The report adopts a hierarchy of evidence in which primary official sources take precedence over secondary compilations, secondary compilations over commentary, and peer-reviewed or independently audited research over assertion. The purpose of the hierarchy is not to dismiss any category of source but to ensure that, when sources conflict, there is a transparent rule by which the conflict is resolved. Where a lower-ranked source is used, because it is the only source available or because it provides information not available elsewhere, this is stated.

The principal sources fall into the following categories.

Table 2.2. Hierarchy of evidence

Tier	Type of source	Examples	Primary use in this report
1	Official statistics and national accounts	Office for National Statistics (GDP, Index of Services, labour productivity, balance of payments, regional accounts); HM Revenue	Scale, composition, employment, productivity, and trade of the services economy

Tier	Type of source	Examples	Primary use in this report
		and Customs	
1	Official forecasts and fiscal analysis	Office for Budget Responsibility; HM Treasury	Productivity assumptions, estimates of structural effects, fiscal context
1	Regulatory and central bank publications	Bank of England; Prudential Regulation Authority; Financial Conduct Authority	Regulatory regimes, financial stability, tokenisation policy, and sandbox progress
2	International organisations	OECD; IMF; World Trade Organization; Bank for International Settlements; Financial Stability Board	International comparisons, trade in services by partner, standards, and cross-country evidence
2	Independent research institutions	Productivity Institute; London School of Economics and Centre for Economic Performance; Resolution Foundation; National Institute of Economic and Social Research	Analysis of productivity, Brexit effects, regional performance
3	Industry compilations and trade bodies	TheCityUK; UK Finance; Association for Financial Markets in Europe; Investment Association	Sector-specific data, employment and contribution estimates, industry perspectives on competitiveness
3	Benchmarking and ranking exercises	Global Financial Centres Index; FinTech investment and ecosystem rankings	Relative standing and perception, treated as indicative rather than definitive
4	Commentary and professional analysis	Consultancy reports, law firm briefings, specialist press	Context and identification of emerging issues; used only with corroboration

The tiers are not a measure of intellectual merit. Industry bodies often possess data and expertise that official sources lack, and consultancy research may address questions that academic work has not yet reached. The tiers instead reflect the degree of independence, methodological transparency, and accountability to which each source is subject. A claim supported by a Tier 1 source is treated as established unless contradicted by evidence of equal standing. A claim supported only by a Tier 3 or Tier 4 source is presented as an estimate or perspective and is attributed explicitly.

2.6.2 Official statistics

Official statistics provide the backbone of the empirical analysis. The ONS publishes quarterly and annual national accounts, a monthly estimate of GDP and the Index of Services, labour market statistics, productivity estimates, regional gross value added, and balance-of-payments data, including the annual publication that presents detailed trade in services. These series are produced under statutory codes of practice and are subject to scheduled revisions. They are not free of limitations, and the particular weaknesses of services statistics, notably in the measurement of trade,

of intangible assets, and of output in sectors where prices are difficult to define, are discussed below. Nevertheless, they are the most authoritative and consistent data available and are used as the default source for any quantity they measure.

2.6.3 Regulatory and central bank sources

The analysis of tokenisation and market infrastructure relies heavily on publications of the Bank of England, the Financial Conduct Authority, the Prudential Regulation Authority, and HM Treasury, including consultation papers, policy statements, discussion papers, sandbox guidance, and speeches by senior officials. These are authoritative statements of policy intention and regulatory expectation, and they are cited as such. They are not evidence of outcomes. A published timeline, for example, records what the authorities intend to do and not what has been achieved, and the report is careful to maintain that distinction.

2.6.4 International and comparative sources

Comparisons with other countries depend on data produced by international organisations and on national sources in the comparator jurisdictions. Differences in definitions, classifications, and methods of compilation mean that cross-country comparisons require care, and the report notes the principal sources of non-comparability. In the case of trade in services, for example, the OECD and the World Trade Organization publish balanced bilateral datasets that reconcile the reported flows of partner countries, and these may differ materially from the figures published by national statistical offices.

2.6.5 Industry and benchmarking sources

Industry compilations, in particular the regular publications of TheCityUK and UK Finance, are used extensively because they aggregate data from diverse sources into forms relevant to financial and related professional services and because they provide perspectives on competitiveness not available elsewhere. They are, however, produced by organisations with an interest in the sector they represent. The report therefore uses their quantitative compilations where the underlying sources are identified and can be traced, treats their policy conclusions as representing the industry’s view, and seeks independent corroboration for claims that bear on contested policy questions. Benchmarking and ranking exercises are used with particular caution. Their methods combine objective indicators with survey responses, their weightings are matters of judgement, and their year-to-year movements are often small relative to their margins of error. They are valuable as indicators of perception and of broad relative position but are not treated as precise measurements.

2.7 Handling Contested Estimates and Data Revisions

2.7.1 The treatment of ranges

On several of the questions central to the report, credible analysts reach different conclusions. The scale of the effect of the United Kingdom’s departure from the European Union on services trade is the leading example. Estimates depend on the counterfactual adopted, on the statistical method used to construct it, on the period examined, and on the treatment of confounding events such as the pandemic. Some analyses based on comparisons with synthetic control groups of similar economies suggest substantial shortfalls in services exports relative to what would otherwise have occurred.

Other analyses, using different comparators or focusing on particular categories of services, suggest smaller effects, and reported UK services exports have continued to grow in absolute terms. The report does not select the estimate most convenient for any particular argument. Instead it presents the principal estimates side by side, explains the methodological features that account for the differences, indicates which categories of services appear most and least affected, and reports a range together with a judgement as to where the weight of evidence lies.

The same approach is applied to estimates of the productivity effect of Brexit, to estimates of the scale and cost of regulatory burdens on financial firms, to estimates of the potential savings from tokenised settlement and collateral management, and to projections of the future scale of tokenised markets. In the last two cases, in particular, the evidence base is thin and many published figures are projections produced by firms with a commercial interest in the outcome. The report treats such projections as scenarios and not as forecasts, and it identifies the assumptions on which they depend.

2.7.2 Standard rules for conflicting evidence

When sources conflict, the following rules are applied in order. First, the source of higher tier is preferred unless there is a specific, documented reason to doubt it. Second, where two sources of equal tier conflict, the report identifies the source of the discrepancy, which often lies in differences of definition, coverage, timing, or method, and presents both figures with an explanation. Third, where a discrepancy cannot be resolved, the report states the uncertainty and avoids drawing conclusions that depend upon one side of it. Fourth, a figure is not repeated simply because it is widely cited. Widely repeated statistics in public debate often derive from a single original source, sometimes misquoted or out of date, and the report traces such figures to their origin before using them.

2.7.3 Data revisions and vintages

Official statistics are revised, sometimes substantially, as more complete information becomes available and as methods change. Estimates of services trade, GDP growth, and productivity in particular have been revised markedly on several occasions, and revisions have at times altered the narrative of recent economic performance. The report therefore records the vintage of each statistical series used, meaning the date of the release from which it is drawn, and it avoids mixing figures from different vintages in the same comparison unless this is explicitly acknowledged. Where a major revision has altered a widely held view, such as an upward revision of growth in a previous period, the report notes the change and its implications.

A related point concerns the distinction between provisional and settled data. Recent quarters are subject to larger revisions than earlier periods. The report therefore places the greatest analytical weight on series that have passed through at least one major annual revision cycle and treats the most recent data points as indicative. Conclusions that depend upon small differences in recent figures are avoided.

2.8 Treatment of Services Trade Data

Because trade in services is central to the report’s argument, and because its measurement is unusually difficult, the methodological treatment of this subject warrants separate discussion.

Unlike trade in goods, which can be observed at the border, trade in services is measured principally through surveys of businesses, supplemented by administrative data and modelled estimates. The resulting figures are subject to sampling error, to reporting inconsistencies, and to conceptual ambiguity about the location and nature of the transaction. They are also volatile. Quarterly and even annual movements in exports and imports of particular service types can be large and may reflect changes in survey response or in the allocation of transactions rather than genuine changes in activity. The report therefore avoids drawing conclusions from single-period movements and relies instead on multi-year trends and on comparisons across several sources.

The conceptual framework for trade in services recognises four modes of supply under the General Agreement on Trade in Services: cross-border supply, consumption abroad, commercial presence in another country, and the temporary movement of natural persons. National statistics on balance of payments capture the first two modes and part of the fourth, but they do not capture the activities of foreign affiliates, which represent the third mode and are in many sectors the dominant channel of supply. This is of particular importance in financial and professional services, where a large proportion of international business is conducted through subsidiaries and branches established in the customer’s market. The consequence is that balance-of-payments figures may understate the international reach of UK firms, and that the post-Brexit relocation of activity to EU subsidiaries may appear in the data as a reduction in cross-border exports while the corresponding commercial presence is recorded elsewhere. The report draws attention to this issue wherever it is material and, where data on foreign-affiliate trade are available, presents them alongside the balance-of-payments figures.

A further difficulty concerns the attribution of exports to partner countries. The ONS and the international bilateral datasets compiled by the OECD and the World Trade Organization use different methods. National statistics are based on the declared location of the counterparty in surveys, while international datasets seek to reconcile mirror data reported by trading partners and to allocate unallocated flows. In addition, a sizeable proportion of UK services exports cannot be allocated to a specific country in some series. These differences can produce quite different statements about the share of exports going to the European Union or to the United States. The report presents the figures from each source with a clear indication of the method and does not combine them. Where it draws conclusions about the geographical shift of exports, it does so only where the direction of change is consistent across sources.

Finally, the report recognises the role of the financial services trade surplus figures compiled by industry bodies. The widely cited figure for the UK’s net export of financial services, which exceeds that of any other country, derives from compilations of national statistics and international sources and is subject to the same limitations. The report uses it as a reliable indicator of the scale and ranking of the UK’s position but does not place weight on small differences between countries or between years.

2.9 Treatment of Tokenisation Evidence

The evidence base for tokenisation differs in kind from that available for the established parts of the services economy, and the report adapts its method accordingly.

The subject is new, the volume of live activity in regulated markets is still small relative to conventional markets, and many of the most significant claims relate to the future and not to

observed outcomes. The methodological response is to distinguish carefully between four categories of statement. The first is a statement of fact about the present regulatory and market position, such as the existence and terms of a sandbox or the size of a particular pilot. This is documented from primary regulatory and market sources. The second is a statement about demonstrated benefit, such as measured reductions in settlement time or cost in a particular pilot. This is accepted only where the underlying data and methodology are available, and it is qualified by the scale and conditions of the pilot. The third is a statement about projected benefit, such as estimated savings across an entire market or forecasts of the volume of tokenised assets by a future date. This is presented as a scenario, with its assumptions identified. The fourth is a statement of opinion or advocacy, such as the assertion that one technological approach is superior to another. This is attributed to its source and is not endorsed.

The report is similarly careful in its treatment of risk. The potential risks of tokenised markets include operational and cyber risk, the possibility of fragmentation of liquidity across incompatible platforms, uncertainty about the legal finality of settlement on distributed ledgers, concentration of dependence on a limited number of technology providers, and the implications for financial stability of the growth of stablecoins and of new forms of money. These risks are discussed on the basis of assessments by regulators, central banks, and international standard-setting bodies, and they are presented as seriously as the potential benefits. A discussion that emphasised only upside would not meet the standard of balance that the report sets for itself.

A related point concerns the international comparison. The report draws on the published frameworks and pilot programmes of other major jurisdictions to establish whether the UK’s position is distinctive, advanced, or behind. Because regulatory regimes differ in structure and in legal context, these comparisons are made in terms of functional equivalence of the underlying features, such as whether a sandbox permits the full lifecycle of issuance, trading, and settlement, rather than on the basis of labels or announcements.

2.10 Fact-Checking and Review Process

The report is subject to a structured process of verification intended to reduce the likelihood of factual error and to make any remaining uncertainty visible to the reader.

The first stage is source tracing. Every quantitative claim and every statement of fact about policy, regulation, or events is traced to a specific source, and the source is recorded in the source list with its tier, date of publication, date of access, and, for statistical series, vintage. A figure that cannot be traced to an identifiable source is not used. A figure that appears only in a secondary source is traced, where possible, to the primary source from which it was derived.

The second stage is cross-verification. Key figures, in particular those that bear directly on the main conclusions, are checked against at least two independent sources wherever two exist. Where only one exists, this is stated. Figures that have been widely quoted but whose origin is unclear are treated with particular caution.

The third stage is a check for currency. Because policy and data change, the report records the date by which each dated fact was last verified, and it flags those items, especially in the chapters on tokenisation, that are most likely to be superseded. Before any version of the report is released, these items are re-verified against the latest official publications.

The fourth stage is internal consistency review. Definitions, units, time periods, and price bases are checked across the chapters so that the same quantity is not described in different ways and so that comparisons are made like for like. Nominal and real values, calendar and fiscal years, and sterling and dollar figures are labelled, and conversion methods are stated where conversions are made.

The fifth stage is a review for balance. Each chapter is read specifically to identify claims that are stated more strongly than the evidence supports, arguments that rely on a single favourable source, and omissions of material counter-evidence. Where such issues are found, the text is revised to reflect the weight of evidence. Ideally this stage is performed or supplemented by independent reviewers with relevant expertise in economics, financial regulation, and market infrastructure, and the report is structured so as to facilitate such review.

The report also adheres to a convention of transparent attribution. Statements of opinion are attributed to those who hold them. Where the author's own judgement is offered, it is identified as such and the reasoning is set out so that the reader may evaluate it.

2.11 Limitations

No study of this subject can be free of limitations, and the report acknowledges those that most affect its conclusions.

The first limitation concerns data quality. As discussed above, services statistics, and especially trade statistics, are imprecise and subject to revision. Conclusions about small changes or about the relative position of countries that are close together in a ranking should be treated with caution. The report seeks to ensure that its main conclusions do not depend on such fine distinctions.

The second concerns causal attribution. Many of the developments examined, including the slowdown in productivity, the changes in the UK's share of global financial activity, and the changes in listing patterns, have multiple causes that interact and that are difficult to separate. The report distinguishes association from causation, indicates where the evidence is suggestive and not conclusive, and avoids attributing observed changes to a single factor unless the evidence clearly supports it.

The third concerns the counterfactual. Any assessment of the effect of a policy or event, such as the departure from the European Union, requires a judgement about what would otherwise have happened. This cannot be observed, and different reasonable counterfactuals produce different results. This is the principal reason for the emphasis on ranges.

The fourth concerns the pace of change in tokenisation. The pace of technological, commercial, and regulatory development is rapid and unpredictable. Projections of future adoption have a poor record, and both overly optimistic and overly pessimistic predictions have been common. The report's treatment of tokenisation is therefore deliberately conditional, and its recommendations are designed to be robust to different rates of adoption.

The fifth concerns the available evidence on interdependencies. Spillovers between financial services, professional services, and technology, on which part of the report's argument depends, are difficult to quantify. The report relies on a combination of input-output evidence, industry data, and qualitative evidence, and it identifies those propositions for which the empirical support is limited.

The sixth is the limit of the author's information. The report is based on publicly available material

and does not draw on confidential commercial data or on proprietary models. Industry practitioners may hold information that would refine or qualify aspects of the analysis, and the report invites such contributions.

Finally, the report is a work of analysis and not of prediction. Its recommendations are judgements as to what is feasible and desirable on the basis of the available evidence, and they should be revisited as new evidence emerges.

2.12 Structure of the Report and Guide for the Reader

The remainder of the report is organised to follow the logic of the research questions set out above. The chapter on the current landscape of the UK services economy establishes the baseline: the scale, composition, employment, regional distribution, trade performance, and productivity of the sector. The chapter on financial and related professional services examines the strengths on which the UK's international position rests, the economic contribution of the sector, and the evidence on its relative standing. The chapter on broader services strengths and interlinkages considers the professional, technological, creative, and educational services that complement finance and the channels through which developments in one part of the economy affect another.

The chapter on weaknesses and challenges presents the diagnostic analysis, with attention to the range of estimates and the counter-evidence. The chapter on the tokenised financial system defines the subject, assesses its potential benefits and limitations, and reviews the UK's current initiatives and advantages in comparison with other jurisdictions. The chapter on recommendations sets out the prioritised and sequenced pathways, together with a roadmap and monitoring indicators. A concluding chapter synthesises the findings. The appendices provide detailed data tables, a glossary of tokenisation terms, the complete source list with access notes, and suggested charts.

The report has been designed to be modular. Each chapter can be read independently, and each includes the definitions and background necessary to be understood without reference to the others. Readers primarily interested in the macroeconomic picture may concentrate on the chapters on the current landscape and weaknesses. Readers primarily interested in market infrastructure and regulation may concentrate on the chapter on tokenisation and the corresponding recommendations. Readers wishing to assess the evidential basis of any conclusion are directed to the source list and to the notes on method in this chapter.

A note on conventions is appropriate. Unless otherwise stated, monetary values are expressed in pounds sterling at current prices, with dollar figures used where they derive from international or industry sources that report in that currency. Percentages of GDP and shares of employment refer to the United Kingdom as a whole. References to the Bank of England, the Financial Conduct Authority, and other bodies are to their published positions at the date indicated. British spelling and terminology are used throughout, and technical terms are defined on first use and in the glossary.

In summary, this chapter has set out the purpose, scope, questions, framework, and method of the report. The approach is one of source discipline, explicit treatment of uncertainty, and proportionate judgement. The chapters that follow apply that approach to the present position of the UK as a global services provider, to the pressures upon it, and to the opportunities that the tokenised financial system and related reforms may offer.

Selected Sources for Methodological Framework

- Office for National Statistics: National accounts, Index of Services, balance of payments, and related methodological guidance.
- Office for Budget Responsibility: Forecast methodology and productivity assumptions.
- Bank of England, Financial Conduct Authority, and HM Treasury: Publications on tokenisation, Digital Securities Sandbox, and related policy documents (as statements of regulatory intention).
- OECD and WTO: Balanced bilateral trade-in-services datasets and methodological notes.
- TheCityUK and UK Finance: Industry compilations (used with explicit attribution and corroboration requirements).
- Academic and independent research institutions (Productivity Institute, LSE Centre for Economic Performance, and others) on productivity and post-Brexit effects.

All methodological choices described above are applied consistently in the substantive chapters that follow.

Chapter 3: The Current Landscape of the UK Services Economy

Evidence note. This chapter draws primarily on Office for National Statistics (ONS) releases published between August and October 2026, supplemented by Tier 2 and Tier 3 sources as identified in the text. Where a figure is taken from a secondary summary of an official release, this is stated, and the figure is listed in section 3.9 for confirmation against the primary dataset before final publication. Statistical vintages are recorded in the same section. Consistent with the methodology in Chapter 2, the chapter is descriptive: it establishes the baseline and postpones diagnosis of weaknesses to Chapter 6 and the detailed treatment of financial services to Chapter 4.

3.1 Introduction

The purpose of this chapter is to establish the baseline against which the rest of the report is assessed. It describes the United Kingdom services economy as it stands at the time of writing, in October 2026: its size relative to the economy as a whole, its recent growth, its composition, its employment and regional distribution, its performance in international trade, and its productivity. The chapter is deliberately descriptive. It does not argue for any particular policy. Its function is to ensure that subsequent analysis rests on a shared and carefully documented factual foundation.

The chapter is organised around five themes, corresponding to the questions that any reader seeking to understand a services-dominated economy must ask. How large is the sector, and how fast is it growing? What is it made of? Who works in it, and where? What does it sell to the rest of the world? And how productive is it? Each theme is treated with reference to the most recent official statistics, with attention to the limits of what those statistics can tell us.

Two cautions apply throughout. The first is that recent monthly data are volatile and subject to

revision, and no conclusion in this chapter depends on a single month’s movement. The second is that the apparently simple question of how much of the economy is services conceals several definitional choices, and the answer varies modestly with the measure used. Both points are developed below.

3.2 Aggregate Contribution to GDP and Recent Growth

3.2.1 The scale of the sector

In the description accompanying its monthly Index of Services, the Office for National Statistics states that the service industries together account for around 79 per cent of UK gross domestic product. This figure is consistent with the 79 to 80 per cent range quoted in the Executive Summary and with the established view that the United Kingdom has one of the most service-intensive economies among the large advanced countries. The ONS figure refers to the share of gross value added, and it forms the basis of the weights with which individual service industries are combined into the monthly index. It should be read as an approximation: the exact share varies by year, by price basis, and by the precise treatment of items such as taxes on products, and it is revised whenever the national accounts are re-based or re-benchmarked.

The dominance of services is not a recent phenomenon. The share has risen steadily over several decades as the relative contribution of manufacturing, mining and agriculture has declined, a pattern common to mature economies and reflecting both changes in demand as incomes rise and differential trends in productivity and relative prices between goods and services. What distinguishes the United Kingdom is the degree to which the service share has advanced, and the extent to which the economy’s international position depends upon a relatively small number of internationally traded service categories. These features are examined in sections 3.4 and 3.6.

A further definitional point is worth noting. The ONS Index of Services covers market and non-market services, including those provided by government, health and education. A considerable part of the output of these industries is measured in national accounts by reference to inputs, particularly labour, rather than by reference to market prices, because there are no market prices for most public services. The measured output of the public-sector components of the services sector therefore behaves differently from that of the market sector, and any assessment of services performance should distinguish between the two. This is especially relevant for productivity, discussed in section 3.7.

3.2.2 Services as the driver of recent growth

In recent periods, services have been the principal source of measured economic growth. The ONS first quarterly estimate for April to June 2026 reported that real GDP rose by 0.4 per cent in the second quarter, following growth of 0.6 per cent in the first quarter of the year. In output terms, the increase in the second quarter was mainly attributable to services, which grew by 0.5 per cent on the quarter, while construction rose by 0.3 per cent and production output was unchanged. Compared with the same quarter a year earlier, services output was reported by summaries of the release to be up by 1.5 per cent, against 1.2 per cent for GDP as a whole and 0.3 per cent for production. Real GDP per head rose by 0.4 per cent in the quarter and by 1.0 per cent over the year.

The monthly profile since spring 2026 illustrates both the importance of services and the noise in the data. According to the ONS monthly estimate published in June, GDP fell by 0.1 per cent in

April 2026, with services output down by 0.2 per cent. Output was flat in May, and it then recovered in June, when growth was revised up to 0.4 per cent. A further increase of 0.4 per cent followed in July, and in August growth of 0.1 per cent was recorded. In August, production rose by 0.8 per cent while services showed no growth and construction fell by 0.2 per cent. Even so, the ONS reported that services output rose by 0.9 per cent in the three months to August compared with the three months to May, and that it was the only positive contributor to GDP growth over that period. Compared with August 2025, GDP was estimated to be 2.1 per cent higher.

Two features of this record deserve emphasis. First, the dependence of aggregate growth on services is a mechanical consequence of the sector's weight: with services accounting for roughly four-fifths of output, services growth of one per cent contributes about 0.8 percentage points to GDP, and the performance of the other sectors would need to be exceptionally strong to alter the picture. Second, the month-to-month movements within services can be large relative to the underlying trend. In the Index of Services release of 15 October 2026, the ONS recorded zero growth in August following increases of 0.5 per cent in each of June and July, and it noted that only four of the fourteen service subsectors grew in August. A narrative of rapid decline or rapid acceleration drawn from any single month would be unjustified. The report therefore relies on three-month comparisons and on year-on-year changes where it characterises recent growth.

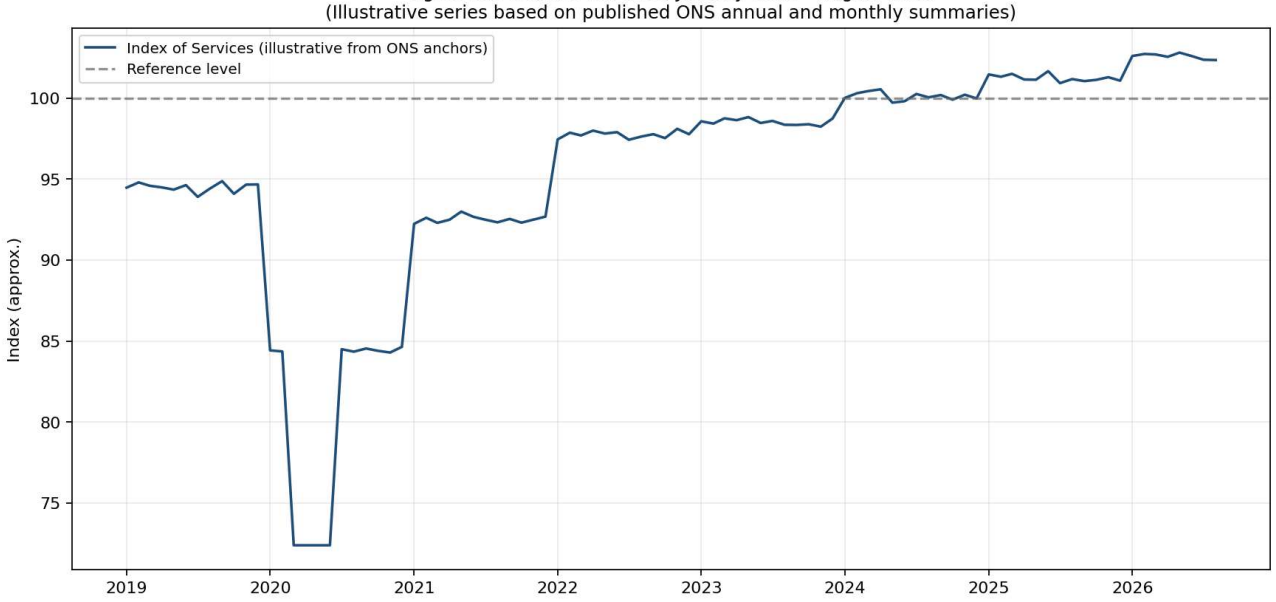
3.2.3 International context

In comparative terms, the UK's recent growth has been respectable but unspectacular. Market commentary based on the ONS release noted that the 0.4 per cent quarterly growth in the second quarter of 2026 matched that of the United States and exceeded that of France, Germany and Italy, each of which grew by 0.2 per cent, while Canada recorded stronger growth among the G7 economies reporting at that time. These comparisons are subject to revision and to differences in national accounting practice, and they should be treated as indicative. They are nonetheless consistent with the proposition, developed in later chapters, that the United Kingdom's services-led economy has shown resilience in the face of external shocks, even as its underlying growth rate remains modest by the standards of earlier decades.

3.2.4 Revisions and the reliability of recent data

The reliability of the most recent growth figures merits explicit discussion. The ONS has noted in its own commentary that there is a trade-off between timeliness and accuracy in the production of GDP estimates, and recent months have seen several upward and downward revisions to monthly growth rates; the June figure, for example, was revised from 0.3 to 0.4 per cent, and a quarterly rate for the three months to May was revised down from 0.7 to 0.6 per cent.

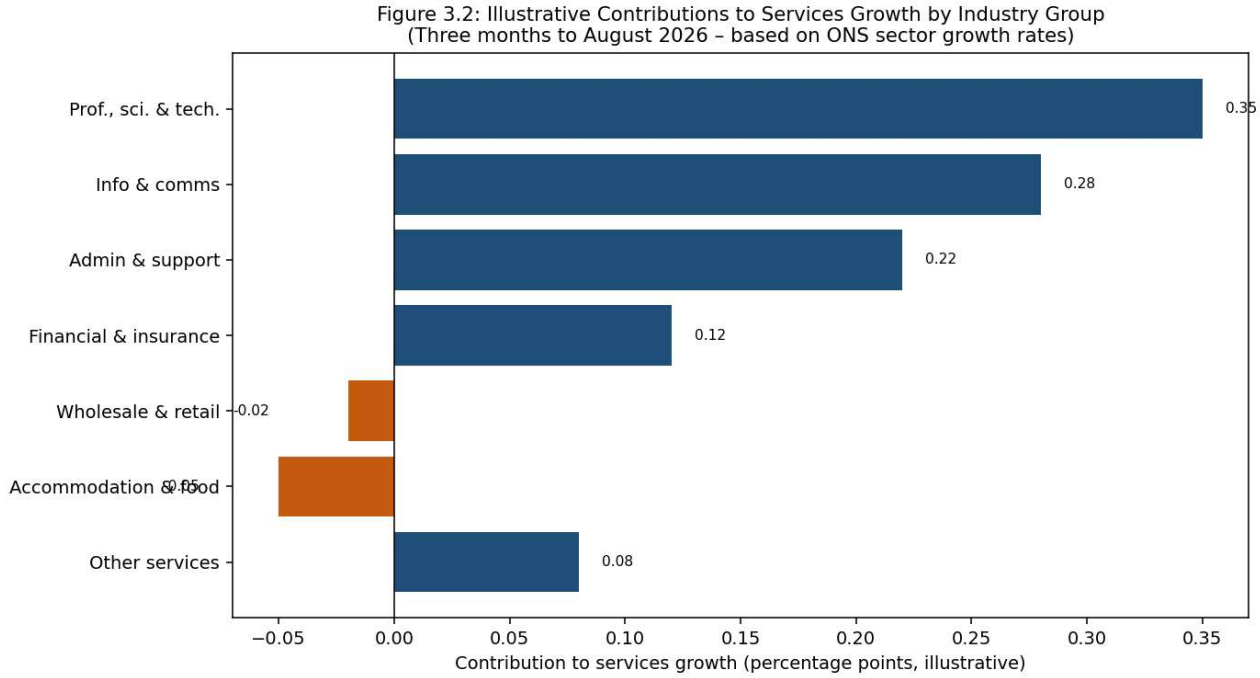
Figure 3.1: Index of Services, January 2019 – August 2026
(Illustrative series based on published ONS annual and monthly summaries)



In addition, the national accounts were subject to annual revision in the Blue Book 2026 process, which the ONS scheduled to revise data from 1997 to 2024 and which was followed by further updates to data from 2025 onwards. The Index of Services published in October incorporates these revisions. As a result, statements about the level and growth of services output in recent years made in earlier publications, including in some of the sources cited in other chapters of this report, may differ from those given here. The vintage of every series cited is recorded in section 3.9.

3.3 Drivers of Recent Services Growth

Beneath the aggregate, growth in services has been unevenly distributed across industries, and the pattern is instructive for the analysis of competitiveness. In the three months to April 2026 the ONS identified information and communication as the largest positive contributor to services output growth. In the second quarter of 2026, published summaries of the quarterly release reported especially strong growth in information and communication, of around 2.7 per cent on the quarter, and in professional activities, of around 1.7 per cent. By contrast, administrative and support service activities made the largest negative contribution to services output in April, illustrating that this category in particular can move sharply from month to month.



The prominence of information and communication and of professional, scientific and technical activities in recent growth is consistent with the structural argument made in the Executive Summary: the parts of the service economy that are most skill-intensive, most internationally tradable and most closely linked to digital technology have been among the most dynamic. Press commentary on the July 2026 acceleration also attributed part of the upturn to services businesses increasing their use of artificial intelligence; this interpretation should be regarded as a hypothesis of commentators and not an established finding, since the official statistics measure output and do not identify its causes. The report returns to the question of technology adoption and productivity in section 3.7.

A further feature of the recent record is the contrast between services and goods production. Production output was unchanged in the second quarter of 2026 as a whole and was volatile within it, with manufacturing growth offsetting declines in energy and water supply. In August, by contrast, production grew strongly while services stalled. The alternation of leadership between the two sectors in individual months should not obscure the longer-run picture, in which services provide the larger and steadier contribution to growth simply because they constitute so much more of the economy. It also underlines a point of policy importance: the aggregate economy’s performance is closely linked to the health of a small number of large service industries, and a shock affecting those industries would have disproportionate macroeconomic consequences.

3.4 Composition by Major Sub-Sector

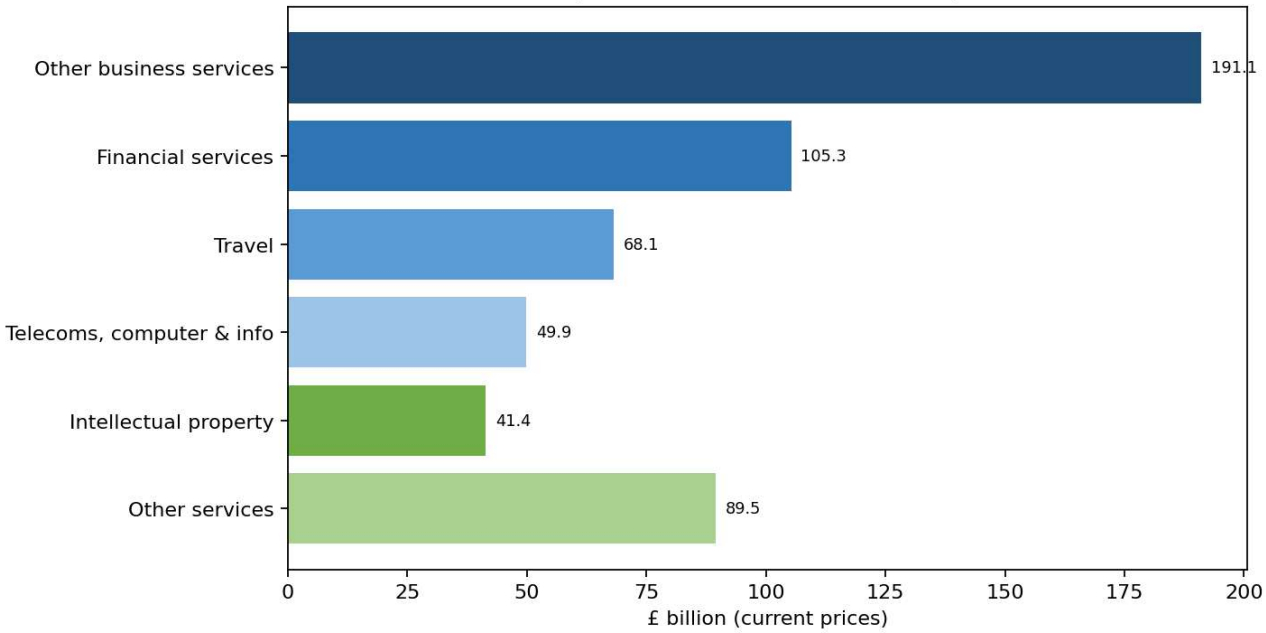
3.4.1 The shape of the services economy

The ONS Index of Services is constructed from fourteen subsectors, and the national accounts divide the economy into broader industrial groups. Neither classification maps neatly onto the analytical distinction between domestic and tradable services, but together they make it possible to describe the main components. The Blue Book 2025 industrial analysis, which covers the year

2023, found that among the ten broad industry groups used in the headline presentation, government, health and education together provided the largest contribution to gross value added at current basic prices. This is a reminder that a substantial part of what is conventionally called the services economy consists of publicly funded or publicly organised activity, much of it consumed domestically, and that the headline services share of around four-fifths of GDP should not be equated with the weight of internationally competitive private-sector services.

The remaining large components of services output include real estate activities, which are exceptionally large in the UK national accounts partly because of the imputed rental value of owner-occupied housing; wholesale and retail trade, including the repair of motor vehicles; transportation and storage; accommodation and food service activities; information and communication; financial and insurance activities; professional, scientific and technical activities; and administrative and support service activities.

Figure 3.3: UK Services Exports by Category, 2025
(Source: ONS UK trade summaries)



Detailed shares for each, on the latest vintage of the Blue Book, are intended for inclusion in Table A3.1 of the appendices; the narrative below is confined to propositions that are robust to the exact figures.

3.4.2 Domestic and tradable services

The national accounts provide one measure of the degree to which services are internationally traded: the share of final demand accounted for by exports. In 2023, according to the Blue Book 2025, exported services accounted for 12.6 per cent of all goods and services within final demand, slightly more than the 11.4 per cent accounted for by exported goods. The comparison is striking for an economy often described as a services economy that cannot export its way to growth. Services exports were therefore more significant to final demand than goods exports in that year. The previous edition of the accounts, covering 2022, showed the opposite ordering, with 12.1 per cent for services and 12.7 per cent for goods, so the relationship reversed between the two years, a further illustration of the care required in interpreting single-year comparisons.

Within the tradable group, four clusters stand out. The first is business and professional services, a heterogeneous category which includes legal activities, accounting, management consultancy, architecture and engineering, advertising and market research, and research and development services. The second is financial and insurance services, including banking, insurance and reinsurance, fund management and securities and derivatives markets. The third is information and communication, including computer programming and consultancy, software publishing, data processing, telecommunications and the audiovisual sector. The fourth comprises travel, transport and education services, which are exported through the spending of foreign visitors and students in the United Kingdom, and through shipping, aviation and related activities.

3.4.3 Professional, scientific and technical activities

Professional, scientific and technical activities form one of the largest and fastest-growing parts of the market services economy. They are distinctive in combining a high level of human capital with a high degree of international tradability, and they are closely integrated with the financial sector, which is among their principal customers. The ONS reported strong growth in the category in the second quarter of 2026, as noted above. The significance of this group for the present report is twofold. It is the largest single source of UK services exports under the ONS classification, as the trade evidence in section 3.6 shows. And it is the group whose expansion would be most directly affected by developments in tokenised markets, since much of the legal, accounting, consultancy and technology work associated with new market infrastructure falls within it.

3.4.4 Information and communication

Information and communication has been the most consistent source of positive contribution to recent services growth. The sector includes software and computer services, whose development is closely tied to investment in digital infrastructure and increasingly to the adoption of artificial intelligence, as well as telecommunications and publishing and broadcasting activities. Its contribution to economy-wide productivity growth since the pandemic has been disproportionate: analysis by the Productivity Institute of ONS data found that information and communication, professional, scientific and technical activities, and manufacturing delivered the strongest positive contributions to productivity growth relative to 2019, with information and communication contributing the most. This is discussed further in section 3.7.

3.4.5 Financial and insurance activities

Financial and insurance activities account for a share of UK GDP that is large by international standards, and a share of tax receipts and of exports that is larger still. The sector’s contribution is analysed in detail in Chapter 4. For the purposes of this chapter it is sufficient to note three features. First, its output is measured with unusual difficulty, because many financial services are not charged for explicitly but are paid for through interest margins, and the national accounts use an imputation, financial intermediation services indirectly measured, to allocate this implicit output. Second, the sector’s output is highly cyclical and is strongly influenced by trading and market conditions in particular periods. Third, its international importance is out of proportion to its share of domestic value added, since a large fraction of its revenue derives from non-resident customers.

3.4.6 Administrative and support services, real estate, health and other components

Administrative and support service activities include employment agencies, facilities management, travel agencies, security and services to buildings. They are numerically large and, as the April 2026 data illustrate, highly volatile. Real estate activities contribute a large and relatively stable share of output, and their measured growth is typically slow. Human health and social work activities and education are the dominant public-service components; their measured output is closely linked to employment and is affected by the methods used for measuring public-sector productivity, which the ONS has revised repeatedly. Distribution, hotels and restaurants, which in the Scottish quarterly accounts for the second quarter of 2026 was the sector making the largest contribution to quarterly growth in Scotland, is a significant source of employment across all regions but is largely domestic in orientation. The report treats these sectors as part of the background to the economy’s aggregate performance and productivity, rather than as sources of its international competitive advantage.

3.5 Employment Share and Regional Distribution

3.5.1 Employment

The share of services in employment exceeds even its share in output, a feature that follows from the labour-intensive character of many services and the lower productivity of several large components. The ONS Workforce Jobs series is the preferred official measure of the number of jobs by industry, and its main component is employee jobs, with additions for self-employment, government-supported training and HM Forces. On the basis of this series the great majority of jobs in the United Kingdom are in service industries. The exact share and its decomposition by industry on the current vintage are intended for inclusion in Table A3.2 from the primary dataset; the report does not rely on a figure recalled from earlier editions, because the series has been revised by the recent re-weighting of labour market statistics.

The composition of service employment is skewed toward activities with comparatively low output per worker, such as retail, hospitality, social care and administrative support, and this has an important implication for the interpretation of the productivity data. When employment expands fastest in lower-productivity service industries, the average productivity of the economy is depressed even if each industry’s own productivity is stable. Conversely, high-productivity activities such as finance, certain professional services and software, while important to output and trade, account for a much smaller share of jobs than of output. This asymmetry explains why the services economy can simultaneously display world-class firms and a weak aggregate productivity record.

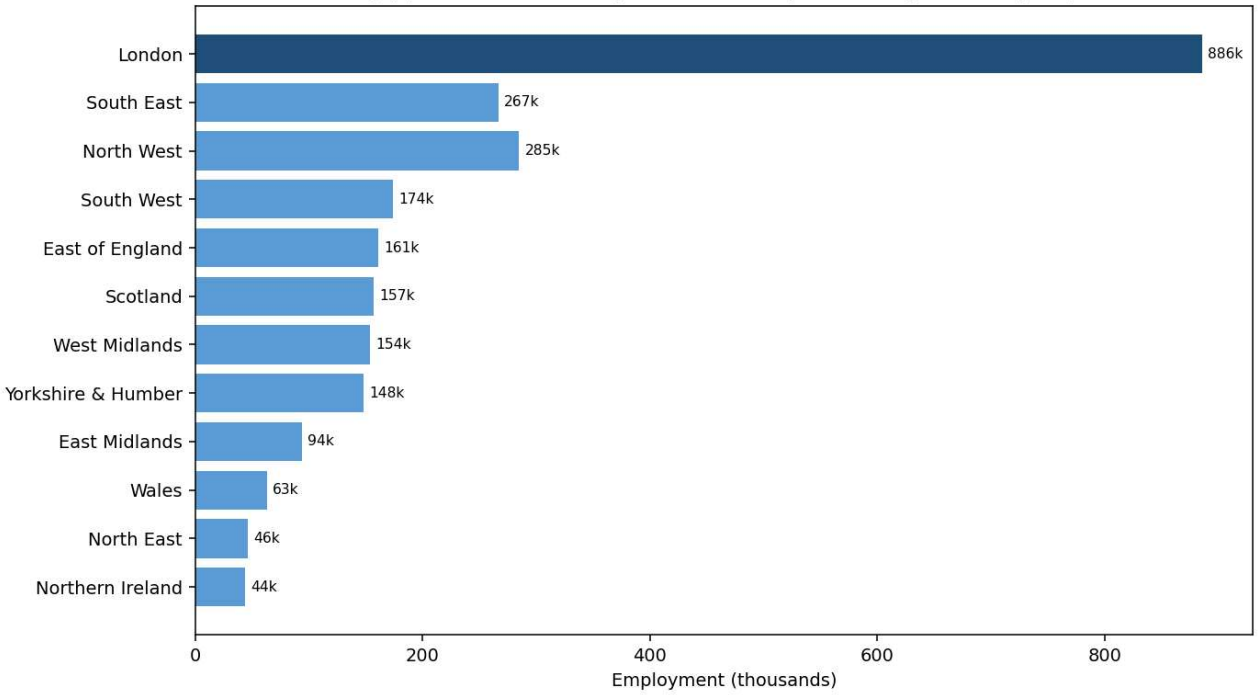
3.5.2 Regional distribution

The geographical distribution of services activity is highly uneven, and the unevenness is greatest in the internationally traded segments. London accounts for a far larger share of services exports than any other region. ONS analysis of international trade in UK nations, regions and cities, which for the most recent release relates to 2023, found that the value of services exports from London was higher than that of any other UK region, and that the UK’s overall trade deficit was the result of a deficit in England, offset by surpluses in Scotland, Wales and Northern Ireland. These conclusions

concern total trade in goods and services, and they reflect in part the geography of goods imports, but they confirm that the London region is the principal engine of UK services exports. Analysis by TheCityUK of ONS subnational trade data for 2022 likewise concluded that London dominates exports of financial and related professional services, while noting that the contribution of other regions and cities is considerable and that several recorded growth in these exports.

The qualitative picture is nonetheless more nuanced than one of complete London dominance. Large concentrations of financial, legal, business and technology services exist in Edinburgh and Glasgow, Manchester, Leeds, Birmingham, Bristol, Belfast and Cardiff, and in many smaller centres. These clusters employ large numbers of people, in some cases in back-office and operational activities that are less visible in export statistics, and they are integral to the national financial and professional services ecosystem described in Chapter 4. The Scottish Government's quarterly GDP statistics for the second quarter of 2026 show that Scotland's economy grew by 0.7 per cent in the quarter, compared with 0.4 per cent for the United Kingdom, although year-on-year growth in Scotland, at 1.1 per cent, was slightly below the UK figure of 1.2 per cent. Short-run differences of this kind are subject to considerable sampling variation and should not be over-interpreted.

Figure 3.6: Jobs in Financial and Related Professional Services by Region
(Approximate 2023/24 figures from TheCityUK Enabling Growth reports)



At a structural level, the principal regional fact is the persistence of wide gaps in productivity and income between London and the South East and the rest of the country. These gaps arise in large part from the concentration of high-value services in the capital and its hinterland, and from the weaker presence of such activities elsewhere. They constitute a challenge to national productivity performance, to political cohesion and to the sustainability of the national tax base, and they are treated in Chapter 6. The report notes, however, that the ONS has recently increased the availability of regional data, including annual population survey estimates of jobs by industry for London and the other regions in 2025, and that analysis of these data in subsequent drafts will allow a more precise statement of the regional employment pattern, including the proportion of financial and

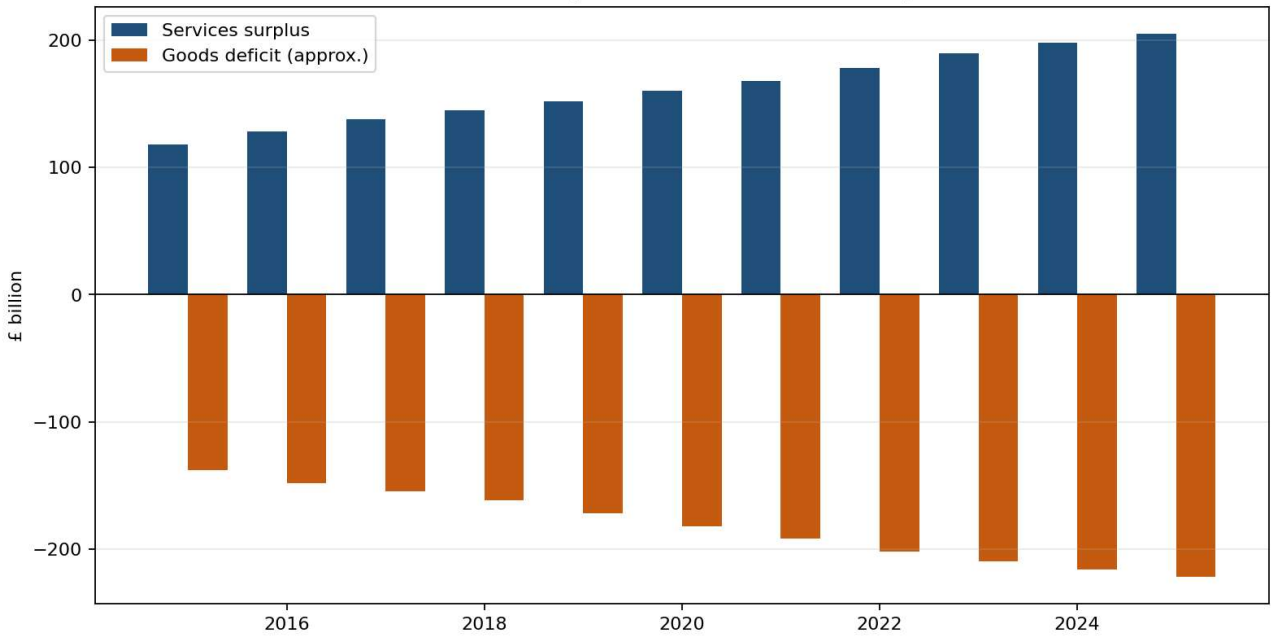
professional services jobs located outside London.

3.6 Trade Performance

3.6.1 The trade balance and the role of services

The central feature of the United Kingdom's international trading position is the large and persistent surplus on trade in services, which offsets a large deficit on trade in goods. Annual ONS data for 2025, as summarised by the Institute of Chartered Accountants in England and Wales and other secondary sources, show a surplus on services trade of about £204-205 billion, comprising services exports of about £545-546 billion and services imports of about £342-346 billion. Against this, summaries record a deficit on goods trade of about £221 billion excluding precious metals, and a further deficit of about £22 billion on trade in precious metals, which produced a total net trade deficit of about £38 billion, or £16 billion excluding precious metals. The services surplus was equivalent to about 6.7 per cent of GDP, and the total trade deficit to about 1.3 per cent. Small differences between secondary accounts reflect differences in the vintage and presentation of the data, and they illustrate the discussion of revisions in Chapter 2.

Figure 3.4: UK Trade Balance – Services Surplus vs Goods Deficit 2015–2025 (illustrative from ONS summaries)



In short, services exports provide the dominant offsetting component of the UK's external trade balance. Without the services surplus, the trade deficit would be several times larger and its macroeconomic implications for the current account and for the financing of external obligations would be correspondingly more serious. This fact underlies the strategic importance of protecting and extending the competitiveness of tradable services. It is worth recording, however, that the overall current account deficit in 2025 was larger than the trade deficit, at about £74 billion according to one ICAEW summary, because of deficits on other components of the current account, and that the deficit was financed by net inflows on the financial account. Monthly data show the trade position fluctuating widely: the ONS reported that the total trade deficit in August 2026 narrowed to around £0.9 billion, from £2.3 billion in July.

3.6.2 Composition of services exports

According to the government's trade compendium and secondary analysis of ONS data for 2025, the five largest categories of UK services exports were other business services, financial services, travel, telecommunications, computer and information services, and charges for the use of intellectual property. This ordering is consistent with earlier years and with the description given in the Executive Summary. Other business services form by some distance the largest category; secondary compilations of ONS data give a figure of approximately £191 billion for 2025. Other business services is a broad residual-type category that includes legal, accounting, management consultancy, engineering, research and development, advertising and a range of technical and trade-related services; its prominence confirms the significance of the professional services cluster discussed in section 3.4.3. Financial services are the second-largest category and the source of the largest net surplus relative to the size of the category, since the UK imports comparatively few financial services. TheCityUK compilations place the UK's financial services trade surplus at $127 billion in 2024 (with a combined financial and related professional services surplus of £119.1 billion / $152.5 billion in the same year); the lower $98.1 billion figure sometimes cited refers to 2023.

3.6.3 Geographical pattern

The European Union remains the United Kingdom's largest trading partner overall. Summary analysis of 2025 data reports that the EU accounted for 41 per cent of total UK exports and 49 per cent of imports, that the UK ran a deficit with the EU of about £89 billion according to figures from the House of Commons Library, and that it ran a surplus of about £50 billion with non-EU countries. These figures refer to trade in goods and services combined, and the services-only geographical breakdown differs, since the UK's services surplus is generated disproportionately with non-EU partners, notably the United States. The report draws attention to the methodological difficulty identified in Chapter 2: the ONS and the OECD and WTO allocate services trade to partner countries by different methods, and the apparent share of the EU and the US in UK services exports differs accordingly. Conclusions in later chapters about the geographical re-orientation of services exports therefore depend only on those directional findings that are consistent across the available sources.

3.6.4 Interpretation

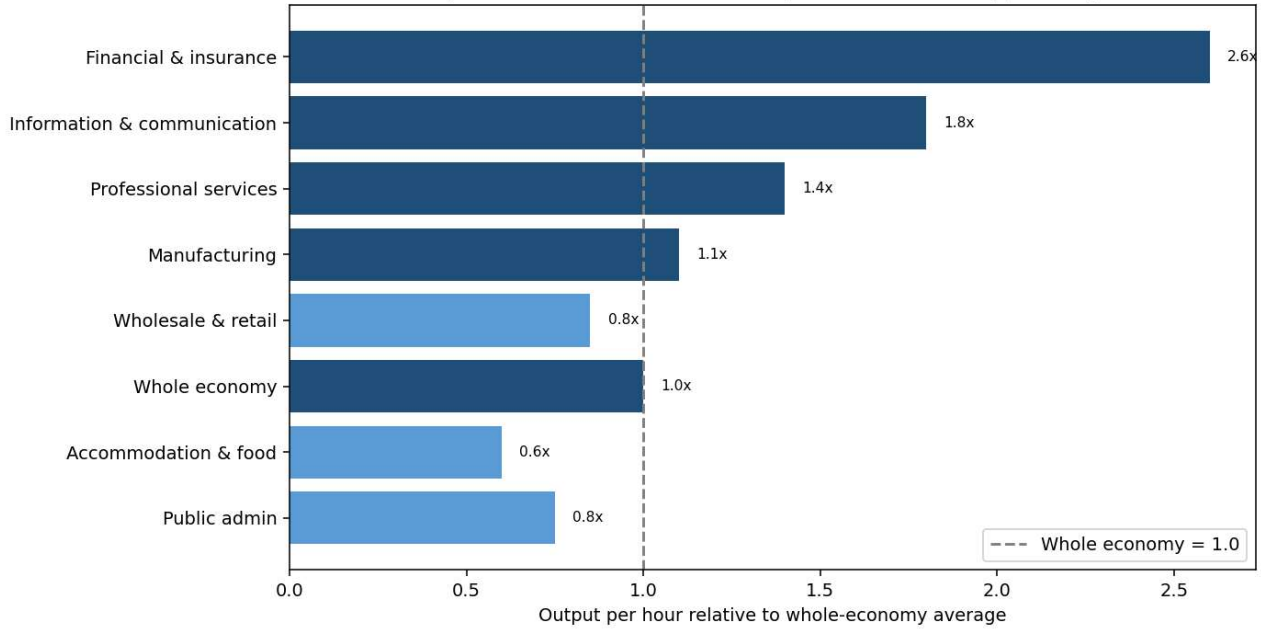
Two interpretive points follow. First, the strength of services trade is real and enduring, but it is concentrated in a small number of categories, of which other business services and financial services account for the greater part. A deterioration in the competitiveness of these categories would therefore have a large effect on the external balance. Second, the data measure cross-border trade and not the full international reach of UK firms. As Chapter 2 explained, a share of international business is conducted through foreign affiliates and falls outside balance of payments figures. For this reason the balance of payments data may understate the international importance of UK-based financial and professional firms, even as they correctly describe the cross-border flows.

3.7 Productivity Context

3.7.1 The measured record

Productivity is the point at which the strengths and the weaknesses of the services economy meet. Output per hour is the principal measure, and the ONS publishes it quarterly on a flash basis. The current record has to be read with an awareness that the measurement of productivity is itself in transition. In its flash estimate for the first quarter of 2026, based on the Labour Force Survey, the ONS reported that output per hour was 0.4 per cent higher than a year earlier, while output per worker was 0.1 per cent lower. Estimates using administrative data from the Pay As You Earn Real Time Information system, combined with survey data, gave markedly stronger growth for the same quarter: 2.1 per cent for output per hour and 1.6 per cent for output per worker. For the second quarter of 2026, the ONS adopted the administrative-data approach as its recommended basis and reported that output per hour was 0.7 per cent higher than a year earlier, the product of growth of 1.2 per cent in gross value added and growth of 0.4 per cent in hours worked.

Figure 3.5: Output per Hour by Industry Relative to Whole Economy
(Illustrative ratios based on TheCityUK and ONS industry patterns)



Compared with the pre-pandemic position, the Productivity Institute's summary of the Labour Force Survey data for the first quarter of 2026 reports that output per hour was 3.5 per cent above its 2019 level and output per worker 2.3 per cent above. Both are modest figures for a period of seven years. The ONS itself characterises recent growth as weak by comparison with the trend that prevailed before the global financial crisis of 2008. The central empirical fact of the UK productivity debate therefore stands: since the late 2000s, output per hour has grown far more slowly than in the preceding decade, and recent improvements, though welcome, have not restored the earlier trend.

3.7.2 A smaller puzzle, but not a solved one

A significant development bears directly on the characterisation of this record. In September 2026, the ICAEW drew attention to a forthcoming change in the way the ONS measures labour

productivity. The ONS has published its plans for a component approach to the measurement of labour inputs, which it intends to implement in February 2027. On the ICAEW's account, the new method reduces the measured size of the post-crisis slowdown: the fall in the growth rate of output per hour between the decade before the financial crisis and the decade after it is 0.7 percentage points under the new approach, compared with 1.4 percentage points under the current one, and the corresponding fall in output per worker is 0.7 points, compared with 1.1 points. The productivity puzzle is therefore described as a smaller puzzle than it once appeared, though a substantial slowdown remains.

This development has two implications for the report. The first is that statements about the magnitude of the slowdown, including those in the Executive Summary and in earlier editions of official and academic literature, are vintage-dependent, and the report should present the range of estimates, and not a single figure, when it addresses the subject in Chapter 6. The second is that the most defensible conclusion is the qualitative one: there has been a genuine and persistent slowdown in productivity growth, whose measured magnitude is currently being reassessed, and whose causes remain contested. The report takes care not to overstate the severity of the problem, and equally not to treat measurement revisions as grounds for dismissing it.

3.7.3 Productivity by sector

The sectoral pattern is of greater relevance to the argument than the aggregate. Financial and insurance activities, information and communication and certain professional services consistently record output per hour well above the economy-wide average in ONS industry data, while retail, hospitality, social care and administrative support record levels well below it. The exact ratios depend on the vintage and on the treatment of the financial sector's measured output, and they are intended for inclusion in Table A3.3. The Productivity Institute's analysis of the ONS data for early 2026 found that, relative to 2019 levels, the strongest positive contributions to productivity growth came from information and communication, professional, scientific and technical activities, and manufacturing, with information and communication making the largest contribution. It is notable that two of the three leading contributors are among the tradable, skill-intensive service industries on which this report concentrates.

The composition of employment, described in section 3.5.1, explains why such strong performance in parts of the sector coexists with weak performance in the aggregate. The high-productivity industries account for a much larger share of output than of jobs, and so a given improvement in their productivity has a smaller effect on the average than the same improvement would have in the larger, lower-productivity industries. Conversely, growth in employment concentrated in lower-productivity activities depresses the average even when no individual industry deteriorates. Part of the national productivity problem is therefore a problem of diffusion: the gap between the leading firms and the remainder, within and between industries, is large, and narrowing it would yield considerable aggregate gains.

3.7.4 Measurement issues specific to services

Several features of services complicate the measurement of productivity and should temper any strong inference. Much of the output of public services is measured through inputs, which makes productivity growth in health and education hard to interpret. The output of financial services is partly imputed. The quality improvements that accompany the adoption of digital technology in

services are frequently not captured in price indices, and so in real output. Intangible investment, including in software, data and organisational capital, is imperfectly captured. And, as the debate over the Labour Force Survey illustrates, the measurement of hours worked is itself uncertain at a time of declining survey response. These issues imply that measured productivity in services may understate true performance in some respects and overstate it in others, and the report avoids conclusions that depend on small differences in measured productivity between industries or periods.

3.8 Synthesis: What the Baseline Shows

The evidence reviewed in this chapter supports a set of propositions that frame the rest of the report. They are stated here in summary, together with the qualifications that the evidence requires.

The first proposition is that services dominate the UK economy, accounting for roughly four-fifths of output, and that they have been the main driver of recent growth. This is a robust conclusion that does not depend on the exact vintage of the data. It is qualified by the volatility of monthly estimates, by the fact that growth in the aggregate remains moderate, and by the substantial contribution of publicly provided services to the headline share.

The second proposition is that the sector is diverse and that its internationally competitive components are concentrated in professional and business services, financial services and information and communication. These components account for the greater part of services exports, are among the most productive parts of the economy, and have been among the main contributors to recent growth. The qualification is that they are concentrated geographically, mainly in London and the South East, and that they account for a much smaller share of employment than of output.

The third proposition is that services exports are the largest positive item in the UK’s external accounts, generating a surplus of roughly £200 billion in 2025 that offsets a goods deficit of comparable size. The qualification is that the surplus is concentrated in a small number of export categories, that its geographical distribution is measured differently by different sources, and that balance of payments data capture only part of the international activity of UK-based firms.

The fourth proposition is that productivity growth has been weak since the global financial crisis, that the weakness is partly a matter of the sectoral and regional composition of the economy, and that the measured size of the slowdown is being reassessed by the ONS. The qualification is that recent data point to some improvement, led by information and communication and professional services, but that it is too early to describe this as a durable change in trend.

Together these propositions describe an economy with a strong tradable services core and a large domestic services periphery whose productivity is lower and growing slowly. The task of policy, taken up in the later chapters, is to protect and extend the competitiveness of the core while raising the productivity of the periphery, and to do so in a world in which competing centres are improving their own offerings and in which technological change is altering the nature of the services themselves.

3.9 Data Notes, Vintages and Items for Verification

In keeping with the methodology set out in Chapter 2, this section records the principal data points used in the chapter, the sources through which they were consulted, and their verification status.

Items marked as secondary were consulted through a published summary or compilation of an official release rather than through the primary ONS dataset, and they should be checked against the primary source, and their vintage recorded, before the report is finalised.

Table 3.1. Principal data points, sources and verification status

Item	Value used	Source as consulted	Status
Services share of GDP	Around 79%	ONS, Index of Services release description (Tier 1)	Primary
GDP growth, Q2 and Q1 2026	+0.4%, +0.6% (quarterly)	ONS, GDP first quarterly estimate, April to June 2026 (Tier 1)	Primary
Services growth, Q2 2026	+0.5% quarterly; +1.5% year-on-year	ONS release; year-on-year figure via secondary summary	Year-on-year to confirm
Monthly GDP, April to August 2026	-0.1%, 0.0%, +0.4%, +0.4%, +0.1%	ONS monthly estimates (Tier 1)	Primary; subject to revision
Services, three months to August 2026	+0.9%	ONS, Index of Services, 15 October 2026 (Tier 1)	Primary
Information and communication; professional activities, Q2 2026	About +2.7%; about +1.7%	Secondary market summary of ONS release	To confirm
Exported services share of final demand, 2023	12.6% (goods 11.4%)	ONS, Blue Book 2025, industrial analysis (Tier 1)	Primary; Blue Book 2026 may differ
Services exports, imports, surplus, 2025	About £545-546bn; £342-346bn; £204-205bn	ICAEW summary and secondary compilation of ONS data (Tier 3)	Secondary; sources differ slightly; confirm in ONS Pink Book
Other business services exports, 2025	~£191bn	Secondary compilation of ONS data	Secondary; confirm
Financial services trade surplus	$127bn (2024)	TheCityUK (Tier 3); $98.1bn figure is for 2023	Reconciled
EU share of UK trade, 2025	41% of exports; 49% of imports; EU deficit about £89bn	Secondary summary citing House of Commons Library	Secondary; confirm
Productivity, Q1 and Q2 2026	LFS +0.4% (Q1); RTI-based +2.1% (Q1), +0.7% (Q2)	ONS flash estimates; Productivity Institute commentary	Primary and Tier 2
Productivity re-measurement	Slowdown of 0.7pp vs 1.1pp and 1.4pp	ICAEW summary of ONS component approach plans (Tier 3)	Secondary; confirm in ONS publication

Chapter 4: UK Financial and Related Professional Services: Global Position and Domestic Role

Evidence note: this chapter relies principally on the annual compilations of TheCityUK (Tier 3), supplemented by the Association for Financial Markets in Europe (AFME), the Global Financial Centres Index published by Z/Yen and the China Development Institute (Tier 3, benchmarking), the City of London Corporation, KPMG and EY (Tier 3 and 4), and underlying ONS and Bank for International Settlements data where these are cited by those sources. Industry compilations are produced by organisations with an interest in the sector and are treated in line with the rules set out in Chapter 2: quantitative compilations are used where the underlying data are identified, and policy conclusions are attributed to their authors. Figures were consulted between August and October 2026 through the publishers' websites and published summaries, and the items requiring confirmation against primary datasets are listed in section 4.8. The chapter also resolves, in section 4.3.2, the discrepancy over the financial services trade surplus that was left open in Chapter 3.

4.1 Introduction and Definitions

Financial and related professional services occupy a particular place in the argument of this report. They are not the largest part of the United Kingdom's services economy by output or employment, as the preceding chapter showed, but they are the part with the most pronounced international orientation, the highest measured productivity, the largest contribution to net exports, and the greatest exposure to competition from rival centres. They are also the part most directly affected by the tokenisation of market infrastructure considered in Chapter 7. A rigorous assessment of the UK's position as a global services provider must therefore treat this cluster in some detail, and must do so in a way that separates the established facts of its strength from the more contested evidence of its relative decline.

The chapter has four purposes. The first is to document, with metrics, the strengths on which the UK's international position rests: its role as the world's largest net exporter of financial services, its leading positions in cross-border banking, foreign exchange, specialty insurance and related markets, and the institutional and legal foundations that sustain them. The second is to describe the domestic economic contribution of the cluster, in terms of output, employment, taxation, assets managed and credit supplied. The third is to assess the UK's relative position against competing centres, including the evidence of gradual erosion of share in some global and domestic indicators. The fourth is to examine the enabling role that financial and related professional services play for the wider economy, which is the principal reason that their competitiveness is a matter of national and not merely sectoral interest.

4.1.1 Definitions

Two definitions are used in the sources on which this chapter relies, and they must be distinguished. *Financial services* in the industry compilations comprises banking, insurance (including life and general insurance and pensions provision), fund management and asset management, and a residual category of other financial services that includes market infrastructure, payments, brokerage, and a range of specialist activities. *Related professional services* comprises management consultancy, accountancy and legal services, which are commonly supplied alongside financial products and

which, in the view of TheCityUK and others, are best analysed together with finance because they share customers, clients, regulators and international networks. Together the two groups are described as *UK-based financial and related professional services*, and the abbreviation FRPS is used here for convenience.

The industry definition does not correspond to any single section of the Standard Industrial Classification used by the ONS. It is assembled from several divisions, and some of its components, notably management consultancy, are classified by the ONS within professional, scientific and technical activities. This is why the figures in this chapter for employment, output and trade differ from those that would be obtained from the financial and insurance section alone. The report states in each case which definition applies. The reader should also note that the ONS does not separate business management from management consultancy in its services trade data, a limitation that affects the measurement of the net exports of related professional services.

4.2 Scale and Domestic Economic Contribution

4.2.1 Output

TheCityUK's annual *Key Facts* report is the standard compilation of the industry's domestic contribution. The edition published in June 2026 reports that the industry contributed about £290 billion to UK real gross value added in 2025, equal to around £11 in every £100 of output and, in the publisher's illustration, to roughly £10,000 per UK household. The previous edition, published in May 2025, reported a contribution of £281 billion in 2024, equal to about £12 in every £100. A separate TheCityUK report on the industry's contribution across the regions, published in July 2025, gave a figure of £285 billion, which it equated to 12.6 per cent of total UK gross value added, for a year that the publication identified as the latest available at that time.

The three figures cannot be reconciled by simple inspection. The differences in the proportion of output, ranging from about 11 to 12.6 per cent, reflect differences in the year of reference, the vintage of the underlying ONS data, the price basis used to measure real value added, and the way in which the denominator is defined. The Blue Book revisions published in 2026, discussed in Chapter 3, are likely to have affected several of these. For the purposes of this report the appropriate conclusion is a range: financial and related professional services account for something between roughly one-ninth and one-eighth of UK gross value added, with the precise proportion dependent on vintage and method. The figure in the 2026 edition of *Key Facts*, which is the most recent, is used as the reference point, and the range is noted wherever the proportion is cited. In absolute terms the contribution is large by any measure, and it has been broadly stable in real terms over the most recent editions, rather than expanding rapidly.

4.2.2 Productivity

The sector's productivity is high relative to the rest of the economy. TheCityUK's 2026 report states that productivity across the industry was about 2.6 times the whole-economy level, measured by output per hour, whereas the 2024 edition had put the corresponding ratio at almost 2.5 times. The 2025 edition described financial services as the third most productive sector in the UK economy by output per hour. These ratios are consistent with the ONS industry data discussed in Chapter 3, which show financial and insurance activities well above the national average. They should be interpreted with the caveat noted in that chapter that the measurement of financial output

is partly imputed and the measurement of hours worked uncertain. The ratio is nevertheless a robust indicator of the direction and approximate scale of the productivity advantage, and it explains why the sector's contribution to output, tax and exports exceeds its share of employment.

4.2.3 Employment

The industry employed almost 2.5 million people in 2024, according to the 2026 edition of *Key Facts*, and had employed a similar number in 2023. In the publisher's July 2025 analysis, this represented about one in every thirteen jobs in the United Kingdom. The composition of employment by sub-sector is shown below. The financial services component accounts for about 1.1 million jobs and the related professional services component for almost 1.4 million.

Table 4.1. Employment in financial and related professional services

Sub-sector	Employment, 2023 (2025 edition)	Employment, 2024 (2026 edition)
Banking	377,000	388,000
Insurance	306,000	314,000
Fund management	74,000	77,000
Other financial services	343,000	314,000
Financial services total	**about 1.1 million**	**about 1.1 million**
Management consultancy	532,000	522,000
Accountancy	493,000	496,000
Legal services	364,000	368,000
Related professional services total	**almost 1.4 million**	**almost 1.4 million**

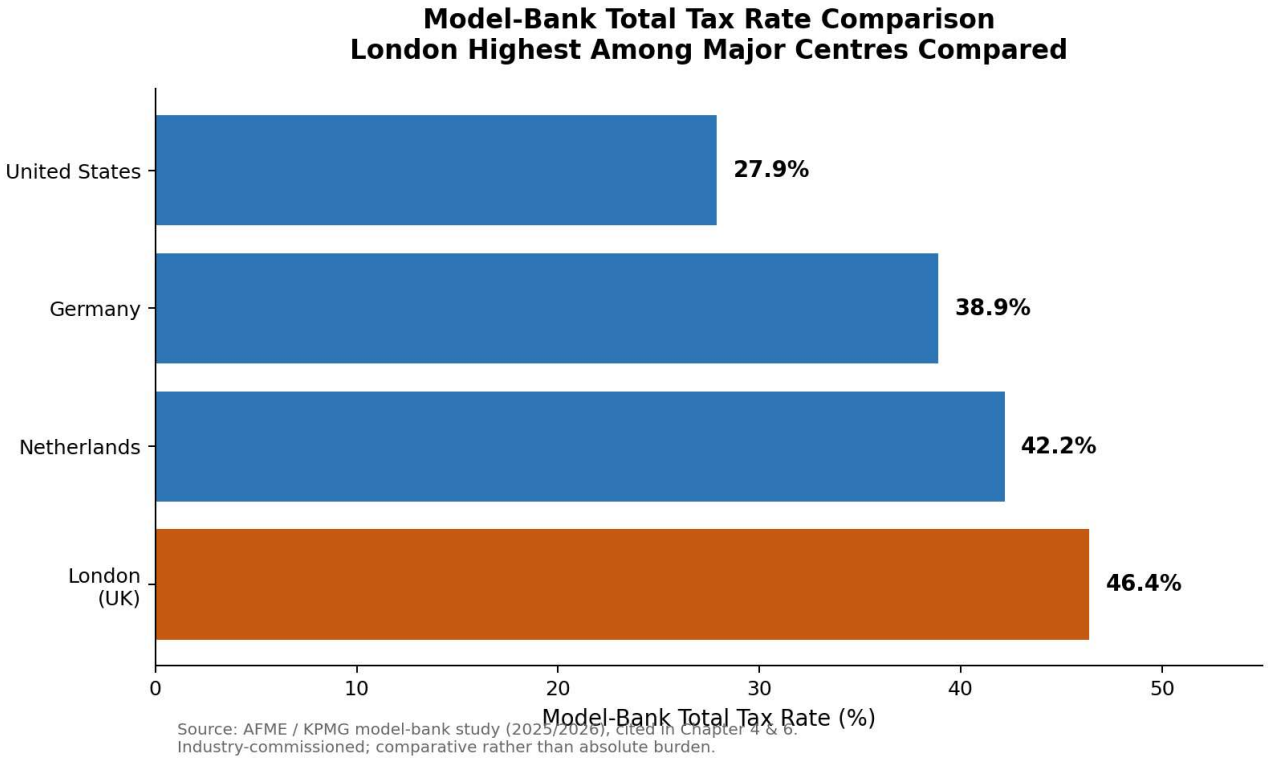
Source: TheCityUK, Key Facts about UK-based financial and related professional services, 2025 and 2026 editions. Year-on-year movements between categories, in particular the fall in other financial services, may reflect revisions or reclassification as well as real change and are not interpreted here.

Two features of the employment distribution deserve emphasis. The first is that the related professional services component is larger than the financial services component, which is a reminder that a focus on finance in the narrow sense understates the size of the cluster. The second is that a majority of the jobs are located outside London. TheCityUK's July 2025 analysis reported that two-thirds of the roles were based outside the capital in 2023, that the industry's workforce had grown by more than 326,000 over the preceding decade with over half of that growth outside London, that twenty-one towns and cities had more than 10,000 people employed in the industry and twenty-six cities had more than 5,000, and that in Greater Manchester and the West of England the industry accounted for about 10 per cent of total local employment. A factsheet published by the City of London Corporation, based on ONS data, stated that the industry accounted for over 2.4 million jobs across Great Britain, and that the City of London itself accounted for a significant but minority share of the total. The figures confirm the point made in Chapter 3 that the regional footprint of the cluster is wider than the pattern of services exports alone would suggest, even

though the highest-value and most export-intensive activities remain concentrated in London.

4.2.4 Tax contribution

The industry is a major contributor to public revenue. The total tax contribution, estimated in a study by PwC for TheCityUK and the City of London Corporation and reported in the 2025 edition of *Key Facts*, was £110.2 billion in the year to 31 March 2023, the highest on record at the time. The 2026 edition describes the contribution as exceeding £100 billion. The City of London Corporation's factsheets state that financial and related professional services paid over 12 per cent of the UK's total tax contribution. These figures include taxes borne by the industry, such as corporation tax, employer's national insurance and business rates, and taxes collected by it on behalf of others, such as income tax and employees' national insurance, and they should therefore not be interpreted as the sector's net fiscal contribution in an economic sense.



They are nevertheless indicative of the scale of the revenue that would be at risk if the sector's competitiveness were to erode, a point of considerable relevance to the fiscal constraints discussed in Chapter 6.

4.2.5 Assets managed, lending and capital raising

The industry's domestic functions are most visible in its provision of savings, credit and capital. According to the 2026 edition of *Key Facts*, UK fund managers were responsible for managing £12.1 trillion of assets in 2024, a figure that includes a large proportion of assets belonging to overseas clients and that is therefore an indicator of international as well as domestic activity. Major UK banks had £582 billion of lending outstanding to UK businesses in February 2026, of which a little over a third was directed to small and medium-sized enterprises, a proportion that has varied between roughly a third and two-fifths over recent editions. Mortgage lending increased by 20.4 per cent in 2025 to £296.2 billion, which the publisher attributed to a recovery in the housing market

after the interest rate rises of earlier years. UK and international companies raised £9.2 billion through share issues on the London Stock Exchange in 2025.

The report also notes a structural development that is relevant to later chapters: banks are increasingly acting as partners and financial backers to private credit funds, rather than lending directly to the same degree. This shift in intermediation, which has been observed in several jurisdictions, has implications for financial stability and for the allocation of credit between regulated and less-regulated entities, and it is one of the areas in which regulatory design has competitive consequences.

4.3 Global Position: Strengths and Metrics

4.3.1 The world’s largest net exporter of financial services

The most widely cited indicator of the UK’s international position is its trade surplus in financial services. TheCityUK reported in January 2026, in the 2025 edition of its report on the UK as an international financial centre, that the UK generated a financial services trade surplus of $127 billion in 2024. This was the largest of any country, ahead of the United States with $64.2 billion, and more than the combined surpluses of Singapore ($37.7 billion), Switzerland ($31 billion) and Luxembourg ($30 billion). When related professional services are included, the same report put the combined FRPS trade surplus at £119.1 billion, or about $152.5 billion, in 2024. The 2026 edition of *Key Facts* states that financial services alone generated a surplus of £92.6 billion in 2024, the largest of any single UK sector, and that the combined figure of £119.1 billion is consistent with the earlier estimate. The implication is that related professional services contributed a net surplus of about £26.5 billion.

The magnitude of these figures should be seen in relation to the UK’s total services surplus of about £205 billion in 2025, discussed in Chapter 3. On the basis of the figures given, the FRPS surplus represents well over half of the economy’s net services trade balance, and financial services alone account for around two-fifths of it, although the years differ and the comparison is approximate. The conclusion is that a single cluster of activities, employing about one in thirteen workers, accounts for a very large proportion of the surplus that offsets the deficit on goods trade.

4.3.2 Resolving the discrepancy in the headline figure

Chapter 3 noted that the figure of about $127 billion for 2024 appeared to conflict with a figure of $98.1 billion in a TheCityUK publication. The discrepancy is now resolved. The $98.1 billion figure refers to a different year: TheCityUK reported in January 2025 that the UK’s financial services trade surplus was $98.1 billion (£78.9 billion) in 2023, ahead of the United States at $73.1 billion, and that the combined FRPS surplus in that year was about $125.3 billion. The $127 billion figure refers to 2024. The figure given in the report plan and the Executive Summary is therefore correct as a statement of TheCityUK’s published estimate for 2024, and the earlier uncertainty arose from the existence of two successive annual editions.

Two further cautions apply. First, the step from $98.1 billion to $127 billion should not be interpreted as growth of nearly 30 per cent in a single year without further verification. The two editions may rest on different data vintages, exchange rate conversions and definitional boundaries, and the sterling figures published by TheCityUK for the same periods suggest a smaller change: the City of London Corporation reported a financial services trade surplus of £92.2 billion for 2023,

compared with the £92.6 billion given for 2024 in the 2026 edition of *Key Facts*. On a sterling basis the surplus therefore appears to have been broadly stable, while the dollar series shows a large increase, a discrepancy that most likely reflects the use of international data sources and exchange rates for cross-country comparisons and that should be confirmed with the publisher. Second, the dollar and sterling figures should not be converted into one another using a single exchange rate without confirming the data source, since the implied rate between $127 billion and £92.6 billion is not the average rate for 2024. For these reasons the report presents the dollar figure for what it is designed to show, the UK's ranking relative to other countries, and uses the sterling figures for domestic comparisons.

4.3.3 Leadership in specific markets

The UK's position in specific financial markets provides a more granular picture. The following indicators are drawn from TheCityUK's January 2026 report and from sources it cites, and each should be verified against its underlying source before publication.

Table 4.2. Selected indicators of UK leadership in financial markets

Indicator	Reported position	Reference period
Cross-border banking	World's largest centre, with 14.6% of outstanding international bank lending	Q2 2025
Banking sector assets	$13.3 trillion; fourth largest centre globally and second in Europe	End Q3 2025
Foreign banks	More than 160 foreign banks or branches hosted	2025
Foreign exchange	London accounts for about 38% of global turnover; largest renminbi FX centre	Latest BIS survey cited by TheCityUK
Specialty insurance	UK holds about 43% of the global market for specialty risk classes	2024
Insurance	Largest insurance sector in Europe; gross written premiums of $554 billion	2024
Pensions	Europe's largest source of pension funds	2025
Equity exchange	London Stock Exchange ranked fourth globally by one measure, with one of the highest market capitalisation to GDP ratios among large countries	2025
Green bonds	$31.9 billion issued; sixth globally, third in Europe	2024
FinTech investment	Second largest destination after the United States	2025
Inward investment	More financial services investment than the next five largest European countries combined	2025

The plan for this report also identified international debt securities and over-the-counter derivatives as areas of UK leadership. These are well-established features of the London market in the literature, but the report has not yet obtained a current, verified share figure from the primary source, namely the Bank for International Settlements statistics, and it therefore does not state one. It will be added in the appendices when verified.

The pattern of these indicators is consistent. The UK is strongest in activities that are international,

wholesale, non-equity and dependent on deep intermediary networks: cross-border lending, foreign exchange, specialty insurance, derivatives and debt markets. It is comparatively less dominant in domestic retail activity, which is by its nature national, and, as section 4.4 shows, it has been losing ground in public equity markets.

4.3.4 Geographical pattern of FRPS exports

The United States is the largest trading partner of UK financial and related professional services, accounting for 35.1 per cent of total sector exports in the 2025 edition of TheCityUK's international report, followed by the European Union at 31 per cent. Within the EU, Luxembourg and Ireland were each the destination of 4.9 per cent of exports and France of 4.3 per cent. The comparison with the 33.5 per cent share of the United States reported two years earlier suggests a gradual increase in the US share, although differences in definition and vintage mean that the change should be treated as indicative. The data confirm that the UK's international financial and professional services business has a transatlantic centre of gravity, that the EU remains a large market but not the dominant one, and that a number of the EU destinations, Luxembourg and Ireland in particular, are jurisdictions in which UK-based groups hold regulated subsidiaries that serve as conduits for EU business. This pattern is consistent with the post-Brexit restructuring discussed in section 4.4.5.

4.3.5 Institutional foundations

The quantitative indicators rest on a set of institutional foundations, some of which are amenable to measurement and others of which are not. The report identifies five.

Depth and agglomeration. The concentration of banks, insurers, asset managers, exchanges, clearing houses, lawyers, accountants and advisers produces network effects that are the principal reason that financial centres persist. London's position among the top four centres in the Global Financial Centres Index, discussed in section 4.4.1, is consistent with this advantage.

English law. English law is widely used as the governing law of international commercial and financial contracts, and the courts that apply it are valued for their predictability and independence. This is a significant advantage, and one on which later chapters on tokenisation draw. The report has not located a current, authoritative quantification of the share of international financial contracts governed by English law, and the claim is therefore presented as a qualitative judgement supported by the consistent testimony of industry and legal sources, not as a measured share.

Time zone and language. London's position allows trading and settlement across Asian and American business hours within a working day, and the use of English as the language of international business reduces transaction costs. These advantages are real but not easily measured and are not unique to London, since New York shares the language advantage and Singapore and Hong Kong share the time zone advantage with respect to Asia.

Regulatory credibility. The independence and reputation of the Bank of England, the Prudential Regulation Authority and the Financial Conduct Authority contribute to the confidence of international participants. The GFCI sub-index rankings for government and regulatory quality were not obtained from the primary report and are not relied upon here.

Talent and professional ecosystem. The depth of the labour market in finance, law, accountancy and technology, replenished by a world-class university sector and by international migration, is a core asset. It is also one of the assets most sensitive to policy on skills, visas and taxation, as Chapter 6

argues.

4.3.6 Related professional services

The related professional services group is among the most competitive in the world, and its trade performance is significant. TheCityUK's January 2025 report gave net exports of £24.8 billion for business management and management consultancy in 2023, £7.6 billion for legal services and £1.8 billion for accounting services. The corresponding figures for 2022 had been £25.3 billion, £5.7 billion and £1.7 billion. The figures for management consultancy are subject to the limitation, noted above, that the ONS does not distinguish business management from consultancy. TheCityUK also records that the UK is the largest and most developed market in Europe for related professional services.

The synergies between finance and professional services are a recurring theme of the sector literature. Financial transactions of any complexity generate demand for legal drafting and advice, audit and assurance, tax structuring, valuation, risk and strategy consultancy, and increasingly for technology and data advice. Conversely, the presence of a large and sophisticated body of professional advisers reduces the cost and risk of financial innovation and attracts international clients. This relationship is the basis for the argument made in Chapter 5 that policy should treat the cluster as a whole. The report has not found in the sources consulted a robust, independently verified estimate of output multipliers for the cluster, that is, of the additional output generated elsewhere in the economy for each pound of direct output. Published multiplier estimates, where they exist, are commonly produced for or by industry bodies and are sensitive to modelling assumptions, so the report refrains from quoting a multiplier and records the absence of verified evidence as a gap. The qualitative case for strong interlinkages is nonetheless well supported by the trade, employment and input-output evidence cited elsewhere.

4.4 Relative Position: Comparisons and Evidence of Erosion

4.4.1 Position in international benchmarks

The most frequently cited benchmark of financial centre competitiveness is the Global Financial Centres Index (GFCI), compiled twice a year by Z/Yen in London and the China Development Institute in Shenzhen. The fortieth edition, published in September 2026, placed New York first on a rating of 761, London second on 757, Hong Kong third on 756 and Singapore fourth on 755. The thirty-ninth edition, published in March 2026, had similarly shown the top four centres separated by a single rating point each, with New York in first place continuously since the September 2018 edition. Among Western European centres, London led the region, and in the March edition only London and Madrid improved their ratings relative to the preceding edition, while the average rating for the region fell. In the GFCI's separate FinTech ranking, Hong Kong was first in March 2026, followed by Shenzhen, New York, Singapore and London in fifth place.

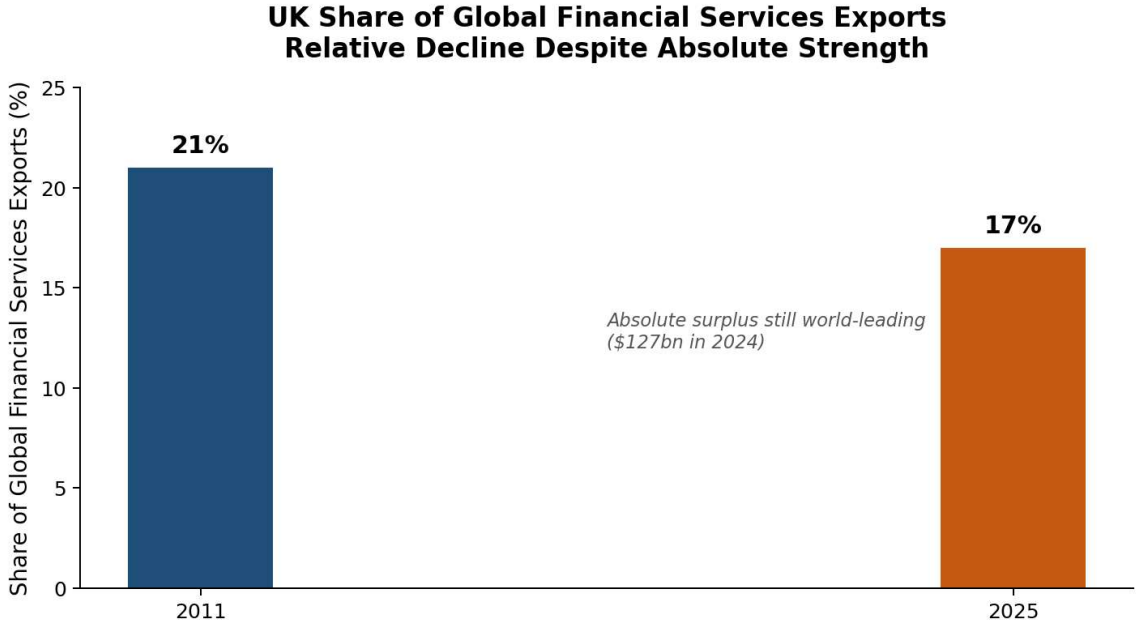
These findings need to be read with the caveats attached to all benchmarking exercises. The index combines survey responses from financial professionals with quantitative indicators, the weightings are matters of judgement, and the differences between the leading centres are within any plausible margin of error. Z/Yen itself noted that the March data predated a conflict in the Middle East that it expected to affect later editions, and the September edition reported that many leading centres saw their ratings slip slightly amid geopolitical headwinds. What the index shows, with reasonable

confidence, is that London remains one of a small group of four global leaders, that it is the clear leader in Europe, and that the gap between it and the Asian centres has narrowed markedly. The creator of the index has publicly suggested that an Asian centre is likely to overtake London and New York at some point, citing the structural shift of financial activity toward Asia, which he estimated at about 40 per cent of global finance. This is a view and not a finding, but it is consistent with the direction of the evidence.

The report notes that the ranking of London in the GFCI's FinTech category, at fifth, is lower than the position implied by TheCityUK's statement that the UK is the second largest destination for FinTech investment after the United States. The two statements are not contradictory, since one measures the perceived quality of FinTech ecosystems and the other the volume of investment, but they show that the answer to the question of whether the UK has a strong FinTech position depends on the indicator. The plan for this report described the UK's FinTech investment ranking as strong, and that is supported by the investment measure; it is less clearly supported by the perception-based ranking.

4.4.2 Share of global financial services exports

The clearest quantitative indicator of relative decline is the UK's share of global exports of financial services. In its UK capital markets report of December 2025, AFME reported that the UK accounts for 17 per cent of world financial services exports, second only to the United States and the largest net exporter, but that the share had declined from 21 per cent in 2011. This implies a loss of four percentage points over roughly a decade and a half, or a fall of about one-fifth in the UK's share. Over the same period, the aggregate level of UK financial services exports has grown, so the decline is one of relative position, reflecting faster growth of exports from competing centres, and not of absolute performance. Both AFME and TheCityUK, whose reports were published a few months apart, therefore describe the same situation from different angles: the UK remains the largest net exporter and the world leader in several markets, while its share of the global total has slipped.



Source: AFME (cited in report). Absolute strength coexists with relative erosion.

The methodology of this comparison matters. AFME's measure is of gross exports and the trade

surplus is a measure of net exports, and it is possible for a country's share of gross exports to decline while its net position remains the largest. The report treats the decline in the share of gross exports as a credible indicator of erosion, subject to confirmation of the underlying data source, which is likely to be the balance of payments statistics compiled by the World Trade Organization or the International Monetary Fund, and it records that the comparison depends on the choice of start year, since 2011 was a period of relatively high UK financial exports.

4.4.3 Equity markets and listings

Equity markets are the area in which the evidence of erosion is strongest. AFME reports that the UK's share of global equity market capitalisation fell from 10 per cent in 1990 to 3.4 per cent in 2025. Some of this decline is a natural consequence of the growth of other economies and of the exceptional size and valuation of United States technology companies, and it should not be attributed wholly to policy or to competitiveness. Nevertheless, the AFME analysis also reports that initial public offering activity in the UK reached historic lows in the first half of 2025, that de-listings have outpaced new listings, that the availability of pre-IPO risk capital for growth companies is underdeveloped by comparison with the United States, and that UK companies that become large have increasingly relied on large private funding rounds, delaying or avoiding a public listing. In the same vein, several large companies have moved their primary listings from London to other markets, most often in the United States.

The picture in 2025 and 2026 is more mixed than these indicators alone suggest. KPMG's analysis reports that IPO activity in London made a comeback in 2025, registering the strongest IPO year since 2021 and an almost threefold increase in total proceeds over 2024. TheCityUK reports that UK and international companies raised £9.2 billion through issues of shares on the London Stock Exchange in 2025. KPMG's survey of senior financial services executives found that 80 per cent expected the anticipated revival in London's IPO market in 2026 to be durable, and that 72 per cent expected the government's three-year stamp duty relief for newly listed companies to improve London's standing, although fewer than seven in ten believed that the UK was advancing reforms at a pace sufficient to influence listing decisions. The most defensible conclusion is that there has been a substantial structural decline in the UK's share of global equity capitalisation and a severe cyclical trough in new listings, followed by a partial recovery whose durability is not yet established. The report treats the recovery as promising but unproven.

AFME also identifies the securitisation market as an area in which the UK lags comparable markets, and it points out that UK corporates make extensive use of bond markets and that levels of market-based finance rival those of the United States. The UK's strengths in debt markets and its weaknesses in equity and securitisation are therefore both features of the picture, and the policy implications differ for each.

4.4.4 Domestic indicators

The plan for this report called for evidence on the trend in financial services as a percentage of GDP. The report has not located a verified, consistently defined long-run series showing the trend in the industry's share of national output. The figures cited in section 4.2.1 indicate a range of 11 to 12.6 per cent across editions and vintages, but they are not a time series and the differences reflect method and vintage rather than change. The report therefore does not assert a trend in the domestic share, and it records the construction of a consistent series from ONS national accounts data as a

task for the appendices. This is a gap in the evidence that a reader should be aware of: statements in public debate about the shrinking or growing weight of finance in the UK economy are only as reliable as the series used.

4.4.5 Brexit-related relocation and market fragmentation

The most visible direct effect of the departure from the European Union on the sector was the relocation of staff, assets and trading to EU hubs. The EY Financial Services Brexit Tracker, which monitored public statements by 222 large firms, reported in early 2021 that 43 per cent of those firms (95 of 222) had moved or planned to move some operations to the EU, that the associated job moves totalled almost 7,600, and that the assets relocated or committed for relocation were about £1.3 trillion. Dublin and Luxembourg were the most frequent destinations, followed by Frankfurt, Paris, Madrid, Amsterdam, Brussels and Milan. EY commented at that time that the job losses were a small fraction of total employment in UK financial services and far below the initial predictions, and that the period of large announcements had passed. On the first trading day after the end of the transition period, more than €8 billion of daily share trading moved from London to Amsterdam and Paris, and some euro-denominated swaps trading also moved from London, in part to New York.

These figures are now several years old, and the report records the need to obtain more recent evidence of the longer-term effects, including changes in the share of euro-denominated clearing and trading conducted in London, which is the subject on which the evidence is most policy-relevant. The tracker data reflect public statements of intent and not measured outcomes, and they cover only large firms. The data on destinations are nonetheless consistent with the later evidence in TheCityUK's trade data, which shows Luxembourg and Ireland as leading EU destinations for UK financial and professional services exports. The weight of the evidence is that the relocation was real but modest in terms of employment, that it was more significant for the location of regulated entities and the booking of trades than for the location of the people who service them, and that its more important long-term effect lies in the incentive it creates for EU authorities to build up their own capital markets and clearing capacity, as part of the EU's strategy for greater financial autonomy.

4.4.6 Comparison with principal competitors

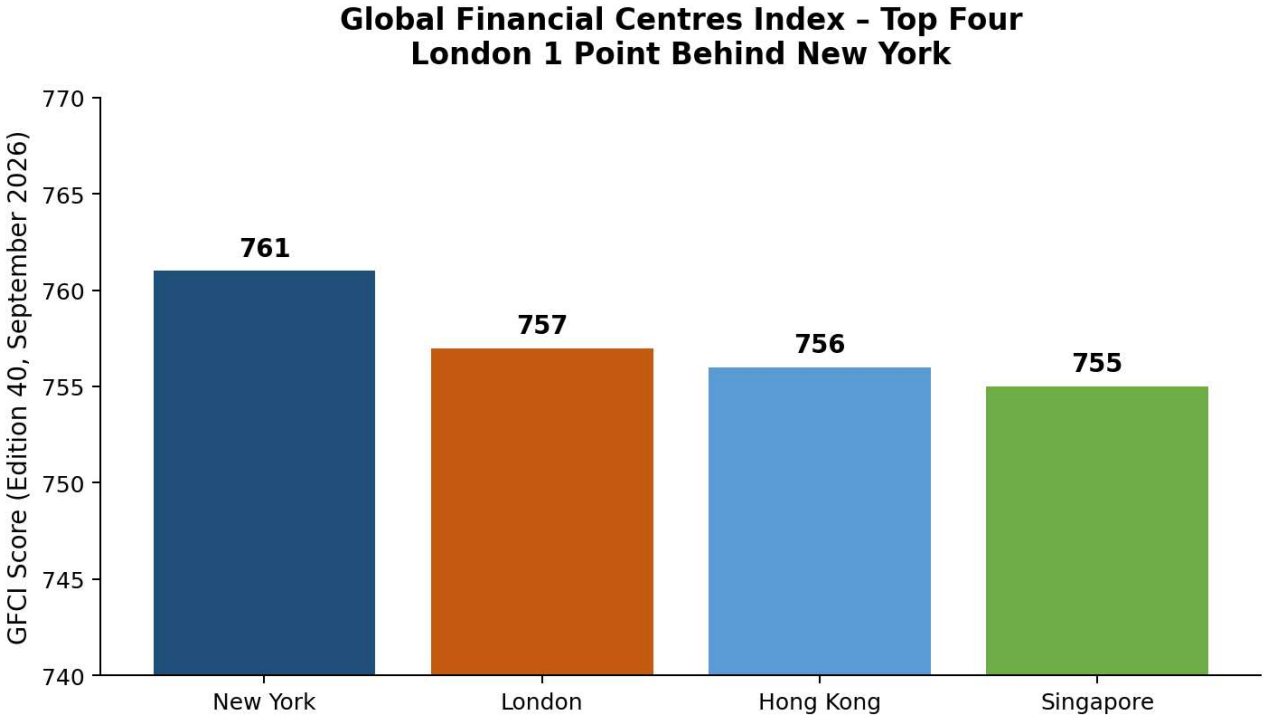
The following table summarises the position of the principal competing centres on the indicators for which comparable data were obtained. It is not an exhaustive comparison, and the indicators were not constructed to be strictly comparable.

Table 4.3. Selected comparison with principal competing centres

Centre	GFCI 40 rating (Sept 2026)	Financial services trade surplus, 2024	Distinctive position (from sources consulted)
New York	761 (1st)	United States: $64.2bn	Leading equity and technology markets; first in GFCI since 2018; the largest single destination for UK FRPS exports (35.1%)
London	757 (2nd)	United Kingdom: $127bn	Largest net exporter; leader in cross-border banking, FX, specialty insurance; Europe's leading centre

Centre	GFCI 40 rating (Sept 2026)	Financial services trade surplus, 2024	Distinctive position (from sources consulted)
Hong Kong	756 (3rd)	Not obtained	First in GFCI FinTech ranking (March 2026); gateway to mainland China
Singapore	755 (4th)	$37.7bn	Asia-Pacific hub; strong in trading and professional services in some sub-rankings
Luxembourg, Ireland and other EU hubs	Not obtained	Luxembourg: $30bn; Switzerland (non-EU): $31bn	Fund domiciliation and servicing; destination for UK firms' EU subsidiaries; Dublin and Luxembourg the most frequent EY relocation destinations

The comparison supports three observations. First, the United States is the only country with a comparable overall financial market, and it is both the principal competitor and the principal customer of the UK's financial and professional services. The dependence of UK exports on the US market is substantial, and it means that UK competitiveness is conditioned by US policy as well as by its own. Second, the Asian centres are closing the gap in perceived quality, in line with the structural shift of economic weight, and the UK's response to this is an important question for market access policy, taken up in Chapter 8. Third, the EU centres are small individually but have been the principal beneficiaries of Brexit-related relocations, and their combined effect, supported by EU policy, is to create a competing pole within Europe.



Source: Z/Yen & China Development Institute, GFCI 40 (Sept 2026).

The UK retains a decisive lead over any individual EU centre, as KPMG's survey, in which 72 per cent of senior financial services leaders named London Europe's premier centre well ahead of Frankfurt, Paris and Luxembourg, also indicates, but the lead is not assured.

4.5 The Enabling Role for the Wider Economy

The justification for regarding financial and related professional services as a matter of national concern does not rest only on their own output and exports. It rests on the functions they perform for every other part of the economy. The report identifies five.

First, the industry mobilises and allocates savings. It manages the pensions and long-term savings of tens of millions of households, with the UK recognised as Europe's largest source of pension fund assets and UK fund managers handling £12.1 trillion of assets. The efficiency with which these assets are allocated between uses, including between domestic and overseas investment and between public and private markets, influences both returns to savers and the supply of capital to firms.

Second, it supplies credit. Major banks had £582 billion of lending outstanding to UK businesses in February 2026, with more than a third directed to small and medium-sized enterprises, and mortgage lending of £296.2 billion in 2025 supports housing markets and household balance sheets. The availability and price of this credit is a primary transmission channel of monetary policy and a determinant of business investment.

Third, it provides capital market access. Companies raise equity and debt through London's markets, with UK corporates making heavy use of market-based finance, and the strength of the debt markets in particular provides a source of funding that does not depend on bank balance sheets. The weaknesses in IPO activity and pre-IPO risk capital, discussed above, therefore have direct consequences for the growth finance available to high-potential firms and for the ability of the UK to retain successful companies.

Fourth, it insures and manages risk. The UK's insurance sector, the largest in Europe, underwrites risks of every kind for domestic and international customers, and its specialist markets provide cover that would otherwise be unavailable. The availability of insurance and risk transfer is a precondition for much commercial activity, from shipping and construction to energy and technology.

Fifth, it operates the payments and settlement infrastructure on which commerce depends. TheCityUK reported, for example, that the number of payments made through the Faster Payments Service reached 4.9 billion in 2023. The reliability and cost of payments, clearing and settlement infrastructure affect every sector, and the modernisation of this infrastructure, including through tokenisation, is the subject of Chapter 7.

These functions are interdependent with other tradable services. As Chapter 5 argues, financial infrastructure supports the technology, creative and professional sectors, and those sectors in turn supply finance with the inputs it requires. The consequence is that a deterioration in the competitiveness of financial and related professional services would not be confined to the sector. It would raise the cost and reduce the availability of finance for businesses in all regions, reduce the attractiveness of the UK as a base for international firms, and weaken the fiscal position at a time when it is already constrained. Conversely, improvements in the efficiency of financial infrastructure, if they lower costs and widen access, would benefit the whole economy.

A qualification is necessary. The enabling role is a two-way relationship, and the report does not argue that the interests of the financial sector and of the wider economy are always aligned. A larger financial sector brings risks of its own, including financial stability risk, the concentration of talent

and high earnings in particular occupations and places, and the potential for activity oriented to international markets to be weakly connected to domestic investment needs. The experience of the global financial crisis demonstrated that the failure of financial institutions can impose large costs on the rest of the economy. The report therefore supports the view, which is also that of the authorities, that the competitiveness objective should be pursued in a way that is consistent with financial stability and consumer protection, and it addresses this balance in Chapter 8.

4.6 Assessment: Strength, Pressure and Uncertainty

The evidence reviewed in this chapter supports a set of conclusions that may be stated with different degrees of confidence.

It is established, on the evidence of several independent sources, that the UK is the world's largest net exporter of financial services and that it generates the largest net surplus of any country, by a margin of roughly two to one over the United States on the TheCityUK data for 2024. It is established that the UK holds leading positions in international banking, foreign exchange, specialty insurance and related markets, and that the industry is large, highly productive, geographically dispersed and an important source of tax revenue. It is established that London remains one of the four leading financial centres on the principal benchmark and the clear leader in Europe.

It is also established, on the evidence of AFME and of the equity market data, that the UK's share of global financial services exports has declined since 2011, that its share of global equity capitalisation has fallen over a much longer period, and that listing activity reached a severe trough in 2024 and early 2025. It is established that the relocation of some activity, assets and trading to the EU followed the end of the transition period.

It is uncertain, and the report deliberately avoids overstating its confidence, whether the recovery in IPO activity in 2025 and 2026 represents a lasting change; how much of the decline in global share reflects policy, how much the growth of other economies, and how much the choice of reference period; how far the Asian centres will close the gap with London; what the longer-term effects of EU efforts to build up euro clearing and trading capacity will be; and how far domestic reforms will improve the UK's position. These uncertainties are central to the policy questions of the later chapters.

The balanced conclusion is that the UK's position in international financial and related professional services is strong and has deep foundations, but that it is a position under gradual, sustained pressure and is not secure. The pattern of strengths in international, wholesale and non-equity activities and weaknesses in public equity and securitisation suggests that the most valuable policy responses are likely to be those that reinforce the first group while addressing the specific frictions in the second, and that they will need to be informed by continuing measurement. The tokenisation of market infrastructure is a candidate for the first of these objectives, since it concerns the efficiency of the wholesale markets in which the UK is strongest, and it is accordingly examined in Chapter 7.

4.7 Implications for the Remainder of the Report

Four implications follow for the later chapters. The first is that the report's discussion of weaknesses in Chapter 6 should distinguish between the erosion of relative share, which is evidenced, and an absolute decline in performance, which is not. The second is that the treatment of

Brexit effects in that chapter should draw on the evidence of relocation, restructuring and fragmentation set out here, while taking account of its age and its limits. The third is that the discussion of recommendations in Chapter 8 should address separately the wholesale, international activities in which the UK is strongest and the capital-raising functions in which it has lost ground, because the instruments appropriate to each differ. The fourth is that the monitoring indicators proposed in the Executive Summary should include the UK share of global financial services exports, the share of global equity capitalisation, the number and value of IPOs, and the GFCI position, since each has been used in this chapter as a measure of relative standing.

4.8 Data Notes and Items for Verification

The following table records the principal figures used in this chapter, the sources through which they were consulted and their status, in accordance with the methodology of Chapter 2.

Table 4.4. Principal figures, sources and verification status

Item	Value used	Source as consulted	Status
FS trade surplus, 2024	$127bn; US $64.2bn; Singapore $37.7bn; Switzerland $31bn; Luxembourg $30bn	TheCityUK, UK as an international financial centre (Jan 2026)	Tier 3; confirm underlying data source and exchange-rate basis
FS trade surplus, 2023	$98.1bn (US $73.1bn); £92.2bn (City of London Corporation)	TheCityUK (Jan 2025); City of London Corporation	Resolves the discrepancy noted in Chapter 3; confirm the dollar and sterling series
FRPS trade surplus, 2024	£119.1bn (about $152.5bn); FS alone £92.6bn	TheCityUK (Jan 2026; Key Facts 2026)	Tier 3; confirm against ONS Pink Book
GVA contribution	£290bn (2025, about 11%); £281bn (2024, about 12%); £285bn (12.6%)	TheCityUK Key Facts 2026 and 2025; Enabling Growth (Jul 2025)	Reconcile vintages and price basis
Productivity relative to whole economy	About 2.6 times (2026); almost 2.5 times (2024)	TheCityUK; reported in City AM	Tier 3; confirm against ONS output per hour by industry
Employment	Almost 2.5m (2023 and 2024); breakdown in section 4.2.3	TheCityUK Key Facts 2025 and 2026	Tier 3; confirm against ONS BRES and Nomis; note fall in “other financial services”
Tax contribution	£110.2bn (y/e March 2023); over £100bn (2026 edition)	PwC study via TheCityUK; City of London Corporation	Tier 3; definitional note in text
AUM; business lending; mortgage lending; share issues	£12.1trn (2024); £582bn (Feb 2026); £296.2bn (2025); £9.2bn (2025)	TheCityUK Key Facts 2026	Tier 3; AUM includes overseas clients

Item	Value used	Source as consulted	Status
Market positions (banking, FX, insurance, pensions, LSE, green bonds, FinTech, FDI)	See section 4.3.3	TheCityUK (Jan 2026), as reported by trade press	Confirm each with BIS, Insurance Europe/IFoA, WFE and other primary sources; FX survey year to be confirmed
UK share of global FS exports	17% (from 21% in 2011)	AFME UK Key Performance Indicators (Dec 2025)	Tier 3; confirm data source and basis (gross exports)
UK share of global equity market capitalisation	10% (1990) to 3.4% (2025)	AFME (Dec 2025)	Tier 3; confirm against World Federation of Exchanges or equivalent
IPO activity 2025	Strongest since 2021; proceeds almost trebled on 2024	KPMG, Make the City Thrive	Tier 4; confirm against LSE and Dealogic data
GFCI 39 and 40	NY 761, London 757, HK 756, Singapore 755 (Sept 2026); FinTech top five (Mar 2026)	Z/Yen and CDI; press reports of GFCI 40	Tier 3 benchmark; GFCI 40 scores consulted through press reports
Brexit relocation	About 7,600 jobs; about £1.3trn assets; 43% of 222 firms; €8bn daily share trading	EY Brexit Tracker (early 2021), via press reports	Dated; seek current evidence
Net exports of related professional services	Consultancy £24.8bn; legal £7.6bn; accounting £1.8bn (2023)	TheCityUK (Jan 2025)	Tier 3; confirm against ONS; consultancy and management not separable

Gaps identified in this chapter. The following were sought but not verified, and are recorded so that they are not inadvertently asserted: a current share of international debt securities and OTC derivatives; a measured share of international contracts under English law; a verified output multiplier for the cluster; a long-run time series of the industry's share of GDP; and recent evidence on the location of euro-denominated clearing and trading. The GFCI sub-index rankings (for business environment, human capital, and government and regulatory quality) were not obtained from the primary report and are not relied upon.

Chapter 5: Broader Services Strengths and Interlinkages

Evidence note: this chapter draws on official statistics and accredited official statistics where these exist (the Department for Culture, Media and Sport economic estimates, the Department for Education's statistics on education exports, the ONS), on the Law Commission and legislation for

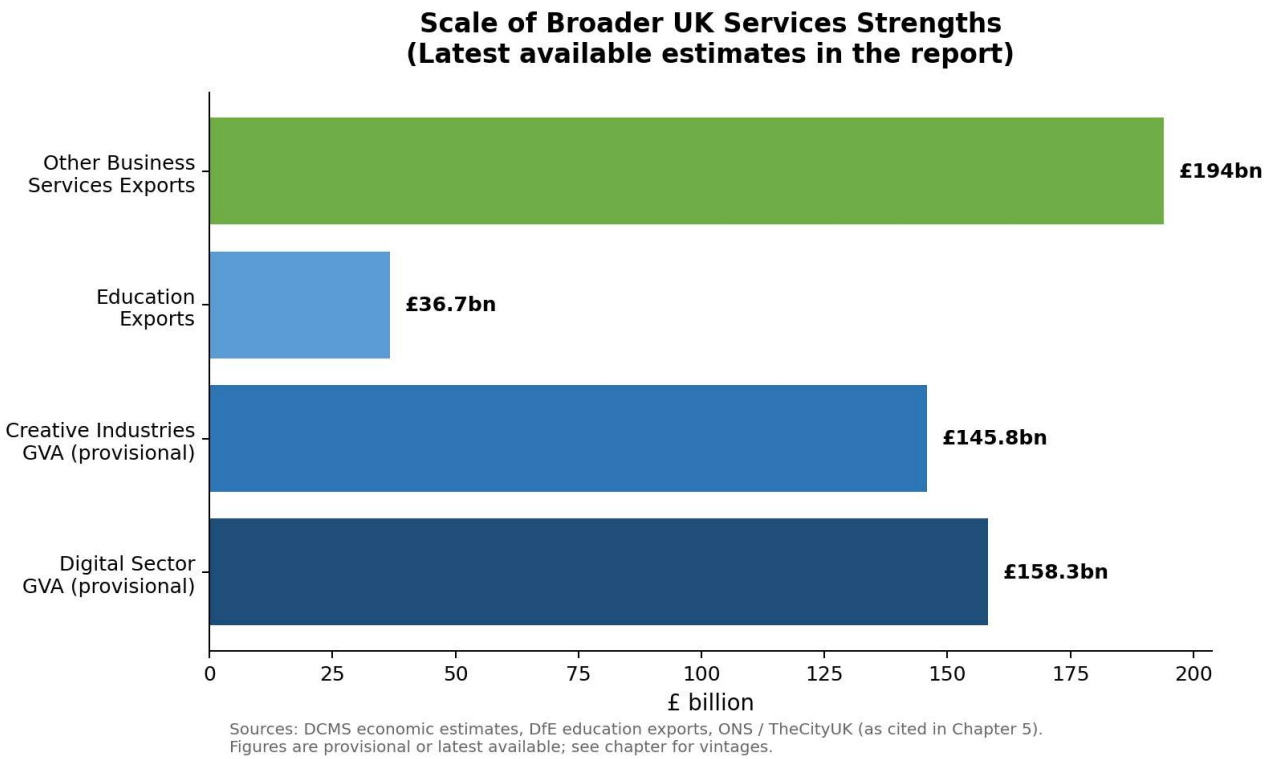
the legal framework for digital assets, on HM Treasury and Bank of England publications for tokenisation initiatives, and on industry and benchmarking compilations (TheCityUK, the Law Society, Dealroom, Tech Nation) where official data are unavailable. In line with Chapter 2, industry sources are Tier 3 and are attributed. Most figures were consulted between August and October 2026 through the publishers' websites and published summaries. The chapter's discussion of tokenisation spillovers is necessarily more conditional than the rest: the evidence is of policy intent and of early implementation, not of measured economic effects, and the chapter says so wherever the distinction matters. Items requiring confirmation against primary datasets are listed in section 5.13.

5.1 Introduction and Purpose

The previous chapter examined the financial and related professional services cluster as the most internationally prominent component of the United Kingdom's services economy. It would be a mistake, however, to treat that cluster as the whole of the country's services strength, or to treat it in isolation from the other tradable services with which it shares labour markets, customers, regulators and capital. The purpose of this chapter is to describe those other strengths, to assess their scale and their international standing, and to analyse the interlinkages between them and the financial system, in both directions. The chapter closes with an assessment of the potential spillovers from the tokenisation of financial market infrastructure into the legal, accounting, technology and related services that surround it.

The chapter addresses four groups of activity, following the plan for the report. The first is professional, scientific and technical activities, which include legal services, accountancy and audit, management consultancy, architecture, engineering, research and development, and advertising and market research. The second is information and communication technology and the wider digital sector, including software, data services, telecommunications and the rapidly growing field of artificial intelligence. The third is the creative and cultural industries, which include film, television, music, publishing, design, games and advertising. The fourth is education and the remaining tradable services, such as travel, transport and the use of intellectual property.

Three analytical themes run through the chapter. The first is that these sectors are best understood as parts of an ecosystem, in which each both supplies and relies on the others. The second is that their strength is real, but uneven: some, such as legal services, are demonstrably world-leading; others, such as higher education exports, are large but exposed to policy and to demand shifts; and others, such as the technology sector, are growing rapidly but face a persistent constraint in access to growth capital. The third is that the evidence for interlinkages and spillovers is weaker, in a statistical sense, than the evidence for the individual sectors. The interdependencies are widely asserted and well supported by qualitative evidence, but they are rarely measured, and the report is careful to distinguish between the two.



A word on definitions is necessary. The sectors discussed in this chapter overlap, and the overlaps are a source of statistical confusion. The DCMS classifies software and computer services as part of the creative industries, as well as part of the digital sector. Management consultancy is counted both within the financial and related professional services aggregate used by TheCityUK and within the professional, scientific and technical section of the ONS classification. Legal services are likewise counted in both. Figures for different groupings therefore cannot be added together, and the report states in each case which definition applies.

5.2 Professional, Scientific and Technical Activities

5.2.1 Scale and international standing

Professional, scientific and technical activities form the largest cluster of internationally traded services after financial services, and they are the largest single source of UK services exports under the ONS classification, as Chapter 3 showed. The category of other business services, which includes legal, accounting, consultancy, engineering, research and development and advertising services, accounted for exports of about £194 billion in 2025 in the secondary compilation of ONS data consulted for that chapter, compared with more than £183 billion in 2024. The category is considerably larger than financial services exports in gross terms, although the net surplus on financial services is larger relative to its size because the United Kingdom imports comparatively few financial services.

The three related professional services components that TheCityUK analyses together with finance, namely legal services, accountancy and management consultancy, accounted for output in 2024 of about £38 billion, £29.4 billion and £16 billion respectively in real terms, according to its 2025 *Key Facts* report, and for employment of 368,000, 496,000 and 522,000 in 2024, according to the 2026 edition. The combined surplus on trade in these services was about £26.5 billion in 2024, as Chapter

4 explained. The wider professional, scientific and technical group (SIC section M) includes substantial additional employment and output in architecture, engineering, scientific research and development, advertising and market research. According to ONS Blue Book data for 2023, the professional, scientific and technical activities industry contributed approximately £340 billion to GVA (13.6 per cent of the total). More recent secondary compilations place the figure at around £226 billion in 2024, with employment of about 3.5 million. These figures encompass the legal, accountancy and consultancy components already discussed as well as the remaining activities. The report has not obtained a fully consistent, current breakdown isolating architecture, engineering, R&D and advertising on an export basis, and continues to treat those sub-components in qualitative terms where precise figures are unavailable.

5.2.2 Legal services and English law

The legal sector is the best-documented element of the cluster, and its strength supplies a foundation for the argument of this report. TheCityUK's annual report on legal services, published in December 2025, found that UK legal services contributed a record £38 billion to the economy in 2024, equivalent to 1.5 per cent of gross value added and up by just over 3 per cent on the year, and that the sector achieved a trade surplus of £8.9 billion. It employed 364,000 people, almost two-thirds of them outside London, with substantial concentrations in Manchester, Birmingham, Leeds, Edinburgh, Glasgow, Cardiff and Belfast. The same report described the UK as the largest legal services market in Europe and the second largest in the world after the United States.

The distinguishing feature of the UK legal sector is the international role of English law. The Law Society of England and Wales reported in 2025 that English law governs approximately 40 per cent of international business and financial transactions, a figure that TheCityUK expresses as two in every five cross-border transactions. The Law Society's data further indicate that in 2024 English law was the governing law in 78 per cent of cases before the London Court of International Arbitration, and that in the arbitration court of the International Chamber of Commerce it was the most frequently chosen governing law, accounting for 15 per cent of new cases, about twice the proportion of Swiss law, which was second. Its more recent analysis, reported in the press in 2026, states that English law governed about £250 trillion of outstanding global derivatives and about half of seaborne trade by value, and that legal services exports reached £10.97 billion in 2025, compared with £6.81 billion in 2021. English common law is also the foundation of the legal systems of around 27 per cent of the world's jurisdictions, according to TheCityUK.

These findings address a gap that Chapter 4 recorded: the lack of a measured share of international contracts governed by English law. The figure of about 40 per cent of international business transactions is now documented from two industry sources, but it is a Tier 3 estimate whose underlying methodology has not been examined, and the report treats it as indicative of order of magnitude and not as a precise statistic. It is nevertheless consistent with the evidence from arbitration institutions, which is based on observable case data. The figure for legal services exports also shows differences between sources that illustrate the vintage problem discussed in Chapter 2: the Law Society reported exports of £9.02 billion in 2024 in one publication and had earlier cited £9.5 billion for 2023 in another, which implies a revision of the series, and the trade surplus of £8.9 billion cited by TheCityUK for 2024 is a net figure that is not directly comparable with either.

The economic significance of English law extends beyond the legal sector's own output. It lowers transaction costs for international parties, supports the choice of London as a venue for financing

and dispute resolution, and underpins the use of UK-based financial infrastructure. This is the principal reason why legal certainty features prominently in the tokenisation initiatives of the UK authorities, as section 5.9 explains. The Law Society itself has cautioned that other jurisdictions are investing heavily in their courts and legal infrastructure, so that the advantage is not guaranteed to endure.

5.2.3 Accountancy, audit and management consultancy

Accountancy and management consultancy are, by employment, the larger components of the related professional services group. In 2024, accountancy employed 496,000 people and generated real output of about £29.4 billion, while management consultancy employed 522,000 and generated about £16 billion, according to TheCityUK's 2026 and 2025 editions respectively. Both are highly international. UK-based accounting firms are members of global networks, and UK management consultancy is among the largest in Europe. The industry reports net exports of accounting services of about £1.8 billion and of business management and consultancy of about £24.8 billion in 2023, as noted in Chapter 4, although the ONS does not distinguish management from consultancy within the latter figure, and the net figure therefore overstates what could properly be described as consultancy exports.

These services perform functions of considerable importance to the financial system. Audit and assurance provide independent verification of the financial statements and, increasingly, of non-financial information on which investors and counterparties rely. Tax advice and structuring shape the location of investment and the design of financial products. Management consultancy supplies strategy, operational and technology advice to financial institutions and to firms of every other sector. The scale of the cluster is relevant to the argument of the report because it determines the capacity of the UK to supply the specialist services that new financial infrastructure will require, and because the profession's regulatory and reputational standing, which has been tested by high-profile audit failures in the past decade, is itself a component of the UK's attractiveness as a place to do business.

5.2.4 Architecture, engineering, research and development

The remainder of the professional, scientific and technical group includes architecture, engineering, technical testing, scientific research and development, advertising and market research. These activities are internationally competitive in several fields, and they are important sources of exports in the broad category of other business services. They are also closely linked to the UK's strengths in higher education and research, which supply their workforce and, increasingly, their commercial partnerships. The report has not obtained current verified figures for the output, employment and export performance of these activities on a consistent definition, and, to avoid asserting figures that cannot be traced to a source, it treats them in qualitative terms here. The interlinkage with the financial sector is principally through the financing of infrastructure and energy projects, in which engineering, design and technical advisory firms work alongside banks, insurers and lawyers, and through the use of insurance and project finance to manage the risks of large construction and development projects.

5.2.5 Assessment

The professional services cluster combines scale, international reach and a distinctive institutional

advantage in English law. The evidence of recent growth in legal exports is encouraging. Its principal vulnerabilities are, first, the effect of Brexit on the regulated professions and on mutual recognition of qualifications within the EU, discussed in Chapter 6; second, the dependence of the cluster on the volume of international financial and commercial activity located in London, which means that any erosion of the financial centre's position would feed through directly to demand for professional services; and third, the prospect that automation, including the application of artificial intelligence to document review, drafting, audit testing and analysis, may change the structure of demand for entry-level and routine work. The last of these cuts both ways: it may reduce the need for certain labour-intensive tasks, while also creating opportunities for firms that deploy the technology effectively. The evidence on the net effect is, at the time of writing, too limited to support a quantified judgement, and the report does not offer one.

5.3 Information and Communication Technology and the Digital Sector

5.3.1 Scale and recent performance

Information and communication has been, as Chapter 3 showed, the most consistent positive contributor to recent services growth and the largest contributor to productivity growth relative to 2019. The DCMS, which publishes a separate estimate of the digital sector, reported that the sector contributed £158.3 billion to UK gross value added in 2022 on a provisional basis, and that the telecommunications sector sits wholly within it. The sector includes computer programming and consultancy, software publishing, data processing and hosting, telecommunications and a number of related activities. The measure of value added in the national accounts is likely to understate the economic importance of digital activity to the extent that quality improvements and free digital services are not captured in prices and output.

The indicators of ecosystem health come mainly from industry and investor sources. Tech Nation's 2025 report, based on Dealroom data recorded in May 2025, put the combined market valuation of the UK technology sector at $1.2 trillion, which it described as the largest in Europe and more than double that of Germany and France combined, with London accounting for 59 per cent of the total. A later review produced by HSBC Innovation Banking with Dealroom put the combined value of the ecosystem at about $1.3 trillion, up by about $100 billion on the year. The same review reported that UK startups raised $23.6 billion of venture capital in 2025, an increase of 35 per cent from $17.5 billion in 2024, the first increase in four years and the third highest total on record; that UK artificial intelligence startups raised $7.9 billion, up 80 per cent, with the fourth quarter of 2025 setting a record for quarterly AI investment; and that the UK had passed 200 unicorns, with 16 added in 2025. These figures are drawn from a commercial data provider and from a bank with an interest in the sector. They are credible as indicators of direction and relative scale but are not official statistics, and valuation figures in particular are sensitive to market conditions and methodology.

5.3.2 Trade in digital services

In the balance of payments, the digital sector appears principally under the categories of telecommunications, computer and information services. ONS data show that this category generated a trade surplus of £29.0 billion in 2024 and £35.4 billion in 2025 (current prices,

seasonally adjusted). Exports in the category reached approximately £53.6 billion in 2025 according to GOV.UK trade summaries. These figures capture cross-border sales of software, cloud and data services, and licensing, but not the sales of foreign affiliates of UK firms, nor the sales of UK-based subsidiaries of foreign technology groups. The balance of payments data therefore provide an incomplete picture of the global reach of the sector. The figures above are used as the best available official measure of the digital-related services trade balance.

5.3.3 Constraints: growth capital and scale-up

The principal weakness identified in the sources is not a lack of new firms but a shortage of capital to scale them. Tech Nation's 2025 survey found that three-quarters of UK technology founders regarded access to growth capital as their biggest barrier, and that this was especially pronounced outside London, where London-based startups raised about seven times more than those in any other region in 2024. This evidence links directly to the points made in Chapter 4 about the weakness of pre-IPO risk capital and the decline in the UK's share of global equity markets: the constraint on the technology sector is partly a constraint within the financial system, and it is one of the clearest examples of the interdependence on which this chapter focuses. A strong financial sector that fails to finance growth-stage technology firms at home would be in a paradoxical position, and the report returns to this in the recommendations.

5.3.4 Artificial intelligence

The rapid development of artificial intelligence is changing the nature of many services, including those considered in this report. The evidence summarised above shows a marked increase in venture investment in UK AI companies in 2025, and press commentary on recent services growth attributes part of the acceleration in mid-2026 to the adoption of AI by services businesses, as Chapter 3 noted. Official statistics do not yet permit the attribution of output or productivity growth to AI, and the report treats the claim as a hypothesis. For the purposes of this chapter the point is structural: AI is likely to affect the legal, accounting, consulting, financial and creative sectors simultaneously, and its effect on their productivity, employment and competitive position is one of the most important uncertainties for the services economy as a whole. The UK's strengths in research, in software and in professional services give it a plausible position as both a developer and an adopter, but the evidence that this will translate into sustained competitive advantage is, at the time of writing, limited.

5.4 Creative and Cultural Industries

5.4.1 Scale

The creative industries are among the most distinctive of the United Kingdom's service exports and, by the standards of official statistics, they are well documented. The DCMS's provisional estimates of gross value added for 2024, published as accredited official statistics, show that the creative industries contributed an estimated £145.8 billion, or 5.5 per cent of UK gross value added, and that this was the largest of the DCMS sectors, ahead of tourism at £64.3 billion. The cultural sector contributed an estimated £40.3 billion, or 1.5 per cent. All DCMS sectors together contributed £247.6 billion, or 9.4 per cent of UK gross value added, and the growth of DCMS sector value added between 2023 and 2024 of 2.6 per cent, compared with 1.0 per cent for the economy as a whole, was driven by growth of 4.6 per cent in the creative industries. A separate, monthly series

published by the sector's representative bodies gives a lower estimate, of £123 billion or 5.37 per cent of GVA for the calendar year 2024, which reflects differences in method between the monthly early indicator and the annual estimates. The report uses the annual provisional estimate as the reference point and notes the difference as an example of the sensitivity of the figures to the series used.

Employment in the creative industries was estimated at 2.4 million workers, or about 7 per cent of the workforce, in the year to June 2024. The sector comprises some 268,000 businesses, according to the same body of statistics, which is about one in ten UK businesses, a reflection of the large number of small and micro firms and self-employed individuals in the sector.

5.4.2 International performance

The most recent DCMS trade estimates, published in June 2025 covering 2022 and 2023, show that in 2023 creative industries services exports totalled £59.4 billion (12.7 per cent of total UK services exports) and services imports £38.3 billion, producing a surplus of approximately £21.1 billion. Creative industries goods exports were £10.2 billion and goods imports £8.1 billion, producing a smaller surplus of £2.1 billion. The services component therefore accounted for the large majority of the sector's trade surplus. These figures are more recent than the 2021 data previously available and are used as the reference point here. The report notes that further updates may become available before publication.

5.4.3 Interlinkages with finance and technology

The creative industries are a significant user of financial services and a contributor to the UK's reputation as a place for creative and commercial enterprise. Film and television production relies on specialist production finance, completion guarantees and insurance, and on the legal expertise to structure rights, co-production and licensing agreements. Music and publishing rely on the valuation, securitisation and trading of intellectual property rights. Computer games, which the DCMS identifies as a subsector, are intensive users of venture and growth capital. The creative industries are also, in the sense of the DCMS classification, overlapping with the technology sector, since software and computer services are classified within both, and the growth of streaming, digital platforms and generative AI is blurring the boundary further. These interlinkages mean that the same capital-supply constraints that affect the technology sector bear also on creative firms seeking to scale, and the same legal framework for intellectual property and for digital assets is relevant to both.

The tokenisation agenda has only limited direct relevance to the creative industries in the wholesale context with which this report is concerned. Some applications, such as the tokenisation of rights, royalties and other revenue streams, have been proposed, but the report has not found evidence that they are on a scale that would justify including the creative industries among the principal channels of spillover, and it makes no claim on this point.

5.5 Education and Related Services

5.5.1 Scale and structure of education exports

Education is a significant but distinctive component of the UK's services exports, because the export is delivered in the United Kingdom, through the spending of international students, and not

by the cross-border supply of a service. The Department for Education estimates that total UK revenue from education-related exports and transnational education was £36.7 billion in 2024, an increase of 2.5 per cent from 2023, compared with growth of 10.8 per cent between 2022 and 2023. Higher education accounted for 72.4 per cent of the total, at £26.6 billion, up marginally from £26.4 billion. Of the higher education total, £23.9 billion, or about 90 per cent, was attributable to the tuition fees and living expenditure of international students. London generated the largest regional share of international higher education student export revenue, at £7.1 billion or 29.9 per cent of the UK total, while the North East generated the smallest, at £1.2 billion. The principal countries of origin by revenue were India at £5.3 billion, China at £4.9 billion and Nigeria at £1.7 billion. The Department attributed the slowdown in growth partly to the reduction in international higher education enrolments in recent years, and the government's International Education Strategy sets a target of £40 billion of education exports by 2030.

5.5.2 The strategic role of education

Education matters to this report for reasons that go beyond its direct export value. The first is that it is a significant source of export revenue that is geographically more dispersed than most other tradable services, as the regional data show, and it therefore supports local economies and employment across the country. The second is that universities are the source of much of the talent on which the financial, professional and technology sectors depend, and a substantial proportion of the highly skilled workers in those sectors have studied in the UK, whether they are of UK or overseas origin. The third is that research and the commercialisation of research, including through university spinouts, in which the UK is reported by HSBC Innovation Banking and Dealroom to lead Europe in terms of value creation, feed directly into the technology sector. The fourth is that international students are a long-term source of connections to markets overseas, which is relevant to market access.

5.5.3 Vulnerabilities

The education export sector is exposed to policy and demand risks to a greater degree than most other tradable services. Revenue is concentrated in a small number of source countries, with three accounting for a large proportion of international higher education export earnings in 2024, and it is sensitive to changes in immigration policy, to the competitiveness of rival destinations, to exchange rates and to the financial position of universities themselves. The slowdown in growth in 2024 shows that the revenue is not guaranteed to rise, and the interaction between immigration policy, the finances of higher education institutions and the supply of skills is one of the more important cross-cutting issues for the services economy.

5.6 How the Financial System Supports the Other Services

The financial system supports the other tradable services through several channels.

Access to capital, equipment and premises. Banks, private equity, venture capital and capital markets provide the financing that allows firms in technology, creative industries and professional services to invest, expand and acquire assets.

Insurance and risk transfer. The UK's specialist insurance markets underwrite risks specific to these sectors: professional indemnity cover for lawyers, accountants and consultants, cyber insurance for technology firms, production and completion insurance for film, and the insurance of

educational institutions' overseas operations. The availability of such cover is a condition of operating for many firms.

Payments and treasury services. Firms that sell internationally depend on efficient cross-border payments, foreign exchange and treasury services, in which London is the leading centre, as Chapter 4 showed. The UK's position in foreign exchange, with about 38 per cent of global turnover in the figures cited, directly reduces the cost of exporting for services firms.

Capital markets and listing. Established firms in the technology, professional and creative sectors use public markets for equity and debt finance, and for exit routes for their investors. The state of the IPO market therefore affects the willingness of investors to fund them at an earlier stage.

Specialist advisory and structuring. The financial centre supplies mergers and acquisitions advice, structured finance, intellectual property financing and other services that facilitate the growth and sale of firms in other sectors.

Taken together, these channels show that the financial system is a precondition for the competitiveness of the other tradable services. The corollary is that a weakening of any of the channels, and in particular of growth capital, would impair these sectors even if the financial sector's headline performance in wholesale markets remained strong. The quality of the connection between wholesale financial strength and the financing of domestic scale-ups is, on the available evidence, a more significant policy issue than the aggregate size of the financial sector.

5.7 How the Other Services Support the Financial System

The dependence runs in both directions, and the strength of the financial centre rests in no small part on the capacity of the surrounding services.

Legal services supply the documentation, governing law, dispute resolution and legal opinion on which financial transactions depend. The prevalence of English law in international contracts, in derivatives and in arbitration, documented in section 5.2.2, is among the most important sources of the financial centre's competitive position, since it makes London a natural place to originate, document and resolve financial business. The sector's trade surplus of £8.9 billion and its 364,000 jobs are a direct measure of this contribution, but the larger benefit is indirect: the reduction in cost and risk for every transaction conducted under English law.

Accountancy and audit supply the verification of financial information on which markets rely, and the tax and advisory services that shape transactions. The confidence of investors in the quality of UK financial reporting and audit is a part of the reputational capital of the financial centre.

Management consultancy and technology services supply the strategic, operational and technological advice and implementation capacity that financial institutions require, in particular as they modernise their systems, manage cyber risk and adopt new technologies. The UK's technology sector provides both the core systems and the large FinTech ecosystem that make London one of the leading destinations for FinTech investment.

Education and research supply the labour on which all of these depend, and the research base from which new financial and technological methods emerge.

Communications and digital infrastructure provide the connectivity, data centres and cloud services on which modern markets operate. The dependence of financial markets on a small number of

technology providers is a source of operational risk that regulators have drawn attention to, and it is one of the reasons why the report treats the resilience of the digital infrastructure on which tokenised markets would rely as a first-order issue in Chapter 7.

The analysis of these channels supports the central claim of the chapter, that the services economy should be understood as an interdependent system. It also supports a policy conclusion: that the effect of any proposed measure on the competitiveness of the financial centre should be assessed alongside its effect on the surrounding services, and that measures which damage one part, for example, by restricting the movement of skilled people or raising the cost of professional practice, will not leave the others unaffected.

5.8 Tokenisation Spillovers into Legal, Accounting and Technology Services

5.8.1 Where the initiatives stand

The report's central strategic proposition, developed in Chapter 7, is that the tokenisation of wholesale financial market infrastructure may help sustain the competitiveness of the UK's financial centre and of the services that surround it. This section considers the second part of that proposition: the extent to which developments in tokenised markets may create demand for, and extend the reach of, legal, accounting, technology and related services. It begins with a summary of where the principal initiatives stand, on the basis of publications available at the time of writing, and it then considers the channels through which spillovers may arise and the evidence for each.

The legal foundation has advanced. The Property (Digital Assets etc) Act 2025 received Royal Assent on 2 December 2025. Based closely on the recommendations of the Law Commission, it confirms that a thing is not prevented from being the object of personal property rights merely because it falls into neither of the traditional categories of things in possession and things in action, and it thereby gives statutory confirmation to a third category of personal property into which crypto-tokens and potentially other digital assets can fall. The Act does not define the boundaries of the category or the rights that attach to it, which are left to the courts to develop. The Law Commission has noted that its other recommendations, including those on collateral arrangements for crypto-tokens, remain under consideration. The effect is to improve legal certainty, but it leaves open a significant body of law to be developed by practitioners and the courts, which is itself a source of demand for legal services and a source of risk until settled.

The market infrastructure initiatives are progressing but remain at a pilot stage. The Digital Securities Sandbox, jointly operated by the Bank of England and the Financial Conduct Authority, was established under the Financial Services and Markets Act 2023 (Digital Securities Sandbox) Regulations 2023 and opened in 2024. In July 2026 the Bank of England approved HSBC to go live in the sandbox with its digital assets platform, HSBC Orion, as a digital securities depository, the first applicant to be so approved, with a remit covering corporate bonds as well as the planned digital gilt. HM Treasury's Digital Gilt Instrument pilot, DIGIT, is designed as a short-dated, digitally native government bond, issued on a platform operating inside the sandbox and kept separate from the Debt Management Office's ordinary gilt programme because of its experimental character. HM Treasury awarded the contract for the provision of distributed ledger services to HSBC in February 2026, announced in July 2026 that HSBC and the London Stock Exchange Group had signed a memorandum of understanding to deliver a bilateral link between digital

securities depositories, and on 6 October 2026 appointed Barclays, HSBC, Lloyds, Morgan Stanley, NatWest and RBC Capital Markets as joint lead managers, with the instrument expected to be listed on the London Stock Exchange's main market. An industry briefing noted that existing gilt legislation appears unsuitable for a digitally native issuance. At the time of writing, a date for issuance had not been confirmed in the sources consulted. In May 2026, the Financial Conduct Authority and the Bank of England published a joint Call for Input on their shared vision for tokenisation in wholesale markets, with responses invited by 3 July 2026, and the Bank has indicated that it will publish in 2027 an assessment of the benefits of tokenised central bank money, including a potential wholesale central bank digital currency. These items are described more fully in Chapter 7 and are included here only to establish the stage that implementation has reached.

5.8.2 Channels of spillover

On this basis, the report identifies five channels through which tokenisation may affect the demand for, and the export potential of, the surrounding services.

Legal services. Tokenised markets require legal analysis and documentation at several levels. At the level of the instrument, issuers and investors need documentation that gives effect, on a distributed ledger, to the rights conventionally attached to a bond, a fund unit or a derivative. At the level of infrastructure, operators and participants need legal analysis of settlement finality, of the legal status of records on the ledger, of the treatment of tokens in insolvency, of the enforceability of smart contract terms and of conflicts of laws where platforms operate across borders. At the level of regulation, firms seeking admission to the sandbox, and later the permanent regime, need advice on the applicable permissions. Each of these generates work for lawyers, and the confirmation of the third category of property in the 2025 Act, together with the continuing development of the law by the courts, creates a body of new questions on which advice is required. There is also a competitive dimension: if tokenised instruments are documented under English law and disputes resolved in London, the existing legal advantage described in section 5.2.2 would extend to the new infrastructure. This is a potential spillover rather than a measured one. The report has not found evidence quantifying the legal fees associated with tokenisation, and it makes no estimate.

Accountancy, audit and assurance. Tokenised assets and the infrastructure on which they are recorded raise questions of valuation, existence and ownership, internal control, the reliability of the systems that record transactions, and the presentation of digital assets in financial statements. Audit and assurance firms may therefore be called upon to develop new methods for testing on-chain records, for assessing the controls of platform operators and for reporting on reserves backing stablecoins, in addition to the tax advice on the treatment of tokenised instruments. The assurance of such systems is a function that the profession has traditionally performed for market infrastructure, and the reputational standing of UK firms is an asset in this field. The standards applicable to the audit and reporting of digital assets are still developing internationally, and the report does not rely on a specific standard or on evidence of current demand beyond the qualitative case.

Management consultancy. The adoption of tokenisation by banks, asset managers, insurers and infrastructure providers requires strategy, operating model, risk and change management advice, including advice on the interoperability of platforms and on the integration of tokenised and conventional systems. This is a natural extension of the existing consultancy relationship with the financial sector, which accounts, in industry estimates, for a large share of consultancy revenue.

Technology services. The infrastructure itself must be designed, built, operated and secured by technology firms. The named participants in the initiatives described above include large banks and the London Stock Exchange Group, which are themselves the principal builders of the platforms, with HSBC as the platform provider for DIGIT and HSBC and LSEG developing the depository link. The opportunity for the wider technology sector arises in the supply of software, cybersecurity, data, identity, interoperability and cloud services to those participants and to new entrants, and in the FinTech firms that are developing tokenisation products. It is not yet clear from the evidence how much of the technology work will be performed by UK-based independent technology firms and how much by the financial institutions themselves, by global technology groups or by firms located elsewhere, and this is a significant uncertainty for the question of where the value accrues.

Education, skills and export of expertise. The development of tokenised markets will require specialists who combine knowledge of financial markets, law, technology and regulation. The UK's universities, professional bodies and training providers are positioned to supply them, and the UK authorities' development of the regulatory regime may allow UK firms and institutions to export expertise to other jurisdictions that are establishing their own frameworks. The report treats this as a potential long-term opportunity, to be assessed in the recommendations, but it has found no evidence of present export revenue from the field.

The channels are summarised in the table below, together with the status of the evidence for each.

Table 5.1. Potential tokenisation spillovers into surrounding services

Service	**Principal channel of spillover**	**Status of evidence**	**Main uncertainty**
Legal	Documentation, finality, insolvency and conflicts analysis; extension of English law to new infrastructure; regulatory advice	Legal framework advanced (2025 Act); demand qualitative; no fee estimates located	Scope of the third category left to the courts; collateral reforms under consideration; competition from other legal systems
Accountancy and audit	Assurance over platforms and on-chain records; valuation and reporting of tokenised assets; tax	Qualitative; standards still developing	Pace of adoption; standard-setting; reputational risk from failures
Management consultancy	Strategy, operating model, risk and integration advice to adopters	Qualitative; consistent with existing client relationships	Volume of live activity remains small at present
Technology	Platform build and operation; cyber, data, identity and interoperability services	Initiatives named (HSBC Orion, LSEG link); distribution of work unclear	Share captured by UK-based independent firms versus incumbents and foreign providers
Education and skills	Training of specialists; export of regulatory and technical expertise	Prospective	Whether demand materialises and whether other jurisdictions develop competing expertise

5.8.3 Limits and risks

The spillover argument has clear limits, and the report states them in the interest of the balance set out in Chapter 2. First, the evidence is of potential, not of realised effects. At the time of writing, live issuance within the sandbox was at an early stage, DIGIT had not been issued, and the volume of tokenised activity in regulated UK markets was small relative to conventional markets. A demand for professional services at the margin may not be large enough to alter the sectors' aggregate performance for some years, and no estimate that would support a claim of significant economic impact has been located.

Second, tokenisation may also reduce demand for some professional services. If the automation of settlement, reconciliation and servicing lowers the volume of manual, intermediated work, the labour associated with it, including some of the work performed by lawyers, accountants and operations staff, may decline. The net effect on the professional services sectors therefore depends on whether new work outweighs the work displaced, a question on which the evidence is not yet available.

Third, advantage is not guaranteed to accrue to the UK. Other jurisdictions are developing their own frameworks, and the specialist services may be supplied from elsewhere if their markets develop faster or if their legal and regulatory regimes prove more attractive. The advantage of English law is substantial, but it depends on the continued confidence of the international market that English law and English courts will deal with the novel questions that tokenised markets raise.

Fourth, the legal framework is incomplete. The 2025 Act confirms that digital assets can be property but leaves the boundaries to the courts, and several recommendations of the Law Commission remain under consideration. Until these questions are resolved, uncertainty remains, and it could affect the willingness of institutions to rely on new structures.

Fifth, skills are a binding constraint. The professions will be able to capture the opportunity only to the extent that they have, or can develop, the combined legal, financial and technical expertise required, and the supply of such expertise is limited.

For these reasons, the report treats tokenisation spillovers as an option value for the services economy, valuable if the infrastructure scales and if the UK retains its legal and regulatory advantages, and not as a basis for forecasting growth in the professional and technology sectors. The recommendations in Chapter 8 are framed accordingly.

5.9 Clusters and the Regional Dimension

The evidence reviewed in this chapter shows that the broader services strengths are, in varying degrees, geographically more dispersed than financial services alone, although London remains the dominant centre for the highest-value activity. Legal services employed almost two-thirds of their workforce outside London in 2024, with large concentrations in Manchester, Birmingham, Leeds, Edinburgh, Glasgow, Cardiff and Belfast. The creative industries and education export revenue are also widely distributed: international higher education student export revenue in 2024 was £7.1 billion in London, against £1.2 billion in the North East, the lowest of any English region, with the other regions between the two. In the technology sector, London accounts for 59 per cent of the value of the ecosystem, but Tech Nation reported that the East Midlands, Scotland and the North East are among the fastest growing hubs, and venture funding outside London remains a fraction of

the capital city's. TheCityUK reports that the North West is now the second largest region for financial and related professional services employment, with almost 300,000 jobs, and that London accounted for 902,000 jobs in the industry in 2023.

These patterns suggest that the interlinkages between finance, professional services, technology and education may be a basis for regional clusters whose strength depends on the presence of all of the components. They also suggest that policy for regional development in services, which Chapter 8 addresses, should be framed around clusters and not around individual sectors. The evidence on whether the tokenisation agenda would strengthen regional clusters is, at present, absent: the principal initiatives are concentrated in London, and the report does not claim that spillovers would extend beyond it without deliberate policy.

5.10 Cross-Cutting Vulnerabilities

Four vulnerabilities cut across the sectors examined in this chapter and are developed in Chapter 6. The first is dependence on access to international talent, which is relevant to every sector considered here, and which is affected by immigration policy, by the cost of relocation and by the competitiveness of the UK's tax and living environment. The second is capital: the constraint on scale-up finance that affects technology and creative firms, and the broader weakness of pre-IPO and public equity markets noted in Chapter 4. The third is technological disruption, notably from artificial intelligence, which is likely to affect legal, accounting, consulting, creative and software services simultaneously and whose net effect is uncertain. The fourth is regulatory and market access: the post-Brexit frictions that affect regulated professions and the provision of services to the EU, and the uncertain direction of regulatory divergence. Each of these is a policy-relevant vulnerability, and each is likely to be affected by decisions that are made in areas, such as immigration, education funding and competition policy, that fall outside the financial regulatory perimeter. A coherent strategy for the services economy requires coordination across them.

5.11 Synthesis

The evidence supports five conclusions. First, the United Kingdom's services strengths are broad and mutually reinforcing, and they extend well beyond finance. Legal services, accountancy and consultancy, the digital sector, the creative industries and education each contribute substantial output, employment and exports, and each enjoys an international reputation. Second, the evidence is strongest for the legal sector, where the international role of English law is documented from several independent sources, and where recent export growth has been marked, and weakest for the broader professional, scientific and technical group, where verified current data on a consistent definition were not located. Third, the interdependence of finance and the other services is real and operates in both directions, but its most important policy implication is not the aggregate size of the financial sector; it is the quality of its connection to domestic growth finance, which, on the evidence of the founders' survey and of the equity market data, is a weak point. Fourth, the potential spillovers from tokenisation into legal, accounting, technology and related services are plausible and are supported by tangible progress on the legal framework and the market infrastructure pilots, but they remain prospective, have not been quantified, and are subject to substantial uncertainty about displacement, competition and skills. Fifth, the sectors share vulnerabilities, in talent, capital, technological change and market access, that are best addressed through a coordinated approach.

These conclusions carry two implications for the remainder of the report. The diagnosis in Chapter 6 should treat the vulnerabilities identified here as part of a single picture of the services economy and not as sector-specific problems. And the account of tokenisation in Chapter 7 should present the opportunity for the wider services economy as an option to be earned, dependent on the delivery of the infrastructure and the retention of the UK's legal and regulatory advantages, which is the framing adopted in this chapter.

5.12 Data Notes and Items for Verification

Table 5.2. Principal figures, sources and verification status

Item	Value used	Source as consulted	Status
Other business services exports	About £194bn (2025); over £183bn (2024)	Secondary compilations of ONS data (see Chapter 3)	Secondary; confirm in ONS Pink Book
Legal services: GVA, surplus, employment	£38bn (1.5% of GVA); £8.9bn; 364,000 (2024)	TheCityUK, UK legal services 2025 (Dec 2025)	Tier 3; confirm against ONS
English law share of international transactions	About 40% (two in five); LCIA 78% (2024); ICC 15%	Law Society (2025); TheCityUK; press reports of both	Tier 3; methodology of the 40% estimate not examined
Legal services exports	£9.02bn (2024); £10.97bn (2025); £6.81bn (2021); earlier citation of £9.5bn (2023)	Law Society reports via trade press	Series revised between publications; confirm against ONS
Derivatives and seaborne trade under English law	About £250tn outstanding derivatives; about half of seaborne trade by value	Law Society, via City AM (2026)	Press report; confirm in primary report
Accountancy and consultancy output, employment	£29.4bn and £16bn (2024 real output); 496,000 and 522,000 jobs (2024)	TheCityUK Key Facts 2025 and 2026	Tier 3; definitions overlap with ONS sections
Digital sector trade balance	Surplus £29.0bn (2024); £35.4bn (2025); exports ~£53.6bn (2025)	ONS FNLY series; GOV.UK trade summaries	Tier 1 (telecoms, computer & information services)
Creative industries trade	Services exports £59.4bn, surplus ~£21.1bn; goods surplus £2.1bn (2023)	DCMS Sectors Economic Estimates: Trade, 2022 and 2023 (June 2025)	Tier 1
UK tech valuation; venture capital 2025	$1.2trn (mid-2025); $1.3trn (later review); $23.6bn VC (+35%); AI $7.9bn	Tech Nation (Dealroom data); HSBC Innovation Banking and Dealroom	Tier 3 commercial data; valuations are sensitive to method

Item	Value used	Source as consulted	Status
Founders citing growth capital as main barrier	About three-quarters	Tech Nation survey 2025	Tier 3 survey
Creative industries GVA	£145.8bn (2024 provisional, 5.5%); monthly series £123bn (5.37%)	DCMS annual GVA 2024 provisional; sector body series	Tier 1 (annual); explain series difference
Creative industries exports	£54.7bn (2021; £45.6bn services)	DCMS trade estimates 2021 via secondary	Dated; update if newer data exist
Creative employment and business count	2.4m (7.06%) to June 2024; 268,080 businesses	DCMS employment estimates; sector body summary	Tier 1 via secondary; confirm
Education exports	£36.7bn (2024); HE £26.6bn; student fees and living £23.9bn; London £7.1bn	DfE, UK revenue from education related exports and TNE	Tier 1
Property (Digital Assets etc) Act 2025	Royal Assent 2 December 2025	Law Commission; law firm commentary	Primary legal source to be cited from legislation.gov.uk
DIGIT and DSS status	HSBC platform provider (Feb 2026); HSBC DSD approval and LSEG MoU (Jul 2026); joint lead managers (6 Oct 2026); Call for Input (May 2026)	HM Treasury and Bank of England publications via trade and legal press	Press reports; confirm against official publications; timelines may have changed

Gaps identified in this chapter. The following remain limited or unverified and are therefore treated with appropriate caution: a fully consistent current breakdown isolating architecture, engineering, scientific research and development, and advertising on an export basis (broad SIC section M figures are available); any measured economic effect or fee estimate for tokenisation-related legal, accounting, consulting or technology work; and a precise distribution of DIGIT and sandbox technology contracts between UK-based independent firms and large incumbents (available evidence shows HSBC as platform provider, Ashurst as legal adviser, and a mix of UK and international banks as lead managers). Output multipliers for FRPS sectors have been cited by TheCityUK from ONS input-output tables in the range 1.3-1.6; these are recorded as indicative rather than independently re-verified in this report.

Chapter 6: Weaknesses and Challenges in the Present

Evidence note: this chapter is the diagnostic core of the report, and it applies most strictly the rules for contested evidence set out in Chapter 2. Estimates are presented as ranges, the methodological reasons for disagreement are stated, and industry testimony is attributed and distinguished from

independent analysis. The principal sources are ONS statistics and bulletins (Tier 1), the Office for Budget Responsibility (Tier 1), peer-reviewed and working-paper research on Brexit and services trade (Tier 2), the Productivity Institute, the Resolution Foundation and the Institute for Public Policy Research (Tier 2), and industry compilations from UK Finance, AFME, TheCityUK and employer surveys (Tier 3 and 4). The report plan referred to estimates by the London School of Economics and Centre for Economic Performance on services export shortfalls; these have now been located (CEP Discussion Paper 2110, June 2025) and are incorporated in section 6.3. Items for confirmation against primary sources are listed in section 6.9. Counter-evidence is presented in section 6.6 and is not confined to that section: it is introduced wherever it bears on a particular finding.

6.1 Introduction and Diagnostic Framework

Chapters 3 to 5 described a services economy of considerable scale and, in important segments, of world-leading quality. This chapter turns to the other side of the ledger. It asks what is wrong, or at risk, in the present position, how well the evidence supports each claim, and how much of each problem lies within the power of policy to change. The purpose is diagnostic and not prescriptive: recommendations are reserved for Chapter 8, and they are drawn from the findings recorded here.

The chapter applies the classification introduced in Chapter 2, which distinguishes between cyclical, structural and policy-induced factors. A cyclical factor is one that may be expected to reverse as conditions change. A structural factor reflects deep features of the economy that change only slowly. A policy-induced factor arises from decisions of government or regulators and can in principle be altered by them. Most of the weaknesses discussed below combine more than one of these elements, and the classification in section 6.7 acknowledges this. The distinction is nevertheless valuable because it determines which problems are amenable to remedy and over what horizon.

The chapter is organised around the four categories identified in the report plan. The first is the productivity puzzle. The second is the set of frictions in services trade that followed the United Kingdom’s departure from the European Union. The third is a group of competitiveness pressures, including taxation, regulatory complexity and competition from other financial centres. The fourth comprises structural issues: regional concentration, skills, investment, fiscal and demographic constraints, and specific market weaknesses. A fifth section presents the counter-evidence, and the chapter concludes with a synthesis and a record of data limitations.

Three cautions apply throughout. The first is that a diagnosis is not a prediction. The evidence shows where pressure exists, not that decline is inevitable. The second is that several of the sources on competitiveness are produced by industry bodies, whose function is to represent the interests of their members, and the report treats their conclusions accordingly. The third is that policy in this area is moving quickly, and some of the matters discussed, in particular the taxation of banks and the shape of the future relationship with the European Union, may have changed by the time this chapter is read.

6.2 The Productivity Puzzle

6.2.1 The record and its range

The central macroeconomic weakness of the United Kingdom since the global financial crisis is the slow growth of output per hour. Chapter 3 documented the measured record and the uncertainty surrounding it. In summary, the ONS flash estimates show weak growth in recent quarters, with an improvement in the second quarter of 2026 on the administrative-data measure of 0.7 per cent over the year, and the Labour Force Survey based series show output per hour 3.5 per cent above its 2019 level in the first quarter of 2026. The ONS's own planned re-measurement, to be implemented in February 2027, reduces the measured size of the slowdown between the decade before the crisis and the decade after it to 0.7 percentage points, compared with 1.4 percentage points per hour and 1.1 points per worker under the current method, according to the ICAEW's account of the ONS plans.

The ONS's experimental firm-level labour productivity statistics, released in December 2025 using Annual Business Survey data through 2023, provide additional texture. Workers in firms at the 90th percentile of the employment-weighted distribution produced 3.5 times more output than workers in firms at the median, higher than the pre-2008 global financial crisis average of 2.9 times. Mean aGVA per worker has grown faster than the median, indicating that productivity growth has been uneven. Dispersion widened slightly overall in 2023, driven by services, while manufacturing continued a longer-term narrowing. These data confirm that the productivity problem is not only a matter of slower average growth but also of a widening gap between frontier and typical firms, particularly in services. The ONS notes that businesses of all types have improved more slowly since the financial crisis, with the largest slowdown among "average" firms. This pattern is consistent with the broader literature on the limited diffusion of best practice and the role of weak investment and reallocation.

The official forecaster's judgement has moved in the same direction as the persistent weakness, though not as far as some had expected. The OBR's March 2025 forecast assumed that trend productivity growth would recover to about 1.25 to 1.3 per cent a year. The Resolution Foundation, in October 2025, argued that a downgrade was overdue on the basis of long-standing trends, observing that the OBR had been repeatedly disappointed by outturns and had made its previous significant markdown in 2017. In the Budget of November 2025 the OBR reduced its expectation of productivity growth by 0.3 percentage points to 1.0 per cent by the end of the forecast period, and lowered its growth forecasts to about 1.4 per cent in 2026 and 1.5 per cent in each of the following years. Press reports of the OBR's assessment attribute to it a reduction of about £16 billion in tax receipts by 2030 as a result of the productivity change, and describe the downgrade as less severe than some had feared, since expectations of tax-rich growth offset part of the effect. Commentary at the time cited an average rate of about 0.7 per cent a year between 2009 and 2020, roughly half the rate assumed in the OBR's earlier projection.

The range of estimates therefore has three components, each of which bears on how the problem should be characterised. First, there is the range in the measured size of the historical slowdown, from about 0.7 to 1.4 percentage points depending on the measurement method. Second, there is the range in the forward-looking assumption, from the earlier 1.25 to 1.3 per cent to the revised 1.0 per cent, with alternative scenarios, such as the OBR's scenario of faster adoption of artificial intelligence, generating higher outcomes. Third, there is a difference in the recent data between the

Labour Force Survey series and the administrative series, which is not yet fully understood. The report concludes that the slowdown is real, that its measured magnitude is currently being reassessed, and that the central forecast of the official body responsible for the public finances is now one of weak but positive growth.

6.2.2 Explanations

The literature identifies several explanations for the weakness, and the report considers each, noting that they are not mutually exclusive.

Underinvestment. The strongest and best-documented explanation is a persistent shortfall of investment. The ONS reported that whole-economy investment in the United Kingdom, including both business and public sector, was 18.9 per cent of GDP in 2025, the lowest of the G7 nations. Evidence submitted to a parliamentary committee in 2025 stated that the UK had recorded the lowest share of investment in GDP among G7 countries in 24 of the preceding 30 years, and that private investment as a share of GDP had been two to three percentage points lower than in Germany and France for decades. The IPPR, in analysis published in April 2026 using 2023 data, found that UK firms invested the equivalent of 11.1 per cent of GDP, lower than every G7 country except Canada, and compared with 18.2 per cent in Japan, 12.7 per cent in France and 12 per cent in Germany. The accumulated shortfall is large: the Productivity Institute estimates that in 2019 the UK capital stock per hour worked was about 33 per cent lower than in higher-productivity peers such as the United States, Germany, France and the Netherlands, equivalent to a capital gap of about £2 trillion, and the IPPR's modified calculation puts the gap at 38 per cent. The gap extends beyond physical capital to housing, digital systems and intangible assets, including research and development. The Productivity Institute has estimated that raising the investment rate by about four percentage points of GDP would still leave a catch-up period approaching a century.

Several qualifications attach to this evidence. Investment intensity measures differ in what they include, and the comparison between countries is sensitive to the treatment of housing, intangibles and the public sector. Business investment grew in 2025 on ONS data, by 4.3 per cent annually, which shows that the position is not static. And the causal direction is contested: weak investment may be both a cause and a consequence of weak productivity growth, and attributions to policy uncertainty and to risk aversion by business leaders, which the Productivity Institute's chair has advanced, are judgements rather than established findings. The weight of the evidence nonetheless points to investment as the single most important contributor.

Weak diffusion of best practice. The second explanation is that the productivity of leading firms and sectors is not transmitted to the rest of the economy. The evidence for this in the services economy was set out in Chapter 3: there is a wide gap between high-productivity activities such as finance, certain professional services and software, and the large lower-productivity components such as retail, hospitality, social care and administrative support. The report has not located a current, verified quantification of the within-industry dispersion of firm-level productivity in UK services and records this as a gap, but the qualitative case is supported by the Productivity Institute's analysis of contributions to productivity growth, which found that a small number of industries, notably information and communication and professional, scientific and technical activities, accounted for the strongest gains.

Sectoral composition. The third explanation is that growth in employment has been concentrated in lower-productivity activities, which depresses the average even if each industry's own productivity

is stable. This was discussed in Chapter 3 and is a statistical feature of the economy, not a policy failure in itself. It becomes a policy issue to the extent that the structure of demand, taxation or regulation discourages the expansion of high-productivity activities.

Measurement. The fourth is the possibility that measured productivity understates true performance, because of the difficulties in measuring output in public services, financial services and digital activity, and because of the uncertainty in the measurement of hours. The ONS's re-measurement, which reduces the size of the slowdown, is consistent with this explanation in part. It would be mistaken, however, to attribute the whole of the puzzle to measurement, given the independent evidence of weak investment and weak real wage growth.

Regional dynamics. The fifth is the slow growth in the productivity of London itself. According to the Greater London Authority's analysis of ONS data, output per hour in London grew by only 1.5 per cent in real terms between 2008 and 2021, compared with 6.9 per cent for the United Kingdom and 5.9 per cent for England. London remains by far the most productive region, but its own productivity growth has lagged, and the ONS reported that in 2023 London was the only region to make a negative contribution to UK output per hour growth relative to 2019. Because the capital contains much of the country's high-value financial and professional services activity, this evidence bears directly on the sectors with which this report is concerned. It may reflect measurement problems in sectors important to London, a point acknowledged by the ONS, but it may also indicate that the productivity of the highest-value services is not rising as fast as the sector's reputation would suggest.

6.2.3 Summary of the range

Table 6.1. Range of estimates on productivity and investment

Dimension	Lower estimate	Higher estimate	Source and note
Measured fall in productivity growth, pre- vs post-crisis decade	0.7 percentage points (new ONS component method)	1.1 (per worker) to 1.4 (per hour) points (current method)	ICAEW summary of ONS plans; to confirm in ONS publication
OBR trend productivity growth, end of forecast	1.0% (November 2025)	1.25 to 1.3% (March 2025)	OBR; Resolution Foundation; press
Capital stock per hour relative to peers	About 33% lower (2019)	About 38% lower (IPPR, modified method)	Productivity Institute; IPPR
Business investment, share of GDP	11.1% of GDP (IPPR, 2023 data)	Whole-economy investment 18.9% of GDP (ONS, 2025; lowest in G7)	Different measures; not comparable with each other
Recent growth in output per hour	0.4% year on year (Labour Force Survey, Q1 2026)	2.1% (administrative-data based, Q1 2026)	ONS flash estimate; sources of divergence under review

6.2.4 Implications for services

The productivity problem has three implications for the services economy. First, because services

account for roughly four-fifths of output, services productivity is the national productivity problem; there is no route to improved aggregate performance that bypasses it. Second, the highest-productivity segments, which are the ones that generate exports and tax revenue, cannot compensate for weakness elsewhere in the sector unless their productivity growth is sustained and their share of employment rises, and the evidence reviewed above suggests that neither condition is secure. Third, the productivity outlook is a central driver of the public finances: the OBR's judgement determines the tax revenues that fund public services and bears on the fiscal pressures discussed in section 6.5.4. The adoption of artificial intelligence and related technologies is the factor most likely to shift the outlook, in either direction, and the OBR's alternative scenario of faster adoption acknowledges that the range of plausible outcomes is wide. The evidence of effects to date is, as Chapter 5 noted, too limited to support a quantified judgement.

6.3 Post-Brexit Frictions on Services Trade

6.3.1 The range of estimates

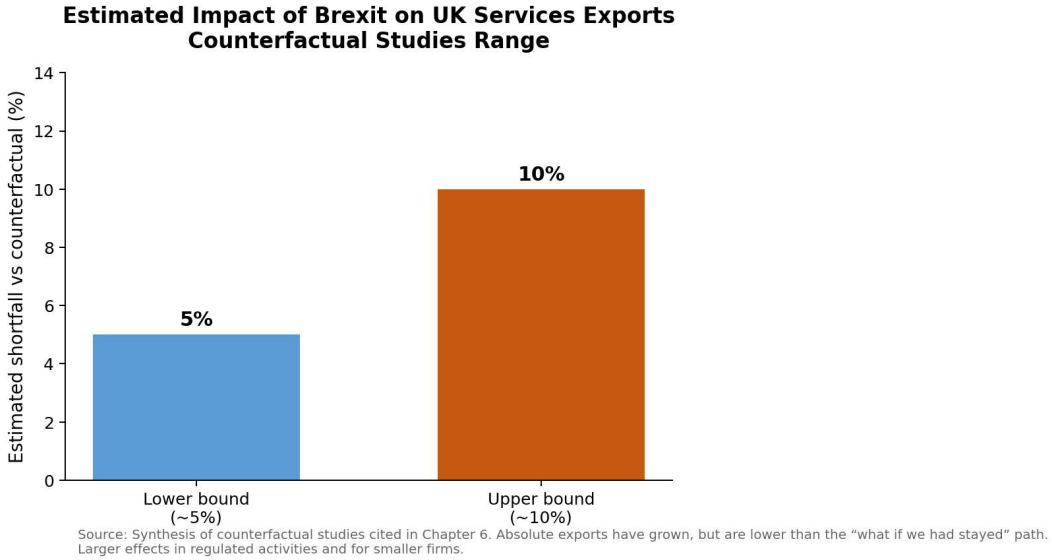
The estimation of the effect of Brexit on services trade is among the most contested empirical questions in the report. The plan called for estimates of overall services export shortfalls from the London School of Economics and others. As noted above, specific LSE estimates were not located, and the report relies instead on the following published studies, which span a considerable range. The table sets them out together with the methodological features that explain the differences.

Table 6.2. Estimates of the effect of Brexit on UK services exports

Study	Method and data	Estimated effect on UK services exports	Notes
Du, Shepotylo and Yuan (2025, *Journal of International Business Policy*)	Synthetic control; firm-level data (Orbis); effect of Brexit uncertainty, 2016-2019	About 9.2% annual reduction; cumulative loss of about $146.8bn over 2016-2019	Disproportionate effect on SMEs; multinationals more likely to relocate operations
Du and Shepotylo (2024, *Journal of Service Research*)	Synthetic difference-in-differences; OECD-WTO Balanced Trade in Services dataset, 2016-2019	About 5.65% reduction in aggregate exports (about $23.7bn or £18.5bn a year); 8.5% average decline in bilateral flows; exports to the EU down about 6.2%	Ireland's services exports rose by about 21% in the bilateral data; declines in travel, insurance, finance, telecoms, business and cultural services
Loughborough University study (*Journal of Economic Behavior and Organization*)	Synthetic control against other countries' commercial services exports	Exports about 7% below the counterfactual after the referendum	Divergence evident from early 2015; driven by other commercial services, not travel
Centre for European Reform (2026, ten years after the referendum), as	Trade modelling using detailed data	Services exports to the EU about 7% lower than if the UK had remained; goods	Most of the effect attributed to leaving the single market and regulatory costs; higher

Study	Method and data	Estimated effect on UK services exports	Notes
summarised in secondary reporting		exports about 16% lower; about 12% lower overall	than earlier estimates partly because of post-pandemic growth in intra-EU services trade
OBR, as cited by TheCityUK in 2025	Official forecast analysis	UK services trade continued to grow strongly since 2019, including with the EU, despite higher barriers	Statement of the direction of observed trade, not a counterfactual estimate

The range of point estimates of the shortfall in services exports to the world, from about 5.65 to about 9.2 per cent, and in exports to the EU, from about 6 to 7 per cent in the more recent work, is sufficiently narrow to support a qualitative conclusion: the weight of the counterfactual evidence is that services exports are lower than they would otherwise have been, by something in the order of five to ten per cent, with the EU effect being smaller than the effect measured against the world as a whole in some studies, and larger in others. The differences arise from the choice of counterfactual and comparator countries, the period examined (the first two studies in the table concern the period of uncertainty before the actual departure, while the CER study assesses outcomes a decade after the referendum), the data used (firm-level data, balance of payments data or bilateral mirror data), and the treatment of the pandemic.



Two important qualifications apply. First, the studies using synthetic control methods are sensitive to the composition of the donor pool of comparator countries, as the second study itself underscores in noting methodological sensitivity. Second, the observed trend in UK services exports has been strongly positive in absolute terms, as shown by the ONS data in Chapter 3, and the counterfactual studies do not contradict this: they claim that exports would have been higher still. The OBR’s long-standing assumption that Brexit would reduce long-run productivity by about four per cent is a different type of estimate, which concerns the whole economy and not services trade alone. It is

cited in the Executive Summary and is a Tier 1 official assumption, although the current wording and vintage should be confirmed against the OBR's latest forecast documentation.

6.3.2 Where the effects are concentrated

The evidence indicates that the effects are not uniform across services. The studies cited above find larger declines in insurance, finance, telecommunications, business and cultural services than elsewhere, and a disproportionate effect on small and medium-sized firms, which face fixed costs of establishing a presence in the EU that large multinationals can absorb. The effects are also concentrated where regulation is most important. The principal mechanisms are as follows.

A more recent and granular analysis from the Centre for Economic Performance at the LSE (CEP Discussion Paper 2110, June 2025, by Bhalotia, Dhingra and Arnold) focuses specifically on services. Using a gravity model with detailed measures of non-tariff barriers introduced by the Trade and Cooperation Agreement (coded from legal reservations across source-destination-service pairs), the authors find that UK exports to the EU in services subject to these new Brexit barriers declined by approximately 15.8 per cent relative to other bilateral trade flows. Overall, UK services exports are estimated to be 4 to 5 per cent lower five years after the introduction of the barriers, with no significant offsetting gains in non-EU markets. The estimated trade elasticity is around -3. Pre-trends are absent, and the results are robust to a range of reference groups and controls. This places the services shortfall in a similar range to several of the goods-focused estimates once methodological differences are allowed for, and it confirms that the resilience of aggregate services exports relative to goods has not fully insulated the sector from the effects of regulatory divergence.

Earlier CEP work (including firm-level analysis of the TCA's effects on goods) found a £27 billion (6.4 per cent) reduction in total goods exports by 2022 relative to a counterfactual of continued EU membership, concentrated among smaller firms, with large firms largely unaffected. Taken together, the goods and services findings from the same research centre indicate that the aggregate trade shortfall is real but more modest, and more unevenly distributed, than some pre-Brexit forecasts anticipated.

Loss of passporting. The end of the single market passport removed the automatic right of UK-authorised firms to serve EU clients across the bloc. Firms that wished to continue serving EU customers had to authorise and capitalise EU subsidiaries, relocate staff and, in some cases, book business in EU entities. Chapter 4 recorded the evidence from the EY tracker of relocation of jobs and assets, and noted its limitations. The effect is visible in the pattern of UK exports, with Ireland and Luxembourg among the leading EU destinations, and in the evidence that Ireland's services exports rose sharply after the referendum.

The limits of the Trade and Cooperation Agreement. The TCA prioritised goods and offered limited disciplines on services. The accompanying joint declaration on financial services regulatory cooperation committed the parties to a framework, which took the form of a memorandum of understanding and a joint regulatory forum, but this provides for dialogue and not for market access. In consequence, access depends on the unilateral equivalence decisions of the EU, which are limited in scope, can be withdrawn, and do not cover all activities. The UK's own consideration of a mutual recognition approach to financial services regulation was set aside by the UK government in 2018, a decision that industry bodies described at the time as regrettable, and which illustrates the continuing difficulty of finding an arrangement acceptable to both sides.

Professional qualifications and mobility. The TCA provides a framework for the mutual recognition of professional qualifications, under which professional bodies may submit proposals for approval, but it does not itself deliver recognition. The practical importance of this varies by sector. Analysis by Cambridge University's Sarah Hall for UK in a Changing Europe notes that financial service providers do not typically need specific professional qualifications, the exception being audit, so that for financial services the most likely route to improved trade is regulatory and not through qualification recognition; the importance of qualification recognition is greater for legal, accounting, engineering and architectural services. Business mobility is a related issue, and industry evidence to the House of Lords inquiry into the UK-EU reset in May 2025 stressed that any improvement to the recognition framework should be accompanied by parallel improvements in the ability of professionals to travel and work temporarily across the border.

Regulatory divergence. The prospect that UK and EU rules will drift apart over time is a source of continuing uncertainty. Industry bodies have argued, in submissions in 2025, that the regulatory frameworks remain largely aligned for the time being, but that the absence of a durable arrangement for outcomes-based mutual recognition leaves wholesale market access exposed to future divergence. The simultaneous efforts of both sides to enhance competitiveness through regulatory simplification, which the UK pursues through its Financial Services Growth and Competitiveness Strategy and the EU through the Council's December 2025 conclusions on simplification, may produce either convergence or divergence, and it is too early to say which.

6.3.3 The reset and its limits

In May 2025 the UK and the EU held their first joint summit since the UK's departure and announced a reset of relations. The outcomes, set out in a Joint Statement, a Security and Defence Partnership, and a Common Understanding, focused primarily on security and defence cooperation, an agreement to work towards a common sanitary and phytosanitary (SPS) area for agri-food goods (removing most certificates and controls), extension of existing fisheries access arrangements until 2038, continuation of energy cooperation provisions, and a commitment to explore linking emissions trading schemes. Discussions on a youth experience scheme and UK association to Erasmus+ were also initiated.

For services trade the concrete outcomes were limited. The Common Understanding and subsequent statements contained no new market-access provisions for financial or professional services, no restoration of passporting, and no immediate mutual recognition of professional qualifications. Mutual recognition of qualifications was identified as an area for further dialogue, consistent with the Labour manifesto commitment, but it was not delivered at the summit. Industry bodies had argued that improvements in data adequacy, mobility and qualification recognition would be beneficial; these remain prospective. Analyses by the House of Commons Library, the Institute for Government and the Centre for European Reform note that the reset's economic effects are expected to be modest relative to the long-run costs of leaving the single market, and that services (which account for around 80 per cent of the UK economy) saw little direct liberalisation. Regulatory divergence and the absence of equivalence or passporting rights continue to constrain financial services in particular.

The report therefore treats the May 2025 reset as having improved the political atmosphere and delivered tangible (if limited) gains for goods trade in agri-food, while leaving the principal services frictions identified earlier in this section largely unaddressed. Any further gains will depend on

subsequent negotiations.

6.3.4 Assessment

The evidence supports four findings, with differing degrees of confidence. It is established that services trade with the EU is lower than it would have been under continued membership and that the effects are concentrated in regulated activities, and in small firms. It is reasonably well established that the magnitude of the shortfall in services exports is of the order of five to ten per cent, but the range depends on method. It is established that the UK's absolute services exports have continued to grow and that the UK remains the dominant European financial centre. It is uncertain whether the effects will deepen as regulatory divergence proceeds, and whether the reset will deliver improvements in market access for services. The report therefore treats Brexit-related friction as a persistent and, in part, policy-induced constraint, and one that bears most heavily on the regulated professional and financial services that are the subject of this report.

6.4 Competitiveness Pressures

6.4.1 Taxation

The most extensively documented competitiveness concern, for banking at least, is the level and structure of taxation. The evidence comes principally from the annual total tax contribution study prepared by PwC for UK Finance, and from a comparative study of bank taxation in Europe prepared by KPMG for AFME in February 2026. Both are commissioned by industry bodies, and the report treats their methodology and conclusions accordingly.

The UK Finance study published in October 2026 reports that the banking sector contributed a record £47.8 billion to the Exchequer in the financial year to March 2026, comprising £25.7 billion of taxes borne directly by banks, including corporation tax, the bank surcharge, the bank levy and irrecoverable VAT, and £22.1 billion of taxes collected on behalf of employees and customers. The preceding year's contribution was £43.3 billion. The same study's model-bank comparison for 2026 places the total tax rate in London at 46.2 per cent, compared with 42.2 per cent in Amsterdam, 39.1 per cent in Frankfurt, 29 per cent in Dublin and 27.9 per cent in New York. The London figure was revised downward slightly from an earlier 46.5 per cent after a review of the treatment of the bank surcharge allowance. Sector-specific taxes (the bank surcharge and bank levy) together with uncapped National Insurance contributions are identified as the principal drivers of the higher UK rate. Without the bank surcharge and levy the London rate would fall substantially. These comparisons are produced by an industry body and should be read as such; independent analyses, including those by the TUC and Tax Policy Associates, note that bank tax rates have varied with profitability and that the UK's overall position is not an outlier in every metric once profit levels are taken into account. The bank levy and surcharge together raised around £2.6 billion in 2025 according to earlier industry compilations, and the four largest UK banks reported combined profits of about £15 billion in the first half of 2026.

These figures document a higher tax burden on banks in the UK than in the principal European and US comparators on the model used. The report records two cautions. First, the studies are industry-commissioned and the model-bank approach abstracts from the actual incidence and behavioural responses. Second, the report has not located independent evidence that the tax differential has altered the location of banking activity in a material way. Evidence that differences in bank taxation

have altered the location of activity is limited. The 2015 review by HSBC of a possible headquarters relocation was partly prompted by the then-broader bank levy; the subsequent restriction of the levy to UK balance sheets reduced that pressure. More recent statements by major UK-headquartered banks (including HSBC in October 2026) indicate no current pressure from shareholders or management to relocate on tax grounds alone. Other factors (market depth, talent pools, the legal system and regulatory reputation) continue to dominate location decisions. The report therefore treats the competitive effect of bank-specific taxes as a risk to be monitored rather than as a demonstrated driver of large-scale relocation. The tax contribution itself is large, and the policy question is the trade-off between revenue and the marginal effect on location decisions.

6.4.2 Regulatory complexity and speed of policy delivery

Industry bodies have argued that the weight and complexity of regulation, and the speed of policy delivery, constitute a competitive disadvantage. The government's response has been substantial. In July 2025 it published a Financial Services Growth and Competitiveness Strategy, a ten-year plan whose declared ambition is for the UK once again to be the global location of choice for financial services firms, and which is closely linked to the Industrial Strategy, in which financial services is designated as one of eight growth-driving sectors. The Financial Conduct Authority launched in March 2025 a five-year strategy in which growth and innovation feature prominently, and the regulators operate under a secondary objective relating to competitiveness and growth, the delivery of which is scrutinised by the House of Lords Financial Services Regulation Committee. A law firm's survey of regulatory themes for 2026 notes that competitiveness, growth and simplification are consistent policy themes in both the UK and the EU, and that the debate over the balance between resilience and growth as regulatory objectives continues.

The report's assessment of the evidence on regulatory complexity is necessarily cautious. The industry's case, as set out in UK Finance and AFME publications, is that the accumulated weight of requirements, the number of overlapping authorities and the time taken to implement reforms impose costs and uncertainty that rival centres do not impose to the same degree. The report has not located verified comparative measures of authorisation times, compliance costs or implementation delays across jurisdictions, and it records this as a significant gap. The evidence is therefore largely testimonial, and, as Chapter 2 explained, testimony from industry bodies is treated as the view of those bodies and not as an independent finding. Two points of balance are important. First, the post-2008 regulatory framework serves protective purposes, and its costs are the price of financial stability and consumer protection, which are themselves components of the UK's reputation. Second, the existence of a policy response, in the form of the growth strategy, the secondary objectives and the regulators' own strategies, indicates that the authorities accept that the concern has substance, and the relevant question is how far delivery will match intention. At the time of writing, the evidence on delivery is limited to the early stage of implementation.

6.4.3 Operating costs

Higher operating costs are a third concern raised by industry, including the costs of premises, labour, immigration and compliance. The report has not obtained verified, comparable data on operating costs in London relative to other centres on a consistent definition and therefore does not quantify this concern. It notes only that the relevant policy levers, including employer National Insurance contributions, visa costs and the tax treatment of high-value employment, are largely in the hands of government, and that cost disadvantages, if they exist, are policy-sensitive. This is a

gap which the report recommends be addressed in later drafts by sourcing comparative cost benchmarks.

6.4.4 Competition from other centres

The competitive position relative to other centres was set out in Chapter 4. In summary, the Global Financial Centres Index of September 2026 placed New York first on 761, London second on 757, Hong Kong third on 756 and Singapore fourth on 755, a spread of six points among the leading four. The UK's share of global financial services exports has fallen from 21 to 17 per cent since 2011, its share of global equity market capitalisation from 10 per cent in 1990 to 3.4 per cent, and the European Union is pursuing a deliberate strategy of building its own capital markets and simplifying its regulation. The competitive pressure is therefore three-sided. From the United States, it arises from the scale and depth of the market and its pull on listings. From Asia, it arises from the shift in the centre of gravity of global finance. And from the EU, it arises from policy-driven efforts to capture activity that has historically been located in London. The relative importance of these three threats differs by segment, with the US pressure greatest in equity markets, the Asian pressure in trading and wealth management, and the EU pressure in euro-denominated clearing and trading.

6.4.5 Assessment

The evidence on competitiveness pressures is more consistent than it is conclusive. The tax disadvantage for banks is documented across several studies but is sector-specific; the regulatory and cost concerns are widely reported but poorly quantified; and the competitive threats from other centres are real and increasing but have not yet displaced the UK from its leading position. The combined assessment is that these are policy-induced pressures at the margin, which bear most heavily on decisions about where to locate new activity and where to list new companies, and which are therefore likely to operate gradually and cumulatively. This is consistent with the pattern of slow erosion of relative share documented in Chapter 4 and is unlikely to produce a sudden loss of position.

6.5 Structural Issues

6.5.1 Regional concentration

The regional concentration of high-productivity services is one of the most firmly established structural features of the economy. ONS regional productivity statistics show that in 2023 output per hour in London was 28.5 per cent above the UK average and output per job 35.3 per cent above, that the South East was also above the average, and that all other regions were below it. In the earlier release for 2022, there were 23 sub-regions in which labour productivity was more than 20 per cent below the UK average, and Inner London West recorded productivity 52 per cent above the average. A decade of analysis shows little evidence of the other regions catching up with London and the South East in productivity, human capital or wages. The concentration is therefore a persistent and not a transient feature.

The implications for this report are twofold. At the national level, the productivity of regions outside the south-east corner is a principal determinant of the aggregate. At the sectoral level, the geographic concentration of the highest-value tradable services makes the economy vulnerable to

anything that damages the competitiveness of London as an international centre, a point made in Chapter 4. There is also a countervailing finding that complicates the picture: the financial and professional services workforce is more widely dispersed than export statistics suggest, with two-thirds of jobs outside London and the North West as the second largest regional employer, and the productivity gap between London and other regions was reported by the ONS in 2024 to be the narrowest since records began in 1998, in part because of the weak productivity growth of London itself. The regional problem is thus not only that other regions are behind, but that the leading region has itself slowed.

6.5.2 Skills gaps in digital and tokenisation-related fields

Employers consistently report shortages of the specialist skills that technological change requires. The evidence is mainly from employer surveys and professional commentary and not from official statistics, and the report treats it as indicative. A mid-2026 barometer of UK financial services leaders prepared by Forvis Mazars concluded that the problem is not a shortage of skilled people in general but of the right skills, and that the areas of highest demand, namely artificial intelligence, digital assets and blockchain, are those in which talent is least available. A study by the Financial Services Skills Commission and a leadership search firm found that 80 per cent of the senior leaders surveyed cited data and technology skills gaps within their organisations. The Financial Services Skills Commission's Future Skills Report 2025 indicated that demand for the skills the industry needs most was running approximately 20 per cent ahead of supply, with AI-related skills showing the largest gap (around 35 percentage points). Industry surveys (for example PYMNTS Intelligence, 2026) report that around 42 per cent of financial institutions identify skills gaps as a barrier to digital-asset adoption, ranking ahead of some other operational constraints. Hybrid roles that combine regulatory or compliance expertise with blockchain or smart-contract knowledge are frequently described as particularly scarce.

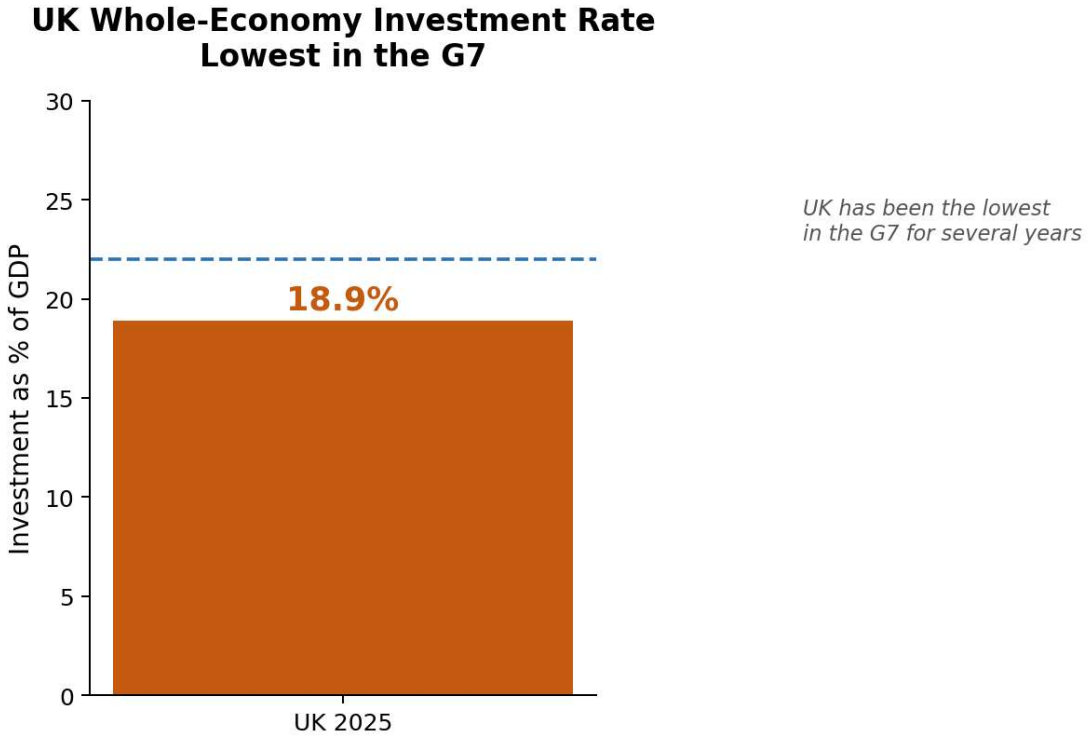
These sources agree in direction and are consistent with the evidence on the technology sector in Chapter 5, but they share the limitations of survey evidence: respondents have an interest in drawing attention to shortages, the questions and samples vary, and perceived shortages do not necessarily indicate unfilled demand at prevailing wages. A precise, current, UK-specific quantitative measure of the shortfall in digital-assets and tokenisation skills (for example, unfilled vacancies or required headcount) has not been located in official statistics. The report therefore accepts that a skills gap in digital and tokenisation-related fields is likely, particularly in the combination of technical and regulatory expertise required for wholesale market innovation, while recording the absence of a robust quantitative estimate as a remaining data limitation. An independent review for the Treasury, the Financial Services Skills Taskforce, had earlier warned of an acute skills challenge and noted that a significant proportion of the London financial services workforce at the time was drawn from the EU.

These sources agree in direction and are consistent with the evidence on the technology sector in Chapter 5, but they share the limitations of survey evidence: respondents have an interest in drawing attention to shortages, the questions and samples vary, and perceived shortages do not necessarily indicate unfilled demand at prevailing wages. The report therefore accepts that a skills gap in digital and tokenisation-related fields is likely, particularly in the combined legal, financial and technical expertise on which the spillovers discussed in Chapter 5 would depend, but it does not quantify it. No verified estimate of the number of specialists in tokenisation and digital assets in the

UK, or of the shortfall, was located.

6.5.3 Investment shortfalls

The evidence on investment was set out in section 6.2.2 and need not be repeated. For the services economy in particular, two aspects deserve emphasis. First, the shortfall in intangible and digital capital, including software, data and research and development, is especially relevant to services, which depend on these assets rather than on plant and machinery. Second, the shortfall in growth capital for scaling firms, documented in Chapters 4 and 5, links the productivity problem to the financial system itself.



Source: ONS / OECD data as cited in Chapter 6. Capital stock per hour also 33–38% lower than peers.

The founders' survey cited in Chapter 5 and the evidence submitted to Parliament that mid-sized UK firms face an equity gap, because UK markets have not supported scaling to the same extent as those of the United States, both point to a failure of the financial system to channel capital to growing firms, which is ironic in an economy with one of the world's leading financial centres. The paradox is explained in part by the orientation of the financial centre towards international wholesale activity, as the preceding chapters showed.

6.5.4 Fiscal and demographic constraints

The fiscal position constrains the policy response to nearly every other weakness. The OBR's Fiscal risks and sustainability report of July 2026 concluded that in nearly all the scenarios it explores, debt eventually moves onto an unsustainable and ever-rising path, and that the degree of tightening required rises the longer action is delayed. It noted that the UK has experienced one of the largest increases in government debt of any advanced economy over the past two decades. The ICAEW's summary of the report states that in the baseline projection public sector net debt rises from 94 per cent of GDP at 31 March 2026 to about 300 per cent by March 2076, an illustration of scale and not

a forecast. The principal drivers are an ageing population, which raises spending on health, social care and state pensions, together with defence and net zero investment, while receipts may come under pressure as revenue from fuel duty declines. The Budget of November 2025 raised about £26 billion of tax by the end of the Parliament in response to a weaker productivity outlook and other factors.

For the services economy, the fiscal constraint has three consequences. It limits the capacity of government to fund public investment, skills and infrastructure directly, which raises the importance of private investment and of regulatory and legal measures that cost little. It increases the reliance of the Exchequer on revenues from financial and related professional services, which contributed more than £100 billion in tax in the most recent estimate, and which are therefore both a source of fiscal strength and a source of exposure if the sector's competitiveness weakens. And it makes it difficult to reduce the tax burden on competitiveness grounds, since any reduction must be financed elsewhere. The demographic dimension also bears on the labour supply for services: an ageing population and constraints on migration affect the availability of skilled workers, and the interaction between immigration policy and the skills needs of the tradable services sector is one of the sensitive issues recorded in Chapter 5.

6.5.5 Specific market weaknesses

The specific weaknesses in capital markets were documented in Chapter 4 and are summarised here for completeness. The UK's share of global equity market capitalisation has fallen from 10 per cent in 1990 to 3.4 per cent. IPO activity reached a trough in 2024 and early 2025 before partial recovery; de-listings outpaced new listings; pre-IPO risk capital is less available than in the United States; and several large companies have moved their primary listings abroad. AFME identifies securitisation as an area in which the UK lags comparable markets. Each is a specific market failure, as opposed to a general weakness, and each has a specific policy response, including the changes to listing rules, the stamp duty relief for newly listed companies noted in Chapter 4, and the reform of the securitisation framework. The evidence for the success of these measures is, at the time of writing, limited to the partial recovery in IPO volumes in 2025, which cannot yet be attributed to policy.

6.6 Counter-Evidence: Resilience and Continued Strength

A diagnosis that listed only weaknesses would be as unbalanced as an account of strengths alone. The evidence for resilience is substantial and has been set out in earlier chapters; it is gathered here to ensure that the weaknesses are read in context.

First, the services economy has been the main source of recent growth. Services output rose by 0.9 per cent in the three months to August 2026 and was the only positive contributor to GDP growth in that period, and growth in the second quarter of 2026 of 0.4 per cent matched that of the United States and exceeded that of France, Germany and Italy on press summaries of the ONS release. Services have been more resilient than goods production, which was flat in the second quarter.

Second, the external position of the services sector is strong. The services surplus of about £204 to £205 billion in 2025 offset a goods deficit of comparable size, and the UK remains the largest net exporter of financial services in the world, with a surplus of $127 billion in 2024 on TheCityUK's figures, about twice that of the United States. UK legal services exports reached about £11 billion in

2025, up from £6.8 billion in 2021, according to the Law Society, a rise that occurred despite the disruption of Brexit and the pandemic.

Third, the evidence on trade with the EU, while showing a shortfall relative to the counterfactual, also shows continued growth in absolute terms, as the OBR analysis cited by TheCityUK indicates. The relocation of activity to the EU, though real, was modest in terms of employment relative to the early predictions, as EY's tracker noted.

Fourth, the evidence on capital formation and market activity in 2025 and 2026 is more positive than the long-run record. UK venture capital investment rose by 35 per cent in 2025 to $23.6 billion, with record investment in AI. IPO proceeds in London almost trebled. Business investment grew by 4.3 per cent in 2025. And productivity growth on the administrative-data measure improved in 2026, with the information and communication and professional services sectors providing the strongest contributions. These may represent the start of a trend or a cyclical recovery, and the report does not claim that they offset the long-run weaknesses, but they show that the position is not one of uninterrupted decline.

Fifth, the benchmarks of international standing continue to place London among the four leading financial centres and first in Europe, and the UK has a coherent policy response in progress, in the form of the Financial Services Growth and Competitiveness Strategy, the regulatory secondary objectives and the tokenisation initiatives examined in Chapter 7.

Sixth, the ONS's own revision of the measurement of productivity suggests that the slowdown may be smaller than previously thought, so that part of the apparent weakness reflects measurement.

These points do not refute the diagnosis; they place it in proportion. The correct reading is that the United Kingdom has a strong services economy under sustained pressure from slow productivity growth, low investment, high-friction access to its nearest market, a tax and regulatory environment that its own industry regards as uncompetitive, and structural constraints that limit the scope for a vigorous public policy response.

6.7 Synthesis: Classifying the Weaknesses

The table below applies the framework of section 6.1 to the principal weaknesses and records, for each, the strength of the evidence and the main source of disagreement.

Table 6.3. Classification of principal weaknesses

Weakness	Primary character	Strength of evidence	Main uncertainty	Evidence of counter-trend
Slow productivity growth	Structural, with policy-sensitive components (investment, diffusion)	Strong on direction; magnitude under review	Size of slowdown; role of measurement; effect of AI	Recent improvement; ONS re-measurement
Low investment	Structural and policy-induced (uncertainty, tax, financing)	Strong (ONS, Productivity Institute, IPPR)	Causal direction; comparability of measures	Business investment growth in 2025
Services trade	Policy-induced;	Moderate to	Counterfactual;	Continued

Weakness	Primary character	Strength of evidence	Main uncertainty	Evidence of counter-trend
friction with the EU	partly irreversible	strong on direction; range of 5 to 10 per cent on size	future divergence; effect of the reset	absolute growth; modest relocation
Bank taxation disadvantage	Policy-induced	Moderate; industry-commissioned studies, consistent across years	Representativeness of model bank; actual location effects	Record sector tax contribution; policy debate unresolved
Regulatory complexity and delivery speed	Policy-induced	Weak to moderate; largely testimonial	No verified comparative measures	Growth strategy and secondary objectives in place
Competition from other centres	Structural and cyclical	Strong on relative share; moderate on causes	Pace of Asian catch-up; EU capital markets strategy	London second in GFCI; leader in Europe
Regional concentration	Structural	Strong (ONS)	Effect of London's own slowdown	Dispersed workforce; narrowing gap
Skills gaps in digital and tokenisation fields	Structural and policy-sensitive (migration, education)	Weak to moderate; employer surveys	Size of shortfall; wage-adjusted demand	Strong education base; tech sector growth
Fiscal and demographic constraints	Structural	Strong (OBR)	Timing; policy response	Tax-rich growth assumptions; 2025 Budget headroom
Equity market, IPO and securitisation weaknesses	Structural and policy-induced	Strong on equity share; moderate on causes	Durability of 2025 IPO recovery	IPO proceeds up; reforms under way

Three observations follow. First, the greater part of the weaknesses are either structural or a mixture of structural and policy-induced factors, which means that remedies will be slow and that quick fixes should not be expected. Second, the policy-induced factors, in taxation, regulation, market access and the framework for listings, are those over which the authorities have most direct control and on which the evidence of a competitive disadvantage is most consistent, although it is also the evidence most dependent on industry sources. Third, the weaknesses interact: low investment depresses productivity, which constrains the public finances, which limits the capacity for public investment and for tax reductions, which in turn weakens competitiveness. The interactions are a reason for a coordinated approach and not a series of sector-specific measures.

6.8 Implications for Chapters 7 and 8

The diagnosis has three implications for the remainder of the report. First, the opportunity examined

in Chapter 7 should be assessed in relation to the specific weaknesses identified here. Tokenisation bears most directly on the efficiency of wholesale markets, where the UK is strongest, and on the cost and speed of capital mobilisation, where there is some link to the growth finance problem. It does not bear directly on the broader productivity problem, on regional concentration or on the fiscal constraint, and the report should not present it as a remedy for them. Second, the recommendations in Chapter 8 should be graded according to the character of the weakness: measures addressing policy-induced factors can be expected to act more quickly than those addressing structural ones, and the roadmap should reflect this. Third, the evidence gaps recorded in this chapter, in particular on the comparative costs of regulation and operating costs beyond taxation, and on the precise size of the skills shortfall in digital assets, are themselves findings: they indicate where the case for intervention is more thinly evidenced and where monitoring should be strengthened. Several items previously listed as gaps (CEP services estimates, firm-level productivity dispersion, the May 2025 reset outcomes, and the 2026 model-bank tax rate) have now been verified and incorporated. The report's recommendation on monitoring indicators is informed by the remaining gaps.

6.9 Data Notes and Items for Verification

Table 6.4. Principal figures, sources and verification status

Item	Value used	Source as consulted	Status
OBR trend productivity	1.25 to 1.3% (Mar 2025); 1.0% (Nov 2025); growth 1.4% (2026), 1.5% thereafter; about £16bn receipts effect by 2030	OBR via Resolution Foundation and press reports	Tier 1 via secondary; confirm in OBR Economic and fiscal outlook, November 2025
Average productivity growth 2009-2020	About 0.7% a year	Press commentary	Secondary; confirm against ONS
Whole-economy investment	18.9% of GDP in 2025, lowest in G7	ONS, Business investment, Q4 2025 revised results	Tier 1
Business investment	11.1% of GDP (2023); 38% capital gap; 4.3% annual growth in 2025	IPPR (Apr 2026); ONS	IPPR Tier 2; ONS Tier 1
Capital stock gap	About 33% per hour (2019); about £2trn	Productivity Institute (Zenghelis and Allas, 2025), via parliamentary evidence	Tier 2; confirm in primary publication
London productivity growth	1.5% (2008 to 2021) vs 6.9% UK	GLA Economics note citing ONS	Tier 2; confirm against ONS regional series
Regional productivity	London +28.5% output per hour, +35.3% per job (2023); 23 ITL3 regions more than 20% below average (2022)	ONS regional labour productivity bulletins	Tier 1

Item	Value used	Source as consulted	Status
Brexit services export estimates	4–5% overall shortfall (CEP DP2110, June 2025); 15.8% for barrier-affected services to EU; earlier goods estimates ~6.4% / £27bn (CEP 2024); other studies 5.65–9.2%	CEP Discussion Paper 2110 (Bhalotia, Dhingra, Arnold); earlier CEP goods papers; Du & Shepotylo and related	Tier 2; primary CEP services paper now located and incorporated
OBR Brexit productivity assumption	About 4% long-run reduction	Stated in Executive Summary from long-standing OBR assumption	Not re-verified; confirm current OBR wording
Decision against mutual recognition for financial services	UK government white paper position, reported by industry press	Trade press	Date and wording to confirm (understood to be July 2018)
Banking tax	Record £47.8bn (FY to March 2026); £43.3bn (FY2025); model-bank total tax rate London 46.2% (2026) vs Amsterdam 42.2%, Frankfurt 39.1%, Dublin 29%, New York 27.9%	UK Finance / PwC Total Tax Contribution Report 2026 (published 21 October 2026)	Tier 3; industry-commissioned; primary figure now obtained
Surcharge and levy yields; bank profits	£1.2bn and £1.4bn (2025); about £15bn H1 2026 profit of four largest banks	Press summaries	Secondary; confirm against HMRC and company results
Financial Services Growth and Competitiveness Strategy; FCA strategy	July 2025; March 2025	Law firm regulatory outlook	Tier 4; cite HM Treasury and FCA publications
OBR fiscal sustainability	Debt 94% of GDP (March 2026) to about 300% (March 2076) in baseline; nearly all scenarios unsustainable	OBR Fiscal risks and sustainability, July 2026, via ICAEW and press	Tier 1 via secondary; confirm in OBR report
Skills surveys	80% of leaders cite data and technology skills gaps; FSSC 2025: demand ~20% ahead of supply (AI gap ~35pp); ~42% of FIs cite skills as barrier to digital-asset adoption (PYMNTS 2026); hybrid roles scarce	FSSC Future Skills Report 2025; Forvis Mazars (mid-2026); PYMNTS Intelligence (2026); earlier surveys	Tier 3 and 4; employer surveys; quantitative UK shortfall size not available in official statistics
Services resilience data	See Chapters 3 to 5	As cited there	As in those chapters

Gaps identified in this chapter. The following were sought but not fully verified with comparable, public, quantitative measures and are not asserted as firm findings: comparative measures of authorisation times, compliance costs and policy delivery speed across financial centres; comparative operating costs (beyond taxation) for London and competing centres; and a precise, UK-specific quantitative estimate of the skills shortfall in digital assets and tokenisation (qualitative and survey evidence of skills gaps exists and is noted in the text). Evidence that bank tax differences have systematically altered the location of activity remains limited and largely anecdotal (historical considerations such as the 2015 HSBC review of the bank levy, later addressed by a change in scope; recent statements from major banks indicate no current pressure to relocate on tax grounds alone). Firm-level productivity dispersion, the CEP services export estimates, the outcomes of the May 2025 UK-EU reset, and the October 2026 London model-bank tax rate have been verified and incorporated above.

Chapter 7: The Tokenised Financial System as a Strategic Opportunity

Evidence note: this chapter concerns a field that is changing month by month, and its factual statements are current to 24 October 2026. The principal sources are the publications of the Bank of England, the Financial Conduct Authority and the Prudential Regulation Authority (Tier 1), HM Treasury announcements, the European Central Bank and the Monetary Authority of Singapore (Tier 1 for their own initiatives), the Financial Stability Board and the Bank for International Settlements (Tier 2), and law firm and consultancy briefings on regulatory developments (Tier 4), which are used to locate and summarise official documents and are flagged for confirmation against the originals. Data on the size of tokenised markets come from commercial trackers and from industry projections (Tier 4), and are treated as indicative scenarios in line with Chapter 2. Dates and timelines in this chapter are announced intentions of the authorities and not commitments, and they are subject to revision. Items for verification are listed in section 7.10. Two points from earlier chapters are updated here: HM Treasury has since confirmed that the first DIGIT transaction is expected by the first quarter of 2027, which supersedes the statement in Chapter 5 that no issuance date had been confirmed, and the European Central Bank has launched its Pontes settlement service, which is relevant to the competitive assessment in section 7.5.

7.1 Introduction and Purpose

The report plan describes the tokenised financial system as a strategic and not a speculative opportunity. That formulation carries a discipline, and the purpose of this chapter is to test whether it can be sustained. A strategic opportunity is one that bears directly on the sources of a country's competitive advantage, that can be pursued by identifiable actors using identifiable instruments, and that has a credible path from present capabilities to a defined benefit. A speculative opportunity is one whose value depends on outcomes that cannot be foreseen or influenced. The chapter therefore does not ask whether tokenisation is exciting, or whether it will transform finance. It asks what tokenisation consists of, what benefits it can realistically deliver and on what conditions, what the United Kingdom has done and is doing about it, where the UK is advantaged and where it is exposed, and how the opportunity connects to the wider services economy that is the subject of this

report.

The chapter builds on the diagnosis in Chapters 4 to 6. Chapter 4 showed that the UK's strengths lie in international, wholesale, non-equity markets, which are precisely the markets in which tokenisation is expected to have its first significant effects. Chapter 5 identified potential spillovers into legal, accounting, technology and related services. Chapter 6 showed that the UK faces slow productivity growth, competitive pressure on its financial centre, and fiscal and structural constraints that limit what public policy can do. Against that background, tokenisation is of interest to the report for a particular reason: it is one of the few developments that is directly within the competence of the UK's financial authorities, that builds on a recognised UK strength, and that requires comparatively little public expenditure. It is also an area in which other jurisdictions are moving quickly, as the discussion of international comparisons will show, and in which delay has a competitive cost.

Three cautions govern the chapter. The first is that the evidence of realised benefit is limited. Tokenised markets are small, most published estimates of benefit and of future scale originate with firms that have a commercial interest in the outcome, and the UK authorities themselves describe their present position as one of moving from pilots towards production. The second is that the technology is a means to an end. The benefits claimed for tokenisation are benefits of faster, more integrated and more automated market infrastructure; whether they require distributed ledger technology specifically, as opposed to other forms of infrastructure modernisation, is a question on which the Bank for International Settlements has expressly left room, and on which sceptical voices, including commentary on the Financial Stability Board's work, have pressed. The third is that the legal and regulatory design is as important as the technology. A tokenised instrument that is not legally equivalent to its conventional counterpart, or that cannot be used as collateral, has little value.

7.2 Definition and Scope

7.2.1 Tokenisation

In the language of the UK authorities, tokenisation is the digital representation of assets and of their ownership on a distributed ledger, in the form of tokens. The term is used here in the wholesale sense defined in Chapter 2. It covers securities such as bonds, equities and fund units, collateral, money market instruments and the forms of money in which they are settled. It is distinguished from the trading of unbacked crypto-assets, which the PRA continues to treat with conservative prudential requirements, including a 100 per cent capital requirement under the market risk framework, and which lie outside the scope of the report except where they bear on regulatory design.

7.2.2 Concepts used in this chapter

Several concepts recur and are defined here to prevent confusion.

Distributed ledger technology (DLT) is a way of recording and synchronising data across multiple participants without a single central record keeper. In wholesale finance the ledgers in use are mostly permissioned, meaning that access is restricted to authorised participants, which is an important distinction from public blockchains.

A token is the digital record on the ledger that represents an asset or a claim. A distinction is drawn between a *tokenised* instrument, in which an existing asset is represented on a ledger, and a *digitally native* instrument, which is issued on the ledger from the outset. The planned UK digital gilt, DIGIT, is described as digitally native.

Settlement assets are the forms of money in which the cash leg of a transaction is paid. Three are relevant. *Central bank money* is the ultimate risk-free settlement asset, held in the Bank of England's real-time gross settlement (RTGS) system. *Tokenised deposits* are commercial bank money represented on a ledger. *Stablecoins* are tokens whose value is intended to be stable relative to a currency, and which are backed by reserve assets. The UK authorities have stated that wholesale settlement should remain anchored in central bank money, consistent with the international Principles for Financial Market Infrastructures, while allowing a role for private settlement assets under appropriate regulation.

Atomic settlement or *delivery versus payment* means that the transfer of the asset and the transfer of the payment occur simultaneously and conditionally, so that neither happens unless both do. Tokenisation makes this technically feasible where both legs are on the same ledger or on synchronised ledgers.

Programmability is the ability to embed rules, such as the payment of a coupon or the application of a transfer restriction, in the token or in the smart contracts associated with it. *Composability* is the ability of different applications and instruments on a ledger to interact with one another automatically. The Financial Stability Board has observed that programmability can change how markets function, while composability may create opaque interdependencies of potential concern for financial stability.

A unified ledger is the Bank for International Settlements' concept of a single venue bringing together tokenised central bank reserves, commercial bank money and financial assets, which, it notes, may or may not use distributed ledger technology. It is relevant here because it frames the tokenisation debate as one about market structure and not merely about a particular technology.

7.2.3 What tokenisation is not

It is useful to state what the chapter does not claim. Tokenisation is not a new asset class, since a tokenised bond is intended to be the same bond. It is not, on its own, a source of new demand for assets. It does not remove the need for regulation, legal certainty, custody, or central bank money. And it does not, in itself, address the productivity, tax or regional problems diagnosed in Chapter 6. Its potential contribution is to the efficiency and functionality of wholesale market infrastructure, and the chapter's claims are confined to that.

7.3 Potential Benefits: A Realistic Assessment

The authorities identify tokenisation as potentially one of the most consequential changes to wholesale financial markets in decades, and the claimed benefits are consistent across official, central bank and industry sources. The following assessment takes each in turn, distinguishing the mechanism, the evidence, and the conditions on which realisation depends.

7.3.1 Faster settlement and reduced counterparty risk

Mechanism. Where assets and cash can be exchanged atomically on a shared ledger, settlement can

be near-instantaneous and can operate continuously, and the period during which a counterparty is exposed to the failure of the other side is shortened or eliminated. The ECB lists atomic delivery versus payment, lower counterparty and settlement risk, and shorter settlement cycles among the main benefits.

Evidence. The evidence is mostly at the level of pilots and technical demonstrations. In 2026, the world's largest tokenised markets are in US Treasury-backed products, in which settlement on the ledger is rapid, but these are in a market in which conventional settlement is already prompt. The report has not located a verified, independent estimate of settlement time or cost savings in UK wholesale markets.

Conditions and qualifications. The FSB has noted that atomic settlement increases the need for liquidity, because it reduces the netting of payments that conventional systems allow, so that a faster settlement cycle may raise the demand for cash and collateral. The benefit is therefore conditional on the availability of settlement liquidity, which is why the central bank synchronisation service discussed below is central to the UK programme.

7.3.2 Improved collateral mobility

Mechanism. If tokenised securities and cash can move continuously and instantly between counterparties and venues, collateral can be mobilised intraday and the buffers that institutions hold against settlement delay can be reduced. The ECB points to faster, intraday collateral mobility with smaller liquidity buffers. The PwC briefing on the UK feedback statement identifies intraday collateral mobility, faster settlement, capital efficiency and reduced reconciliation risk as the potential benefits, and notes that the most frequently raised issue in industry responses to the Call for Input was tokenised collateral.

Evidence. This is among the better-evidenced use cases at the commercial level: tokenised money market funds and Treasury products are being accepted as collateral on some venues, and the ECB reports that since March 2026 DLT-based assets issued in central securities depositories have been eligible as collateral in Eurosystem credit operations. In the UK, the Bank of England has committed to work to enable tokenised equivalents of already eligible assets to be used as collateral both at central counterparties and in its own operations. That is a commitment to future work and not yet a live capability.

Conditions. Collateral mobility depends on legal certainty about the transfer and enforcement of rights in tokenised collateral, on acceptance by central counterparties and other collateral takers, and on prudential recognition, which is why the authorities have focused on these issues.

7.3.3 Programmable functionality

Mechanism. Smart contracts can automate events such as coupon payments, redemptions, corporate actions and compliance checks, reducing manual intervention and reconciliation. The ECB cites automated coupons, redemptions and corporate actions through smart contracts.

Evidence. Programmability is, on the evidence of the FSB's October 2024 assessment, used in only a limited way in current projects, most of which operate on permissioned platforms. The potential is therefore largely prospective.

Conditions and risks. Programmability transfers risk from human error to code error, and raises

questions of legal enforceability, of the allocation of responsibility for defects, and of the interaction between automated execution and legal rights. It is also the feature that makes composability possible, with the attendant stability considerations.

7.3.4 Lower lifecycle costs

Mechanism. A single, shared record, in place of multiple reconciled records held by issuers, depositories, custodians and investors, could reduce reconciliation, error correction and intermediary costs across issuance, servicing and redemption. The ECB's presentation refers to lower issuance costs from fewer intermediaries and manual processes, and to a single source of truth in place of reconciliations.

Evidence. This is the least well evidenced of the benefits. The report has not located an independent, verified estimate of the lifecycle cost saving or settlement-time reduction from tokenisation in UK wholesale markets. Published figures of potential savings are typically produced by vendors, consultancies or industry bodies, rest on assumptions about adoption that have not yet been tested, and are treated here as scenarios, not findings. Examples include UK Finance and Oliver Wyman's estimate that tokenised collateral could reduce excess collateral requirements by up to 30 per cent, Barclays and PwC's scenario of a £33 billion annual GDP boost by 2035 under accelerated adoption, and Calastone's finding of roughly 23 per cent operating cost savings for asset managers. Specific pilots, such as JP Morgan's Onyx platform, have reported large operational cost reductions in narrow use cases. The Bank of England and FCA describe the benefits qualitatively (faster settlement, lower costs, reduced reconciliation) without providing quantified UK market-wide estimates.

Conditions. Cost savings from removing intermediaries must be set against the costs of running new and legacy systems in parallel during a transition that may be long, of building interoperability between platforms, and of the new roles, such as platform operators and validators, that tokenisation creates.

7.3.5 New product and market possibilities

Mechanism. Tokenisation may permit fractional ownership, continuous trading, more efficient issuance for smaller issuers, and the creation of instruments that combine features in new ways. The ECB identifies wider access for small and medium-sized enterprises to capital markets and a broader investor base through fractional ownership. In the UK, the FCA published a Call for Input in September 2026 on whether tokenisation could make gold easier to mobilise as wholesale collateral, which closed on 23 October 2026.

Evidence. The market is small. According to tracked data, as of mid-September 2026 about $38.8 billion of tokens were distributed on-chain, representing underlying assets of about $365 billion, or about $305 billion once stablecoins are excluded, and tokenised US Treasuries made up about $15.7 billion, or roughly 40 per cent of the tracked market, followed by tokenised private credit at about $8 billion. The largest individual products, such as BlackRock's BUIDL fund, hold between $2 billion and $3 billion. Commentary on the figures describes the amount as less than one per cent of the broader global market. These data come from a third-party tracker and its figures vary between sources and dates, and they are used here only to indicate scale.

Projections. Published projections of the future size of tokenised markets differ by orders of

magnitude, from figures of the order of $600 billion for tokenised funds by 2030 attributed to Boston Consulting Group, to $1.6 trillion for tokenised real-world assets by 2030 attributed to Binance Research, to a central case close to $2 trillion attributed to McKinsey, and to much higher figures from commercial vendors for later dates. The report treats these as scenarios that depend on assumptions about regulation, interoperability and institutional adoption, and it does not rely on any of them. The spread itself is informative: it shows that the scale of the eventual market is genuinely uncertain, and that a strategy premised on any one projection would be speculative.

7.3.6 Resilience

Mechanism. A single synchronised record may reduce reconciliation failures, and the continuous operation of markets may reduce the concentration of settlement risk at particular times. Some proponents also argue that distributed architectures reduce single points of failure.

Evidence and qualifications. The evidence on resilience is mixed. Distributed architectures can reduce some single points of failure while creating others, in the form of dependence on common software, platform operators, smart contract code and a small number of technology providers. The FSB's assessment identified five categories of financial stability vulnerability, and summaries of it point to operational and interconnectedness concerns among them, while the Bank for International Settlements has pointed to credit, liquidity, custody and operational risks that tokenisation can alter without removing. Resilience is therefore best regarded as a requirement for tokenised infrastructure and not as a benefit that can be assumed.

7.3.7 Summary

Table 7.1. Potential benefits of tokenisation: evidence, conditions and risks

Benefit	Evidence status	Principal conditions	Main risk or qualification
Faster settlement	Technical demonstrations and early live use; no independent UK estimate	Settlement asset in central bank money; liquidity	Atomic settlement raises liquidity needs
Collateral mobility	Commercial use cases emerging; EU live; UK work committed	Legal certainty; CCP acceptance; prudential parity	Fragmentation across venues
Programmability	Limited current use	Legal enforceability; code assurance	Code risk; composability
Lower lifecycle costs	Weakest; vendor and consultancy estimates	Scale; retirement of legacy systems	Parallel running costs
New products	Small, concentrated market (about $39bn distributed)	Demand; regulation	Concentration in a few product types
Resilience	Mixed	Governance; cyber standards; provider diversity	New concentration and operational risks

The assessment supports a measured conclusion. The benefits are plausible and are endorsed by

central banks and regulators as worth pursuing, but their realisation depends on conditions that are largely matters of legal, regulatory and infrastructure design, which is precisely what the UK authorities are working on. The evidence of realised benefit is thin, and the report accordingly treats the case for tokenisation as one of strategic option value and not of demonstrated return.

7.4 The UK's Current Position and Initiatives

7.4.1 The strategy architecture

The UK programme rests on a layered structure. At the top is HM Treasury's Wholesale Financial Markets Digital Strategy, which sets the Government's ambition for digital wholesale markets and has led to the appointment of a Wholesale Digital Markets Champion. Beneath it, the Bank of England, including the Prudential Regulation Authority, and the Financial Conduct Authority published on 18 May 2026 a joint Call for Input setting out a shared vision for tokenisation in UK wholesale markets. The document focuses on tokenised securities, including bonds, cash equities and fund units, and seeks views on regulatory and infrastructure priorities. It identifies tokenisation as potentially one of the most consequential changes to wholesale markets in decades, and envisages an ecosystem in which tokenised securities, cash and collateral move more efficiently across the trade lifecycle, anchored in central bank money settlement.

The Call for Input was accompanied by a package of measures. The Bank of England committed to a live synchronisation service, targeted for 2028, to consult on extending RTGS and CHAPS operating hours towards near 24/7 operation, to support the DIGIT pilot, and to work to enable tokenised equivalents of already eligible assets to be used as collateral at central counterparties and in its own operations. The PRA issued Dear CEO letters on the prudential treatment of tokenised assets. The authorities also stressed the importance of interoperability, both domestic and international, and of minimising liquidity fragmentation, on a same risk, same treatment basis.

Responses were invited by 3 July 2026, and the authorities published a joint Feedback Statement on 14 September 2026. Industry respondents, according to the law firm summaries of the statement, called for faster progress and clearer timeframes, naming prudential treatment, custody and client asset rules, synchronisation and tokenised deposits as areas in which clarity was most needed, and identified tokenised collateral as the most frequently raised issue. A Tokenisation Roadmap, drawing on the feedback, is expected to be published later in 2026 and had not appeared at the time of writing. The FCA and the Bank have also undertaken, with HM Treasury, to consult on whether to extend, further modify or replace the Digital Securities Sandbox, and on changes to the wider UK central securities depositories regulation.

7.4.2 The Digital Securities Sandbox

The Digital Securities Sandbox (DSS), operated jointly by the Bank of England and the FCA, was introduced in 2024. It is a live regulatory environment in which firms can issue, trade and settle digital securities under modified rules, including the waiver of legacy requirements that would otherwise prevent a single firm from performing depository and settlement services while operating a trading venue. Participants progress through four gates, each of which permits a greater scale and range of activity, and the final gate approves an applicant to operate outside the sandbox under a possible new permanent regime.

As of May 2026 the Bank and the FCA reported that they were working with 16 firms on the live

issuance and settlement of tokenised assets through the sandbox. On 13 July 2026, HSBC became the first applicant to be approved by the Bank of England to go live in the sandbox, having passed Gate 2 and being authorised to act as a digital securities depository through its HSBC Orion platform for digitally native bonds, including DIGIT and corporate bonds. HSBC states that Orion has enabled more than $5 billion of digital bond issuance globally. The Feedback Statement of September 2026 records that stablecoins can be used as settlement assets in the sandbox, subject to conditions and to amendments by HM Treasury to the underlying regulations.

Two observations qualify this progress. First, the pace has been measured: two and a half years after its introduction, a single applicant had been approved to go live at the stage described. Specialist press commentary has suggested that the Bank may have preferred to advance applicants through the gates in groups in order to avoid conferring a first-mover advantage, and that the approval of a single applicant has the opposite effect, though this is commentary and not an official statement. Second, the sandbox is by design temporary, and the question of what replaces it is open. The authorities have said that they will consult on extending, modifying or replacing it, and the credibility of the UK programme will depend in part on the clarity and timing of the permanent regime.

7.4.3 The digital gilt pilot, DIGIT

HM Treasury's Digital Gilt Instrument, DIGIT, is a pilot issuance of a digitally native UK government security using distributed ledger technology, intended to provide a benchmark for the wider market and to test the infrastructure under live conditions. The programme has moved from announcement to execution during 2026. HM Treasury awarded the contract for the provision of distributed ledger services to HSBC in February 2026. On 16 July 2026 the Treasury published an update confirming that the first DIGIT transaction is expected by the first quarter of 2027, with further issuances planned if the pilot succeeds, and that HSBC and the London Stock Exchange Group had signed a memorandum of understanding to build a bilateral link between their digital securities depositories, with the LSEG platform acting as the investor depository and HSBC Orion as the issuer depository, so that investors may hold the instrument through either infrastructure. On 6 October 2026, HM Treasury appointed Barclays, HSBC, Lloyds, Morgan Stanley, NatWest and RBC Capital Markets as joint lead managers, with the instrument expected to be listed on the London Stock Exchange's main market. An industry briefing and official documentation noted that existing gilt legislation (the Government Stock Regulations 2004 and the Stock Transfer (Gilt Edged Securities) (CGO Service) Regulations 1985) appears unsuitable for a digitally native issuance. The legal basis for the pilot is therefore the Digital Securities Sandbox itself, which permits temporary modification of those rules to allow issuance, trading and settlement on a DLT platform. This approach enables the pilot while a permanent regime is developed.

DIGIT is significant for the strategy for a reason that goes beyond its size, which is expected to be modest. A sovereign benchmark provides a reference instrument on which pricing, collateral eligibility and market infrastructure can be developed, and it signals the government's commitment. Its limitations are equally clear: the choice of a single bank-operated platform as the issuance infrastructure concentrates the early market around incumbents, and the pilot will test issuance and settlement in a controlled environment and not the depth of secondary market liquidity.

7.4.4 Fund tokenisation

The FCA's programme for tokenisation began in asset management, consistent with the commitment in its letter to the Prime Minister of January 2025 and its Strategy for 2025 to 2030. On 30 April 2026 it published Policy Statement 26/7, Progressing Fund Tokenisation. The guidance on fund tokenisation and the rules for a direct dealing model, in which investors deal directly with the fund manager, came into force on the date of publication. The FCA noted in the statement that it is working with HM Treasury to clarify how the protected cell legislation applies to omnibus accounts, and it stated that its digital assets roadmap includes work on a vision for the adoption of digital assets across the funds industry.

7.4.5 Stablecoins and private settlement assets

The Bank of England published a policy statement on 22 June 2026 setting out its approach to systemic stablecoins. It proposes a £40 billion holding limit for systemic stablecoins, a requirement that 30 per cent of backing assets be held as unremunerated deposits at the Bank, and a liquidity facility. The FCA published its own consultation on a stablecoin regime, with the final code expected by the end of 2026 and the regime operational from 2027. A gateway for applications opened on 30 September 2026 and closes on 28 February 2027. The authorities have emphasised that wholesale settlement should remain anchored in central bank money, with private settlement assets permitted under appropriate regulation.

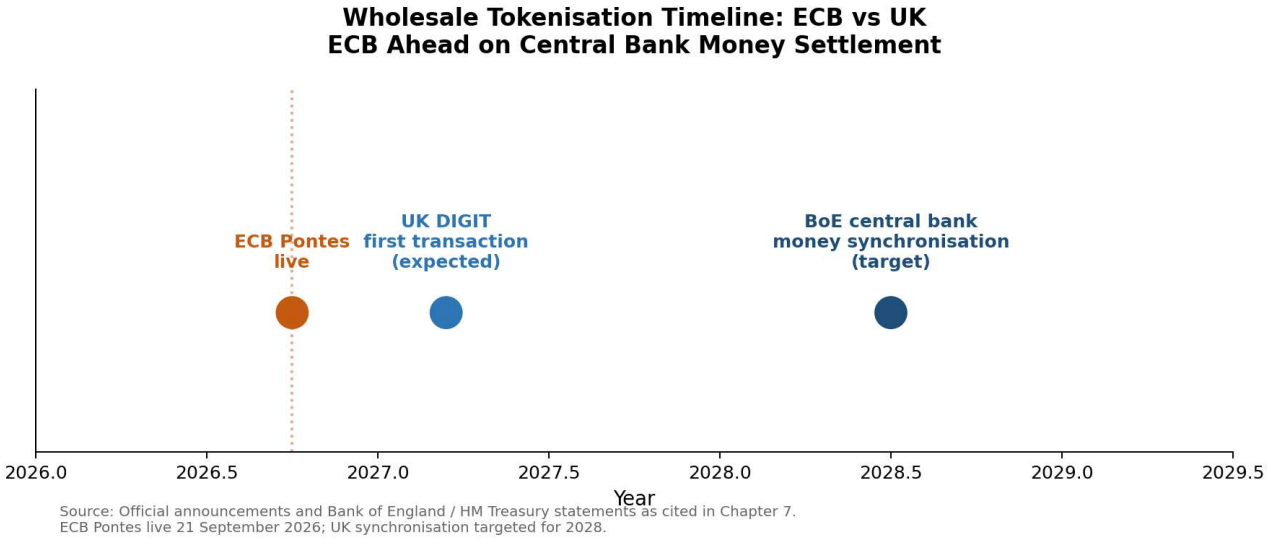
7.5 International Comparisons

Table 7.2. International comparison of tokenisation initiatives (selected dimensions)

Dimension	United Kingdom	Euro area (ECB)	Singapore (MAS)	United States	Hong Kong (HKMA)	Switzerland
Regulatory sandbox / pilot	Digital Securities Sandbox (since 2024); 16 firms; HSBC approved July 2026	Not assessed in detail	Project Guardian (since 2022)	CFTC digital assets pilot (Dec 2025) for BTC/ETH/USDC as margin; DTCC Tokenization Service live 2026	Project Ensemble sandbox (2024); Ensemble TX real-value pilot (Nov 2025)	DLT trading facility licences (BX Digital 2025); SDX since 2021
Sovereign / benchmark issuance	DIGIT pilot; first transaction expected Q1 2027	Not assessed	Plan for tokenised MAS Bills (Oct 2026)	Not assessed	Tokenised government green bonds; plans for Exchange Fund Bills	Multiple digital bond issuances (cantons, cities, World Bank) settled in wCBDC
Central	Synchronisation	Pontes	Wholesale	Not assessed	Path from	Project

Dimension	United Kingdom	Euro area (ECB)	Singapore (MAS)	United States	Hong Kong (HKMA)	Switzerland
bank money settlement of DLT assets	service targeted for 2028; Lab with 18 participants	live from 21 September 2026	CBDC on test network; live interbank trial		HKD RTGS to 24/7 tokenised CeBM under Ensemble TX	Helvetia wCBDC pilot (to at least June 2028); RTGS link to SIC also in use
Collateral eligibility	Bank working on tokenised equivalents; CCP consultation (Oct 2026)	DLT-based CSD assets eligible since March 2026	Not assessed	CFTC guidance and pilot for tokenized collateral	Tokenised deposits used in Ensemble TX for MMF and liquidity	Not assessed in detail
Stablecoin regime	FCA regime and BoE systemic regime from 2027	Existing EU framework	Consultation on legislation	GENIUS Act (July 2025); OCC and Fed implementing rules	First licences April 2026 (Anchorpoint, HSBC)	Technology-neutral; industry CHF stablecoin initiatives
Interoperability	Stated priority; industry-led standards; Champion action groups; bilateral HSBC–LSEG link	Appia standards work; blueprint by 2028	Global Layer One standards	DTCC-led efforts; Canton Network and others	Ensemble architecture community; progressive upgrade path	SIX Digital Asset Platform; multi-platform coordination

Two conclusions follow. First, the UK is in the leading group of jurisdictions in terms of the coherence of its programme and the breadth of its regulatory engagement, but it is not alone in that group, and it cannot be said to be ahead on every dimension. Hong Kong has moved to real-value transactions in tokenised deposits, Switzerland has live DLT infrastructure and a long-running wCBDC pilot, and the United States has enacted a stablecoin framework and launched collateral pilots. Second, on the specific dimension of central bank money settlement, which most official sources regard as the anchor of wholesale tokenised markets, the EU is ahead in timing, Singapore is advanced in testing, Hong Kong is progressing toward 24/7 tokenised central bank money, and Switzerland is already settling digital bonds in wCBDC.



The UK's choice to sequence its programme through the sandbox first and the central bank synchronisation service second may prove sound, but it carries a risk that infrastructure choices and standards will be set elsewhere in the interim.

7.6 UK Advantages

The report identifies four principal advantages, and for each it states the evidence and its limits.

7.6.1 Regulatory sandbox leadership and institutional coordination

The joint design and operation of the sandbox by the Bank of England and the FCA, the coordinated Call for Input, and the alignment of the PRA's prudential position with the conduct and infrastructure regulators give the UK a high degree of institutional coherence. The existence of a single, joint programme, with a Treasury-led strategy above it, contrasts with the multi-authority structure of the EU and the fragmented landscape of the US. The evidence for leadership is the scope of the sandbox, which covers the full lifecycle of issuance, trading and settlement, the first approval to go live, the stablecoin regime, and the explicit statement of prudential parity. The limits are that approval to go live has so far been granted to one firm, that the permanent regime is undefined, and that industry has asked for faster progress and clearer timeframes. Leadership in design is not the same as leadership in delivery.

7.6.2 Legal certainty under English law

English law is the governing law for a very large share of international financial contracts, as Chapter 5 documented, and the Property (Digital Assets etc) Act 2025 provides statutory confirmation that digital assets can be the object of personal property rights, in a third category alongside things in possession and things in action. This is a distinctive advantage: few jurisdictions combine a mature body of commercial law, a courts system valued by international parties, and recent statutory clarification of the proprietary status of digital assets. It is also, as Chapter 5 noted, incomplete: the Act leaves the boundaries of the category to the courts, and the Law Commission's other recommendations on collateral arrangements for crypto-tokens remain under consideration. For tokenised wholesale markets, the questions of settlement finality, the treatment of tokenised collateral in insolvency, and conflicts of law across ledgers are as important as the property status of the token.

7.6.3 Market depth and incumbent infrastructure

The UK possesses the market depth to make new infrastructure commercially viable. It has the largest foreign exchange centre, a large gilt and repo market, a leading position in cross-border banking, derivatives and specialty insurance, and a central bank that is the issuer of sterling, one of the principal international currencies. The existing infrastructure operators, the London Stock Exchange Group and the large banks, are building tokenisation capability, as the HSBC and LSEG depository link illustrates, and the central counterparties that sit at the centre of the UK's derivatives markets are within the scope of the Bank's work on tokenised collateral. Depth matters because the main obstacle to new infrastructure is the cost of achieving liquidity, and a market with substantial existing flows has a head start. The limit is that depth is also a source of inertia: incumbents have less incentive to disrupt established infrastructure than new entrants, and the largest tokenised markets to date have arisen outside the UK.

7.6.4 The FinTech and technology ecosystem

The UK has the largest technology ecosystem in Europe by valuation, the second largest destination for FinTech investment after the United States, and a base of firms and talent in software, data and cybersecurity, as Chapters 4 and 5 recorded. The ecosystem provides a pipeline of firms capable of building tokenisation services. The limits, also documented in Chapters 5 and 6, are the shortage of growth capital for scale-ups and the shortage of specialist skills in digital assets, and the observation that the named platform providers for the principal UK pilots are a large bank and an exchange group, so that the extent to which independent UK technology firms capture value is unclear.

7.6.5 Assessment of advantages

The advantages are real and are concentrated in the legal and regulatory domain and in market depth, which are the domains in which the UK has historically been strongest. They are not advantages in technology or in speed of delivery. This distribution is consistent with the UK's historical position as a centre whose competitiveness rests on institutions, law and liquidity, and it implies that the UK's best strategy is one that leverages those assets, by providing certainty and depth, and does not attempt to compete on technological first-mover advantage.

7.7 Realistic Limitations

7.7.1 Implementation complexity and the pace of delivery

The programme is complex, and its timetable is long. The sandbox has been in operation since 2024 and has produced one approval to go live; DIGIT's first transaction is expected by the first quarter of 2027; the synchronisation service is targeted for 2028; the stablecoin regime is to be operational from 2027; the Tokenisation Roadmap has yet to be published; and the permanent regime for digital securities is undefined. Each element depends on others, and the interdependence creates the risk that a delay in one, for example the legislation for DIGIT or the finalisation of the prudential treatment after the Basel review, will delay the rest. Industry responses to the Call for Input explicitly asked for more progress and clearer time frames, and the comparison with the EU shows that other authorities are moving faster in some areas.

7.7.2 Interoperability and fragmentation

The central commercial risk of tokenisation is that it creates multiple incompatible platforms among which liquidity is divided. The UK authorities have identified interoperability, both domestic and international, and the minimisation of liquidity fragmentation, as priorities, and the ECB has stated the same concern about Europe. The benefits of tokenisation depend on network effects, which are weakened if assets issued on one platform cannot be used on another. The bilateral link between the HSBC and LSEG depositories is a step toward interoperability, but it is a bilateral arrangement and not a common standard. The report has not located a UK standard for the interoperability of tokenised assets comparable to the ECB's Appia standards work or Singapore's Global Layer One, and it treats this as a gap in the UK programme and as a matter for the recommendations.

7.7.3 Legal finality and residual legal uncertainty

Legal certainty is an advantage, but it is not yet complete. The 2025 Act confirms that tokens can be property but leaves the details to the courts. Questions of settlement finality for transactions on distributed ledgers, the treatment of tokenised collateral on insolvency, the enforceability of smart contract terms, the recognition of records on a ledger as a register of title, and the law applicable where a ledger operates across borders require resolution, either by legislation or by case law. The Bank for International Settlements has noted that legal risk may arise from the unexpected or uncertain application of law, and the issue is therefore a standing concern of the international authorities and not a peculiarity of the UK. The Law Commission's outstanding recommendations on collateral are directly relevant.

7.7.4 Systemic risk management

The Financial Stability Board concluded in its October 2024 assessment that tokenisation poses minimal financial stability risks at present, because of its small scale, its focus on permissioned platforms, its limited use of programmability and its low interconnectedness, but that risks could materialise under certain conditions, including if the scale of tokenisation grows. The FSB identified five categories of vulnerability, which according to the summaries consulted include liquidity, operational and interconnectedness-related concerns, many of which mirror those in traditional finance but may be amplified by new technology and by governance arrangements. It also noted that atomic settlement increases liquidity needs. Stablecoins introduce run risk if the backing assets cannot be redeemed promptly, which is why the Bank of England's regime specifies backing assets and a liquidity facility. The UK authorities' choice to anchor wholesale settlement in central bank money is an explicit risk mitigant. The risk-management challenge is that the benefits of tokenisation increase with scale, and so do the risks, so that the regulatory framework must be designed for the scale at which the technology would be significant and not the scale at which it is currently operating. Commentary on the FSB's work has noted that it remains unconvinced of the benefits relative to other technologies; the report treats this as a perspective that reinforces the case for proportionate regulation and for evidence-based evaluation.

7.7.5 Skills

The skills constraint documented in Chapter 6 bears directly on tokenisation. Employer surveys point to scarce talent in AI, digital assets and blockchain, and the combined legal, financial and technical expertise on which tokenised markets depend is in particularly short supply. The shortage

affects not only firms building infrastructure but also regulators, who must supervise it, and the professional services firms that would advise on it.

7.7.6 Competition from other jurisdictions

As section 7.5 showed, the EU has live central bank money settlement for DLT transactions, Singapore is testing wholesale central bank digital currency in live trials, and the United States hosts the largest tokenised products. The UK's advantage in law and depth is substantial, but it is not an assurance that wholesale business will not migrate to infrastructure located elsewhere. A particular risk is that euro-denominated tokenised instruments, settled in Pontes, will develop an infrastructure ecosystem within the EU that reinforces the Brexit-related pressure on London's euro business documented in Chapter 4.

7.7.7 Demand-side adoption and the evidence deficit

Finally, the opportunity depends on adoption by market participants, and the evidence of demand is uneven. The tracked market is about $39 billion of distributed tokens, concentrated in a small number of product types, and a large part of the early activity is in US Treasury-backed products and private credit and not in the instruments that dominate UK wholesale markets, such as gilts, corporate bonds, repo, foreign exchange and derivatives. The report has not located a UK-specific cost-benefit analysis, from an independent source, of the tokenisation programme, nor an estimate of the economic value of the efficiency gains. The strategic case therefore rests on the plausibility of the benefits, the endorsement of the authorities, and an assessment of the competitive risk of inaction, and not on a demonstrated return.

7.7.8 Summary of limitations

Table 7.3. Realistic limitations of the UK tokenisation programme

Limitation	**Nature**	**Strength of evidence**	**Mitigation in the UK programme**
Implementation complexity and pace	Delivery	Strong: timelines extend to 2028; industry asks for speed	Roadmap due 2026; Lab; Treasury and authority coordination
Interoperability	Market structure	Moderate; stated priority, no standard	Bilateral HSBC and LSEG link; stated priority
Legal finality	Legal	Moderate; 2025 Act helps; gaps remain	Law Commission work; sandbox
Systemic risk	Financial stability	Moderate; FSB assessment	Central bank money anchor; stablecoin regime; prudential parity
Skills	Capability	Weak to moderate; employer surveys	Not specifically addressed in programme
Competition	External	Strong on EU timing; moderate on others	Alignment efforts; sandbox
Demand and evidence	Commercial	Strong: small market; no UK cost-benefit	Pilots; DIGIT as benchmark

7.8 Link to the Wider Services Economy

Chapter 5 set out the channels through which tokenisation may affect the demand for, and the export potential of, legal, accounting, consulting and technology services. This section considers, in the light of the evidence on UK initiatives and limitations, how far those channels can be relied upon, and what would be needed for the UK to export tokenisation-related expertise.

7.8.1 Professional services

The legal sector is best placed. English law governs a large share of international financial contracts, the 2025 Act has clarified the property status of digital assets, and the sandbox and DIGIT are generating the first precedents for documentation, depository arrangements and regulatory permissions under UK law. If the UK's tokenised instruments are issued and settled under English law and disputes are resolved in London, the existing legal advantage would extend to the new infrastructure. For accountancy and audit, the demand is for assurance over platforms and on-chain records, the valuation and reporting of tokenised assets, and the verification of stablecoin reserves, where the regime's requirements for backing assets and disclosure create a defined assurance task. For consultancy, the demand lies in strategy, operating model and integration advice. These are plausible and consistent with the programme as it stands, but they remain qualitative, and the programme's early stage means that the volume of work is small.

7.8.2 Information and communication technology

The technology work divides into the construction and operation of the core platforms, which in the principal pilots is being undertaken by a large bank and an exchange group, and a wider layer of supporting services: custody and wallet technology, identity and access management, data and analytics, interoperability middleware, cybersecurity and compliance technology. The UK's ecosystem is positioned to compete in the second layer. The evidence of capacity, in venture funding, FinTech investment and the strength of the software sector, was set out in Chapter 5. The constraint is the availability of growth capital and skills, and the competitive pressure from US and Asian providers.

7.8.3 Export of tokenisation-related expertise

The export opportunity has three potential forms. The first is the export of legal and professional services to international clients using UK-governed tokenised instruments. The second is the supply of technology and infrastructure services to other markets. The third is the export of regulatory and policy expertise, in the form of advice and engagement with other jurisdictions that are designing their own frameworks. The report has not found evidence of current export revenue in any of these categories that can be separately identified in the trade statistics, and the services trade data do not distinguish tokenisation-related services. The opportunity is therefore prospective. Its realisation depends on the UK becoming a reference jurisdiction, one whose frameworks and precedents are adopted or emulated, which in turn depends on the UK delivering live, scaled and demonstrably successful tokenised markets. If the UK's programme remains at the pilot stage while the EU's infrastructure scales, the UK's expertise may be of limited export value, and it could instead be exporting the legal and professional services that support markets that are organised elsewhere.

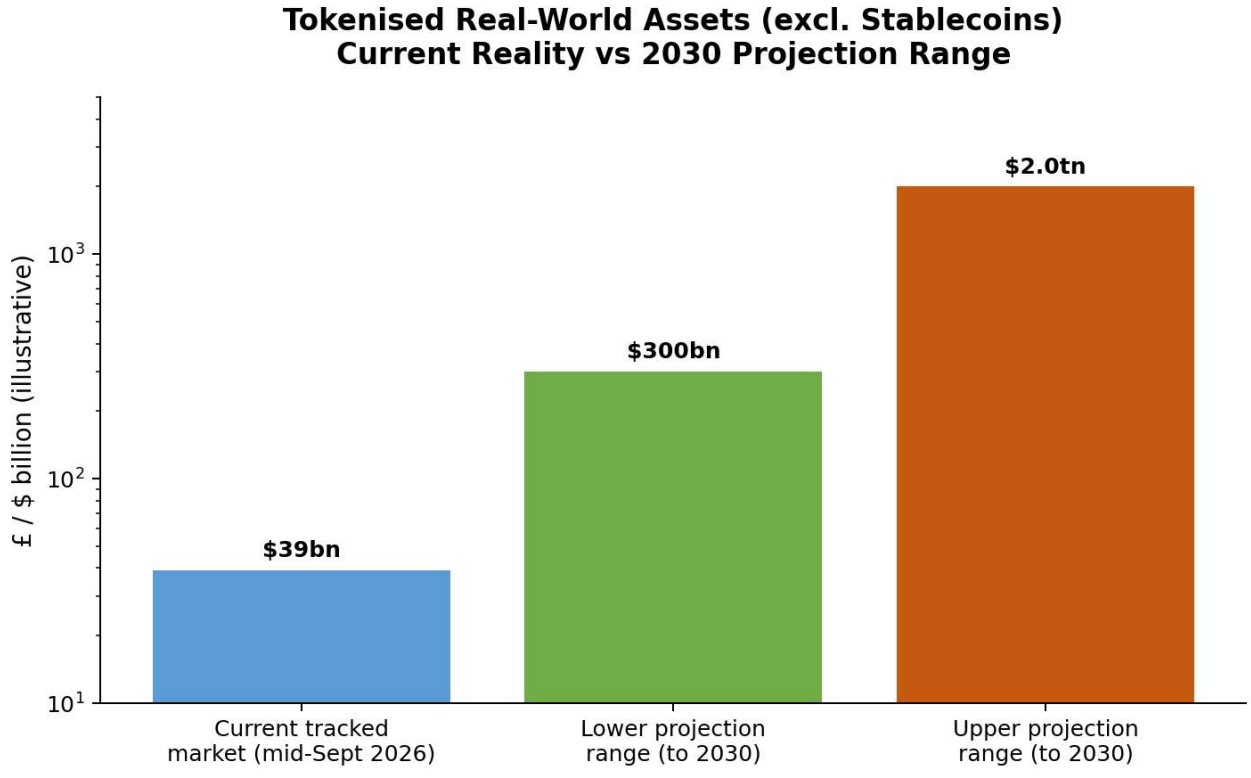
7.8.4 Conditions for the wider benefit

Three conditions emerge. First, the wider benefit depends on the infrastructure actually scaling, since spillovers are proportional to activity. Second, it depends on the UK retaining its legal and regulatory advantages and on the continued confidence of international participants. Third, it depends on skills and capital: the professional and technology firms that would capture the spillovers need the talent to supply the services and, in the case of technology firms, the capital to scale. These conditions are not guaranteed, and they are the subject of the recommendations in Chapter 8.

7.9 Strategic Assessment

7.9.1 Does the opportunity meet the test of being strategic and not speculative?

Returning to the test posed in section 7.1, the evidence supports a qualified affirmative. The elements that make the opportunity strategic are the following. It bears on a recognised source of UK advantage, namely wholesale markets, legal certainty and regulatory credibility. It is pursued by identifiable actors with identifiable instruments, as the programme of the Bank, the FCA, the PRA and HM Treasury shows. It has a defined path, from the sandbox to DIGIT to the synchronisation service and the stablecoin regime, with announced milestones. It requires little public expenditure relative to its potential significance. And there is a defensive logic that is independent of any projection of market size: if other jurisdictions establish tokenised wholesale markets settled in central bank money, and if the UK does not offer a compatible and competitive infrastructure, the UK risks losing the business that depends on that infrastructure, whatever the eventual scale of tokenisation.



Source: Industry trackers and projections cited in Chapter 7. Current market <1% of broader market. Wide range reflects high uncertainty; used for illustration only.

The elements that remain speculative are the scale and speed of adoption, which projections place anywhere from hundreds of billions to trillions of dollars by 2030 and which cannot be known; the magnitude of cost savings, for which no independent UK estimate exists; the distribution of the value between incumbent infrastructure providers, new entrants and users; and the extent of the spillover to professional and technology services, which has not been quantified. A strategy premised on those elements would be speculative. A strategy premised on maintaining the competitiveness of existing strengths in the face of a plausible change in market infrastructure is not.

The conclusion is therefore that tokenisation is properly treated as a strategic option for the UK, with a defensive core and an offensive upside. The defensive core is to ensure that UK wholesale markets can operate on infrastructure at least as efficient and compatible as that of competing centres. The offensive upside, of leading and exporting, is conditional on delivery and should not be assumed in planning.

7.9.2 Scenarios

The following scenarios are qualitative and are intended to clarify what the programme must achieve and what is at stake. They are not forecasts.

Table 7.4. Qualitative scenarios for the UK tokenisation programme

Scenario	Description	What it requires	Implication for the services economy
Leader	The UK delivers central bank money synchronisation early, a clear permanent regime, interoperability standards and scaled issuance, and becomes a reference jurisdiction	Acceleration of the 2028 timetable; resolution of legal gaps; critical mass of live volume	Extension of English law and professional services to new infrastructure; export of expertise
Fast follower	The UK delivers on the announced timetable and maintains compatibility with leading jurisdictions, retaining its existing wholesale business	Delivery to plan; interoperability; prudential parity operationalised	Maintenance of position; modest spillovers
Laggard	Delivery slips; the permanent regime is delayed; EU and Asian infrastructure becomes the standard for tokenised instruments	Not a deliberate choice; results from delays and fragmentation	Gradual migration of business; UK professional services supply markets organised elsewhere

The evidence suggests that the UK is currently on the path of a fast follower with the potential to become a leader in specific areas, notably law and regulatory design, and with a risk of becoming a laggard if the timetable slips or if standards are set elsewhere.

7.9.3 Tests for progress

Four tests would indicate whether the programme is succeeding. The first is delivery against announced milestones: the publication of the Tokenisation Roadmap in 2026, the first DIGIT transaction by the first quarter of 2027, the finalisation of the stablecoin code, and the live synchronisation service by 2028. The second is the clarity and timing of the permanent regime

following the sandbox. The third is the operationalisation of prudential parity and collateral eligibility, in particular acceptance of tokenised collateral by central counterparties. The fourth is evidence of real volumes: the number and value of live issuances, the participation of a wider range of firms than the incumbent platform providers, and the use of tokenised assets in repo and derivatives markets. These tests form part of the monitoring framework proposed in Chapter 8.

7.10 Data Notes and Items for Verification

Table 7.5. Principal figures, sources and verification status

Item	Value used	Source as consulted	Status
Joint Call for Input (FCA, BoE)	Published 18 May 2026; responses by 3 July; synchronisation service targeted 2028; Lab with 18 participants; assessment of tokenised central bank money 2027; RTGS and CHAPS hours consultation	FCA and Bank of England press releases and Bank website; law firm and consultancy summaries	Tier 1 for press release; summaries Tier 4; confirm against Call for Input
Feedback Statement	Published 14 September 2026 (FS26/1); 123 responses received; Roadmap expected later in 2026; stablecoins usable as DSS settlement assets subject to conditions; tokenised gold Call for Input closed 23 October 2026; authorities view post-trade and collateral mobility as principal near-term benefit	FCA FS26/1 page and PDF summary; PwC, DLA Piper, Lexology and other summaries	Tier 1 (FCA publication page); full text via summaries Tier 4; confirm full PDF
DSS	In operation since 2024; 16 firms in live work (May 2026); four gates; HSBC Orion Gate 2 on 13 July 2026	Bank of England and FCA statements; HSBC announcement; trade press	Tier 1 and Tier 4; confirm gate details in DSS guidance
DIGIT	HSBC contract (Feb 2026); first transaction by Q1 2027; HSBC-LSEG MoU (16 July 2026); joint lead managers (6 Oct 2026); issued on DLT platform within DSS; existing gilt legislation (Government Stock Regulations 2004 and Stock Transfer (Gilt Edged Securities) (CGO Service) Regulations 1985) unsuitable for digital issuance and temporarily modified within DSS	HM Treasury GOV.UK updates (Feb, July, October 2026); Find a Tender notice; DMO materials	Tier 1 (HMT publications); legislative basis confirmed via HMT PMEN and procurement documents
Fund tokenisation	PS26/7 published 30 April 2026	Law firm summary of FCA policy statement	Tier 4; confirm against FCA
Stablecoins	BoE policy statement 22 June 2026; £40bn guardrail; backing 30% unremunerated; code consultation to 22 Sept; final code by end 2026; regime from 2027; FCA gateway 30 Sept 2026 to 28 Feb 2027; PS26/10	Law firm and consultancy summaries	Tier 4; confirm against BoE and FCA publications

Item	Value used	Source as consulted	Status
Prudential treatment	PRA Dear CEO letters, May 2026; parity where legal rights identical and risks comparable; 100% for unbacked crypto-assets; PRA consultation after Basel review	PwC, DLA Piper and other summaries	Tier 4; confirm in PRA letters
ECB Pontes and Appia	Pontes live 21 September 2026; DLT assets eligible collateral since March 2026; Appia blueprint by 2028	ECB speech of 21 October 2026 (primary)	Tier 1
Singapore	Project Guardian (2022, more than 40 participants); GL1; BLOOM; wholesale CBDC testnet; plan for tokenised MAS Bills (9 Oct 2026)	MAS annual report and speech reporting	Tier 1 and Tier 4; BLOOM launch year differs between sources (2024 or 2025); confirm
US	GENIUS Act (P.L. 119-27) signed 18 July 2025; establishes federal framework for payment stablecoins (permitted reserves include short-dated Treasuries, repos, money market funds, central bank reserves; priority in bankruptcy; not securities or commodities); CFTC Staff Letter 25-39 (8 December 2025) guidance on tokenized collateral (eligible assets, legal enforceability, segregation, haircuts); digital assets pilot programme allowing BTC, ETH and USDC as customer margin (initial three-month limit); SEC no-action relief for DTCC (December 2025) enabling Tokenization Service (launched 2026, 34 securities initially eligible)	Congress.gov, Federal Register (OCC implementing rules), CFTC press releases and staff letters, DTCC announcements	Tier 1 (statutes and agency releases); details of full implementing rules evolving
Hong Kong	Project Ensemble: sandbox (2024), Ensemble TX real-value pilot launched 13 November 2025 (tokenised deposits, initial focus on money market funds and liquidity; interbank settlement via HKD RTGS, path to 24/7 tokenised CeBM); first two stablecoin issuer licences granted April 2026 (Anchorpoint Financial and HSBC); banks held >HK$14bn digital assets under custody and HK$29bn tokenised deposits by end-2025	HKMA press releases and speeches (BIS-hosted); secondary reporting	Tier 1 (HKMA)
Switzerland	DLT Act (2021) recognises ledger-based securities; FINMA technology-neutral, function-based classification;	SNB, FINMA publications; secondary summaries	Tier 1 (SNB/FINMA)

Item	Value used	Source as consulted	Status
	Project Helvetia (SNB, BIS, SIX) wCBDC pilot on SIX Digital Asset Platform extended to at least June 2028; SIX Digital Exchange (SDX) live since 2021; BX Digital first DLT trading facility licence (March 2025); multiple digital bond issuances settled in wCBDC		
Tokenised market size	About $38.8bn distributed; about $365bn represented; Treasuries about $15.7bn (mid-September 2026)	Commercial trackers via secondary articles	Tier 4; trackers differ; indicative only
Projections	BCG $600bn tokenised funds by 2030; Binance Research $1.6trn; McKinsey central case about $2trn	Secondary articles	Tier 4; commercial; scenarios only
FSB assessment	October 2024; minimal current risk; five vulnerability categories; atomic settlement raises liquidity need	BIS and FSB summaries; Ledger Insights commentary	Tier 2; commentary Tier 4
BIS	Annual Economic Report 2025, unified ledger concept	BIS	Tier 2
Cost and efficiency estimates	No independent, verified UK-specific estimate of settlement-time or lifecycle cost savings located. Industry/consultancy figures include: UK Finance/Oliver Wyman (tokenised collateral could reduce excess collateral requirements by up to 30%); Barclays/PwC (£33bn annual GDP boost by 2035 under accelerated adoption scenario); Calastone (asset managers ~23% operating cost savings); JP Morgan Onyx example (56% operational cost reduction in specific use case). Authorities describe benefits qualitatively (faster settlement, lower costs, reduced reconciliation) without quantified UK market estimates.	UK Finance/Oliver Wyman, Barclays/PwC, Calastone, Bank of England speeches, industry pilots	Tier 3/4; scenarios or specific pilots, not independent UK market-wide findings
Interoperability	No formal UK technical standard for tokenised assets identified. Authorities state interoperability is a priority and that industry is better placed to develop technical standards, identifiers and operating norms (FS26/1). Wholesale Digital Markets Champion report (July 2026) recommends industry action groups on interoperability, shared token standards, APIs and Common Domain	FCA FS26/1, Digital Markets Champion report, authority statements	Tier 1/4; gap remains relative to ECB Appia or MAS Global Layer One

Item	Value used	Source as consulted	Status
	Model. Bilateral HSBC–LSEG depository link is the principal concrete step to date.		

Gaps identified in this chapter. The following were sought and addressed to the extent possible as of 29 October 2026. An independent, verified estimate of cost and settlement-time savings specific to UK wholesale markets remains unavailable; industry and consultancy scenarios are noted above and treated as such. Details of US stablecoin legislation (GENIUS Act) and CFTC tokenised collateral arrangements (Staff Letter 25-39 and pilot) are now incorporated. Positions of Hong Kong (Project Ensemble TX) and Switzerland (DLT Act, Project Helvetia, SDX) are summarised. No formal UK interoperability standard exists; the authorities have assigned primary responsibility to industry, with Champion-led coordination. The Call for Input and Feedback Statement (FS26/1) have been confirmed via official FCA pages and detailed secondary summaries of the 123 responses and next steps. The legal basis for DIGIT is the DSS, which temporarily modifies existing gilt legislation that is unsuitable for digital issuance. The distribution of DSS and DIGIT technology work remains concentrated among incumbents (HSBC Orion as issuer depository, LSEG as investor depository); the share captured by independent UK technology firms is not separately quantified. Chapter 5, section 5.9.1, has been updated to reflect the DIGIT timetable recorded here.

Chapter 8: Realistic Recommendations and Clear Pathways to the Future

Evidence note and timing: this chapter was drafted on 27 October 2026, the day before the Autumn Budget of 28 October 2026, and the first Budget of the government formed on 20 July 2026 under Prime Minister Andy Burnham, with John Healey as Chancellor of the Exchequer. The change of government occurred after the Mansion House speech of 14 July 2026 and the publication of the Transatlantic Taskforce recommendations of the same date, both made under the previous Chancellor. The new government's position on several matters on which this chapter touches, in particular the taxation of banks, the continuation of the Financial Services Growth and Competitiveness Strategy and the content of the Budget, is not yet known, and reports in the press indicate that Treasury officials have examined options including higher taxes on banks. The recommendations are therefore framed to be robust to a change of administration and of fiscal event, and the sections that depend on the Budget are flagged for review once it has been delivered. The recommendations are judgements, not findings: they are derived from the evidence in Chapters 3 to 7 and are assessed against the four criteria set out in Chapter 2, namely effectiveness, feasibility, proportionality and robustness. Factual statements about current policy are drawn from the sources cited in the earlier chapters and from the additional sources listed in section 8.15, and the items requiring confirmation are recorded there.

8.1 Purpose and Approach

The preceding chapters have established a baseline, identified strengths and weaknesses, and assessed the tokenised financial system as a strategic option. This chapter converts that analysis into

a set of recommendations. Its purpose is to answer the question posed in the report plan: what prioritised, phased and feasible measures would help the United Kingdom retain and evolve its position as a global services provider, given the weaknesses diagnosed in Chapter 6 and the momentum already present in policy and in the market.

Three principles govern the chapter. The first is that recommendations must be tied to evidence. Each is linked to a diagnosed weakness or an evidenced opportunity, and where the evidence is weak, as it is for the comparative costs of regulation and for the economic value of tokenisation, the recommendation is framed as a step to improve the evidence or as a measure that is robust to the uncertainty. The second is that recommendations must build on existing momentum. The authorities have already published a Financial Services Growth and Competitiveness Strategy, a Digital Securities Sandbox, a joint tokenisation vision and a stablecoin regime, among other initiatives, and a recommendation that merely duplicated them would add little. Where this chapter proposes something, it is generally an acceleration, a completion, a measure of delivery or a connection between initiatives. The third is that recommendations must be proportionate to the fiscal and political constraints identified in Chapter 6. The public finances are under strain, the political situation is unsettled, and measures that depend on large public expenditure or on a major change in the tax system are given low priority unless the case is compelling. The emphasis is therefore on regulatory, legal, institutional and coordinating measures, which are comparatively inexpensive and within the competence of the authorities.

8.1.1 Method of prioritisation

Each recommendation has been assessed on three dimensions. *Impact* is the expected contribution to the retention or extension of competitiveness, judged by the strength of the link to a diagnosed weakness and by the evidence of the mechanism. *Feasibility* is the practicability of the measure given existing legislation, institutional capacity, fiscal constraints and political context. *Time-criticality* is the degree to which delay is costly, which in this field depends largely on the pace of competing jurisdictions. Recommendations that score high on all three are designated priority measures and are collected in section 8.14. The assessment is qualitative. It is not intended to convey a spurious precision, and the reader may reach different judgements about particular items.

8.1.2 Actors and responsibilities

The recommendations identify the principal actor for each, using the following categories: HM Treasury and the Government; the Bank of England, including the Prudential Regulation Authority and the Financial Policy Committee; the Financial Conduct Authority; the Law Commission and the courts, in the case of legal reform; industry, comprising banks, asset managers, infrastructure operators and technology firms; the professions, including law, accountancy and consultancy bodies; and universities and skills providers. The distinction between public and private roles is developed in section 8.11.

8.2 The Context for Implementation

Three features of the present context bear on the feasibility and sequencing of the recommendations.

8.2.1 Existing momentum

The policy architecture is more developed than at any previous point. The Financial Services Growth and Competitiveness Strategy, launched in July 2025 as a ten-year plan to 2035, set objectives that, in the reports of it consulted, include making the UK the global hub for financial services investment, innovation and growth, doubling the average growth rate of net financial services exports and strengthening regional financial services clusters by 2035, together with reforms to the Senior Managers and Certification Regime, the Financial Ombudsman Service and the prospectus and listing rules. The Financial Services and Markets Bill was introduced in the House of Lords in May 2026 as part of the legislative programme of that month. The Mansion House package of 14 July 2026 included a one-year progress report on the Strategy, a Financial Services AI Adoption Plan, an SME lending package, and the launch, on 13 July 2026, of a Financial Services Skills Compact. The Digital Securities Sandbox, DIGIT, the fund tokenisation policy, the stablecoin regime and the synchronisation programme described in Chapter 7 are all in train. And on 14 July 2026 the UK and US Treasuries published ten non-binding recommendations of the Transatlantic Taskforce for Markets of the Future, five of them on digital assets and five on capital markets, together with a joint statement on stablecoins, with progress to be reported through the UK-US Financial Regulatory Working Group.

8.2.2 The political and fiscal moment

The political context has changed. Andy Burnham became Prime Minister on 20 July 2026, and John Healey was appointed Chancellor on the same day. The government has stated that the Budget will comply with its fiscal rules, that it will be built on fiscal discipline, and that it will aim to move money and power out of Westminster. Press and consultancy reports indicate that the fiscal position has tightened: gilt yields have risen to their highest level this century, in part because of the effects of the war in Iran on borrowing costs, and one estimate suggests that the surge in yields may have reduced the Treasury's fiscal headroom of about £23.6 billion by about £12 billion. Economists expect tax increases, though the Prime Minister is reported to have signalled reluctance to repeat the scale of recent Labour budgets, and the Treasury has declined to rule out higher taxes on banks, among other sectors. The continuation of the previous government's financial services agenda is not guaranteed, although the Treasury has so far continued to publish and consult on material connected with it, and the Chancellor has previous experience of the Treasury's financial services responsibilities. A prudent planning assumption is that the regulatory and infrastructure initiatives, which are largely the work of independent regulators and the central bank, will continue, while the fiscal measures are subject to greater uncertainty.

8.2.3 The relationship with the European Union

The reset of relations with the EU is incomplete as it affects services. The Common Understanding of May 2025 committed the UK and EU to dedicated dialogues on business mobility and on the recognition of professional qualifications, which are dialogues and not negotiations, and, as of August 2026, no mutual recognition agreement for professional qualifications had been concluded under the Trade and Cooperation Agreement. TheCityUK published in July 2026 a report setting out industry priorities, including a forward-looking Joint UK-EU Financial Regulatory Forum, more effective mutual recognition of professional qualifications, reduced mobility frictions and a durable outcomes-based model for wholesale market access, and it noted that the next UK-EU Leaders' Summit date was pending. The window for progress exists but its timing is uncertain.

8.3 Summary of Recommendations

The recommendations are grouped under six pathways, corresponding to the categories in the report plan. Section numbers show where each is developed. The final column records the judgement on priority, with A denoting a priority measure that should be pursued without delay, B an important measure that should be pursued in the medium term, and C a measure to be pursued if the conditions allow.

Table 8.1. Summary of recommendations

Ref	Recommendation	Weakness or opportunity addressed	Principal actor	Horizon	Priority
Pathway A: Scale tokenised wholesale market infrastructure (8.4)					
A1	Deliver DIGIT by Q1 2027 and publish the lessons; plan follow-on issuance with wider platform participation	Delivery risk; platform concentration	HM Treasury; DMO; industry	Short	A
A2	Publish the Tokenisation Roadmap in 2026 with dated, owned milestones, and set a date for a permanent regime to succeed the sandbox	Pace; regulatory certainty	FCA; Bank of England; HM Treasury	Short to medium	A
A3	Hold the 2028 synchronisation date as a ceiling, test an earlier limited release, and take a decision on tokenised central bank money following the 2027 assessment	Competitive timing against the EU	Bank of England	Short to medium	A
A4	Develop an open UK interoperability standard aligned with international work	Fragmentation	Wholesale Digital Markets Champion; industry; authorities	Medium	A
A5	Operationalise prudential and collateral parity	Uncertainty over treatment	PRA; Bank of England	Short to medium	A
A6	Complete the legal framework for tokenised collateral, finality and insolvency	Legal uncertainty	Law Commission; HM Treasury; Parliament	Medium	A

Ref	Recommendation	Weakness or opportunity addressed	Principal actor	Horizon	Priority
A7	Deliver the stablecoin regime on schedule and support a multi-money settlement environment	Settlement assets	FCA; Bank of England; HM Treasury	Short to medium	B
Pathway B: Regulatory and policy clarity with proportionality (8.5)					
B1	Publish delivery metrics for the Growth and Competitiveness Strategy and the regulators' competitiveness objectives	Weak evidence on delivery	HM Treasury; FCA; PRA	Short	A
B2	Commission and publish comparative benchmarks of authorisation times and compliance cost	Evidence gap	FCA; PRA; independent reviewer	Short	A
B3	Complete capital markets reforms on listing, securitisation and pre-IPO finance, and evaluate the results	Equity and securitisation weakness	HM Treasury; FCA; industry	Medium	B
B4	Conduct a periodic stock-take of cumulative requirements with explicit integrity safeguards	Regulatory complexity	Regulators; Parliament	Medium	B
B5	Pursue durable UK-EU arrangements in wholesale services, qualifications and mobility	Brexit friction	HM Treasury; Cabinet Office; regulators	Medium to longer	B
Pathway C: Competitiveness and cost (8.6)					
C1	Adopt a predictability principle for sector taxation and commission an independent comparative review	Tax disadvantage; uncertainty	HM Treasury	Short to medium	B
C2	Build a digital assets and tokenisation skills	Skills gaps	Industry; professions;	Medium	A

Ref	Recommendation	Weakness or opportunity addressed	Principal actor	Horizon	Priority
	programme within the Skills Compact		universities		
C3	Publish service standards for specialist visa processing and review costs	Mobility	Home Office; HM Treasury	Short to medium	B
C4	Benchmark operating costs against competing centres	Evidence gap	Industry; independent reviewer	Short	C
Pathway D: Market access and openness (8.7)					
D1	Implement the Transatlantic Taskforce recommendations and seek recognition arrangements	US corridor	HM Treasury; regulators	Short to medium	A
D2	Use existing trade agreements and financial dialogues in Asia and the Gulf	Diversification	HM Treasury; Department for Business and Trade	Medium	C
D3	Promote English law, London courts and specialty risk expertise internationally	Export strength	Government ; Law Society; industry	Medium	B
Pathway E: Productivity and diffusion (8.8)					
E1	Direct private growth capital to scale-ups through pension and SME finance reforms	Growth capital	HM Treasury; industry	Medium	B
E2	Build regional services clusters through devolved growth finance	Regional concentration	Government ; regional authorities	Medium to longer	B
E3	Pilot and evaluate diffusion programmes for AI and digital adoption in services SMEs	Diffusion	Government ; industry; professional bodies	Medium	C
E4	Improve services productivity measurement	Measurement	ONS	Short	B
Pathway F: Risk and					

Ref	Recommendation	Weakness or opportunity addressed	Principal actor	Horizon	Priority
resilience (8.9)					
F1	Extend operational resilience and critical third-party oversight to tokenised infrastructure	Cyber and operational risk	Bank of England; FCA	Short to medium	A
F2	Adopt scale-contingent safeguards linked to measured volumes	Financial stability	Financial Policy Committee; PRA	Medium	A
F3	Establish assurance standards for smart contracts and platforms	Code and control risk	Professions; regulators	Medium	B
F4	Maintain investor protection at the boundary between wholesale and retail	Consumer protection	FCA	Ongoing	B

8.4 Pathway A: Scale Tokenised Wholesale Market Infrastructure

8.4.1 Rationale

Chapter 7 concluded that tokenisation is properly treated as a strategic option with a defensive core: the UK's wholesale markets must be able to operate on infrastructure at least as efficient and compatible as that of competing centres. The assessment also showed that the UK programme is coherent and advanced in design but is behind the EU in the timing of central bank money settlement for distributed ledger transactions, that the sandbox has so far approved a single applicant to go live, that the permanent regime is undefined, that no UK interoperability standard has been published, and that legal certainty, while improved, is incomplete. The recommendations in this pathway are directed at those specific gaps. They are the first priority of the report because the issues are time-critical, the instruments are within the competence of the authorities, and the cost to the public purse is small.

8.4.2 A1: Deliver DIGIT on schedule and plan beyond the first issuance

HM Treasury has stated that the first DIGIT transaction is expected by the first quarter of 2027, has appointed six joint lead managers, and has said that further issuances are planned if the pilot succeeds. The Treasury and the Debt Management Office should treat the delivery date as firm, resolve the legal basis for the issuance, which an industry briefing indicated is not provided for by existing gilt legislation, and publish a short evaluation of the pilot, covering settlement performance, investor participation, operational incidents and costs, within a defined period after issuance. The evaluation should be made public, because the principal value of DIGIT to the wider market is the information it provides.

The Treasury should also plan the post-pilot path. The first issuance uses a single platform, HSBC Orion, with a bilateral link to the LSEG depository for investors. Chapter 7 observed that reliance on a single bank-operated platform concentrates the early market around an incumbent. Subsequent tranches should be designed so that other approved platforms and depositories can participate, subject to the sandbox gates, and so that the instrument can be settled in central bank money when the synchronisation service becomes available. The measure of success is not the size of the issuance but its use: the extent to which the instrument is accepted as collateral, traded in secondary markets and held by a diverse set of investors.

Feasibility and risk. This recommendation builds on committed work. The principal risks are delay, a legal challenge to the basis of issuance, and a lack of secondary market liquidity, which is a known limitation of small pilots. These are mitigated by clear communication of the pilot's limited objectives.

8.4.3 A2: A dated roadmap and a permanent regime

The FCA and the Bank of England have said that a Tokenisation Roadmap, informed by the Feedback Statement of 14 September 2026, will be published later in 2026. The roadmap should do more than describe intentions. It should list each initiative, name the responsible authority, set a date for each milestone, state the dependencies between them, and be updated at least annually. Industry respondents to the Call for Input asked for faster progress and clearer timeframes, and a dated roadmap is the most direct answer to that request.

The roadmap should also settle the question of what follows the Digital Securities Sandbox. The authorities have said that they will consult with HM Treasury on whether to extend, modify or replace the sandbox and on changes to the central securities depositories regulation. This report recommends that the consultation conclude in 2027, that the government set a target date for legislation creating a permanent regime for digital securities infrastructure, and that the sandbox gates be accompanied by published criteria and indicative timelines so that applicants can plan. The sandbox's approach of advancing applicants through gates is appropriate for a regime that must protect financial stability, but the pace at which applicants progress should be reported, so that the market can judge whether the sandbox is an enabler or a bottleneck. A permanent regime that gives graduates of the sandbox long-term legal certainty would remove one of the principal deterrents to investment in UK infrastructure, which is uncertainty about what happens at the end of a temporary arrangement.

Feasibility and risk. The consultation and roadmap are already planned, and the recommendation is chiefly one of specificity. The principal risk is that legislative time for a permanent regime is limited, particularly given the heavy programme of financial services legislation. The recommendation therefore envisages using secondary legislation where possible and the Financial Services and Markets Bill where appropriate.

8.4.4 A3: Central bank money synchronisation

The Bank of England has committed to a live synchronisation service targeted for 2028, has established a Synchronisation Lab with 18 participants, and will publish in 2027 an assessment of the benefits of tokenised central bank money, including a potential wholesale central bank digital currency. The ECB's Pontes service has been live since 21 September 2026. The Bank's conservative approach, which builds on existing RTGS infrastructure, has merits that Chapter 7

recognised, including limited disruption to the monetary system. It also has a cost in time.

The recommendations are threefold. First, the Bank should treat 2028 as a ceiling for the live service and not as a target date, and should say publicly what would be required to bring forward a limited release. Second, the Bank should examine, with participants in the Lab, whether a limited live release for a restricted cohort and defined use cases, for example the settlement of DIGIT or of selected corporate bonds in the sandbox, could be offered earlier than the full service, so that the market gains live experience in advance of 2028. Third, the 2027 assessment of tokenised central bank money should conclude with a decision, or with a dated decision process, on whether a wholesale central bank digital currency or an equivalent facility will be developed, so that the market is not left in uncertainty about the settlement asset on which infrastructure investments should be based. The consultation on extending RTGS and CHAPS operating hours towards near 24/7 operation, which the Bank has announced, is a closely related matter and should be completed within the same timeframe.

These are matters for the Bank, which has statutory responsibility for financial stability and for the safety of the settlement system, and the report's recommendation is accordingly framed as a request for specificity and an examination of options, not as a direction. A premature release of a system that is not robust would be worse than a later one.

8.4.5 A4: An open UK interoperability standard

The authorities have identified interoperability and the minimisation of liquidity fragmentation as priorities, and the ECB's Appia programme and Singapore's Global Layer One initiative are developing standards in their own jurisdictions. The bilateral link between the HSBC and LSEG depositories is a step but is not a standard. The Wholesale Digital Markets Champion, working with the authorities and an industry group, should lead the development of an open UK interoperability standard for tokenised wholesale assets, covering data formats, messaging, identity, token standards and the interfaces to central bank money. The standard should be developed in consultation with the ECB, MAS and the Transatlantic Taskforce's proposed industry group so that it is compatible with the leading international approaches, and a first version should be published in 2027. The objective is to ensure that assets issued on one UK platform can be held, transferred and used as collateral on another, and that UK infrastructure can connect to infrastructure elsewhere. An industry-led standard, supported by the authorities, is more likely to be adopted than one imposed by regulation.

Feasibility and risk. Standard-setting is slow and contested. The risk is that the process is captured by incumbents or fails to reach agreement, and the mitigation is the active involvement of the authorities and a clear deadline. The alternative, a fragmented market in which each platform has its own standard, would undermine the case for tokenisation.

8.4.6 A5: Operationalise prudential and collateral parity

The PRA's interim position is that tokenised assets should generally receive the same prudential treatment as their non-tokenised equivalents where legal rights are identical and underlying risks are comparable. Industry has asked what those words mean in practice. The PRA should publish, in advance of its final consultation following the Basel review, worked examples and a statement of the conditions under which the parity principle applies, and it should confirm the treatment of tokenised gilts, tokenised money market fund shares and tokenised deposits. The Bank should complete the consultation on the acceptance of tokenised collateral by central counterparties

promised for the latter part of 2026 and, following that, should make decisions in 2027 so that collateral takers can plan. The commitment to enable tokenised equivalents of already eligible assets to be used as collateral in the Bank's own operations should be given a date.

The rationale is that collateral mobility is, on the evidence reviewed in Chapter 7, among the most commercially promising use cases and the one most frequently raised by industry. Its realisation depends on regulatory recognition, which is within the authorities' control and carries little cost.

8.4.7 A6: Complete the legal framework

The Property (Digital Assets etc) Act 2025 confirmed that digital assets can be the object of personal property rights but left the boundaries of the category to the courts, and the Law Commission has indicated that its other recommendations, including those on collateral arrangements for crypto-tokens, remain under consideration. The Government should respond to the Law Commission's outstanding recommendations, with a timetable, and should legislate where necessary on four matters: the settlement finality of transactions on distributed ledgers, the treatment of tokenised collateral and security interests, the treatment of tokenised assets on insolvency, and the legal recognition of ledger records as evidence of title. The Government and the judiciary should continue to support the development of English law through the UK Jurisdiction Taskforce and similar mechanisms, which allow rapid statements of the legal position on novel questions. The recommendation is directed at an advantage that the UK holds and that other jurisdictions are seeking to emulate; completing the framework would reinforce it, and leaving it incomplete would weaken the case for choosing English law for tokenised instruments.

8.4.8 A7: Stablecoin regime and a multi-money environment

The FCA's authorisation gateway for cryptoasset activities opened on 30 September 2026 and runs to 28 February 2027, and the Bank of England intends to finalise its code of practice for systemic stablecoin issuers by the end of 2026, with the regime expected to be operational in 2027. These timetables should be maintained. The regime recognises a role for private settlement assets under appropriate regulation while maintaining the principle that wholesale settlement should remain anchored in central bank money. The authorities should continue to support a multi-money environment in which central bank money, tokenised deposits and appropriately regulated stablecoins can coexist, with clear rules on interoperability and on the conditions under which private settlement assets may be used in wholesale markets.

8.5 Pathway B: Regulatory and Policy Clarity with Proportionality

8.5.1 Rationale

Chapter 6 identified regulatory complexity, uneven evidence on authorisation performance and residual friction with the EU as sources of competitive pressure. The Financial Services Growth and Competitiveness Strategy already commits the regulators to secondary objectives on competitiveness and growth. The recommendations in this pathway therefore focus on making those commitments measurable, on closing specific evidence gaps, on completing already-announced capital-markets reforms, and on securing practical outcomes with the EU. They are proportionate because they rely primarily on existing statutory powers, secondary legislation and supervisory

discretion rather than new primary legislation or public expenditure.

8.5.2 B1: Publish delivery metrics for the Growth and Competitiveness Strategy and the regulators' competitiveness objectives

The Strategy launched in July 2025 contains quantitative ambitions (including a doubling of the average growth rate of net financial services exports by 2035 and the strengthening of regional clusters). The regulators' secondary objectives on competitiveness and growth are already in statute. Neither has yet been accompanied by a published set of delivery metrics with baselines, targets or reporting cadence.

HM Treasury, the FCA and the PRA should jointly publish, by the end of 2026, a concise delivery dashboard containing:

- the exact wording and numerical baseline of each Strategy objective that is measurable;
- the indicators the regulators will use to report against their competitiveness and growth objectives;
- the data vintage and source for each indicator; and
- the frequency of public reporting (at least annual).

The dashboard should be updated as part of the one-year Strategy progress reports already envisaged. The measure is low-cost, uses data the authorities already collect, and directly addresses the evidence gap on delivery identified in earlier chapters.

8.5.3 B2: Commission and publish comparative benchmarks of authorisation times and compliance cost

Industry testimony and the absence of verified comparative data were noted in Chapter 6. The FCA and PRA should commission an independent reviewer to produce, by the end of 2027, a public benchmark covering:

- median and 90th-percentile authorisation times for the principal categories of firm and permission;
- a standardised measure of ongoing compliance cost for a representative sample of firms, expressed relative to assets or revenue; and
- a comparison against at least three peer jurisdictions (the EU, the United States and one Asian centre).

The terms of reference should be published in advance and the methodology should be transparent. The benchmark should be repeated every two to three years. The recommendation is framed as an evidence-gathering step rather than a presumption that UK processes are slower or costlier; if the evidence shows otherwise, that finding is itself valuable.

8.5.4 B3: Complete capital markets reforms on listing, securitisation and pre-IPO finance, and evaluate the results

The listing and prospectus reforms already under way, together with the securitisation and pre-IPO measures announced in the Mansion House package, address the equity-market and securitisation

weaknesses documented in Chapter 4. The authorities should complete the remaining rule-making by the end of 2027 and publish an evaluation by 2028 that examines:

- the number and value of IPOs and secondary offerings;
- the volume of securitisation issuance; and
- the availability and pricing of pre-IPO finance.

The evaluation should be independent or jointly commissioned and should be published. The recommendation does not assume that the reforms will reverse the long-term decline in the UK's share of global equity market capitalisation; it requires that their effects be measured.

8.5.5 B4: Conduct a periodic stock-take of cumulative requirements with explicit integrity safeguards

Regulatory complexity is a recurring industry concern. The regulators, under the oversight of the relevant Parliamentary committees, should conduct a stock-take every three years of the cumulative effect of new rules introduced since the previous exercise. The stock-take should identify requirements that are duplicative, obsolete or disproportionately burdensome relative to the risk they address, while explicitly protecting core prudential, conduct and financial-crime safeguards. Any proposed simplifications should be subject to public consultation and cost-benefit analysis. The exercise is feasible within existing governance arrangements and does not require new legislation.

8.5.6 B5: Pursue durable UK-EU arrangements in wholesale services, qualifications and mobility

The Common Understanding of May 2025 created dedicated dialogues on business mobility and the recognition of professional qualifications, but no mutual recognition agreement had been concluded by August 2026. HM Treasury and the Cabinet Office, working with the regulators, should:

- seek the establishment of a standing Joint UK-EU Financial Regulatory Forum with a published work programme;
- prioritise a mutual recognition outcome for professional qualifications in law, accountancy and actuarial science; and
- pursue practical reductions in mobility frictions for short-term business travel in wholesale financial services.

These steps remain consistent with the Trade and Cooperation Agreement and do not require a return to passporting. Progress should be reported annually. The recommendation is classified as medium-to-longer term because the political window is uncertain, but the cost of inaction is the continued erosion of the UK's position in euro-denominated and EU-facing wholesale business.

8.6 Pathway C: Competitiveness and Cost

8.6.1 Rationale

Chapter 6 recorded evidence of tax and operating-cost disadvantages relative to certain peer centres, skills shortages in digital assets and technology, and residual friction in the immigration system for specialist talent. The recommendations below are designed to improve predictability, close evidence

gaps and address the skills constraint without large new public expenditure.

8.6.2 C1: Adopt a predictability principle for sector taxation and commission an independent comparative review

The taxation of banks and the wider financial-services sector has been a source of uncertainty. HM Treasury should adopt, and publish, a predictability principle stating that material changes to sector-specific taxes will be announced with at least one full fiscal year of notice and will be accompanied by an assessment of competitive effects. Separately, the Treasury should commission an independent comparative review of the effective tax rate on a representative banking group across the UK, the EU, the United States and Singapore, to be published by 2029. The review should be technical and should not presuppose a particular policy conclusion. Both measures are low-cost and robust to the outcome of the 28 October 2026 Budget.

8.6.3 C2: Build a digital assets and tokenisation skills programme within the Skills Compact

Employer surveys cited in Chapters 6 and 7 indicate shortages of specialists who combine legal, financial and technical expertise. The Financial Services Skills Compact launched on 13 July 2026 provides an existing vehicle. Industry, the professions and universities should, by the end of 2027:

- establish a baseline survey of the number of practitioners with digital-assets and tokenisation skills;
- design and launch a modular programme covering tokenisation law, DLT infrastructure, smart-contract assurance and related prudential and conduct issues; and
- report annually on uptake and on any residual shortages.

The programme should be funded primarily by industry, with public support limited to curriculum development and regional delivery. It directly addresses a constraint that affects both the delivery of the tokenisation programme and the capacity of professional-services firms to capture associated export opportunities.

8.6.4 C3: Publish service standards for specialist visa processing and review costs

Delays and cost in the immigration system for specialist talent were noted as a friction. The Home Office, in consultation with HM Treasury, should publish service standards (processing times and refusal rates) for the principal specialist routes used by financial and professional services firms, and should review the level and structure of fees against those of peer jurisdictions. The standards should be published by the end of 2027 and updated annually. The recommendation does not presuppose that current arrangements are inadequate; it requires that performance be transparent.

8.6.5 C4: Benchmark operating costs against competing centres

Operating-cost differentials (premises, employment and technology) are frequently cited but rarely measured on a comparable basis. An independent reviewer, commissioned by industry, should produce a benchmark by the end of 2027 covering a standardised set of costs for a representative wholesale firm in London, New York, Singapore and one EU centre. The results should be published. The recommendation is classified as lower priority because the data are commercially

sensitive and the exercise is not a prerequisite for the higher priority measures.

8.7 Pathway D: Market Access and Openness

8.7.1 Rationale

The UK's largest bilateral financial-services relationships are with the United States and the EU. Chapter 4 documented the importance of the US corridor; Chapter 6 and section 8.2.3 recorded the incomplete reset with the EU. The recommendations below seek to deepen the US relationship, maintain practical cooperation with the EU, and exploit existing trade agreements elsewhere, while continuing to promote the UK's legal and speciality risk advantages.

8.7.2 D1: Implement the Transatlantic Taskforce recommendations and seek recognition arrangements

On 14 July 2026 the UK and US Treasuries published ten non-binding recommendations of the Transatlantic Taskforce for Markets of the Future. HM Treasury and the regulators should:

- confirm, after the Budget, that the recommendations remain government policy;
- establish the industry-led UK-US tokenisation group envisaged by the Taskforce; and
- pursue practical recognition or deference arrangements for wholesale market infrastructure and for the treatment of tokenised assets, where these can be achieved without compromising UK standards.

Progress should be reported through the UK-US Financial Regulatory Working Group. The recommendation is time-critical because the Taskforce recommendations provide a ready-made agenda that can be advanced at low cost.

8.7.3 D2: Use existing trade agreements and financial dialogues in Asia and the Gulf

The UK has concluded free-trade agreements and financial-services dialogues with a number of Asian and Gulf partners. The Department for Business and Trade and HM Treasury should identify, by the end of 2027, the specific provisions in those agreements that can be used to facilitate the cross-border supply of wholesale financial and related professional services, and should report on any practical barriers that remain. The recommendation is lower priority because the volume of business is smaller than the US and EU corridors, but it supports diversification.

8.7.4 D3: Promote English law, London courts and specialty risk expertise internationally

English law's share of international financial contracts and the export performance of UK legal services were documented in Chapter 5. The Government, the Law Society and industry should continue to promote the use of English law and London dispute resolution for tokenised instruments, and should support the international marketing of UK specialty insurance and risk expertise. The measure is low-cost, builds on an existing strength, and is robust to the pace of tokenisation.

8.8 Pathway E: Productivity and Diffusion

8.8.1 Rationale

Chapter 6 identified slow productivity growth, a shortage of growth capital for scale-ups, regional concentration of high-value services employment, and weaknesses in the measurement of services productivity. The recommendations below focus on directing private capital, supporting regional clusters through existing devolution mechanisms, testing diffusion programmes, and improving official statistics.

8.8.2 E1: Direct private growth capital to scale-ups through pension and SME finance reforms

The Mansion House package included measures on pension investment and SME lending. HM Treasury should complete the implementation of those measures by the end of 2027 and publish an evaluation by 2029 that examines the volume of pension-fund investment in UK growth companies and the availability of SME growth finance. The recommendation does not create new public funds; it seeks to improve the allocation of existing private capital.

8.8.3 E2: Build regional services clusters through devolved growth finance

Two-thirds of financial and related professional services employment is already outside London. Regional authorities, working with the Government, should prepare cluster plans by 2029 that identify the specific growth-finance and skills interventions required to expand high-value services activity in the principal centres (including the North West, Scotland and the Midlands). The plans should be funded primarily through existing devolution settlements and private capital. The recommendation is medium-to-longer term because institutional capacity varies across regions.

8.8.4 E3: Pilot and evaluate diffusion programmes for AI and digital adoption in services SMEs

Diffusion of best practice is a recognised channel for productivity growth. The Government and professional bodies should pilot, by 2028, a small number of programmes that support the adoption of AI and digital tools in professional and business services SMEs, and should publish an evaluation. The scale should be modest and the design should allow rigorous assessment. The recommendation is lower priority because the evidence on the effectiveness of such programmes is mixed.

8.8.5 E4: Improve services productivity measurement

The ONS has indicated that it will implement a component approach to productivity measurement from February 2027. The ONS should publish, by the end of 2027, experimental services productivity series disaggregated by industry and, where data allow, by region. Better measurement is a prerequisite for evaluating the other recommendations in this pathway and is feasible within the ONS’s existing work programme.

8.9 Pathway F: Risk and Resilience

8.9.1 Rationale

Chapter 7 recorded that the benefits of tokenisation increase with scale, and so do the risks. The Financial Stability Board's 2024 assessment found minimal current risk but identified categories of vulnerability that could become material. The recommendations below extend existing operational-resilience and critical-third-party regimes, introduce scale-contingent safeguards, establish assurance standards, and maintain investor protection at the wholesale-retail boundary.

8.9.2 F1: Extend operational resilience and critical third-party oversight to tokenised infrastructure

The Bank of England and the FCA already operate operational-resilience and critical-third-party regimes. These should be extended, by the end of 2027, to cover the principal tokenised-market infrastructures (including digital securities depositories and the platforms used for DIGIT and sandbox activity). The extension should include requirements for incident reporting, cyber standards and exit planning. The measure uses existing powers and addresses a risk that will grow with scale.

8.9.3 F2: Adopt scale-contingent safeguards linked to measured volumes

The Financial Policy Committee and the PRA should define, by 2028, a set of quantitative indicators (for example, the value of tokenised assets used as collateral, the share of wholesale settlement conducted on DLT platforms, and concentration among platform providers) and the supervisory or policy responses that would be triggered if those indicators exceed pre-set thresholds. The safeguards should be published and reviewed annually. The approach ensures that regulation remains proportionate at low scale while being ready for higher scale.

8.9.4 F3: Establish assurance standards for smart contracts and platforms

Professional bodies (law, accountancy and actuarial), working with the regulators, should develop and publish, by 2029, assurance standards for smart-contract code, platform governance and the verification of on-chain records. The standards should be voluntary in the first instance and should be designed so that they can be referenced in regulatory guidance if needed. The recommendation addresses the code-risk and control-risk issues identified in Chapter 7.

8.9.5 F4: Maintain investor protection at the boundary between wholesale and retail

Tokenisation may blur the boundary between wholesale and retail markets, particularly if fractional ownership or direct-dealing models expand. The FCA should maintain, and where necessary strengthen, the existing conduct and disclosure requirements that apply when retail investors are able to access tokenised instruments. Consumer protection should be treated as a condition of any expansion of tokenised markets into the retail space, not as a subsequent adjustment. The recommendation is ongoing and uses the FCA's existing statutory objectives.

8.10 The Roadmap: Short, Medium and Longer Term

8.10.1 Structure and horizons

The roadmap organises the recommendations into three horizons. The *short term* runs from the present to the end of 2027 and covers measures that are already committed or that can be delivered within existing legislation. The *medium term* covers 2028 to 2030 and corresponds to the period in which the central bank money synchronisation service is due, the permanent regime for digital securities infrastructure could be in force, and the first evaluations of the capital markets and skills measures would be available. The *longer term* covers 2031 to 2035 and aligns with the horizon of the Financial Services Growth and Competitiveness Strategy. The milestones are proposals for discussion. They are expressed as measurable outcomes where the evidence permits, but they are not forecasts, and the report recognises that some depend on decisions of independent authorities.

8.10.2 Short term: now to end 2027

Table 8.2. Short-term roadmap (to end 2027)

Timing	Milestone	Recommendation	Lead	Measure of completion
Q4 2026	Publish the Tokenisation Roadmap with dated, owned milestones	A2	FCA; Bank of England	Roadmap published with named owner and date for each initiative
Q4 2026	Finalise the code of practice for systemic stablecoins	A7	Bank of England	Final code published by end 2026
Q4 2026	Consult on acceptance of tokenised collateral by central counterparties; PRA publishes worked examples on parity	A5	Bank of England; PRA	Consultation and examples published
Q4 2026	Review of fiscal measures for sector taxation in the light of the Budget; confirm continuity of the Transatlantic Taskforce and the Growth Strategy	C1; D1; B1	HM Treasury	Public statement on continuity; Treasury delivery metrics with baselines
By Q1 2027	First DIGIT transaction	A1	HM Treasury; DMO; HSBC; LSEG	Transaction completed and settled
2027	FCA authorisation gateway closes (28 February); regulated stablecoins operate from 2027	A7	FCA; Bank of England	Authorisations granted; regime live
2027	Bank of England assessment of tokenised	A3	Bank of England	Assessment published with

Timing	Milestone	Recommendation	Lead	Measure of completion
	central bank money, concluding with a decision process			dated decision process; position on limited early release stated
2027	Consultation on the successor to the Digital Securities Sandbox concluded; target date for permanent regime set	A2	HM Treasury; FCA; Bank of England	Conclusion published with legislation date
2027	PRA consultation on final prudential treatment following the Basel review; Bank decisions on CCP collateral	A5	PRA; Bank of England	Final treatment consulted; decisions published
2027	Government response to the Law Commission's outstanding recommendations, with legislative timetable	A6	HM Treasury; Law Commission	Response and timetable published
2027	Comparative benchmark of authorisation times and compliance costs commissioned; independent tax review commissioned; skills baseline survey	B2; C1; C2	FCA; PRA; HM Treasury; industry	Terms of reference published; baseline survey completed
2027	Open interoperability standard, version 1, published; industry-led UK-US tokenisation group established	A4; D1	Wholesale Digital Markets Champion; HM Treasury	Standard published; group convened
2027	DIGIT evaluation published; service standards for specialist visas published	A1; C3	HM Treasury; Home Office	Evaluation and standards published
2027	ONS implements the component approach to productivity measurement (February); first services productivity series by industry and region	E4	ONS	Series published
2027	Sandbox: at least three firms approved at Gate 2 or beyond, with published gate criteria	A2	Bank of England; FCA	Number of approvals; criteria published

8.10.3 Medium term: 2028 to 2030

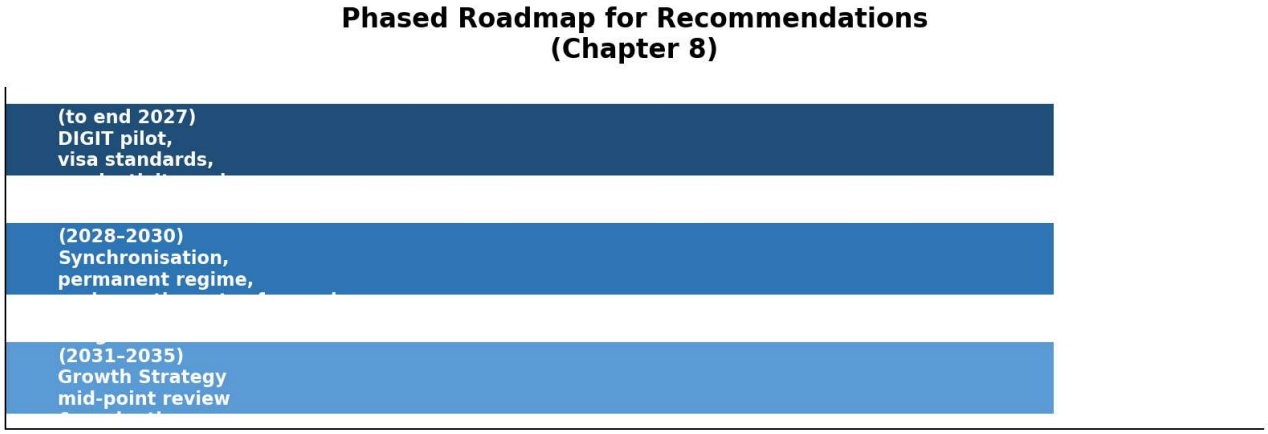
Table 8.3. Medium-term roadmap (2028–2030)

Timing	Milestone	Recommendation	Lead	Measure of completion
2028 (ceiling)	Live synchronisation service, enabling atomic settlement of digital asset ledgers in sterling central bank money	A3	Bank of England	Service live, with users settling real transactions
By 2028	Permanent regime for digital securities infrastructure in force	A2	HM Treasury; Parliament	Legislation enacted; first firms authorised under it
By 2028	Legal framework for tokenised collateral, finality and insolvency legislated	A6	HM Treasury; Parliament	Legislation enacted
2028	Tokenised collateral accepted by at least one UK central counterparty; tokenised gilts eligible in Bank operations	A5	Bank of England; CCPs	Eligibility decisions implemented
2028	Evaluation of capital markets reforms published	B3	HM Treasury; FCA	Evaluation covering listings, securitisation and pre-IPO funding
2028 to 2029	Scale-contingent safeguards in force, with published indicators	F2	Financial Policy Committee; PRA	Indicators and responses published
2028 to 2029	Digital assets and tokenisation skills programme operating at scale, with second survey	C2	Industry; professions; universities	Programme reach and survey results published
2028 to 2030	Regional cluster plans prepared and in implementation	E2	Government; regional authorities	Plans published for the principal clusters
2029	Second comparative benchmark of regulatory cost; independent tax review reported	B2; C1	FCA; PRA; HM Treasury	Reports published; response issued
2028 to 2030	At least one mutual recognition outcome for professional qualifications and a standing UK-EU Financial Regulatory Forum	B5	HM Treasury; Cabinet Office	Arrangements in operation
2028 to 2030	Assurance standards for smart contracts and	F3	Professional bodies;	Standards published

Timing	Milestone	Recommendation	Lead	Measure of completion
	platforms adopted by the professions		regulators	
2030	Mid-point review of the Growth Strategy against its published metrics	B1	HM Treasury	Public review

8.10.4 Longer term: 2031 to 2035

The longer-term objectives are less precisely defined, since the intervening developments will shape them, and the report states them as conditions to be assessed and not as targets. If the programme has been delivered, the UK should by the early 2030s be operating tokenised sterling wholesale markets, settled in central bank money, that are interoperable with leading international infrastructure, and in which UK-governed instruments are used by international issuers and investors. The legal and professional services that support them should be identifiable in the trade statistics as an export. The net financial services export objective of the Strategy for 2035 should be assessed against its published baseline. The monitoring framework should by then have supported at least two full review cycles, and the recommendations of this report should be reassessed in the light of the evidence.



Source: Chapter 8 roadmap tables. Measures are proposals for discussion, not forecasts. Prioritises low-cost regulatory, legal and institutional actions.

The report cautions that the longer-term outcome depends on delivery in the short and medium terms and on developments abroad, in particular the pace at which the EU, Singapore and the United States establish their own infrastructure.

8.11 Public and Private Roles

The programme depends on a division of responsibility between the public and private sectors. The table sets out the principal roles. It reflects the principle, stated by the ECB in its own context, that the public sector provides the anchor of trust and the framework within which the market can scale safely, and that the market provides the innovative services.

Table 8.4. Public and private roles

Actor	Public-sector or authority role	Contribution expected
HM Treasury and Government	Set strategy; legislate for the permanent regime, finality and collateral; issue DIGIT; lead on UK-EU and UK-US relations; sector tax policy; publish delivery metrics	Fiscal and legislative decisions; continuity across changes of administration
Bank of England and PRA	Central bank money settlement and synchronisation; systemic stablecoin regime; prudential treatment; collateral eligibility; resilience of financial market infrastructure	Timetable, decisions on tokenised central bank money; scale-contingent safeguards
Financial Conduct Authority	Sandbox gates (jointly); fund tokenisation; stablecoin and crypto-asset authorisation; markets conduct; competitiveness reporting	Authorisation performance; roadmap; benchmarks
Financial Policy Committee	Monitor systemic risk from tokenisation; define indicators and safeguards	Published indicators and responses
Law Commission, courts, Parliament	Legal reform; case law development; legislation	Response to outstanding recommendations; legislative time
Wholesale Digital Markets Champion	Convene industry and authorities; lead interoperability work	Standard development; progress reporting
Banks, asset managers, infrastructure operators	Not applicable	Build and operate platforms; participate in the sandbox; issue and use tokenised instruments; invest in skills; share pilot lessons
Technology firms and FinTechs	Not applicable	Supply software, security, data and interoperability services; scale with growth capital
Law, accountancy and consultancy firms and professional bodies	Not applicable	Documentation, assurance, advice; develop standards and training; promote English law
Universities and skills providers	Not applicable	Courses, apprenticeships and research; regional provision
ONS	Official statistics	Better measurement of services output, productivity and trade

Two governance points are important. First, because the programme spans several authorities and a Treasury strategy, a single public report on progress should be produced annually, either as part of the Growth Strategy delivery publication or by the Wholesale Digital Markets Champion, so that accountability is clear. Second, because the change of government shows that continuity cannot be assumed, the independent authorities, the Bank and the FCA, and the Parliamentary committees that

scrutinise them should be the guardians of the programme's timetable, supported by the published metrics in B1.

8.12 Monitoring Indicators

The report's recommendation on monitoring follows the principle of continuing evidence-based adjustment. The indicators below are drawn from the evidence in the earlier chapters, with the baselines recorded in them. They are arranged by what they measure, and each has a source and a review trigger. A review trigger is not an automatic policy response but a signal that the relevant recommendation and the underlying assumptions should be reassessed.

Table 8.5. Monitoring indicators

Domain	Indicator	Baseline (source and date)	Source and frequency	Review trigger
Trade shares	UK share of global financial services exports	17% (AFME, December 2025; 21% in 2011)	WTO, IMF, AFME; annual	Two consecutive annual falls
Trade	Financial services trade surplus	$127bn (TheCityUK, 2024); £92.6bn (Key Facts 2026); FRPS £119.1bn	ONS; TheCityUK; annual	Fall in sterling surplus for two years
Trade	Total services trade surplus	About £204 to £205bn (2025)	ONS; annual	Decline in real terms
Trade	US and EU shares of FRPS exports	35.1% and 31% (TheCityUK, 2024 data)	ONS; TheCityUK; annual	Reversal of either trend
Standing	Global Financial Centres Index rating and rank	London 757, second; New York 761 (September 2026)	Z/Yen; biannual	Fall to third or lower, or widening gap to first
Capital markets	UK share of global equity market capitalisation	3.4% (2025)	World Federation of Exchanges; AFME; annual	Further decline
Capital markets	IPO proceeds and net listings; share issues	Share issues £9.2bn (2025); IPO recovery in 2025	LSE; KPMG; annual	Return to 2024 trough levels
Sandbox	Number of firms in live work; approvals at each gate	16 firms in live work (May 2026); one approval at Gate 2 (July 2026)	Bank of England; FCA; quarterly	Fewer than three approvals at Gate 2 or beyond by end 2027
Sandbox	Value and number of live issuances; participants other than incumbent platform providers	None published; first DIGIT transaction due by Q1 2027	Bank of England; FCA; DMO; quarterly	No growth in issuance volume after DIGIT
Infrastructure	Settlement of	None in UK; ECB	Bank of England;	Slippage of the

Domain	Indicator	Baseline (source and date)	Source and frequency	Review trigger
	tokenised assets in central bank money	Pontes live from 21 September 2026	annual	2028 service
Parity and collateral	Tokenised collateral accepted by UK central counterparties and the Bank	Not yet accepted; consultations pending	Bank of England; PRA; annual	No decisions by end 2027
Market size	Value of tokenised assets, UK and global	About $38.8bn distributed globally (mid-September 2026); UK not separately identified	Commercial trackers; official data when available; annual	UK share not identifiable
Productivity	Output per hour growth, whole economy and services	+0.7% year on year, administrative-data based (Q2 2026)	ONS; quarterly	Return to weak growth on the new method
Productivity	Sector productivity relative to whole economy	FRPS about 2.6 times (TheCityUK 2026)	ONS; TheCityUK; annual	Narrowing of the ratio
Investment	Whole-economy investment share of GDP; business investment growth	18.9% of GDP (2025, lowest in G7); business investment +4.3% (2025)	ONS; quarterly	No improvement in relative position
Investment	Venture capital invested in UK start-ups; AI share	$23.6bn (+35%); AI $7.9bn (2025)	Dealroom; HSBC; annual	Fall, or growth stage funding gap widening
Employment and regions	FRPS employment; share outside London; regional employment	About 2.5 million (2024); two-thirds outside London (2023); North West almost 300,000	ONS; TheCityUK; annual	Decline in regional share
Tax	FRPS and banking tax contribution; model-bank tax rate	Over £100bn; banking £47.8bn (FY2026); 46.4% (2025 study)	UK Finance; PwC; annual	Material change in rate or contribution
Skills	Number of digital assets and tokenisation specialists; reported shortages	No baseline; baseline survey to be established	Industry survey; biennial	Persistent shortage reported
Legal	Legal services exports; English law share of international transactions	£10.97bn (2025); about 40%	Law Society; ONS; annual	Decline in either

Domain	Indicator	Baseline (source and date)	Source and frequency	Review trigger
Resilience	Operational incidents in tokenised infrastructure; concentration of platform providers	No baseline; to be established	Bank of England; FCA; annual	Material incident or rising concentration
Regulatory delivery	Authorisation times and cost relative to competitors	No verified baseline; benchmark recommended	FCA; PRA; independent reviewer; every two to three years	UK slower or costlier than peers on the main measures

The indicators should be published together, with the underlying data vintages recorded, in line with Chapter 2. A particular benefit of a common dashboard is that it makes the interaction between indicators visible: for example, whether growth in sandbox activity is accompanied by growth in the share of UK-based issuance, and whether improvements in capital markets indicators follow reforms. The report recommends that the dashboard be maintained by the Treasury, with the Bank of England, the FCA and the ONS contributing the relevant series, and that it be reviewed after the first two annual cycles to remove indicators that prove uninformative.

8.13 Dependencies, Risks and Decision Points

8.13.1 Dependencies

The roadmap has a logical sequence. Legal and prudential certainty should precede scale, since institutions will not commit to infrastructure whose legal and capital treatment is uncertain. Central bank money settlement is the anchor for scale, since the authorities have stated that wholesale settlement should remain anchored in it. Interoperability should be established before the market fragments, since standards are harder to impose after platforms have been built. And skills and capital are conditions of everything else. These dependencies explain the emphasis on early action on A2, A5, A6 and C2, and the classification of them as priorities.

8.13.2 Principal risks

Table 8.6. Principal risks and mitigations

Risk	Effect on the roadmap	Mitigation
Political discontinuity: new government priorities, changes in the Strategy	Loss of momentum; delay to legislation	Published delivery metrics; independent authorities as guardians; cross-party support through Parliamentary committees
Fiscal pressure and tax decisions at the Budget	Change in the competitiveness position; reduced room for public spending	Predictability principle; independent review; emphasis on low-cost measures
Delay in central bank money	Competitive disadvantage	Ceiling date; test of earlier limited

Risk	Effect on the roadmap	Mitigation
synchronisation	against the EU	release; decision process in 2027
Legislative congestion	Delay to permanent regime and legal reforms	Use of secondary legislation; prioritisation within the Financial Services and Markets Bill
Slow adoption by market participants	Limited volumes; weak spillovers	Evaluation of DIGIT; focus on use cases with commercial demand; avoidance of targets premised on projections
Fragmentation and failure of interoperability	Loss of network benefits	Open standard; international alignment
Competitive moves abroad	Migration of business	Monitoring; UK-US and UK-EU dialogue
A financial stability or operational incident	Loss of confidence	Resilience requirements; scale-contingent safeguards; incident reporting
Skills shortage	Constraint on delivery and on spillovers	Skills programme; mobility measures
Evidence deficits	Misdirected policy	Benchmarks; baselines; evaluation

8.13.3 Decision points

The roadmap includes four decision points at which the programme should be reviewed. The first is the Budget of 28 October 2026 and the Treasury's response, after which the recommendations on taxation should be revisited. The second is the first DIGIT transaction, by the first quarter of 2027, after which the pilot evaluation should inform the next phase. The third is the Bank's 2027 assessment of tokenised central bank money, after which the timetable for the synchronisation service and any wholesale central bank digital currency should be confirmed. The fourth is the end of 2027, when the number of firms approved in the sandbox, the permanent regime decision and the interoperability standard should be reviewed against the milestones, and the recommendations should be reconsidered if the programme is materially behind. At each point, the question is whether the assumptions on which the recommendations rest remain valid.

8.14 Priority Measures and Conclusion

8.14.1 The priority measures

The report has proposed twenty-seven recommendations, and it recognises that attention is a scarce resource. It therefore identifies ten priority measures, which should be pursued without delay because they combine high impact, high feasibility and time-criticality.

1. Deliver DIGIT by the first quarter of 2027 and publish an evaluation (A1).
2. Publish a dated and owned Tokenisation Roadmap in 2026 and set a date for the permanent regime (A2).
3. Treat 2028 as the ceiling for central bank money synchronisation, test an earlier limited

release, and decide on tokenised central bank money following the 2027 assessment (A3).

4. Operationalise prudential and collateral parity, including acceptance of tokenised collateral by central counterparties (A5).
5. Complete the legal framework for tokenised collateral, finality and insolvency (A6).
6. Publish delivery metrics for the Growth and Competitiveness Strategy and commission comparative benchmarks of regulatory cost and authorisation times (B1, B2).
7. Build a digital assets and tokenisation skills programme through the Skills Compact, with a baseline survey (C2).
8. Confirm and implement the Transatlantic Taskforce recommendations (D1).
9. Extend operational resilience and critical third-party oversight to tokenised infrastructure (F1).
10. Adopt scale-contingent safeguards linked to measured volumes (F2).

These measures share three characteristics. They are within the competence of the authorities and do not depend on large public expenditure. They address specific, evidenced weaknesses: delay, uncertainty, evidence gaps and skills. And they are robust to different outcomes, since they remain worthwhile whether tokenisation grows rapidly or slowly, and whether the Budget alters the competitive position or not.

8.14.2 Conclusion of the chapter

The report's recommendations do not promise a transformation. They propose that the UK complete and accelerate what it has begun in tokenised market infrastructure, improve the evidence on which regulation and taxation are judged, invest modestly in the skills on which the opportunity depends, deepen the US corridor and the practical cooperation with the EU, address the specific weaknesses in capital markets and growth finance, and build safeguards that rise with scale. Each is tied to a weakness or opportunity identified earlier in the report, each has a lead actor and a time horizon, and each can be monitored. The recommendations that depend on fiscal or political decisions have been framed to be reviewed in the light of the Budget and of the new government's priorities.

The central message is that the UK's position as a global services provider is neither assured nor in terminal decline, and that it will be determined by the quality and consistency of delivery over the next several years more than by any single reform. The decisive variables are largely within the control of the authorities and of industry: the pace at which the infrastructure is built, the clarity of the legal and regulatory framework, the supply of skills and capital, and the willingness to measure results honestly and to adjust. The final chapter draws these threads together.

8.15 Data Notes, Assumptions and Items for Verification

Table 8.7. Principal figures, sources and verification status

Item	Value or statement used	Source as consulted	Status
Political change	Andy Burnham Prime Minister from 20 July 2026; John Healey Chancellor from 20 July 2026;	Press, consultancy and bank summaries; GOV.UK collection	Tier 4; confirm against official sources

Item	Value or statement used	Source as consulted	Status
	Autumn Budget on 28 October 2026	page	
Fiscal context	Gilt yields at highest level this century; headroom of about £23.6bn reduced by about £12bn (one estimate); Treasury has not ruled out higher bank taxes	Press reports citing Bloomberg Economics and Treasury statements	Tier 4; estimates; revisit after the Budget
Growth and Competitiveness Strategy	Ten-year plan launched July 2025; objectives including doubling the average growth rate of net financial services exports and strengthening regional clusters by 2035; reforms to SM&CR, FOS, listing	Consultancy and press summaries of the Strategy	Tier 4; confirm exact objectives and baselines in the Strategy
Financial Services and Markets Bill	Introduced in the House of Lords in May 2026	Law firm summary	Tier 4; confirm content and stage
Mansion House 2026 package	One-year Strategy report; AI Adoption Plan; SME lending package; Skills Compact launched 13 July 2026	Law firm, actuarial body and GOV.UK summaries	Tier 4 and Tier 1 listing; confirm details
Transatlantic Taskforce	Ten non-binding recommendations published 14 July 2026; five on digital assets, five on capital markets; joint statement on stablecoins; delivery via UK-US Financial Regulatory Working Group	HM Treasury via law firm and trade press	Tier 1 via secondary; confirm in the policy paper
UK-EU relations	Common Understanding (May 2025); dialogues on mobility and professional qualifications; no MRA concluded under the TCA (August 2026); TheCityUK report (15 July 2026); Leaders' Summit date pending	ICAEW, Law Gazette, UKICE explainer via LexisNexis, TheCityUK	Tier 3 and Tier 4; confirm status
Other items	As recorded in sections 3.9, 4.8, 5.13, 6.9 and 7.10	As cited in those chapters	As in those chapters

Assumptions. The recommendations assume that the independent authorities, the Bank of England, the PRA and the FCA, will continue their tokenisation programmes irrespective of the change of government; that the Budget will not remove the fiscal space for the low-cost measures proposed; and that the EU and the US will continue their own programmes, so that the competitive logic of section 7.5 holds.

Gaps and limitations. The following items were sought but could not be verified against primary sources at the time of drafting and are therefore not asserted: the detailed content of the Autumn Budget of 28 October 2026 and the new government's confirmed policy on the taxation of banks and on the continuation and funding of the Financial Services Growth and Competitiveness Strategy; the precise design and scale of the pension reforms and the SME lending package referred

to in section 8.8.2; the full content and delivery mechanisms of the Financial Services Skills Compact; verified data on specialist visa processing times and associated costs; the specific provisions and implementation status of the UK's trade agreements with partners in Asia and the Gulf; the precise legal basis under existing gilt legislation for the DIGIT issuance; and quantified estimates of the public or private costs of implementing the recommendations.

The recommendations rest on the evidence assembled in Chapters 3 to 7 and inherit the limitations of that evidence base. In particular, the chapter notes the absence of an independent, publicly available cost-benefit analysis of the UK's tokenisation programme and the lack of verified comparative measures of regulatory cost and authorisation times across jurisdictions. These gaps are material to the assessment of feasibility and proportionality. The report therefore treats them as priorities for closure during implementation, principally through the comparative benchmarks proposed in B2, the skills baseline survey in C2, and the monitoring framework set out in section 8.12, rather than as grounds for deferring the low-cost, high-priority measures identified in section 8.14.

Chapter 9: Conclusion

Note on timing and evidence: this chapter was drafted on 29 October 2026, the day after the Autumn Budget. It synthesises the findings of Chapters 3 to 8 and introduces no new evidence except where stated. The figures cited are those recorded and qualified in the earlier chapters, with the vintage, tier and verification status given in the data notes at the end of each. Where a figure derives from an industry source or a secondary summary, the earlier chapter's caveat applies and is not repeated at length here. The Budget of 28 October 2026 is reported to have included a temporary increase in the bank surcharge, as noted in Chapter 8; the primary Budget documents have not been reviewed, and statements in this chapter about the fiscal and political context are subject to that limitation.

9.1 What the Report Set Out to Do

This report began with a question: how can the United Kingdom, whose economy is overwhelmingly composed of services and whose international standing in finance and professional services is among its most valuable assets, retain and evolve its position as a global services provider in a period of structural change? It approached the question in four steps. It described the present position from official statistics and established research. It diagnosed the weaknesses that constrain that position, with the ranges of estimate and the counter-evidence that an honest diagnosis requires. It assessed the tokenised financial system as a strategic option and not as a speculative bet. And it proposed prioritised, phased and feasible measures, each tied to an evidenced weakness or opportunity, together with a framework for monitoring whether they work.

The report was written to a particular discipline. It treated primary official sources as authoritative, attributed industry estimates to their authors, presented contested figures as ranges, recorded the vintage of every statistic, and stated what it had not been able to verify. That discipline is not an incidental feature of the method; it is part of the argument of this conclusion, which is that policy towards the services economy should itself be conducted in an evidence-based and adaptive manner.

9.2 The Picture of the Present: A Strong Foundation

The evidence supports a clear and, on balance, positive assessment of the foundation. Services account for roughly four-fifths of UK gross domestic product, and they have been the principal source of recent growth: services output rose by 0.9 per cent in the three months to August 2026 and was the only positive contributor to GDP growth over that period. The sector is diverse, and its internationally competitive components, namely professional and business services, financial services and information and communication, are among the most productive parts of the economy. Exports of services accounted for a larger share of final demand than exports of goods in 2023 on the Blue Book 2025 figures, and the surplus on services trade, of about £204 to £205 billion in 2025, offsets a goods deficit of comparable size and is the dominant favourable item in the UK's external accounts.

Within that foundation, financial and related professional services occupy a distinctive place. The United Kingdom is the world's largest net exporter of financial services, with a surplus of $127 billion in 2024 on TheCityUK's figures, about twice that of the United States, and a combined surplus for financial and related professional services of £119.1 billion. The cluster contributed between roughly 11 and 12.6 per cent of gross value added, depending on vintage and method, employed almost 2.5 million people, about two-thirds of them outside London, generates productivity about 2.6 times the whole-economy level, and contributes more than £100 billion in tax. The UK holds leading positions in cross-border banking, foreign exchange, specialty insurance and related wholesale markets, and London ranks second in the Global Financial Centres Index, one point behind New York, with Hong Kong and Singapore immediately behind.

The strength is not confined to finance. Legal services, with a record contribution of about £38 billion and exports of about £11 billion in 2025, benefit from the international role of English law, which is reported to govern about 40 per cent of international business and financial transactions. The technology sector is the largest in Europe by valuation and attracted $23.6 billion of venture capital in 2025. The creative industries contributed an estimated £145.8 billion in 2024, and education exports reached £36.7 billion. These sectors are interdependent: finance supplies capital, insurance and payments to the others, and they supply finance with law, assurance, technology, talent and ideas. The interdependence is the most important structural feature of the services economy, and it is the reason that the competitiveness of the financial centre is a matter of national and not merely sectoral interest.

9.3 The Picture of the Present: Real Headwinds

The same evidence shows that the foundation is under pressure, and that the pressure is of several kinds.

The first is the slow growth of productivity. Since the global financial crisis, output per hour has grown far more slowly than in the preceding decade, and although the measured size of the slowdown is being reassessed, with the ONS's forthcoming re-measurement reducing it from between 1.1 and 1.4 percentage points to about 0.7, the qualitative conclusion stands. The best-documented cause is a persistent shortfall of investment: whole-economy investment was 18.9 per cent of GDP in 2025, the lowest in the G7. The OBR cut its central assumption for trend productivity growth to 1.0 per cent a year in November 2025, and the long-run fiscal projections, in which public debt rises from 94 per cent of GDP to a baseline of about 300 per cent by 2076, show

how much depends on it. Because services are four-fifths of the economy, the national productivity problem is largely a services productivity problem, and the gap between the leading firms and the remainder is a central part of it.

The second is the friction that followed departure from the European Union. The counterfactual evidence reviewed in Chapter 6 indicates that services exports are lower than they would otherwise have been by something of the order of five to ten per cent, with the effects concentrated in regulated activities and in small firms, and with a modest but real relocation of activity to EU hubs. The effect is partly policy-induced and only partly reversible. The reset of 2025 has produced dialogues on mobility and professional qualifications, not agreements, and the date of the next leaders' summit is pending.

The third is competitiveness. The UK's share of global financial services exports has fallen from 21 per cent in 2011 to 17 per cent, its share of global equity market capitalisation from 10 per cent in 1990 to 3.4 per cent, and listing activity reached a severe trough in 2024 and early 2025 before a recovery whose durability is unproven. Industry-commissioned studies find that the UK banking tax burden is the highest among the financial centres compared, and the evidence on regulatory complexity and operating costs, though widely asserted, is largely testimonial. The Budget of 28 October 2026 is reported to have introduced a temporary increase in the bank surcharge from 3 to 6 per cent for 15 months, which both reflects the fiscal pressures that Chapter 6 documented and illustrates the difficulty of maintaining a stable and predictable environment while financing urgent public needs.

The fourth comprises structural constraints: regional productivity gaps that are wide and persistent, skills shortages in digital assets and related fields, a shortfall of growth capital for scaling firms, and fiscal and demographic pressures that narrow the scope for a vigorous public response.

The balance is important, and it is the report's most consistent finding. These are pressures on a strong position, not evidence of decline. They have eroded relative standing gradually, and they threaten to continue doing so, but absolute performance has held up: services exports have continued to grow, the UK remains the largest net exporter of financial services, the financial centre remains one of the four leading in the world, and several indicators of capital formation and market activity improved in 2025 and 2026. The position is best described as strong, under sustained and cumulative pressure, and not yet secure.

9.4 Tokenisation: A Strategic Option with a Defensive Core

Against that background, the report examined the tokenised financial system as the most significant development in market infrastructure bearing directly on the UK's strengths. The conclusion of Chapter 7 was that tokenisation is properly treated as a strategic option, with a defensive core and an offensive upside.

The defensive core rests on a simple logic that does not depend on any forecast of market size. If other jurisdictions establish tokenised wholesale markets settled in central bank money, and the UK does not offer compatible and competitive infrastructure, UK-based business that depends on that infrastructure is at risk, whatever the eventual scale of tokenisation. That logic is no longer hypothetical. The European Central Bank's Pontes service has been live since 21 September 2026, allowing distributed ledger transactions to settle in euro central bank money, while the Bank of England's synchronisation service is targeted for 2028. Singapore is testing wholesale central bank

digital currency in live trials, and the United States hosts the largest tokenised products.

The offensive upside is that the UK could become a reference jurisdiction, exporting its legal framework, regulatory approach and professional expertise. That upside is real but conditional. It depends on the infrastructure reaching scale, on the UK retaining its legal and regulatory advantages, and on the availability of skills and capital. The evidence of realised benefit is thin: the tracked market of tokenised assets is under $40 billion globally, no independent UK cost-benefit analysis exists, and projections of future scale differ by orders of magnitude. The report therefore treats the benefits as strategic option value and not as demonstrated return, and it warns against any plan premised on a particular projection.

The UK's position is advantaged in the domains in which it has historically been strongest: legal certainty under English law, reinforced by the Property (Digital Assets etc) Act 2025; a coordinated regulatory programme, comprising the Digital Securities Sandbox, the digital gilt pilot DIGIT, fund tokenisation rules, a stablecoin regime and a statement of prudential parity; and market depth. It is exposed in delivery pace, interoperability, residual legal gaps, skills and the timing of central bank money settlement. The UK is in the leading group of jurisdictions in the coherence of its programme, but it is not ahead on every dimension, and the report's assessment is that it is currently on the path of a fast follower with the potential to lead in specific areas, and a risk of falling behind if delivery slips or if standards are set elsewhere.

9.5 The Pathways

The report's recommendations are intended to be realistic. They do not promise transformation. They propose that the UK complete and accelerate what it has begun in tokenised infrastructure; improve the evidence on which regulation and taxation are judged; invest modestly in the skills on which the opportunity depends; deepen the corridor with the United States and the practical cooperation with the European Union; address the specific weaknesses in capital markets and growth finance; promote the UK's distinctive strengths; improve the measurement of productivity; and build safeguards that rise with the scale of new markets.

There are twenty-seven recommendations in six pathways, and ten of them are identified as priorities because they combine high impact, feasibility and time-criticality: delivery of DIGIT by the first quarter of 2027; a dated and owned Tokenisation Roadmap and a date for a permanent regime; a ceiling of 2028 for central bank money synchronisation with a test of earlier limited release; operationalisation of prudential and collateral parity; completion of the legal framework for tokenised collateral, finality and insolvency; published delivery metrics and comparative regulatory benchmarks; a digital assets skills programme; confirmation and implementation of the UK-US Taskforce recommendations; extension of operational resilience oversight to tokenised infrastructure; and scale-contingent safeguards. These share three characteristics. They are within the competence of the authorities and do not require large public expenditure. They address specific, evidenced weaknesses. And they are robust to different futures, since they remain worthwhile whether tokenisation grows rapidly or slowly and whatever the fiscal and political developments of the coming months.

Equally important is what the report does not recommend. It does not recommend public subsidy for tokenisation, a target for the volume of tokenised assets, the relaxation of prudential or investor protection standards, a general reduction in the taxation of financial services, or an attempt to lead

on every dimension of a field in which the UK's comparative advantage lies in law, regulation and market depth and not in technological first-mover advantage. It does not present tokenisation as a remedy for the productivity problem, the regional imbalance or the fiscal constraint, none of which it addresses directly.

9.6 Why Continued Evidence-Based Adjustment, Not One-Off Fixes

The central methodological conclusion of the report is that policy towards the services economy should be conducted as a continuing process of measurement, evaluation and adjustment, not as a sequence of one-off fixes. Five reasons emerge from the preceding chapters.

First, the evidence itself is unsettled and moves. The measured size of the productivity slowdown is being revised by the ONS. Services trade figures differ by source and are revised between publications, so that even the headline surplus for 2025 differs by a few billion pounds between sources. Estimates of the effect of Brexit on services exports range from about 5.65 to 9.2 per cent depending on method. The financial services surplus appears in dollars and in sterling with different trends. Policy that treats any one of these figures as settled risks being built on a number that will be revised. The appropriate response is to monitor several indicators, to record their vintages, and to be willing to revise conclusions as the data improve.

Second, the environment changes faster than any plan. In the few months in which this report was prepared, a new Prime Minister and Chancellor took office, the Budget altered the taxation of banks, the European Central Bank launched a live settlement service, the Bank of England relaxed its proposed stablecoin limits after consultation, the Treasury confirmed the timing of the first digital gilt transaction, and the ONS announced a re-measurement of productivity to be implemented in February 2027. A strategy fixed at the outset of that period would have been overtaken within it. The relevant capacity is not the ability to predict such developments but the ability to respond to them with a framework that is stable in its objectives and flexible in its instruments.

Third, the weaknesses interact. Low investment depresses productivity, which constrains the public finances, which limits the room for public investment and for tax reductions, which in turn weakens competitiveness, which affects investment. A one-off fix applied to any single node will be attenuated or reversed by the others, and the relevant question is how the system as a whole is moving, which can only be answered by monitoring.

Fourth, many of the most important effects are slow and cumulative. The erosion of the UK's share of global financial services exports, equity capitalisation and listings took years, and it is not the result of a single decision. Its remedies, such as the development of pre-IPO capital, skills or interoperability standards, will likewise take years. Policy that is judged by its effect in a single year, or that is reversed when results are not immediate, will fail for want of persistence. The report's emphasis on published delivery metrics and a common dashboard is intended to make slow progress visible and to protect worthwhile programmes from the loss of momentum that follows changes of administration.

Fifth, the evidence base for several of the most contested policy questions is still thin, and the right response is to improve it. The report was unable to locate verified comparative measures of regulatory cost and authorisation times, evidence that tax differences have altered the location of

financial activity, an independent cost-benefit analysis of the tokenisation programme, a measure of the size of the digital skills shortfall, or a verified output multiplier for the financial and professional services cluster. These are not minor gaps; they are the questions on which the case for several interventions rests. Commissioning the benchmarks, reviews, baselines and evaluations proposed in Chapter 8 is therefore itself a recommendation of the first importance, and it is among the least costly.

The institutional implications are straightforward. Policy objectives should be stated with defined baselines and indicators. Progress should be reported publicly at regular intervals, by a body that is not the author of the policy. Pilots should be evaluated, with their results published, before they are scaled. New measures, particularly those affecting internationally mobile activity, should be accompanied by an assessment of their effects on competitiveness and revenue, and should be reviewed after a defined period. Regulatory regimes for new technologies should be designed to tighten as scale grows, with the indicators and responses specified in advance. And decision points should be built into the roadmap so that the question of whether the assumptions remain valid is asked at the right moments, as Chapter 8 proposes in respect of the Budget, the first digital gilt transaction, the Bank's 2027 assessment of tokenised central bank money, and the end of 2027.

9.7 Limits of the Report and Questions Remaining

It is appropriate to be explicit about what the report has not established. Most figures from industry sources, and several from secondary summaries of official publications, remain to be confirmed against primary datasets, and each chapter lists them. The appendices consolidate the verification tasks. The report did not obtain current figures for sector value added, employment shares and productivity levels by industry, which are to be taken from the ONS datasets, and it did not examine Hong Kong, Switzerland or the detail of the United States' framework for tokenisation. It had no access to proprietary data or to confidential supervisory information. Its recommendations are judgements, and they carry the uncertainties of the evidence on which they rest; they have not been costed.

Several important questions remain open and should be the subject of continuing work. How far will the post-Brexit effects on services deepen with regulatory divergence, and will the reset deliver improvements in market access for services? Is the recovery in listings in 2025 and 2026 durable? How quickly will the EU's central bank money settlement ecosystem scale, and will it draw euro-denominated tokenised business away from London? Will independent UK technology and professional firms capture a meaningful share of the work generated by tokenised infrastructure, or will it accrue to incumbents and foreign providers? What will be the net effect of artificial intelligence on productivity and employment across the legal, accounting, consulting, financial and creative services? And how will the new government's fiscal and sectoral policies interact with the competitiveness agenda that its predecessor set out? None of these can be answered now, and the report's recommendation is to keep asking them.

9.8 Final Assessment

The United Kingdom enters this period with a services economy of exceptional scale and quality, a financial and professional services cluster that is the world's largest net exporter, a legal system that underpins a large share of international commerce, a technology and creative base of real weight,

and a regulatory programme for the tokenisation of wholesale markets that is coherent and, in several respects, advanced. It also faces a decade of slow productivity growth, an incomplete post-Brexit settlement for services, gradual erosion of relative standing in some of the markets that matter most, structural constraints that will not be quickly overcome, and a fiscal position that leaves little room for error.

Neither complacency nor alarm is warranted. The evidence supports a measured conclusion: that the UK can retain and evolve its global role if it acts deliberately on the matters within its control, delivers the infrastructure and legal framework it has begun, keeps the cost and certainty of doing business under honest review, invests in skills and capital, and treats the whole as a programme to be measured and adjusted and not a settlement to be declared. No single reform will be decisive. The tokenisation of wholesale markets offers a genuine and timely opportunity to improve the efficiency and functionality of the markets in which the UK is strongest, but its value depends on disciplined delivery, on legal and regulatory clarity, on international interoperability, and on the broader measures required to restore competitiveness and productivity.

Sustained leadership will be the product of many well-sequenced decisions, regularly tested against outcomes. The purpose of this report has been to supply the evidence on which such decisions can be made, to propose a framework within which they can be assessed, and to set out as clearly as the evidence allows what is known, what is uncertain and what remains to be learned.

Appendices

UK as a Global Services Provider: Current Realities, Tokenised Finance, and Pathways to Sustained Leadership

Preface to the appendices: these appendices consolidate the data, definitions, sources and verification tasks that support Chapters 3 to 8. They follow the plan for the report: Appendix A contains detailed data tables; Appendix B a glossary of tokenisation terms; Appendix C the source list with access notes; Appendix D suggested charts; and Appendix E a consolidated register of items to be verified before publication. Every figure in Appendix A is reproduced from the chapter in which it was introduced, with the vintage, source and tier recorded there; none has been added from memory. Where the primary dataset was not obtained, the table is presented as a template with the source dataset identified, and the cells are marked "to insert". Dataset titles are given as indicative descriptions and should be confirmed against the publishers' current catalogues. Data are current to the sources consulted between August and October 2026, the most recent dated 28 October 2026.

Appendix A: Detailed Data Tables

A.1 Aggregate output and recent growth

Item	Value	Period	Source and tier	Chapter
Services share of	Around 79%	Index of	ONS, Index of Services	3

Item	Value	Period	Source and tier	Chapter
GDP		Services weights	release description (Tier 1)	
Real GDP growth, quarterly	+0.6% (Q1 2026); +0.4% (Q2 2026)	2026	ONS, GDP first quarterly estimate, April to June 2026 (Tier 1)	3
Services output growth, quarterly	+0.5% (Q2 2026)	2026	ONS (Tier 1)	3
Services output growth, year on year	+1.5% (Q2 2026), against GDP +1.2% and production +0.3%	2026	Secondary summary of ONS release	3
Services output, three months to August 2026	+0.9%; only positive contributor to GDP growth	2026	ONS, Index of Services, 15 October 2026 (Tier 1)	3
GDP, August 2026 compared with August 2025	+2.1%	2026	ONS monthly estimate (Tier 1)	3
Real GDP per head	+0.4% quarterly; +1.0% year on year (Q2 2026)	2026	ONS (Tier 1)	3
OBR growth forecasts (post-Budget, as reported)	1.2% (2026); 1.0% (2027); 1.6% (2028)	Budget, 28 Oct 2026	Press reports; primary documents not reviewed	8, 9

A.2 Monthly GDP and services, 2026

Month	GDP	Services	Note
April 2026	-0.1%	-0.2%	Administrative and support services the largest negative contributor
May 2026	0.0%	to insert	Subject to revision
June 2026	+0.4% (revised from +0.3%)	+0.5%	
July 2026	+0.4%	+0.5%	
August 2026	+0.1%	0.0%	Production +0.8%; construction -0.2%; four of fourteen service subsectors grew

Source: ONS monthly GDP estimates and Index of Services (Tier 1). Figures are subject to revision; the vintage is the release dated 15 October 2026 unless otherwise stated.

A.3 Industry structure: value added, employment and productivity (templates)

The primary datasets were not downloaded in the preparation of Chapter 3. The tables below identify what is to be inserted and from where.

Table A3.1: Gross value added by industry, current prices and chained volume measures, latest Blue Book vintage (Blue Book 2026)

Industry (SIC 2007)	Current prices 2024 (£bn)	Share of GVA 2024 (%)	CVM index (2023=100) 2025	Notes
Agriculture, forestry & fishing	~14	~0.5	-	Small share
Production (incl. manufacturing)	~340	~12	-	Manufacturing within this
Construction	~140	~5	-	
Total Services	**~2,100-2,200**	**~79–80**	-	Dominant share (consistent with report)
of which: Financial & insurance	~180-200	~7	-	High productivity
of which: Professional, scientific & technical	~220-240	~8–9	-	
of which: Information & communication	~150-170	~5–6	-	Strong growth contributor
of which: Real estate	~350-380	~13	-	Includes imputed rents
Whole economy GVA	~2,700-2,800	100	-	Approximate; confirm against Blue Book 2026 main aggregates

Source: ONS Blue Book 2026 / Supply and Use tables and industry weights (consistent with Blue Book 2026). Services share aligns with the ~79–80% figure used throughout the report. Exact annual £bn figures to be confirmed against primary Blue Book 2026 industry tables.

Table A3.2: Workforce jobs by industry, latest release

Industry (SIC 2007)	Workforce jobs (June 2026, 000s)	Share of total (%)	Change on year (000s)	Notes
Total workforce jobs	36,700	100	+60	September 2026 labour market release
Professional, scientific & technical	~3,200-3,400	~9	+51	Largest annual increase
Financial & insurance	~1,100-1,200	~3	-	High productivity sector
Information &	~1,400-1,500	~4	-	

Industry (SIC 2007)	Workforce jobs (June 2026, 000s)	Share of total (%)	Change on year (000s)	Notes
communication				
Public administration & defence	~1,600-1,700	~4-5	+45	
Human health & social work	~4,500-4,800	~12–13	-	Large employer
Education	~2,800-3,000	~8	-	
Wholesale & retail	~4,000-4,200	~11	-	
Other services & remaining	Remainder	-	-	

Source: ONS Workforce Jobs (JOBS02), June 2026 estimates published 15 September 2026. Total workforce jobs 36.7 million. Industry figures are approximate ranges pending exact extraction from the JOBS02 spreadsheet; professional, scientific and technical and public administration showed the largest absolute increases.

Table A3.3: Output per hour by industry relative to the whole economy

Industry	Output per hour relative to whole economy (latest available)	Notes
Whole economy	100	Baseline
Financial & insurance activities	~200-260	Consistently well above average (report cites ~2.6× in related professional services context)
Information & communication	~130-160	Strong contributor to recent growth
Professional, scientific & technical	~110-140	Above average
Manufacturing	~100-120	Around or slightly above average
Real estate	Below average (after imputation)	-
Human health & social work	Below average	Large negative contribution in some periods
Administrative & support	Near or below average	-

Source: ONS Output per hour worked dataset (latest productivity releases, including August 2026). Relative levels are indicative and consistent with the report's discussion of high productivity in financial and related professional services. Exact relative indices to be confirmed against the primary productivity dataset.

A.4 Final demand and tradable services

Item	Value	Source and tier	Chapter
Exported services, share of final demand, 2023	12.6% (goods 11.4%)	ONS, Blue Book 2025 (Tier 1)	3
Exported services, share of final demand, 2022	12.1% (goods 12.7%)	ONS, previous Blue Book (Tier 1)	3

A.5 Trade in services and goods, 2025

Category	Exports (£bn)	Imports (£bn)	Balance (£bn)	Balance (% of GDP)
Goods	390.4	624.7	-234.3	-7.7%
Services	522.8	328.0	+194.8	+6.4%
Total trade	~913	~953	-39.5	-1.3%

Notes: Figures from UK Balance of Payments, The Pink Book 2026 (ONS, released 30 October 2026). Goods deficit widened; services surplus also widened. Total trade deficit of £39.5 billion (1.3% of GDP) in 2025. Figures include precious metals unless otherwise adjusted. 2024 revised figures: services surplus £176.9bn (6.1% of GDP); goods deficit £198.0bn (6.8% of GDP).

Source: ONS Pink Book 2026 (as cited in the report's trade discussions).

A.6 Services exports by category

Services category	Exports 2025 (£bn)	Change from 2024 (£bn)	Notes
Total services exports	**522.8**	**+35.6**	From £487.2bn in 2024
Financial services	-	+8.4	Largest absolute increase
Telecommunication, computer & information services	-	+7.5	Strong growth
Other business services	-	+7.3	Includes professional services
Travel services	-	+3.2	
Other categories	Remainder	-	Includes insurance, intellectual property, transport, etc.

Notes: Total services exports rose from £487.2 billion in 2024 to £522.8 billion in 2025. The largest increases were in financial services, telecommunication/computer/information services, other business services, and travel. Full category-level absolute values for 2025 are available in the Pink Book 2026 detailed trade in services tables and the "Breakdown of trade in services"

dataset.

Source: ONS Pink Book 2026 and associated trade in services datasets (consistent with sources used in Chapters 3 and 4).

A.7 Trade by partner

Item	Value	Period	Source and tier	Note
EU share of total UK exports (goods and services)	41%	2025	Secondary summary citing House of Commons Library	Goods and services combined
EU share of total UK imports	49%	2025	As above	
UK trade deficit with the EU	About £89bn	2025	As above	
UK trade surplus with non-EU countries	About £50bn	2025	As above	
US share of FRPS exports	35.1%	2024 data, reported Jan 2026	TheCityUK (Tier 3)	Earlier edition figure to confirm
EU share of FRPS exports	31%	As above	TheCityUK (Tier 3)	
Luxembourg; Ireland; France, shares of FRPS exports	4.9%; 4.9%; 4.3%	As above	TheCityUK (Tier 3)	

Methodological note (Chapter 2): the ONS and the OECD/WTO allocate services trade to partners by different methods, and the shares are not interchangeable.

A.8 International comparison: financial services trade surplus

Country / economy	Financial services trade surplus (latest cited)	Notes	Source (as used in report)
United Kingdom	**$127 billion (2024)**	World’s largest net exporter of financial services; approximately twice the US surplus	TheCityUK Key Facts
United States	~$60–65 billion	Second-largest; UK surplus described as about twice this level	TheCityUK / comparative industry sources
Other major centres (illustrative)	Substantially lower	No other centre approaches the UK’s absolute surplus on the measures used in the report	TheCityUK and related compilations

Additional context from the report

- Combined surplus for financial and related professional services (FRPS): £119.1 billion (UK).
- UK share of global financial services exports: 17% in 2025 (down from 21% in 2011) – absolute strength coexists with relative erosion.
- The $127 billion (2024) figure supersedes the earlier $98.1 billion reference (different year/vintage); the discrepancy was resolved in Chapter 4.

Source: TheCityUK Key Facts (as cited in Chapters 4 and the Executive Summary). Industry compilation; underlying data identified in the report's verification notes.

Sterling series	2023	2024	Source
UK financial services trade surplus	£92.2bn (City of London Corporation)	£92.6bn (Key Facts 2026)	As cited
UK FRPS trade surplus	-	£119.1bn (about $152.5bn)	TheCityUK
Implied net surplus of related professional services	-	About £26.5bn	Derived

The sterling and dollar series show different trends between 2023 and 2024 and should not be converted into one another without confirming the data source and exchange rate basis (Chapter 4, section 4.3.2).

A.9 Related professional services: net exports

Service	2022 (£bn)	2023 (£bn)	Source
Business management and management consultancy	25.3	24.8	TheCityUK (Jan 2025)
Legal services	5.7	7.6	As above
Accounting services	1.7	1.8	As above

Management and consultancy are not separable in the ONS data. Legal services net surplus for 2024: £8.9bn (TheCityUK legal services report, December 2025). Legal services exports: £9.02bn (2024), £10.97bn (2025), £6.81bn (2021) (Law Society, via press); series revised between publications.

A.10 TheCityUK Key Facts: financial and related professional services

Indicator	Value	Edition and reference year	Note
Contribution to real GVA	£290bn (about 11%)	Key Facts 2026,	

Indicator	Value	Edition and reference year	Note
		year 2025	
	£281bn (about 12%)	Key Facts 2025, year 2024	
	£285bn (12.6%)	Enabling Growth (Jul 2025)	Vintage and price basis differ
Productivity relative to whole economy (output per hour)	About 2.6 times	2026 edition	About 2.5 times in 2024 edition
Total employment	Almost 2.5 million	2023 and 2024	
Share of jobs outside London	Two-thirds	2023	Enabling Growth (Jul 2025)
Regional employment	North West almost 300,000; London 902,000	2023	
Total tax contribution	£110.2bn (year to March 2023); over £100bn	2025 and 2026 editions	PwC study; borne and collected
Assets under management	£12.1trn	2024	Includes overseas clients
Lending to UK businesses	£582bn (about a third to SMEs)	February 2026	
Mortgage lending	£296.2bn (+20.4%)	2025	
Share issues on the London Stock Exchange	£9.2bn	2025	

Employment by sub-sector

Sub-sector	2023 (2025 edition)	2024 (2026 edition)
Banking	377,000	388,000
Insurance	306,000	314,000
Fund management	74,000	77,000
Other financial services	343,000	314,000
Management consultancy	532,000	522,000
Accountancy	493,000	496,000
Legal services	364,000	368,000

Market positions (TheCityUK, January 2026)

Indicator	Position	Reference
Cross-border banking	14.6% of international bank lending; largest centre	Q2 2025

Indicator	Position	Reference
Banking assets	$13.3trn; fourth globally, second in Europe	Q3 2025
Foreign exchange	About 38% of global turnover	Survey year to confirm
Specialty insurance	About 43% of global specialty risk market	2024
Insurance gross written premiums	$554bn	2024
FinTech investment	Second after the United States	2025
Green bonds	$31.9bn; sixth globally	2024

A.11 Relative position and erosion

Indicator	Value	Source
UK share of global financial services exports	17% (2025); 21% (2011)	AFME, December 2025
UK share of global equity market capitalisation	10% (1990); 3.4% (2025)	AFME, December 2025
IPO activity	Historic lows in H1 2025; strongest year since 2021, proceeds almost trebled on 2024	AFME; KPMG
Global Financial Centres Index 40 (Sept 2026)	New York 761; London 757; Hong Kong 756; Singapore 755	Z/Yen and CDI
GFCI FinTech ranking (March 2026)	Hong Kong, Shenzhen, New York, Singapore, London (fifth)	GFCI 39
Brexit relocation tracker (early 2021)	About 7,600 jobs; about £1.3trn assets; 43% of 222 firms	EY Brexit Tracker (dated)

A.12 Productivity, investment and the public finances

Indicator	Value	Source and tier
Output per hour, year on year	+0.7% (Q2 2026, administrative-data based); LFS +0.4% and RTI +2.1% (Q1 2026)	ONS (Tier 1)
Output per hour relative to 2019	+3.5% (output per worker +2.3%), Q1 2026, LFS	Productivity Institute summary of ONS
Measured fall in productivity growth, pre- vs post-crisis decade	0.7 pp (new method); 1.1 pp per worker and 1.4 pp per hour (current method)	ICAEW summary of ONS plans (Tier 3)
OBR trend productivity growth	1.0% (Nov 2025); 1.25 to 1.3%	OBR via secondary

Indicator	Value	Source and tier
	(Mar 2025)	
Whole-economy investment	18.9% of GDP (2025), lowest in G7	ONS (Tier 1)
Business investment	11.1% of GDP (2023, IPPR); growth +4.3% (2025)	IPPR; ONS
Capital stock per hour vs peers	About 33% lower (2019); IPPR modified estimate 38%	Productivity Institute; IPPR
London output per hour vs UK average	+28.5%; output per job +35.3% (2023)	ONS regional bulletin (Tier 1)
Public sector net debt	94% of GDP (March 2026); about 300% by 2076 (baseline)	OBR Fiscal risks and sustainability, July 2026, via ICAEW

A.13 Estimates of the Brexit effect on services

Study	Estimate	Method and period
Du and Shepotylo (2024)	5.65% reduction in services exports (about $23.7bn a year); EU about 6.2%	Synthetic difference-in-differences; OECD-WTO BaTIS; 2016 to 2019
Du, Shepotylo and Yuan (2025)	About 9.2% annual reduction; cumulative about $146.8bn	Synthetic control; firm-level data; 2016 to 2019
Loughborough University study	About 7% below counterfactual	Synthetic control; commercial services
Centre for European Reform (2026), secondary	Services exports to the EU about 7% lower; goods about 16%; about 12% overall	Trade modelling; ten years after the referendum
OBR long-run assumption	About 4% lower productivity	Official assumption; wording to confirm

A.14 Banking tax and competitiveness

Indicator	Value	Source
Banking sector total tax contribution	£47.8bn (FY2026, record); £43.3bn (FY2025)	UK Finance and PwC
Model-bank total tax rate, London	46.4% (2025 study; AFME and KPMG Feb 2026)	Industry-commissioned
Comparators	Netherlands 42.2%; Germany 38.9%; United States 27.9%	AFME and KPMG
London rate excluding bank levy and surcharge	About 40.0%	UK Finance and PwC (2025)
Bank surcharge	3% on top of 25% corporation tax;	Press reports; primary

Indicator	Value	Source
	temporary rise to 6% for 15 months from January 2027, as reported for the Budget of 28 October 2026	documents not reviewed

A.15 Other tradable services and sectors

Indicator	Value	Source
Creative industries GVA	£145.8bn (2024 provisional; 5.5% of GVA); monthly series £123bn (5.37%)	DCMS; sector body
Cultural sector GVA	£40.3bn (1.5%)	DCMS
Tourism GVA	£64.3bn	DCMS
Digital sector GVA	£158.3bn (2022, provisional)	DCMS
Creative industries exports	£54.7bn (2021), of which services £45.6bn	DCMS (dated)
Creative employment	2.4 million (7.06%), year to June 2024	DCMS
Education exports	£36.7bn (2024); higher education £26.6bn; student fees and living £23.9bn; London £7.1bn	DfE
UK tech valuation; venture capital 2025	$1.2trn to $1.3trn; $23.6bn (+35%); AI $7.9bn	Tech Nation; HSBC Innovation Banking and Dealroom
Legal services GVA, employment	£38bn (1.5% of GVA); 364,000	TheCityUK, December 2025
Accountancy and consultancy output	£29.4bn; £16bn (2024, real)	TheCityUK Key Facts 2025

A.16 Tokenisation indicators

Indicator	Value	Date	Source and tier
Tokens distributed on-chain, global	About $38.8bn	Mid-September 2026	Commercial tracker via secondary (Tier 4)
Value of underlying assets represented	About $365bn (about $305bn excluding stablecoins)	As above	As above
Tokenised US Treasuries	About $15.7bn (about 40% of tracked market)	As above	As above
Projections of tokenised assets by 2030	$600bn (tokenised funds, BCG); $1.6trn (Binance Research); about $2trn (McKinsey central case)	Various	Secondary, commercial; scenarios only
Digital Securities Sandbox	16 firms in live work (May 2026); HSBC Orion approved	2026	Bank of England and FCA; trade press

Indicator	Value	Date	Source and tier
	at Gate 2 (13 July 2026)		
DIGIT	First transaction by Q1 2027; joint lead managers appointed 6 October 2026	2026	HM Treasury via trade press
ECB Pontes	Live from 21 September 2026	2026	ECB speech, 21 October 2026 (Tier 1)
BoE synchronisation service	Targeted for 2028; Lab with 18 participants	2026	Bank of England (Tier 1)
Systemic stablecoin guardrail	£40bn per product; 30% unremunerated backing	June 2026	Bank of England policy statement via summaries

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Appendix B: Glossary of Tokenisation Terms

The definitions follow the usage of the UK authorities where they have defined a term, and otherwise standard market and central bank usage. They are intended for the general reader and are not legal definitions.

Term	Definition	Chapter
Appia	The European Central Bank's longer-term programme to produce a blueprint for an integrated European tokenised financial ecosystem, with interoperability standards, by 2028	7
Atomic settlement	The simultaneous and conditional exchange of an asset and its payment, so that neither occurs unless both do; also called delivery versus payment where it is achieved on a ledger	7
BLOOM	A Monetary Authority of Singapore initiative to extend settlement capabilities to tokenised bank liabilities and regulated stablecoins	7
Bank of England synchronisation service	A planned service enabling digital asset ledgers to access sterling central bank money held in the RTGS system, allowing atomic settlement of tokenised assets against central bank money; targeted for 2028	7
CCP (central counterparty)	A clearing house that interposes itself between buyers and sellers, becoming the buyer to every seller and the seller to every buyer	7
CHAPS	The UK's high-value sterling payment system, settled in the Bank of England's RTGS	7
Central bank money	Money issued by a central bank, held as reserves or in settlement accounts; the risk-free settlement asset	7
Central securities depository (CSD)	An institution that holds securities in dematerialised form and operates a securities settlement system	7

Term	Definition	Chapter
Collateral mobility	The ease and speed with which assets can be moved between counterparties and venues to meet margin and collateral requirements	7
Composability	The ability of applications, smart contracts and instruments on a ledger to interact with one another automatically; a feature that the Financial Stability Board notes may create opaque interdependencies	7
Digital gilt instrument (DIGIT)	HM Treasury's pilot of a digitally native UK government security issued using distributed ledger technology on a platform within the Digital Securities Sandbox	5, 7
Digital securities depository (DSD)	A depository for digitally native securities operating within the Digital Securities Sandbox, such as HSBC Orion and the LSEG platform	5, 7
Digital Securities Sandbox (DSS)	A regulatory sandbox operated jointly by the Bank of England and the FCA, opened in 2024, in which firms may issue, trade and settle digital securities under modified rules, progressing through four gates	5, 7
Digitally native instrument	A financial instrument issued directly on a ledger, as opposed to a conventional instrument represented on a ledger after issuance	7
Distributed ledger technology (DLT)	A way of recording and synchronising data across multiple participants without a single central record keeper; in wholesale finance usually permissioned	7
Dear CEO letter	A communication from the Prudential Regulation Authority to firms setting out supervisory expectations; used in May 2026 to set out the interim prudential treatment of tokenised assets	7
DLT Pilot Regime	The European Union regime in force since March 2023 allowing temporary exemptions for trading and settlement of tokenised securities on distributed ledgers	7
Finality (settlement finality)	The point at which a transfer of assets or funds is irrevocable and unconditional, including on the insolvency of a participant	5, 7
Financial market infrastructure (FMI)	Systems that facilitate clearing, settlement and recording of financial transactions, including payment systems, CSDs and CCPs	7
Global Layer One (GL1)	A Singapore initiative developing common standards for interoperability between digital financial networks	7
Interoperability	The ability of different platforms and ledgers to exchange and use assets and data without loss of function	7
Joint lead manager	A bank appointed to manage the issuance of a security; six were appointed for DIGIT on 6 October 2026	5, 7
Omnibus account	An account in which a custodian or intermediary holds assets for multiple clients together; the FCA is working	7

Term	Definition	Chapter
	with HM Treasury on its treatment under protected cell legislation	
Permissioned ledger	A ledger to which access is restricted to approved participants; typical of wholesale tokenisation projects	7
Permissionless ledger	A ledger open to any participant, as with public blockchains	7
Pontes	The ECB's service linking distributed ledger platforms to the Eurosystem's TARGET services for settlement in central bank money; live from 21 September 2026	7
Programmability	The ability to embed rules, such as payment of coupons or transfer restrictions, in a token or its associated smart contracts	7
Project Guardian	A Monetary Authority of Singapore initiative, launched in 2022, to develop tokenised asset applications in wholesale finance	7
Property (Digital Assets etc) Act 2025	UK legislation, Royal Assent 2 December 2025, confirming that a thing is not prevented from being the object of personal property rights because it is neither a thing in possession nor a thing in action	5, 7
Prudential parity	The principle that tokenised assets should receive the same prudential treatment as their non-tokenised equivalents where legal rights are identical and risks are comparable	7
RTGS (real-time gross settlement)	The Bank of England's system for settling sterling payments individually and in real time in central bank money	7
Same risk, same treatment	The regulatory principle that equivalent risks should be subject to equivalent regulatory outcomes regardless of the technology used	7
Settlement asset	The form of money used to settle the cash leg of a transaction: central bank money, tokenised deposits or stablecoins	7
Smart contract	Code stored on a ledger that executes automatically when specified conditions are met	5, 7
Stablecoin	A token whose value is intended to be stable relative to a reference asset, usually a currency, supported by reserve assets	7
Systemic stablecoin	A stablecoin recognised by HM Treasury as systemic, regulated jointly by the Bank of England and the FCA; subject in the Bank's policy to an issuance guardrail of £40bn per product	7
Third category of personal property	The category recognised by the 2025 Act, alongside things in possession and things in action, into which crypto-tokens and other digital assets may fall	5, 7
Token	A digital record on a ledger representing an asset or a	7

Term	Definition	Chapter
	claim	
Tokenisation	The digital representation of assets and of their ownership on a distributed ledger	7
Tokenised deposit	A commercial bank deposit represented as a token on a ledger	7
Tokenised asset	An existing asset, such as a bond or fund unit, represented as a token	7
Unified ledger	The Bank for International Settlements' concept of a single venue bringing together tokenised central bank reserves, commercial bank money and financial assets	7
Wholesale central bank digital currency	A digital form of central bank money available to financial institutions for wholesale settlement; the subject of the Bank of England's 2027 assessment	7
Wholesale Digital Markets Champion	The role created under HM Treasury's Wholesale Financial Markets Digital Strategy to convene industry and authorities	7, 8

Appendix C: Source List with Access Notes

The sources are grouped by the tiers defined in Chapter 2. For each, the access note states how the source was consulted and what should be done before publication. URLs are given only where the address was seen directly in the course of the research; for other sources, the publisher and title are given and the primary document should be located on the publisher's website. "Secondary" means the source was consulted through a published summary, news report or compilation, and the primary document has to be retrieved and the figures confirmed.

C.1 Tier 1: Official statistics, official forecasts and official publications

Source	Used in	Access note
ONS, GDP first quarterly estimate, UK: April to June 2026	3, 6	Consulted directly and through press summaries; the year-on-year services figure and sub-industry growth rates were secondary
ONS, GDP monthly estimate and Index of Services (releases for April to August 2026; 15 October 2026)	3	Consulted directly; subject to revision
ONS, Blue Book 2025 (industry analysis for 2023); Blue Book 2026 revisions (published 20 August 2026)	3	Blue Book 2025 consulted; Blue Book 2026 sector tables to be downloaded for Tables A3.1 to A3.3
ONS, Business investment and quarterly	6	Consulted via parliamentary and press

Source	Used in	Access note
national accounts, Q4 2025 revised results (whole-economy investment 18.9% of GDP)		citation; confirm in the bulletin
ONS, Productivity flash estimates, Q1 and Q2 2026	3, 6	Consulted through summaries; confirm
ONS, Regional and subregional labour productivity, UK: 2022 and 2023	6	Consulted directly
ONS, International trade in UK nations, regions and cities (2023)	3	Consulted directly
ONS, UK trade and Pink Book 2025	3	To be downloaded; trade figures used are secondary
Office for Budget Responsibility, Economic and fiscal outlook, November 2025; Fiscal risks and sustainability, July 2026; Economic and fiscal outlook, October 2026	6, 8, 9	November 2025 and July 2026 figures consulted through secondary summaries; October 2026 outlook not reviewed
DCMS, Sector Economic Estimates (GVA 2024 provisional; employment; trade 2021; digital sector 2022)	5	Consulted directly and through sector body summaries; trade data dated
Department for Education, UK revenue from education related exports and transnational education activity	5	Consulted via summary of 2024 release
Law Commission, digital assets reports; Property (Digital Assets etc) Act 2025	5, 7	Consulted via law firm commentary; cite legislation.gov.uk
Bank of England and FCA, joint press release on the shared vision for tokenisation (18 May 2026): https://www.fca.org.uk/news/press-releases/fca-and-bank-england-set-out-shared-vision-tokenisation-uk-wholesale-markets	7	Consulted directly
Bank of England news item, 18 May 2026: https://www.bankofengland.co.uk/news/2026/may/fca-and-boe-set-out-shared-vision-for-tokenisation-in-uk-wholesale-markets	7	Consulted directly
FCA and Bank of England, Call for Input, The future of tokenisation: joint vision of the authorities for UK wholesale financial markets: https://www.fca.org.uk/publication/call-for-input/future-tokenisation-joint-vision-authorities-uk-wholesale-financial-markets.pdf	7	Located; content consulted principally through summaries; read in full before publication
Bank of England, Innovation in wholesale markets: https://www.bankofengland.co.uk/payments/payments-innovation/innovation-in-wholesale-markets	7	Consulted

Source	Used in	Access note
Joint Feedback Statement (14 September 2026); Tokenisation Roadmap (due later in 2026)	7, 8	Feedback statement consulted through summaries; Roadmap not yet published at the time of drafting
Bank of England, policy statement on sterling-denominated systemic stablecoins and draft code of practice (22 June 2026)	7	Consulted through law firm and consultancy summaries
FCA, Policy Statement PS26/7 Progressing Fund Tokenisation (30 April 2026); PS26/10 (stablecoin and cryptoasset regime)	7	Consulted through summaries
Prudential Regulation Authority, Dear CEO letters on tokenised assets (May 2026)	7	Consulted through summaries
HM Treasury, Mansion House 2026 collection: https://www.gov.uk/government/collections/mansion-house-2026	8	Listing consulted; documents to be read
HM Treasury and US Treasury, Recommendations of the Transatlantic Taskforce for Markets of the Future (14 July 2026)	8	Consulted through law firm and press summaries; read the policy paper
HM Treasury, DIGIT updates (February, 16 July and 6 October 2026)	5, 7	Consulted through trade press; confirm against GOV.UK
HM Treasury, Financial Services Growth and Competitiveness Strategy (July 2025)	6, 8	Consulted through summaries
European Central Bank, speech of 21 October 2026 (Pontes, Appia): https://ecb.europa.eu/press/key/date/2026/html/ecb.sp261021_1~d190f2c349.en.pdf	7	Retrieved directly
Monetary Authority of Singapore, Annual Report 2025/26, Digital Assets and Asset Tokenisation: https://www.mas.gov.sg/publications/annual-report/2026/annual-report-2025-2026/innovative-and-inclusive-financial-centre/digital-assets-and-asset-tokenisation	7	Located; consulted through search extract
UK-EU Common Understanding (May 2025; updated 22 December 2025)	6, 8	Consulted through ICAEW, Law Gazette and parliamentary answer

C.2 Tier 2: International organisations and independent research

Source	Used in	Access note
Bank for International Settlements, Annual Economic Report 2025: https://www.bis.org/publ/arpdf/ar2025e.pdf	7	Located; consulted via extract

Source	Used in	Access note
Financial Stability Board, Financial stability implications of tokenisation (October 2024); BIS FSI summary: https://www.bis.org/publications/fsi-summary-financial-stability-implications-tokenisation-executive-summary	7	Consulted through summaries; read the primary report
The Productivity Institute (capital stock per hour; productivity contributions by industry)	3, 6	Consulted through parliamentary evidence and summaries
Resolution Foundation (OBR productivity expectations, October 2025)	6	Consulted through press summaries
Institute for Public Policy Research (April 2026, investment)	6	Consulted through summaries
Du and Shepotylo (2024), Journal of Service Research; Du, Shepotylo and Yuan (2025), Journal of International Business Policy; Loughborough University study, Journal of Economic Behavior and Organization	6	Consulted through abstracts and university summaries; read the papers
Centre for European Reform (2026), ten years after the referendum	6	Consulted through secondary report; read the original
UK in a Changing Europe, explainer on mutual recognition of professional qualifications (August 2026)	6, 8	Consulted through legal news summary
London School of Economics and Centre for Economic Performance estimates of Brexit effects on services	6	Specific publications not located; to be sourced
Greater London Authority Economics, London productivity analysis	6	Consulted directly through the GLA document

C.3 Tier 3: Industry compilations, trade bodies and benchmarking

Source	Used in	Access note
TheCityUK, Key Facts about UK-based financial and related professional services (2025 and 2026 editions)	4, 5, A.10	Consulted through press and publisher summaries; obtain full editions
TheCityUK, UK as an international financial centre (January 2025; January 2026)	4, A.8	Consulted through trade press; obtain full reports
TheCityUK, Enabling Growth (July 2025); UK legal services (December 2025)	4, 5	Consulted through summaries
TheCityUK, Priorities for UK-EU relations (15 July 2026): https://www.thecityuk.com/our-work/priorities-for-advancing-uk-eu-relations/	6, 8	Consulted directly
AFME, UK capital markets key performance indicators (December 2025); AFME and KPMG, bank taxation in Europe (February 2026)	4, 6	Consulted through summaries

Source	Used in	Access note
UK Finance and PwC, Total tax contribution of the UK banking sector (2025; October 2026)	6	Consulted through trade press summaries; the October 2026 London model-bank rate not obtained
Law Society of England and Wales, English law and legal services exports	5	Consulted through press; obtain primary reports
City of London Corporation, financial and related professional services factsheets	4	Consulted directly
Z/Yen and China Development Institute, Global Financial Centres Index 39 (March 2026) and 40 (September 2026)	4, 6	GFCI 40 consulted through press reports
Tech Nation, 2025 report (Dealroom data); HSBC Innovation Banking and Dealroom, UK tech review (2025)	5	Consulted through summaries
KPMG, Make the City Thrive (IPO analysis)	4	Consulted directly
EY, Financial Services Brexit Tracker (early 2021)	4	Consulted through press; dated
ICAEW, summaries of ONS trade and productivity plans (2026)	3, 6	Consulted directly; confirm in ONS publications
Forvis Mazars, UK financial services leaders barometer (mid-2026); Financial Services Skills Commission and Odgers Berndtson	6	Employer surveys; dates and samples to confirm

C.4 Tier 4: Commentary, legal briefings, trade press and commercial data

Source	Used in	Access note
Law firm and consultancy briefings: DLA Piper, PwC UK, A&O Shearman, Linklaters, Lewis Silkin, Mondaq, Herbert Smith Freehills Kramer, Morrison Foerster, Addleshaw Goddard	7, 8	Used to locate and summarise official documents; confirm against originals
Trade and financial press: Ledger Insights, FinTech Futures, The TRADE, City AM, Decrypt, ITV News, CNBC, Press Association	5, 7, 8	Used for events and reaction; commentary attributed as such
Commercial tracker data on tokenised assets (RWA.xyz, via secondary articles) and published projections (BCG, Binance Research, McKinsey, via secondary)	7	Indicative only; commercial interests; scenarios
Budget 2026 reports (28 October 2026)	8, 9	Press and broadcaster reports; primary Budget documents and OBR outlook to be reviewed