

Cryptoassets Regulation in the UK Draft Legislation Published

Regulatory & Compliance on **January 6, 2025**

On 15 December 2025, HM Treasury took a significant step towards establishing a UK regulatory regime for cryptoassets by laying the draft '[Financial Services and Markets Act 2000 \(Cryptoassets\) Regulations 2005](#)' (the "**Draft Order**") before Parliament.

The Draft Order aims to set the statutory foundation for a new UK cryptoasset regulatory regime by amending existing financial services legislation. The proposed legislation covers a wide range of activities, including issuing, safeguarding, dealing in and arranging transactions in cryptoassets.

This legislative development will be of interest to anyone conducting cryptoassets business in the UK.

Background to UK Cryptoasset Regulation

The UK Government's publication of the Draft Order reflects the significant increase in popularity of cryptoassets over the past decade. UK crypto trading has surged in recent years as investors have sought diversification and outsized returns. As a result, in the UK, cryptoassets no longer represent 'fringe' investments and have become increasingly intertwined with the traditional financial sector. Recognising the economic benefits of cryptoassets and blockchain technologies, the UK Government is seeking to regulate related activities to ensure that they are carried out with appropriate consumer protections in place.

The Draft Order is not the first legislative intervention explicitly targeting cryptoassets. The previous UK Government sought to prevent their use in financial crime by requiring cryptoasset exchange providers and custodian wallet providers to register with the FCA for money laundering supervision. Advertising and client communications relating to cryptoassets came within the scope of the UK financial promotion regime.

Impact of the Draft Order

The Draft Order introduces two key categories of legislative change: (i) a new definition for ‘qualifying cryptoassets’ relevant in the context of cryptoasset-related regulated activities and exclusions from regulation; and (ii) the introduction of new designated activities subject to FCA’s oversight. The Draft Order also makes various sequential amendments to adjacent financial services legislation.

(i) ‘Qualifying cryptoassets’ definition, cryptoasset-related regulated activities and exclusions from regulation

‘Qualifying’ Cryptoasset Definition

The term ‘cryptoasset’ is already defined in the Financial Services and Markets Act 2000 (**FSMA**) as a “*cryptographically secured digital representation of value or contractual right*” that can be “*transferred, stored or traded electronically*” and “*that uses technology supporting the recording or storage of data*”.

‘Qualifying’ cryptoassets are now defined in the Draft Order as a subset of cryptoassets that are fungible and transferable, and include ‘qualifying stablecoins’ - cryptoassets that seek or purport to “*maintain a stable value in relation to a particular fiat currency*”, and such fiat currency is held against them to maintain that value.

Regulated Activities

The Draft Order amends the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 to include the following new regulated activities: (i) issuing qualifying stablecoins (*i.e.*, offering, redeeming and maintaining the value of a qualifying stablecoin); (ii) safeguarding qualifying cryptoassets (or arranging for another person to carry on that activity); (iii) operating a qualifying cryptoasset trading platform; (iv) dealing in qualifying cryptoassets as principal, agent or arranging deals; and (v) qualifying cryptoasset staking (*i.e.*, using cryptoassets as a means of validating blockchain transactions).

Exclusions from regulation

The Draft Order also contains several provisions that will be of interest to cryptoasset firms intending to remain outside the UK financial services regulatory perimeter, including:

- **Group exclusion (safeguarding activities)** – available where a person (**P**) safeguards qualifying cryptoassets pursuant to arrangements operated by a UK authorised cryptoasset custodian in P’s corporate group.
- **Introductions (arranging / staking activities)** – available where a person introduces third parties to UK authorised cryptoasset firms.
- **Enabling parties to communicate (arranging / staking activities)** – available where one person merely provides the means by which parties to a cryptoasset transaction can communicate.
- **Other activities** – other exclusions available for multiple regulated activities include: (i) creating (including designing) qualifying stablecoins; (ii) minting qualifying stablecoins (e., so the asset is first identifiable and transferrable on a blockchain); and (iii) the automatic distribution of a qualifying cryptoasset that was automatically created as a reward for maintaining a distributed ledger, or for validating a transaction.

Meaning of carried on in the UK

The Draft Order also provides specific language that clarifies whether a cryptoasset related activity is carried on ‘in the UK’ (and is accordingly within the UK regulatory perimeter). The Draft Order provides:

- **Issuing qualifying stablecoin** – this activity would be carried on ‘in the UK’ if a person (**A**) performs all of the following activities from a UK establishment: (i) offer, or arrange for another person to offer, a qualifying stablecoin for sale or subscription (provided that A, or a member of A’s group, created the stablecoin); (ii) undertakes, or arranges for another person to undertake, to redeem the qualifying stablecoin; and (iii) holds, or arranges for another person to hold, fiat currency or other assets to maintain the stable value of the stablecoin.
- **Section 418 FSMA (carrying on regulated activities in the United Kingdom)** – the Draft Order provides new scenarios where cryptoasset-related activities are deemed to be performed ‘in the UK’ under this provision. These scenarios include performing certain regulated cryptoasset activities during the sale or subscription of a qualifying cryptoasset involving a UK consumer, where no other UK authorised firm is involved. In such circumstances, the activities would be regarded as taking place ‘in the UK’, irrespective of where the person is either established or operating.

(ii) Designated Activities

The Draft Order also creates new ‘designated activities’ under FSMA for certain cryptoasset-related actions. The ‘designated activities’ regime is a relatively recent introduction to FSMA, and provides the FCA with proportionate powers to supervise, and enforce compliance with, certain financial services activities without requiring persons performing such activities to become authorised by the FCA.

The following cryptoasset-related activities would become designated activities if the Draft Order becomes law:

- **Public offers of qualifying cryptoassets**, which includes: (i) offering a qualifying cryptoasset; (ii) communicating an advertisement relating to such an offer; (iii) disclosing, otherwise than in an advertisement, information relating to such an offer; and (iv) (if not covered by (i) to (iii)) disclosing information relating to a qualifying stablecoin, in each case, to the UK public.
- **Admissions to trading on a qualifying cryptoasset trading platform**, which includes activities such as: (i) requesting or obtaining the admission of qualifying cryptoassets to qualifying cryptoasset trading platforms; (ii) communicating related advertisements; (iii) disclosing, otherwise in an advertisement, information relating to such admissions; and (iv) admitting qualifying cryptoassets to trading on a qualifying cryptoasset trading platform.

The Draft Order gives FCA powers to supervise these activities and impose requirements on persons performing them, such as mandating a suspension or withdrawal, imposing restrictions or prohibiting an offer of a qualifying cryptoasset, or withdrawing an admission to trade certain cryptoassets on a trading platform.

The Draft Order also prohibits public offers of qualifying cryptoassets unless: (i) the total consideration does not exceed £1,000,000; or (ii) the offer is limited to either:

(a) qualified investors; or (b) fewer than 150 persons in the UK.

- **Market abuse in qualifying cryptoassets and related instruments** – the Draft Order also makes use of the designated activities regime to define and prohibit the following activities performed in connection with cryptoassets: (i) the use and disclosure of inside information; and (ii) market manipulation.

FCA Consultation Papers

The FCA has consulted extensively on proposed regulation for the new cryptoasset regulatory regime. In May 2025, the FCA published both: (i) '[CP25/14: Stablecoin issuance and cryptoasset custody](#)', in which it sought industry stakeholder views on proposed rules and guidance for the regulated activities of issuing qualifying stable coins and safeguarding cryptoassets; and (ii) '[CP25/15: A prudential regime for cryptoasset firms](#)', which related to new prudential rules for regulated cryptoasset activities. The FCA's further Consultation Paper '[CP25/25: Application of FCA Handbook for Regulated Cryptoasset Activities](#)', published in September 2025, covered the application of existing FCA Handbook rules to cryptoasset firms.

These consultation processes closed earlier in 2025 and the FCA has considered industry stakeholder feedback.

On 16 December 2025, the FCA also published three further Consultation Papers in connection with the Draft Order:

- '[CP25/40: Regulating cryptoasset activities](#)', which includes the FCA's proposed regulation on a range of cryptoasset activities not covered in the FCA's previous consultations, including operating a trading platform, intermediary activities and staking activities;
- '[CP25/41: Regulating Cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets](#)', which contains the FCA's proposed rules and guidance on public offerings of qualifying cryptoassets and the cryptoasset market abuse regime; and
- '[CP25/42: A prudential regime for cryptoasset firms](#)', which builds upon CP25/15 above and sets out the FCA's proposed prudential requirements for all cryptoasset firms that require FCA authorisation.

Next Steps

The Draft Order is expected to be fully in force on 25 October 2027, which will provide the FCA and the Prudential Regulation Authority with time to consult on, and implement, any necessary regulatory changes to reflect the new cryptoasset regime.

The FCA's consultation processes for each of its latest Consultation Papers close on 12 February 2026, following which point the FCA will publish Policy Statements containing finalised rules for these aspects of the UK cryptoasset regime.

Firms potentially impacted by the proposed changes to the UK cryptoasset regulatory regime should monitor the legal and regulatory developments closely and, in due course, take appropriate steps to ensure compliance with the new rules and requirements when they take effect.

For further information, please contact the [UK Regulatory Team](#).

[View original.](#)

Related Professionals

- **John Verwey**
Partner
- **Anna Maleva-Otto**
Partner
- **Edward Lister**
Special Regulatory Counsel
- **Rachel E. Lowe**
Special Regulatory Counsel
- **Sulaiman I. Malik**
Associate
- **Michael Singh**
Associate