# UK advances bold crypto regulatory framework to compete globally by 2025



The UK is at a pivotal moment in establishing itself as a global leader in digital assets and crypto regulation. Chancellor Rachel Reeves has articulated a clear ambition for the UK to become a world leader in this sector, underscoring the government's commitment to fostering innovation and economic growth through a comprehensive and forward-looking regulatory framework. Recent developments reflect this push, including the publication of near-final draft legislation by HM Treasury, designed to establish a robust financial regulatory regime for crypto-assets. This legislation aims to bring crypto exchanges, dealers, and certain token issuers within the UK regulatory perimeter, requiring authorisation and oversight primarily by the Financial Conduct Authority (FCA). A distinctive feature is the planned exemption for overseas stablecoin issuers from local regulatory approval, a move intended to position the UK as an open and competitive hub for digital assets on the global stage.

The draft legislation marks a significant expansion of the UK's regulatory framework, extending traditional financial services oversight to cover issuance, trading, custody, and transactional arrangements involving 'qualifying cryptoassets.' Importantly, this framework differentiates between UK and overseas stablecoin issuers, regulating only the former, a notable contrast to the more restrictive European Union approach. This policy aligns closely with anticipated US legislation, promoting regulatory cooperation and reducing compliance burdens for global firms. The FCA’s increased powers include the ability to enforce higher standards on crypto platforms while supporting responsible innovation via mechanisms like the Digital Securities Sandbox, a collaborative initiative with the Bank of England to pilot digital government bonds (DIGIT) on blockchain technology.

The government's focus is not only on regulating risk but also on harnessing blockchain technology’s immense potential to transform financial services. Blockchain’s ability to facilitate faster, cheaper cross-border payments, democratise financial access, and enhance transparency through immutable records is widely recognised. Over 90% of major finance firms across key global markets, including the UK, have begun integrating cryptocurrencies in some capacity, reflecting widespread institutional interest. The UK’s regulatory approach aims to enable and accelerate this innovation by creating a legal environment that encourages investment and broader adoption, particularly in tokenisation—a development heralded as a transformative step for financial markets.

Experts and industry leaders have emphasised the urgency for the UK to act swiftly and adopt a balanced, internationally interoperable strategy that builds on the success of crypto hubs such as Singapore and the UAE. Maintaining an open stance towards overseas stablecoins while ensuring rigorous consumer protections will be critical. The government’s regulatory timeline targets legislation enactment by the end of 2025, followed by a phased implementation allowing existing firms time to meet new requirements or wind down operations. At the same time, consultations on related issues like retail investment in crypto exchange-traded notes (ETNs) reflect a broader move towards maturing the market while safeguarding investors.

Chancellor Reeves’ commitment to aligning UK regulation with US counterparts seeks to enhance transatlantic cooperation, with discussions already underway to establish joint regulatory sandboxes designed to foster innovation in digital securities. This collaborative approach reinforces the UK’s broader financial services growth strategy, integral to its industrial ambitions.

Nonetheless, some caution remains. Bank of England Governor Andrew Bailey has voiced scepticism about cryptocurrencies like Bitcoin, even as he acknowledges the necessity of regulating stablecoins to prevent financial instability. Industry voices recognise the potential pitfalls alongside opportunities, urging the government to finalise a flexible and clear framework that can accommodate rapid technological change and protect consumers without stifling innovation.

In summary, the UK government’s regulatory initiatives demonstrate a strong ambition to solidify the country’s position as a leading global centre for digital assets and blockchain innovation. By fostering an environment that balances risk management with encouragement of investment and technological progress, the UK aims to capture early-mover advantages in a rapidly evolving sector crucial to the future of finance.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://ripple.com/insights/uk-crypto-asset-regulation/), [[7]](https://www.skadden.com/insights/publications/2025/04/hm-treasury-publishes-draft-legislation), [[2]](https://www.ft.com/content/55590385-5e51-4912-a145-4d9de469824a)
* Paragraph 2 – [[7]](https://www.skadden.com/insights/publications/2025/04/hm-treasury-publishes-draft-legislation), [[3]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-sets-out-new-crypto-rules-date-wider-financial-services-strategy-2025-04-29/), [[6]](https://www.ashurst.com/en/insights/global-digital-assets-digest-3212025-25709-pm/)
* Paragraph 3 – [[1]](https://ripple.com/insights/uk-crypto-asset-regulation/), [[2]](https://www.ft.com/content/55590385-5e51-4912-a145-4d9de469824a), [[4]](https://www.ft.com/content/88467019-4213-4e87-ae31-39201d1e0cde)
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* Paragraph 6 – [[3]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-sets-out-new-crypto-rules-date-wider-financial-services-strategy-2025-04-29/), [[4]](https://www.ft.com/content/88467019-4213-4e87-ae31-39201d1e0cde)
* Paragraph 7 – [[1]](https://ripple.com/insights/uk-crypto-asset-regulation/), [[7]](https://www.skadden.com/insights/publications/2025/04/hm-treasury-publishes-draft-legislation)

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## Bibliography

1. <https://ripple.com/insights/uk-crypto-asset-regulation/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/55590385-5e51-4912-a145-4d9de469824a> - The UK government has announced it will exempt overseas stablecoin issuers from having to comply with its new cryptocurrency regulations, as part of a broader strategy to enhance cooperation with the US on digital asset regulation. Chancellor Rachel Reeves unveiled the proposals, highlighting Britain's aim to lead in fintech and crypto regulation while signaling openness to business and opposition to fraud and instability. The planned rules, covering exchanges, brokers, and market practices, grant new powers to the Financial Conduct Authority. Importantly, only UK-based stablecoin issuers will need to obtain regulatory approval, offering a significant contrast to the EU's stricter requirements. Most stablecoins accessed by UK investors are issued by firms in North and Central America, such as Tether and Circle. The UK approach seeks alignment with anticipated US legislation, which also avoids mandating domestic registration for overseas issuers. Discussions between Reeves and US Treasury Secretary Scott Bessent explore expanded UK-US collaboration, including a regulatory 'sandbox' for digital securities. Legal and industry experts view the UK's move as a positive, industry-aligned step, potentially resolving existing frustrations over high rejection rates of crypto firm applications by the FCA.
3. <https://www.reuters.com/sustainability/boards-policy-regulation/uk-sets-out-new-crypto-rules-date-wider-financial-services-strategy-2025-04-29/> - The UK government has announced draft legislation to regulate cryptocurrency exchanges, dealers, and agents for the first time, aiming to curb misconduct while fostering legitimate innovation in the crypto-asset sector. The new regulations, unveiled by Finance Minister Rachel Reeves, will require crypto firms operating in the UK to comply with standards for transparency, consumer protection, and operational resilience. Approximately 12% of UK adults have engaged with cryptocurrencies, a significant rise from 4% in 2021. The legislation is expected to be finalized by the end of 2025. Critics warn that regulation could create a misleading sense of safety around inherently risky assets. The UK’s initiative follows ongoing concerns by Bank of England Governor Andrew Bailey, who has expressed skepticism about Bitcoin but acknowledges the need for regulating stablecoins. Reeves also discussed regulatory collaboration with U.S. Treasury Secretary Scott Bessent and plans to outline a broader financial services growth strategy in her July 15 Mansion House speech, emphasizing the importance of financial services to the UK's industrial strategy.
4. <https://www.ft.com/content/88467019-4213-4e87-ae31-39201d1e0cde> - In a letter published on May 5, 2025, Matthew Osborne, UK & Europe Policy Director at Ripple, expressed strong support for the UK government’s initiative to establish leadership in the digital assets sector. Osborne praised Chancellor Rachel Reeves for emphasizing the importance of clear and forward-looking regulation to stimulate innovation and growth. He highlighted the UK's opportunity to leverage its second-mover advantage to create a flexible and globally competitive crypto framework. The letter commended specific measures such as the proposed stablecoin regime, which accommodates internationally issued tokens, and the UK-US regulatory sandbox aimed at fostering international cooperation. Drawing comparisons to successful crypto hubs like Singapore and the UAE, Osborne underscored the urgency for the UK to finalize and enact its regulatory framework to attract institutional participants and reinforce its stature in global financial services.
5. <https://www.ft.com/content/4026da6b-43e6-47eb-9282-838aa841905a> - The UK's Financial Conduct Authority (FCA) has proposed lifting its ban on retail investment in exchange-traded notes (ETNs) linked to cryptocurrencies, such as bitcoin and ethereum, signaling a shift in its previously cautious approach to digital assets. The ban has been in place since January 2021, but the FCA now argues that the market has matured and that investors should be allowed to make informed decisions about high-risk investments. The proposed changes are currently under consultation until July 2025. This move comes as global competition to attract the crypto industry intensifies, particularly following the reelection of a pro-industry U.S. President Donald Trump. UK Chancellor Rachel Reeves has also outlined plans to enhance regulatory frameworks and cooperate with the U.S. in digital assets oversight. However, other restrictions remain, including bans on crypto derivatives and exchange-traded funds for retail investors. Companies offering crypto-linked securities will be subject to strict financial promotion rules to ensure consumer protection, although investments in crypto ETNs will not be covered by the government’s compensation scheme. The broader UK regulatory framework will address stablecoins, trading platforms, brokers, lending, and give the FCA new enforcement powers.
6. <https://www.ashurst.com/en/insights/global-digital-assets-digest-3212025-25709-pm/> - HM Treasury and the UK Debt Management Office (DMO) published additional information and engagement questions on the Digital Gilt Instrument (DIGIT) and announced a Preliminary Market Engagement Exercise in relation to the pilot Digital Gilt Instrument (DIGIT). Details of DIGIT were first announced in the Mansion House speech delivered by Rachel Reeves, Chancellor of the Exchequer, in November 2024. HM Treasury and the DMO are looking to understand the available technology for an issuance, and the best design for DIGIT in order to encourage wider development and adoption of DLT infrastructure across UK capital markets. Certain design decisions have already been adopted in relation to DIGIT, including: DIGIT will be an entirely new, digitally native, UK Government debt instrument; DIGIT will be issued on a platform within the Digital Securities Sandbox ('unbacked cryptocurrencies' or stablecoins will not be available for the purposes of the payment leg of any DIGIT transaction); DIGIT will be short dated; and DIGIT will be separate from the Government’s debt issuance programme. Areas views are sought include the following: types of primary investors for DIGIT; the impact of demand on the design of DIGIT; and the importance of interoperability (e.g. among different DLT platforms as well as between DLT platforms with existing infrastructure). The closing date for comments is 13 April 2025. A tender notice is expected in late Spring 2025.
7. <https://www.skadden.com/insights/publications/2025/04/hm-treasury-publishes-draft-legislation> - On 29 April 2025, HM Treasury published near-final draft legislation establishing a financial services regulatory regime for cryptoassets in the UK, along with a policy note explaining the intended policy outcomes of the legislation. The legislation implements many of HM Treasury’s proposals from its October 2023 paper. It marks a significant step in the regulation of cryptoassets in the UK, bringing them within the regulatory perimeter for financial services. The draft legislation introduces: (i) the issuance of UK stablecoins; and (ii) dealing, custody arrangements, operating a platform and arranging transactions in 'qualifying cryptoassets' as regulated activities under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. This means that firms wishing to undertake these activities will need to be authorized and regulated by the UK Financial Conduct Authority (FCA), although for 'qualifying stablecoins' the new regime will only apply to UK issuers. The approach taken in the draft legislation is an extension of the current UK regulatory framework for traditional financial services. Similar to the Markets in Crypto-Assets Regulation in the EU, the UK is adapting the same set of regulated activities for cryptoassets. Decentralized finance models that are truly decentralized will be excluded from the requirement to seek authorization. The FCA will assess whether there is a sufficiently controlling party that should be subject to authorization requirements. The rules will impose a strict regulatory perimeter around most crypto activities in the UK. Changes to section 418 of the Financial Services and Markets Act 2000 will require a UK-authorized entity (which can be an intermediary) for most crypto activities targeting UK consumers. Overseas crypto firms dealing exclusively with UK institutional clients will not need authorization, provided these institutions are not intermediaries to consumers. The position is different for 'qualifying stablecoins' — only UK issuers of these will be caught by the UK perimeter. To future-proof the regulatory framework, the term 'qualifying cryptoassets' is defined in a way that allows flexibility to capture relevant tokens even where there is technological change. The term also excludes assets already covered by other regulations, such as electronic money and tokenized securities, and therefore confirms a clear separation between these assets. In addition, 'qualifying stablecoins' are defined as a subset of 'qualifying cryptoassets' and explicitly distinguished from tokenized deposits. There are also technical carve-outs for stablecoins in definitions related to alternative investment funds and collective investment schemes. This again ensures there is clarity as to the treatment of stablecoins in the UK regulatory regime. Other than in relation to the new activity of 'issuing qualifying stablecoins', stablecoins are largely treated the same as other qualifying cryptoassets under the new regulated activities. A transitional regime will be implemented to allow existing crypto firms to adapt to the new regulatory requirements. Firms will have a period to apply for the necessary authorizations, and those that do not secure permissions will need to wind down their operations in an orderly manner. The draft legislation does not address certain other key issues, which fall under the FCA’s remit. These include: The ability to pay interest or offer incentives on stablecoins. Requirements for direct redemption of stablecoins from their issuer. Eligible assets for backing stablecoins. HM Treasury also notes that it will publish statutory provisions relating to the cryptoassets market abuse and admissions and disclosures regimes in due course. HM Treasury considers the policy set out in the policy note to be settled. Technical comments on the draft statutory instrument can be made until 23 May 2025, providing a short window for feedback. This reinforces the intention of the UK government to move swiftly to introduce the commencement of the new regime. HM Treasury intends to legislate by the end of this year, subject to parliamentary time. The phased approach to the legislation coming into force includes granting rulemaking power to the regulators, allowing a period for the regulators to start accepting applications for approval and enforcing full provisions after a transitional period for legacy firms to get approved or wind down. Firms involved in crypto activities in the UK should prepare for the upcoming regulatory changes and consider submitting any relevant technical comments on the draft SI within the specified period. We will continue to monitor developments and provide updates as the legislation progresses. This memorandum is provided by Skadden, Arps, Slate, Meagher & Flom LLP and its affiliates for educational and informational purposes only and is not intended and should not be construed as legal advice. This memorandum is considered advertising under applicable state laws.