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The UK-US Digital Finance Corridor: Is the EU building the rules while others build the market?

QuickTake

The United Kingdom and United States may be constructing something more consequential than another framework for regulatory cooperation on digital assets. On 14 July 2026, the Transatlantic Taskforce for Markets of the Future (**TTMF**) published recommendations[1] intended to deepen UK–US financial-market connectivity. The recommendations extend considerably beyond the accompanying joint statement on stablecoins.[2] The immediate proposals concern the UK and US. They envisage cross-border experimentation with tokenised assets; common approaches among the Bank of England, FCA, SEC and CFTC to questions including settlement finality and the potential use of stablecoins and tokenised money-market funds as CCP collateral; a "multi-money" ecosystem in which stablecoins, tokenised deposits and other forms of digital money coexist; and a joint effort to revisit the Basel prudential treatment of crypto-assets. The same package also addresses cross-border capital raising, foreign private issuers, consolidated tapes and substituted compliance.

[1] Available here.
[2] Available here.

Individually, these initiatives matter. Together, they suggest something more strategic:: *the emergence of a UK–US digital finance corridor built through practical regulatory interoperability rather than formal mutual recognition or equivalence.*

The broader proposition is harder to miss. London and New York are exploring whether cross-border market access can be built use case by use case, without first agreeing a comprehensive system of equivalence or mutual recognition. The authorities can identify a transaction, isolate the regulatory obstacles to it and seek sufficient alignment for that transaction to work across both markets.

For the EU this raises different questions. Can Europe convert regulatory leadership into market leadership? Does strategic autonomy also require interoperability? Is the EU's existing third-country architecture sufficiently agile for tokenised markets? Could differences in collateral eligibility or bank capital treatment influence where liquidity sits? Can MISP, the proposed Settlement Finality Regulation and the Eurosystem's Pontes and Appia initiatives create a genuinely scalable European market quickly enough? Can the EU ensure that assets regulated in Europe are also attractive to issue, trade, finance, collateralise and settle in Europe?

Europe is not starting from behind. MiCAR (Regulation (EU) 2023/1114) already provides a common crypto-asset framework. The DLT Pilot Regime (Regulation (EU) 2022/858) provides a route for tokenised financial instruments. The Market Integration and Supervision Package (**MISP**)[3] is intended to remove barriers across trading and post-trade infrastructure and to scale the DLT framework. The proposed Settlement Finality Regulation (**SFR**) addresses the legal point at which transactions become irrevocable notwithstanding insolvency. The Eurosystem intends to launch Pontes in the third quarter of 2026, connecting market DLT platforms to TARGET Services for settlement in central bank money, while Appia is developing the longer-term architecture for an integrated European tokenised financial ecosystem.

Europe has a digital-finance architecture and one that works increasingly well and may do better following various reforms. The harder question is whether *having the most complete architecture* is enough if other jurisdictions make their markets easier to use together.

The recommendations go considerably beyond stablecoins

The TTMF was established by HM Treasury and the US Treasury in September 2025 to deepen cooperation on digital assets and capital markets. Its July recommendations set out how that cooperation could become operational.

The first recommendation establishes a one-year private-sector-led programme to experiment with cross-border tokenised-asset use cases and identify the regulatory clarity and technical standards required to support them.

The second is more significant. The Bank of England, FCA, SEC and CFTC are to seek common approaches to the treatment of tokenised assets, including settlement finality for tokenised securities transactions and the possible eligibility and use of stablecoins and tokenised money-market funds as CCP margin collateral. The UK and US also contemplate greater use of flexible regulatory mechanisms to provide timely clarity.

The third and fourth recommendations connect this work to digital money. The accompanying stablecoin statement supports cross-border use of properly regulated stablecoins and commits both governments to explore pathways through which stablecoins issued in one jurisdiction might access the other. More broadly,

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[3] See extensive coverage on MISP and SFR on our EU RegCORE under the Savings and Investments Union tab.

the two countries envisage stablecoins, tokenised deposits and other forms of digital money coexisting within a multi-money ecosystem.

The fifth recommendation takes the discussion onto bank balance sheets. The UK and US intend to support a targeted review at the Basel Committee of the prudential treatment of crypto-assets, with the stated objective of making the standards future-proofed, technology-neutral and evidence-based.

Those digital-finance measures sit within a wider capital-markets programme. FCA and SEC staff will examine cross-border capital raising; SEC staff will take account of UK standards when considering reforms affecting foreign private issuers; the FCA and SEC will explore cooperation around consolidated tapes; and the FCA and CFTC will consider replacing temporary no-action relief for UK swap execution facilities with longer-term substituted compliance.

Not every recommendation will result in regulatory convergence. But the UK and US are assembling several existing techniques—regulatory cooperation, staff action, experimentation, no-action relief, substituted compliance and targeted recognition—around a common objective: *making the two markets easier to use together*. The implications extend beyond the UK and US.

What the TTMF means for US market participants

The TTMF is not merely a UK initiative that the US has endorsed. It carries direct implications for US financial institutions, and the mechanisms through which it could take effect raise distinct questions under US administrative law.

For US banks and broker-dealers, the commercial question is whether a UK–US corridor makes certain tokenised activities more attractive to conduct through London than through other European centres. If a tokenised MMF can serve as CCP collateral in both New York and London but faces additional friction in Frankfurt, the booking-model implications follow. US institutions with EU subsidiaries should therefore monitor TTMF developments alongside their MiCAR and MISP tracking.

For US asset managers, the FPI and cross-border capital-raising workstreams matter independently of the digital-asset elements. SEC staff engagement with UK standards when considering reforms affecting foreign private issuers could affect distribution, reporting and governance requirements for funds with transatlantic investor bases.

For US CCPs and clearing members, the collateral-eligibility workstream raises the question of whether tokenised instruments accepted in London could, over time, also be accepted in New York under comparable conditions. That would require engagement with CFTC margin rules (17 CFR 39.13) and, for security-based swaps, SEC capital and margin requirements. The TTMF contemplates precisely that coordination.

The US administrative-law question is how much of this can proceed through staff action and how much requires formal rulemaking. No-action letters, staff guidance and substituted-compliance determinations can move quickly but remain vulnerable to rescission. Formal rules take longer but provide greater durability. The TTMF's reference to "flexible regulatory mechanisms" suggests an initial preference for the faster route, but US institutions should not assume that staff-level accommodations will survive changes in administration or Commission composition. The political sustainability of any UK–US digital-finance alignment depends on whether it acquires institutional permanence through rulemaking or remains a policy preference subject to reversal.

Six questions Europe now needs to answer

1. Can Europe turn regulatory leadership into market leadership?

The EU has been the early rule-maker. MiCAR (Regulation (EU) 2023/1114) has applied fully since December 2024, providing a harmonised framework for crypto-asset issuers and service providers. The DLT Pilot Regime (Regulation (EU) 2022/858) permits trading and settlement of tokenised financial instruments under targeted exemptions. MISP proposes to expand and simplify that framework and make DLT-based market infrastructure more scalable. Yet the Commission itself acknowledges that participation in the existing Pilot Regime has so far been modest.

MiCAR can determine how a stablecoin is issued and supervised, but not whether it becomes an attractive institutional settlement asset. The DLT Pilot Regime can permit a tokenised security to trade, but not create liquidity. MISP can remove legal and supervisory barriers, but not guarantee that issuers or investors choose the resulting European infrastructure. The SFR can provide stronger legal certainty around settlement finality, but not determine where the transaction is booked. Pontes can provide central-bank-money settlement—

a potentially major advantage—but it still needs assets, platforms, intermediaries and investors using the infrastructure at scale.

The Commission's MISP proposals recognise the underlying problem. European capital markets remain fragmented and materially smaller relative to the economy than US markets; the package is expressly intended to reduce barriers to cross-border activity and innovation. The TTMF adds another dimension. Europe is trying to make its *single market work more like one market*. The UK and US are asking whether *two separate markets can be made to work more like one*.

Those are different exercises, but firms will compare their outcomes. The competitive question is no longer simply whether the EU has a more comprehensive digital-finance rulebook. It is *where* can a global financial institution most efficiently issue the asset, find the liquidity, fund the position, move the collateral and achieve legally robust settlement.

2. Does European strategic autonomy also require external interoperability?

The Eurosystem has a clear answer to one of the central questions in tokenised finance: what should sit at the centre of the settlement architecture?

Central bank money

Pontes is intended to connect market DLT platforms to TARGET Services and enable DLT-based wholesale transactions to settle in central bank money from the third quarter of 2026. Appia takes the longer view, examining how an integrated European tokenised-finance ecosystem could be constructed, with a blueprint envisaged for 2028. That gives Europe a significant potential advantage.

Institutional financial markets already rely upon central bank money as the ultimate settlement asset. Extending that anchor into tokenised markets reduces settlement risk, maintains the singleness of money and avoids building wholesale tokenisation around settlement assets whose credit and liquidity characteristics change with the issuer.

The Eurosystem is explicit about the strategic dimension: an integrated European digital-finance ecosystem, anchored in euro central bank money, as relevant not merely to innovation but to European financial sovereignty.

Autonomy and interoperability answer different questions. Pontes asks how a tokenised transaction can settle safely in euro central bank money. Appia asks how Europe can build an integrated tokenised ecosystem. A global bank must ask something additional: how does the resulting European asset or settlement arrangement interact with London, New York and other markets?

None of this is an argument for Europe to abandon monetary sovereignty or replicate whatever emerges from the UK–US process. It is an argument for treating external connectivity as part of the architecture rather than as an afterthought.

Appia itself appears capable of accommodating that debate. The ECB identifies technical standards, interoperability, collateral management and cross-border connectivity among the building blocks that the initiative needs to address. The policy question becomes more precise: can Europe create a settlement architecture anchored in euro central bank money while making European tokenised assets sufficiently interoperable with the other major global markets? If it can, the European model may prove particularly strong. If it cannot, monetary sovereignty could come at the cost of market reach.

3. Is the EU's third-country architecture still suited to tokenised markets?

The TTMF raises a more fundamental question about how market access is organised. EU third-country access has developed largely regime by regime. MiFIR (Regulation (EU) No 600/2014, Articles 46–49) has its third-country framework. EMIR (Regulation (EU) No 648/2012, Articles 25 and 25a) has recognition and equivalence arrangements for third-country CCPs. CSDR (Regulation (EU) No 909/2014, Article 25) addresses third-country CSDs. MiCAR (Regulation (EU) 2023/1114, Title VIII) has its own territorial perimeter. The proposed SFR adds another piece, replacing the Settlement Finality Directive (Directive 98/26/EC) with a directly applicable Regulation and establishing a more harmonised framework for third-country systems. That architecture has a clear logic: different financial activities create different risks and should not necessarily receive the same access treatment.

Tokenisation nevertheless tests it. One transaction may simultaneously involve a tokenised financial instrument, a DLT trading venue, a settlement system, a custodian, a tokenised deposit or stablecoin, collateral arrangements and several entities in different jurisdictions. The transaction does not care that those components sit in separate EU legislative silos.

The TTMF offers a contrasting approach. It starts with the transaction. Can UK and US market participants raise capital across the two markets more easily? Can a UK swap execution facility obtain lasting substituted compliance? Can a tokenised transaction achieve comparable treatment of settlement finality? Can a particular form of digital collateral be accepted at CCPs on both sides of the Atlantic?

The authorities then address the friction that prevents the relevant use case from working. That does not amount to general mutual recognition, but it may achieve some of the commercial effects of recognition much more narrowly. For Europe, the question is whether a use-case-specific interoperability layer is needed alongside the existing equivalence architecture.

That question is becoming more relevant as the SFR itself addresses third-country settlement systems. Our existing MISP analysis identifies the conditions for third-country systems and the attachment of EU insolvency protections as a material issue for global FMIs, banks and custodians. Tokenised markets may therefore expose a gap between *third-country regulation* and *cross-border market design*. Europe needs both.

4. Could collateral determine where tokenised liquidity develops?

The TTMF's reference to stablecoins and tokenised MMFs as potential CCP collateral may initially appear technical. It is not. Collateral eligibility determines where institutions hold liquid assets, how those assets move through the financial system and which infrastructures capture the associated flows.

No decision has been taken to make stablecoins or tokenised MMFs generally eligible collateral in the UK or US. The recommendation is expressly to examine their potential eligibility and use. Any credible framework would need to address credit and liquidity risk, redemption, custody, concentration, valuation, haircuts, operational resilience, enforceability and default management.

Asking the question jointly is already consequential. A regulated tokenised MMF usable for investment, financing and CCP margin in both London and New York means the holder no longer needs to exit the tokenised environment each time collateral is required elsewhere in the transaction chain. The same asset becomes more useful; that utility attracts liquidity. Once liquidity accumulates around particular instruments and infrastructures, regulation is no longer shaping only compliance costs—it is helping shape market structure.

The EU has a different starting point. MiCAR regulation of an EMT (Title IV, Regulation (EU) 2023/1114) or ART (Title III, Regulation (EU) 2023/1114) does not itself make that instrument eligible CCP collateral, nor does settlement-finality protection answer the collateral-eligibility question. EMIR (Regulation (EU) No

648/2012, Article 46 and related RTS), CCP risk-management requirements, prudential treatment and individual rulebooks remain relevant.

MISP is already attempting to make Europe's post-trade infrastructure more integrated. The Commission and Council work expressly connect post-trade interoperability, CCPs, CSDs, settlement finality and DLT scalability.

The TTMF adds a question that should sit alongside that work: if tokenised collateral becomes easier to deploy through UK and US infrastructures than through EU infrastructures, does some liquidity follow it? For European CCPs and clearing members, this should already be a scenario rather than a theoretical policy issue.

5. What happens if the capital treatment begins to diverge?

The Basel recommendation brings banks directly into the competitive equation. The Basel Framework's dedicated prudential treatment of crypto-asset exposures (SCO60) became effective on 1 January 2026. It distinguishes, amongst other things, between qualifying tokenised traditional assets, certain crypto-assets with effective stabilisation mechanisms and other crypto-asset exposures.

The UK and US now intend to work together in support of a targeted review of those standards. They have not proposed an alternative standard, and any Basel revision remains a multilateral exercise, but they have explicitly placed the question on the international agenda.

The EU already has its own legislative position. CRR III (Regulation (EU) 2024/1623) Article 501d establishes a transitional prudential treatment pending a dedicated permanent framework. Tokenised traditional assets are generally treated as exposures to the traditional assets they represent; qualifying ART exposures receive a 250% risk weight; other relevant crypto-asset exposures receive a 1,250% risk weight; and an aggregate exposure limit applies to specified crypto-assets. The EBA's technical work seeks, to the extent possible, consistency with the Basel standard. The EU has not ignored Basel. The issue is sequencing.

If the Basel standard is recalibrated as tokenised markets develop, how quickly does that revised treatment feed into EU law? Would UK and US implementation move earlier? Would differences persist long enough to affect business allocation?

For banks, even temporary divergence matters. A trading desk prices the capital allocated to it. A treasury function prices liquidity. A collateral desk prices haircuts and mobilisation costs. A client prices the complete transaction.

Where the same digital-finance activity consumes materially different capital in Frankfurt, London and New York, the issue ceases to be one of regulatory taxonomy and becomes one of return on capital and booking location. European banks should watch the Basel work closely and resist the temptation to confine it to a “crypto” workstream. The relevant exposures may increasingly arise from conventional financial activity conducted through new infrastructure: tokenised bonds, tokenised deposits, market making, collateral, custody and settlement. That distinction will become harder to maintain as tokenisation moves into mainstream finance.

6. Can MISP, the SFR, Pontes and Appia become one European market architecture?

This may be the most important European question. At present, the relevant EU initiatives can too easily be followed as separate workstreams:

- MiCAR for crypto-assets;

- the DLT Pilot Regime for tokenised financial instruments;
- MISP for capital-market integration and supervisory architecture;
- CSDR for settlement infrastructure;
- the proposed SFR for settlement finality;
- EMIR for clearing;
- CRR for bank capital;
- Pontes for central-bank-money settlement; and
- Appia for the longer-term tokenised wholesale ecosystem.

Markets will not experience them separately. A tokenised security needs an issuer and legal characterisation, somewhere to trade, a securities leg and a cash leg, custody, collateral if financed or cleared, and legal finality. The intermediary may need to hold capital against the exposure. All of that needs to work when the transaction crosses a border.

The DLT, CSDR and SFR elements of MISP need to be read together. Our earlier analysis identified the point directly: trading permissions and recording rules do not make a tokenised market scalable on their own; institutional adoption depends on finality, insolvency protection and a credible route from the Pilot Regime into mainstream infrastructure.

The SFR is especially important. The Commission proposes replacing the Settlement Finality Directive with a directly applicable Regulation. Parliament and Council negotiations now address final settlement, irrevocability, DLT, third-country systems and insolvency protection—questions that feed directly into system rules, collateral documentation, netting and finality opinions and default procedures.

Pontes adds the settlement asset. The ECB plans to make central bank money available for DLT-based wholesale transactions during the third quarter of 2026. Appia is intended to develop the wider architecture, standards and governance of the future European ecosystem.

Europe has most of the pieces. What it does not yet have is proof that the pieces will operate as one commercially scalable market. The UK–US project has less legislative completeness, but its organising question is already the transaction. The EU has greater legislative completeness. Its challenge is to make the legislation disappear, from the perspective of the user, into an equally usable transaction.

From regulatory cooperation to market architecture – the EU-UK-US triangle

There is no single race between three identical regulatory models.

- The US brings the world's deepest capital markets, dollar liquidity and a developing federal digital-asset framework.

- The UK brings an internationally oriented financial centre, a substantial existing interface with both US and EU markets and a regulatory architecture capable of using mechanisms such as no-action relief and substituted compliance alongside legislation.
- The EU brings something neither can offer independently: a large single market combined with a common currency across the euro area, a central-bank-operated settlement infrastructure, a comprehensive crypto-asset rulebook and an active legislative programme to integrate its capital markets. These are not minor advantages. A tokenised security issued under MiCAR and settled in euro central bank money through Pontes carries a form of institutional credibility that no private stablecoin arrangement can replicate. For risk-averse institutional investors—pension funds, insurers, sovereign wealth funds—that credibility may matter more than marginal efficiency gains from lighter-touch regimes elsewhere.

Europe has substantial advantages of its own. The risk is not that Europe lacks the components; it is that the components do not yet operate as one market. The EU could successfully construct the *best regulated European tokenised market* while London and New York construct the *most connected international one*. But the inverse is also possible: if Europe can combine regulatory credibility with external connectivity, it could offer something that neither the UK nor the US can match alone—a large, liquid, institutionally anchored tokenised market with central-bank-money settlement and seamless access to global capital flows.

Those outcomes are not mutually exclusive, but if they did emerge, firms would have to decide which characteristic matters more for each activity. That decision will often be made transaction by transaction.

Stablecoins expose the difference in approach

The UK–US stablecoin statement makes the intended form of interoperability explicit. Both governments support stablecoin use in cross-border payments, settlement and capital markets. They favour comparable outcomes for comparable risks, fully backed arrangements, appropriate reserve protection, timely redemption and cross-border coordination on failure. Most importantly, they intend to explore formal pathways through which stablecoins issued in one jurisdiction might access the other. That should not be confused with an existing UK–US stablecoin passport—there is none—but it identifies the direction of travel.

MiCAR gives Europe something different: an already operational legal regime governing ARTs (Title III, Regulation (EU) 2023/1114) and EMTs (Title IV, Regulation (EU) 2023/1114) across the EU. What happens at the external edge of that regime? Will a MiCAR-compliant EMT be easy to use in transatlantic wholesale markets? Under what conditions could a regulated US or UK stablecoin perform a settlement or collateral function in Europe? Does the answer differ between payments, securities settlement and CCP collateral? What happens where the same economic arrangement has issuers or reserve pools in several jurisdictions? How should the EU weigh interoperability against monetary sovereignty and the protection of the euro's role as the settlement anchor? These questions will matter increasingly if stablecoins move from payments into capital-market infrastructure.

Tokenised deposits may give European banks a different route

Europe need not respond to transatlantic stablecoin development by attempting to replicate it. Tokenised bank deposits may provide a strategically important alternative. The Eurosystem's multi-money analysis envisages private money continuing to coexist with central bank money as technology changes, and its broader work expressly addresses tokenised deposits as well as stablecoins.

A tokenised deposit starts within the banking architecture, representing commercial bank money rather than introducing a wholly separate issuer class. Deposit, prudential and resolution frameworks already provide much of the institutional context.

If tokenised deposits can become interoperable between banks and with tokenised securities platforms, they could provide many of the programmability and atomic-settlement advantages associated with digital money without shifting wholesale settlement entirely towards non-bank stablecoin issuers.

Interoperability with whom?

A proprietary tokenised-deposit network may improve one bank's infrastructure, but it does not create a market. A European architecture capable of moving tokenised commercial-bank money across institutions, infrastructures and ultimately jurisdictions is considerably more valuable. Pontes and Appia may supply part of that answer; the external interface still needs to be built.

Practical considerations for firms

For firms with material exposure to tokenised finance, the relevant exercise is to identify a small number of transactions and build each of them three times: EU, UK and US. The comparison should cover the asset, issuer, intermediary permissions, trading route, custody, settlement asset, settlement finality, collateral eligibility, insolvency and resolution treatment, prudential capital, liquidity requirements and third-country access—where apparently technical regulatory differences become commercial.

Stakeholder	**Key points**
If you are a bank or broker-dealer	• Do not ask only whether the same tokenised activity is legally permissible in Frankfurt, London and New York. • Ask whether it has the same economics. • Model the capital, liquidity, collateral and settlement consequences of the relevant transaction in each location. Identify whether regulatory differences create incentives to hold inventory, provide market making, issue tokenised deposits or finance positions through one entity rather than another. • European banks should pay particular attention to the interaction between the TTMF Basel initiative and CRR III. A later divergence in prudential treatment may become a booking-model issue before it becomes a legislative-policy issue. • The same exercise should cover tokenised deposits. If Europe develops a strong bank-money solution, firms need to understand where that instrument can actually be used outside the issuing institution and outside the EU.
If you are a CCP or clearing member	• The digital-collateral question should now be monitored independently of the wider stablecoin debate. • Test which tokenised MMFs, stablecoins or other tokenised assets could theoretically satisfy existing collateral standards and what would prevent them from doing so today. • Separate the legal, prudential and operational constraints. • For EU CCPs, add a comparative scenario: what happens if a UK or US competitor can accept an instrument that cannot be used, or cannot be used as efficiently, in the EU? • That does not necessarily produce a shift in clearing flows, but if the difference materially affects funding costs or collateral mobility, it belongs in the commercial analysis.
If you are an asset manager or MMF provider	• Tokenisation should not be treated merely as a distribution wrapper. • A tokenised MMF that can move efficiently through financing and clearing arrangements performs a different function from a conventional fund unit. • The TTMF makes collateral eligibility part of the product-design question. • Managers should consider transferability, liquidity, dealing cycles, custody, settlement and the legal treatment of the tokenised interest alongside the conventional UCITS or fund-law analysis.

Stakeholder	**Key points**
If you issue stablecoins or tokenised deposits	• Map the external interfaces early. • The value proposition is increasingly not limited to payments. • Settlement, collateral, treasury and securities-market uses may prove more important for institutional adoption. • Issuer structure, reserve location, redemption rights, insolvency treatment and fungibility across jurisdictions may therefore matter as much as the nominal regulatory category of the instrument. • For EU issuers in particular, test where MiCAR authorisation actually produces practical market access — and where a second regulatory or infrastructure analysis remains necessary.
If you operate or invest in tokenised market infrastructure	• Start with finality rather than technology. • Identify when an instruction enters the relevant system, when it becomes irrevocable, when legal settlement occurs and what happens if a participant enters insolvency or resolution at each stage. • Do not assume that technological atomicity necessarily produces legal atomicity. • For EU infrastructure, MISP, the SFR, Pontes and Appia should be treated as one architecture. Existing analysis of MISP already identifies finality and insolvency protection as diligence items for tokenised platforms seeking institutional investment. • For investors, the same point affects valuation. A technically impressive platform without a credible route to legally final institutional settlement is not equivalent to infrastructure that has one.
If you are an EU-headquartered financial group	• Add **external interoperability** to the European digital-finance workstream. • Most large institutions already track MiCAR, CRR III, DLT Pilot reform, MISP and the Eurosystem initiatives. • The missing question may be whether those developments permit the group to use its European platform efficiently with its London and US businesses. • That should include governance and booking decisions, not merely regulatory-change tracking.

The emerging corridor can also affect investment and M&A

- ***Infrastructure location***. A platform capable of supporting transactions across London and New York has a different potential addressable market from one confined to a domestic experiment. If Europe achieves equivalent internal scale and external connectivity, the same will be true of European infrastructure.
- ***Business-plan assumptions***. Regulatory interoperability can affect user numbers, transaction volumes, collateral utility and the jurisdictions in which new products can be launched. Those assumptions belong in valuation models rather than only regulatory-risk sections.
- ***Diligence***. Buyers of digital-asset businesses, custodians, trading venues and settlement platforms should ask not simply what permissions the target has today, but which transaction chains those permissions allow it to support after the next stage of reform.
- ***Capital allocation***. For banking groups, differences in prudential treatment can affect which legal entity earns the revenue and consumes the capital.
- ***Network effects***. Early interoperability may matter disproportionately. Once liquidity, collateral and users accumulate around particular assets or infrastructures, regulatory convergence elsewhere may not automatically move them.

Regulatory reform can affect scalability, cost bases, documentation, infrastructure economics and therefore valuation. It is a transaction variable, not merely a compliance one.

What to watch next

The TTMF recommendations are an opening framework, not an accomplished corridor. Five developments will indicate whether it is becoming one:

- First, the cross-border tokenisation group needs to move from general discussion to identifiable use cases.
- Second, the Bank of England, FCA, SEC and CFTC need to translate "common approaches" into concrete regulatory treatment.
- Third, the CCP collateral work needs to move beyond the proposition that stablecoins and tokenised MMFs might be eligible and into the conditions under which they actually could be.
- Fourth, the UK and US need to demonstrate what their proposed pathway for cross-border stablecoin access means in practice.
- Fifth, the Basel initiative needs to produce sufficient international support to affect the prudential standard rather than remain a bilateral policy preference.

The process has an institutional route forward. The UK–US Financial Regulatory Working Group met again in July, with the Treasury departments, central banks and relevant prudential and markets regulators participating; its August statement expressly identified the TTMF and digital finance as continuing areas of cooperation.

Europe has its own milestones. The MISP negotiations will determine how far the DLT Pilot, CSDR and settlement-finality reforms go in creating scalable infrastructure. As our latest MISP analysis notes, the political negotiation is now about the architecture that survives Parliament and Council rather than simply the Commission's December 2025 proposal. Pontes is due to provide the first operational bridge between DLT platforms and TARGET Services during the third quarter of 2026. Appia then has to turn the experience from that infrastructure into a longer-term European ecosystem. One issue cuts across all of them: how open will the resulting European architecture be to the rest of the global market?

The TTMF's publication marks a shift from digital-finance policy as a regulatory-perimeter exercise to digital-finance policy as a market-architecture exercise. European financial institutions, infrastructure providers and policymakers should respond accordingly.

- ***External interoperability as a design requirement***. The EU's digital-finance architecture is increasingly comprehensive, but comprehensiveness alone does not guarantee that European assets, infrastructures and intermediaries remain attractive to global market participants. The Appia initiative provides a natural forum to address external connectivity alongside internal integration. European policymakers should ensure that the resulting architecture can interface with London and New York, not merely with other EU Member States. ***Specific issue***: the ECB's Appia blueprint (expected 2028) should ideally include a dedicated workstream on third-country DLT platform interoperability, with technical standards that permit non-EU platforms to connect to Pontes-settled transactions under defined conditions.

- ***Collateral and capital treatment as competitive variables***. Differences in CCP collateral eligibility and bank capital requirements can influence where institutions hold inventory, provide liquidity and book transactions. European CCPs, clearing members and banking groups should model the commercial consequences of divergent treatment—as a business-allocation matter, not merely a compliance one. ***Specific issue***: ESMA should issue guidance clarifying the conditions under which MiCAR-authorised

EMTs should ideally satisfy EMIR collateral-eligibility requirements (Article 46, Regulation (EU) No 648/2012), including credit quality, liquidity, concentration and haircut methodology. Without that clarity, European stablecoins will remain at a competitive disadvantage if UK and US CCPs move first.

- ***Tokenised deposits as a strategic alternative***. Europe need not replicate the UK–US stablecoin pathway. Tokenised commercial-bank money, anchored in existing deposit, prudential and resolution frameworks, may prove a more natural fit for European wholesale markets. The value of tokenised deposits depends on interoperability—within Europe and beyond it. Banks should plan their tokenised-deposit strategies with external connectivity in mind. ***Specific issue***: the EBA and ECB should ideally jointly publish technical standards for tokenised-deposit interoperability, addressing transfer mechanisms, settlement finality, insolvency treatment and the conditions under which a tokenised deposit issued by one EU credit institution can be used in transactions settled through another institution's infrastructure or through Pontes.

- ***Active engagement in the legislative process***. MISP, the SFR and related files are now in political negotiation. The architecture that emerges from Parliament and Council will shape Europe's tokenised-market infrastructure for the next decade. Firms with a stake in that outcome should ensure their positions are understood by the co-legislators. ***Specific issue***: (i) the SFR should ideally include a clear framework for recognising third-country DLT settlement systems, with conditions calibrated to tokenised-market realities rather than inherited from the traditional CSD recognition regime; (ii) the MISP amendments to the DLT Pilot Regime should raise or remove the market-capitalisation thresholds that currently constrain scalability; and (iii) the CSDR amendments should permit DLT-based settlement to achieve T+0 finality where the technology supports it, rather than defaulting to T+1 or T+2 conventions designed for legacy infrastructure.

- ***Planning for regulatory divergence***. The Basel review, collateral-eligibility discussions and third-country access arrangements may produce greater alignment across the EU, UK and US—or they may not. Prudent planning should include scenarios in which regulatory treatment differs materially across the three jurisdictions for an extended period. ***Specific issue***: the EBA should ideally accelerate its technical work on the permanent prudential framework for crypto-asset exposures under CRR III, ensuring that the EU is positioned to adopt any Basel Committee recalibration promptly rather than lagging UK and US implementation. Sequencing matters: if EU banks face higher capital charges for the same tokenised exposure during a transitional period, the booking-model implications are immediate.

Outlook

The UK–US digital finance corridor does not exist today as a single legal or regulatory construct. That may be the point. If it develops, it is unlikely to appear through one treaty or one mutual-recognition decision. It will be assembled incrementally: one tokenised use case, one settlement solution, one collateral class, one supervisory accommodation, one cross-border access mechanism at a time. The resulting market could become substantially integrated before anyone formally describes it as such.

Europe should not abandon its own model. There is considerable strategic value in what the EU is building. MiCAR provides regulatory certainty. MISP can reduce fragmentation. The SFR can strengthen the legal foundations of settlement. Pontes can give tokenised markets access to central bank money. Appia can provide an integrated European architecture. Few jurisdictions can put those elements together. But Europe should now ask a second set of questions:

- Will a tokenised asset issued in Europe also be easy to use outside Europe?
- Will a global bank be able to move collateral efficiently between its Frankfurt, London and New York businesses?
- Will Europe's prudential treatment remain competitive if the international standard changes?
- Can an EU infrastructure connect to non-EU systems without rebuilding the transaction around multiple third-country regimes?
- Can European tokenised deposits and regulated stablecoins acquire institutional uses beyond their domestic market?
- Can the EU preserve the role of central bank money and European financial sovereignty without turning those objectives into barriers to external connectivity?
- Can Europe make its market as usable as its rulebook is complete?

The first phase of digital-finance policy was largely about perimeter: what is a crypto-asset, who may issue it, who may provide services around it and which regulator supervises the activity. The next phase is about architecture: where the asset trades, what money settles it, what collateral finances it, when the transaction becomes final, what capital it consumes and whether the entire chain continues to work across borders. Europe has spent several years building many of those legal components. The UK and US are now testing whether they can connect their markets around the transaction itself. The competitive question is no longer who writes the rules first. It is who turns them into a market first.

Europe can win that race. It has the regulatory framework, the central-bank infrastructure, the Single Market and the institutional credibility. What it needs now is execution—and the recognition that external connectivity is not a concession to other jurisdictions but a condition of European success.

About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from relevant related developments. We have assembled a multi-disciplinary and multi-jurisdictional team of sector experts to support clients navigate challenges and seize opportunities as well as to proactively engage with their market stakeholders and regulators.

Moreover, we have developed a number of RegTech and SupTech tools for supervised firms, including PwC Legal's Rule Scanner tool, backed by a trusted set of managed solutions from PwC Legal Business Solutions, allowing for horizon scanning and risk mapping of all legislative and regulatory developments as well as sanctions and fines from multiple thousands of legislative and regulatory policymakers and other industry voices in over 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging our Rule Scanner technology, we offer a further solution for clients to digitise financial services firms' relevant internal policies and procedures, create a comprehensive documentation inventory with an established documentation hierarchy and embedded glossary that has version control over a defined backward plus forward looking timeline to be able to ensure changes in one policy are carried through over to other policy and procedure documents, critical path dependencies are mapped and legislative and regulatory developments are flagged where these may require actions to be taken in such policies and procedures.

The PwC Legal Team behind Rule Scanner are proud recipients of ALM Law.com's coveted "2024 Disruptive Technology of the Year Award" and the "2025 Regulatory, Governance and Compliance Technology Award in 2025".

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our website.

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