# UK aims to catch up with US in crypto regulation amid enforcement challenges



The United Kingdom faces significant challenges in maintaining its position as a leader in the cryptocurrency sector, with experts warning that it is currently lagging behind competitors like the United States. Former Chancellor George Osborne, speaking at the Coinbase Crypto Forum in London, lamented that Britain has "missed the boat" on crypto due to successive governments repeatedly promising but failing to deliver comprehensive legislation on crypto regulation. Osborne emphasised that Britain has traditionally been a hub where new markets emerge, but the country now risks falling behind as other jurisdictions advance. He highlighted the transformative regulatory changes in the US under the Trump administration, including the passage of the Genius Act, which created a framework for payment stablecoins by mandating issuers to hold corresponding reserves in dollars, effective from 2027. Osborne views this as a significant opportunity for the UK if it can adopt a similarly ambitious approach, noting recent progress from Chancellor Rachel Reeves, the Government, the Bank of England (BoE), and the Financial Conduct Authority (FCA).

The FCA's recent decision to lift the ban on crypto exchange-traded notes (ETNs) for retail investors, a product available in the US since early 2024, marks a significant policy shift intended to stimulate economic growth and enhance the UK's competitiveness in the digital finance sector. However, the authority continues to prohibit retail trading of crypto derivatives and warns investors of the inherent risks. Industry voices, including Tom Duff Gordon, Vice President of International Policy at Coinbase, stress that clear regulatory frameworks are essential to build trust and foster innovation. Gordon explains that regulation is crucial because it enables the proliferation of new use cases and investor confidence, countering the misconception that the crypto industry prefers regulatory grey zones.

While the UK strives for regulatory clarity, its approach remains more cautious compared to the US, particularly concerning stablecoins. The BoE has indicated it will only lift planned caps on stablecoin holdings when assured they pose no threat to financial stability. Deputy Governor Sarah Breeden outlined potential limits for individual holdings, with exceptions for large businesses, and underscored concerns about the rapid migration of bank deposits into stablecoins potentially destabilising credit for households and businesses. Despite criticisms labelling the UK’s pace as slow, the BoE has reiterated its commitment to finalise the stablecoin regulatory framework by next year, aligning with the US timeline.

Complementing regulatory advancements, the FCA has proposed plans to allow asset managers to "tokenise" funds using public blockchains such as Ethereum, aiming to attract younger investors more familiar with digital assets. This move would mark a shift from exclusive reliance on private blockchains for UK funds and could enhance efficiency and reduce costs in fund management, supporting Britain's broader ambition to strengthen its position in the digital assets market. The FCA recognizes that adoption may be gradual as the sector upgrades technologically but hopes this step will make investment more accessible to a demographic favouring equities and crypto over traditional funds.

Nonetheless, the UK is also grappling with significant enforcement challenges arising from the complex nature of cryptocurrency. Notably, law enforcement recently seized $7.3 billion in bitcoin linked to Qian Zhimin, the so-called ‘Bitcoin Queen,’ who perpetrated one of the largest cryptocurrency Ponzi schemes, defrauding 130,000 investors. Despite her guilty plea and the seizure, lawyers indicate that recovering the full funds for victims, many of whom are in China, will be a prolonged and difficult international legal process. Moreover, criminal activities continue to exploit crypto’s anonymity; Operation Destabilize, a global law enforcement initiative involving British authorities, dismantled two major money laundering networks connected to Russian oligarchs and other criminal groups, seizing £20 million in cash and cryptocurrency. These cases underscore the dual challenge of fostering innovation while safeguarding financial integrity and investor protection.

This nuanced landscape highlights the UK’s delicate balancing act between promoting growth in a promising technology sector and maintaining robust regulatory safeguards. The country’s regulators appear committed to a framework that encourages innovation and investment while protecting consumers and the broader financial system. The next 12 to 24 months will be crucial in determining whether the UK can recalibrate its crypto strategy effectively and regain a leadership position in the global digital asset economy.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/crypto/article-15195303/Britain-missed-boat-crypto-lagging-US-says-former-Chancellor-George-Osborne.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/boe-will-only-lift-planned-stablecoin-cap-when-confident-no-threat-2025-10-15/)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/crypto/article-15195303/Britain-missed-boat-crypto-lagging-US-says-former-Chancellor-George-Osborne.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.reuters.com/sustainability/boards-policy-regulation/embargoed-uk-end-ban-retail-investors-buying-crypto-exchange-traded-notes-2025-06-06/)
* Paragraph 3 – [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/boe-will-only-lift-planned-stablecoin-cap-when-confident-no-threat-2025-10-15/)
* Paragraph 4 – [[3]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-regulator-backs-tokenised-funds-attract-younger-investors-2025-10-14/)
* Paragraph 5 – [[4]](https://www.tomshardware.com/tech-industry/cyber-security/chinese-victims-of-convicted-bitcoin-queen-may-have-trouble-getting-their-usd7-3-billion-back-from-uk-government-lawyers-predict-a-lengthy-cross-border-ordeal-for-130-000-investment-scheme-victims), [[6]](https://apnews.com/article/0ccbf95cf4bb0f9dd20c8aa3ea1e1ef2)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/money/crypto/article-15195303/Britain-missed-boat-crypto-lagging-US-says-former-Chancellor-George-Osborne.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.reuters.com/sustainability/boards-policy-regulation/boe-will-only-lift-planned-stablecoin-cap-when-confident-no-threat-2025-10-15/), [[3]](https://www.reuters.com/sustainability/boards-policy-regulation/uk-regulator-backs-tokenised-funds-attract-younger-investors-2025-10-14/), [[4]](https://www.tomshardware.com/tech-industry/cyber-security/chinese-victims-of-convicted-bitcoin-queen-may-have-trouble-getting-their-usd7-3-billion-back-from-uk-government-lawyers-predict-a-lengthy-cross-border-ordeal-for-130-000-investment-scheme-victims), [[5]](https://www.reuters.com/sustainability/boards-policy-regulation/embargoed-uk-end-ban-retail-investors-buying-crypto-exchange-traded-notes-2025-06-06/), [[6]](https://apnews.com/article/0ccbf95cf4bb0f9dd20c8aa3ea1e1ef2)

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## Bibliography

1. <https://www.dailymail.co.uk/money/crypto/article-15195303/Britain-missed-boat-crypto-lagging-US-says-former-Chancellor-George-Osborne.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/sustainability/boards-policy-regulation/boe-will-only-lift-planned-stablecoin-cap-when-confident-no-threat-2025-10-15/> - The Bank of England (BoE) has stated it will only lift planned caps on stablecoin holdings when it is confident they pose no threat to financial stability. Stablecoins, pegged to fiat currencies, have grown in popularity, prompting the BoE to take a more cautious approach than many other global regulators. Deputy Governor Sarah Breeden emphasized that rapid movement of bank deposits into stablecoins could destabilize credit availability for households and businesses. Proposed caps could range from £10,000 to £20,000 for individuals, with exceptions for large businesses. A public consultation on these limits is expected next month. Under the proposed regulatory framework, the BoE would oversee systemic sterling stablecoins, while the Financial Conduct Authority (FCA) would regulate others. Additionally, the BoE and the Treasury are developing a resolution regime to ensure service continuity if an issuer fails. Breeden dismissed criticism about the UK’s regulatory pace, affirming plans to finalize the framework by next year, in alignment with U.S. timelines.
3. <https://www.reuters.com/sustainability/boards-policy-regulation/uk-regulator-backs-tokenised-funds-attract-younger-investors-2025-10-14/> - Britain's Financial Conduct Authority (FCA) has proposed new plans to allow asset managers to 'tokenise' their funds using public blockchains, such as Ethereum, aiming to attract younger investors. Tokenisation refers to creating blockchain-based versions of financial assets and is gaining traction amid rising crypto prices and supportive policies, including those from U.S. President Donald Trump. The proposed shift would mark a significant change, as UK funds have so far been limited to private blockchains. The FCA believes tokenisation can enhance efficiency and lower costs in fund management. The initiative aligns with Britain’s broader goal of strengthening its position in the digital assets sector. The finance ministry recently announced a collaborative plan with the U.S. on crypto developments. The FCA is also seeking input on permitting stablecoins as a form of settlement and noted that most users of trading apps—largely aged 18-34—favour equities over traditional funds due to their affordability and accessibility. While regulated fund investment in cryptocurrencies isn't on the table yet, it may be considered in the future. The FCA anticipates that the benefits of these changes may be gradual, as technology upgrades take time.
4. <https://www.tomshardware.com/tech-industry/cyber-security/chinese-victims-of-convicted-bitcoin-queen-may-have-trouble-getting-their-usd7-3-billion-back-from-uk-government-lawyers-predict-a-lengthy-cross-border-ordeal-for-130-000-investment-scheme-victims> - In 2025, the UK Metropolitan Police seized $7.3 billion in bitcoin from Qian Zhimin, dubbed the 'Bitcoin Queen,' marking the largest cryptocurrency seizure on record. Qian had operated a Ponzi scheme in China from 2014 to 2017, defrauding 130,000 investors via her company, Tianjin Lantian Gerui Electronic Technology, before fleeing to the UK and laundering the stolen funds through bitcoin. Despite her guilty plea and the seizure of 61,000 bitcoins, recovering these funds for the Chinese victims is proving complex. Lawyers representing the victims highlight several challenges: tracing the flow of laundered money to bitcoin, navigating the legal and bureaucratic systems between the UK and China, and dealing with victims' limited ability to provide evidence. Moreover, the UK government may only return the original principal (estimated at $850 million) instead of the full appreciated value of the bitcoin, potentially keeping much of the seized amount. Legal experts warn that asset liquidation and restitution processes could take years. Qian's sentencing is expected around November 10, 2025.
5. <https://www.reuters.com/sustainability/boards-policy-regulation/embargoed-uk-end-ban-retail-investors-buying-crypto-exchange-traded-notes-2025-06-06/> - The UK's Financial Conduct Authority (FCA) has announced plans to lift its ban on retail investors purchasing crypto exchange-traded notes (ETNs), signaling a shift in its regulatory stance toward digital assets. Previously, the FCA had restricted these high-risk products to professional traders, citing potential harm to inexperienced investors. However, the FCA now believes that allowing retail access could bolster economic growth and enhance the UK’s competitiveness in the digital finance sector. The regulatory body emphasizes informed choice and warns that investors could still lose all their money. The change is subject to public consultation, and any ETNs offered to individual investors must be traded on FCA-approved exchanges. Despite this policy shift, the FCA will continue to prohibit retail trading of cryptoasset derivatives. This move aligns the UK's regulatory approach more closely with the United States, diverging from the European Union’s tailored crypto rules.
6. <https://apnews.com/article/0ccbf95cf4bb0f9dd20c8aa3ea1e1ef2> - British authorities have dismantled two major money laundering operations linked to Russian oligarchs, organized crime, cybercriminals, and drug dealers through Operation Destabilize. The operation seized £20 million ($25.4 million) in cash and cryptocurrency, and led to 84 arrests. The networks known as Smart Group and TGR Group, facilitated cash-to-cryptocurrency conversions, hiding illegal funds or evading sanctions post the Russian invasion of Ukraine. The laundered funds were used to buy property and fund spies and journalists for RT network. Ekaterina Zhdanova and George Rossi, leaders of these networks, are among key figures targeted by US sanctions. The laundering operation, spanning over 30 countries, also involved entities such as South American cartels and the Irish Kinahan crime syndicate, routing money through the Middle East. Law enforcement agencies from the US, Ireland, France, and the UAE collaborated in the operation.
7. <https://apnews.com/article/49aed41af213182e59c1296b0a832a87> - El australiano Craig Wright, quien afirmó falsamente ser el creador de la criptomoneda bitcoin, fue hallado en desacato a una orden del Tribunal Superior de Londres y sentenciado a 12 meses de prisión, suspendidos por dos años. El juez James Mellor determinó que Wright violó una orden de marzo que le prohibía iniciar o amenazar con acciones legales relacionadas con bitcoin. El grupo Crypto Open Patent Alliance (COPA) presentó el caso, indicando que Wright emitió reclamaciones por más de 900 mil millones de libras en octubre, desobedeciendo la orden judicial. Wright, quien asistió a la audiencia por videoconferencia desde Indonesia o Singapur, planea apelar la decisión. Desde 2016, Wright ha sostenido ser 'Satoshi Nakamoto', el pseudónimo del creador de bitcoin, cuya identidad sigue siendo un misterio desde la crisis financiera global de 2008.