Crypto Council for Innovation | GLOBAL DIGITAL FINANCE

State of UK Crypto Policy

Meeting Date 24 June 2025, London

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Introduction

The UK has for decades set the gold standard for financial services. Its natural advantages of location – both between the East and West, as well as at the gateway to the EU – language, a strong independent legal system, supportive political sphere, and robust professional services sector lent it a global edge. Unsurprisingly, it showed strong and early interest in digital assets, and has spent several years consulting on, and crafting legislation for, the sector. Slower progress, however, in recent years, in which government and policymakers have yet to finalise a legislative framework, has put the UK's competitive edge at risk.

However, 2025 has seen a surge in new activity and progress has been made to complete the regulatory framework. In April, the government released its long-awaited draft Statutory Instrument (SI) document. This was followed quickly by consultations and proposals from the Financial Conduct Authority (FCA), one of the two regulatory bodies in the UK. Marking these steps towards progress, the Crypto Council for Innovation (CCI) and Global Digital Finance (GDF) held a one-day workshop hosted at Latham & Watkins LLP to discuss the state of UK crypto policy and importantly, next steps. As one panellist suggested: "The FCA has laid a beautiful table and invited us to dinner. It's our opportunity to go to that dinner and put across the points we want to make."

The event was designed to bring together subject matter experts to debate just such points with the aim of helping UK regulators shape policy for the better.

Photo: Latham & Watkins

Key themes

The UK stands at a policy inflection point. As one of the few jurisdictions with the institutional strength, market infrastructure and political momentum to shape the future of responsible digital asset adoption, it now faces a narrow window in which to translate years of consultation into meaningful, implementable reform. The workshop revealed a strong industry appetite for regulatory certainty and a digital assets framework that reflects the UK's strengths, including its deep capital markets, global connectivity and reputation for supervisory clarity.

An overriding sentiment of the day was that the SI published in draft by His Majesty's Treasury (HMT) has been a long time coming, but also that years of discussion and consultation with industry have paid off.

There is cautious optimism about the draft SI and parallel FCA consultations, but participants emphasised that the UK must now shift from deliberation to delivery. GDF's Executive Director Elise Soucie Watts previously noted that: "Credibility in digital finance isn't won through declarations, it's earned through implementation." Firms are watching closely for signs that the UK will follow through with proportionate, risk-based rules that reflect the complexity and rapid evolution of crypto markets.

Another consistent theme for the months ahead was that regulation must move at the speed of relevance. The UK no longer holds 'first mover advantage', but it retains a critical chance to establish a differentiated position, striking a balance between Europe's rigidity under the EU's [Markets in Crypto-Assets Regulation (MiCA)] and the US's ambiguity under still-developing legislation.

This so-called 'second mover advantage' only materialises if the UK is willing to absorb lessons from abroad and tailor its regime accordingly. Effectively, the UK can learn from the legislative challenges of other major jurisdictions, but it must act fast if it hopes to retain and nurture crypto and digital asset businesses given the rising prominence in the crypto sphere of jurisdictions like Dubai, Hong Kong and Singapore.

Importantly, there is growing industry concern that a fragmented or overly conservative approach, particularly in areas like stablecoin redemption rules or staking treatment, could inadvertently push innovation offshore, and that there is a narrow window to act. As echoed in CCI and GDF's recent consultation responses, the UK must adopt a future-proofed posture: embedding optionality and feedback loops into the framework, ensuring that regulation evolves alongside technological and market developments.

Finally, participants called for deeper international cooperation. As Laura Navaratnam, CCI's UK Policy Lead, observed recently: "This is a global industry built on global rails, we cannot regulate in isolation." Industry and policymakers alike urged UK authorities to lead efforts to align terminology, supervisory outcomes and risk mitigation tools across jurisdictions, helping to lower the cost of compliance and boost cross-border market participation. Underscoring this, Stu Davis, Global Co-Chair of the Fintech Industry Group at Latham & Watkins, recently commented: "UK regulators are listening and want to support growth, but our focus now needs to be on global interoperability."

Out of the day's event emerged the sentiment that the UK urgently needs to deliver a competitive digital assets regime, despite the complexities, but there are some very precise adjustments required to recalibrate proposed legislation in a way that presents a compelling offering to firms.

Key questions

Are UK regulators in a good position to deliver the type of legislation that the industry is calling for?

Positively, and as had largely been expected, there was little change in the digital asset policy outlook with the change from a Conservative to Labour government in 2024. More recently, Chancellor Rachel Reeves underscored the government's continued support for, and interest in, the sector during her keynote speech at April's Innovate Finance Global Summit 2025 where she committed to finalising digital asset legislation before the year's end.

Several key points emerged from the day's discussion suggesting that this is a workable timeline. The industry is broadly supportive of the SI document, suggesting fine-tuning is required rather than any major changes. UK regulators have consulted widely; multiple aspects have been considered and debated, and the implications of policy thoroughly considered, providing a sense that the legislation is largely fully formed.

Positively, its regulatory players – the FCA, Bank of England (BoE) and HMT – are aligned and, as several participants noted, the FCA is showing a previously unseen degree of flexibility, which bodes well for getting the legislation through to its final stage.

Photo: Latham & Watkins

What action needs to be taken in coming months?

Participants agreed that the digital assets industry needs to continue providing the FCA with data, use cases and facts to support their ideas and suggestions, not just opinions.

It was also suggested that industry players get themselves prepared in other ways while they are waiting for the legislation to come into effect.

An example given was AML registration and policy adherence. One panellist suggested that those who haven't gone through the MLR registration process consider doing so because successful registration now would likely result in a faster journey to full FSMA authorisation once the crypto regime is in place.

Several repeated suggestions for the FCA emerged from the discussions, including:

01 **Continue to pursue live sandbox testing** (where firms can trial risk-adjusted flexibility on legislative and regulatory requirements in a live environment not a test one). Participants are keen to see innovation at the heart of the UK's digital assets strategy and urged the FCA to experiment.

02 **Don't overregulate.** Participants felt that the FCA could learn a lot from the disadvantages of other regimes, particularly MiCA, as well as the shortcomings of the existing financial promotions (finprom) legislation. Alongside this, calls were made for regulators to leave the industry room for flexibility. Digital assets are rooted in fast-moving technology, and flexibility allows them to grow and innovate.

03 **It was suggested that regulation should not unduly burden international firms.** The UK, particularly post-Brexit, must provide a compelling reason for international companies to operate here given the small size and limited growth prospects of the local market.

04 **Participants also called on regulators to ask the right questions.** These ranged from the deceptively straightforward like 'what are people looking for in a UK regime?' or 'what's a reasonable transition time' to 'what's the right way for a locally regulated platform to tap global liquidity?'.

Key issues

Staking

Most stablecoins are built on top of proof of stake (PoS) blockchains, which means if you don't get staking (and the requirements related to it) right it will be impossible for stablecoins to scale up. Key questions asked included 'what should be considered staking?' and 'are regulators are looking at it in the right way?'.

One panellist argued that while they felt non-custodial protocol made up a significant portion of the market, when it came to regulation, it was often custodial staking that was the focus in the UK's case. In turn, this was often confused with lending, which belongs in a different category. As a result, the suggestion was to keep the legislation targeted rather than trying to cover all aspects of staking.

Stablecoins

The global stablecoin market is today valued at approximately $250 billion and is forecast by some to reach $1.6 trillion by 2030. Panellists felt that the use cases are rapidly scaling up, but this in turn means that regulators must act quickly and decisively to build frameworks that enable stablecoins to scale up within their jurisdiction.

Overall, concerns were raised about the way in which the UK's stablecoin legislation is developing, with fears voiced about the potential for misalignment with other market leading jurisdictions.

Key areas that were highlighted as problematic include the slow pace of legislation, with participants fearful that stablecoin issuers will simply choose to operate in markets where the frameworks are more developed rather than base their operations in the UK.

One such market is the US, which was praised for the speed with which it is now moving with its Genius, Firm and Stable Acts, as well as "some of the clarity and decisiveness" that has accompanied this.

Dubai and Singapore were highlighted as displaying interesting approaches to stablecoins. In terms of the former, one panellist praised the capital that the emirate has put behind innovation and its partnering with companies in the space to create new companies.

Singapore was singled out as an interesting test case to see how things develop as it puts in place more stringent regulation. This is related to how different global businesses operate in the region and the need for them to register with the city state's regulator.

The UK has been criticised for its bifurcated approach across the FCA and Bank of England regimes, which could pose a cliff-edge risk. Also highlighted as problematic is its more stringent approach to governance and consumer protection, which it is feared will undermine the competitiveness of the UK's stablecoin regime. One panellist called for a regime that "creates real utility but that still protects consumers".

The question was raised as to how viable stablecoin issuance in the UK will be, given the numerous challenges that the current framework poses.

As one panellist pointed out, the business model in stablecoins is to "make money on the backing assets" rather than on transactions. This is a core benefit of stablecoins, which can provide a cheaper and faster option for both retail and wholesale businesses. As a result, it was argued that from a regulatory perspective, "it's so important not to place excessive restrictions on the sort of backing assets" as well as the ability to "charge redemption or issuance fees".

The sense remains that the UK could become a "hub of innovation" for stablecoins if it puts the right legislation in place, and there was praise for elements of the UK's approach to date.

In comparison to some of the challenges that MiCA's stablecoin regime poses, the UK's approach of no dual licence required for e-money versus stablecoins was welcomed.

The UK also won support for its attempts to ensure global liquidity by allowing a global trading operator entity to be licensed in the UK as a branch. This was welcomed in the face of MiCA's 'Fortress Europe' approach, which requires trading venues to effectively get a licence instead of being a legal entity in the EU, splitting the liquidity of global platforms.

Overall, however, participants felt that more was needed for stablecoins to play a part in completing a comprehensive UK digital asset regulatory approach, which is robust, proportionate and favours innovation.

Appropriate regulatory guardrails were also cited as crucial to ensure the continued growth of the UK ecosystem, further attract the predominantly global industry, and to realising the goal of making the UK a digital finance hub.

Photo: Latham & Watkins

Finproms

The UK's finprom regime has been in effect since October 2023. During a session dedicated to the effects of the legislation, panellists covered a series of issues and concerns, some of which have bearing on the outlook for wider crypto strategy.

Overall, the panellists agreed that the legislation had secured some of its intended policy objectives, the most notable being that it has created sufficient friction to have prevented some individuals investing in and subsequently losing money on crypto assets.

It was also noted that the FCA had effectively made "the best of a bad situation" given finproms were what it had the remit to enact before receiving the wider set of powers to regulate crypto assets more broadly. Now that the FCA has the powers to create a comprehensive regulatory framework, the industry hopes for an adjustment in finproms implementation.

This is critical because in its current form, the wider effects – described as a "larger blast radius" – were deemed onerous and potentially threatening to the UK's longer-term fintech prospects.

Arbitrarily limiting access to all crypto, without any consideration of other factors, was highlighted as one significant downside, and does not appropriately reflect crypto assets' new status as regulated specified investment products under the new SI. One panellist suggested that the finprom regulations were in fact the FCA's way to indirectly regulate crypto while it put together a more comprehensive regime.

At the heart of the finprom regulation is consumer protection, but the panel took issue with whether this had realistically been achieved. Certainly, fewer people in the UK have been able to access crypto but the panel was not convinced that this equated to protection. As one panellist suggested, "some precise ways" could have been created to "get better consumer protection than all of the hoops that we jump every day".

The question of attrition was one that cropped up repeatedly during the day. One panellist warned that there was a "really big risk" that the UK would lose out, and developers wouldn't build products for the market if its regulation continued to make it a much less attractive market than places like the US. In this respect, the finprom regulation was described as a "very blunt tool", which has only served to add "friction to the use of any blockchain-based technology". Reflecting this, a call was made for regulators to not penalize the technology, just the behaviours and business models.

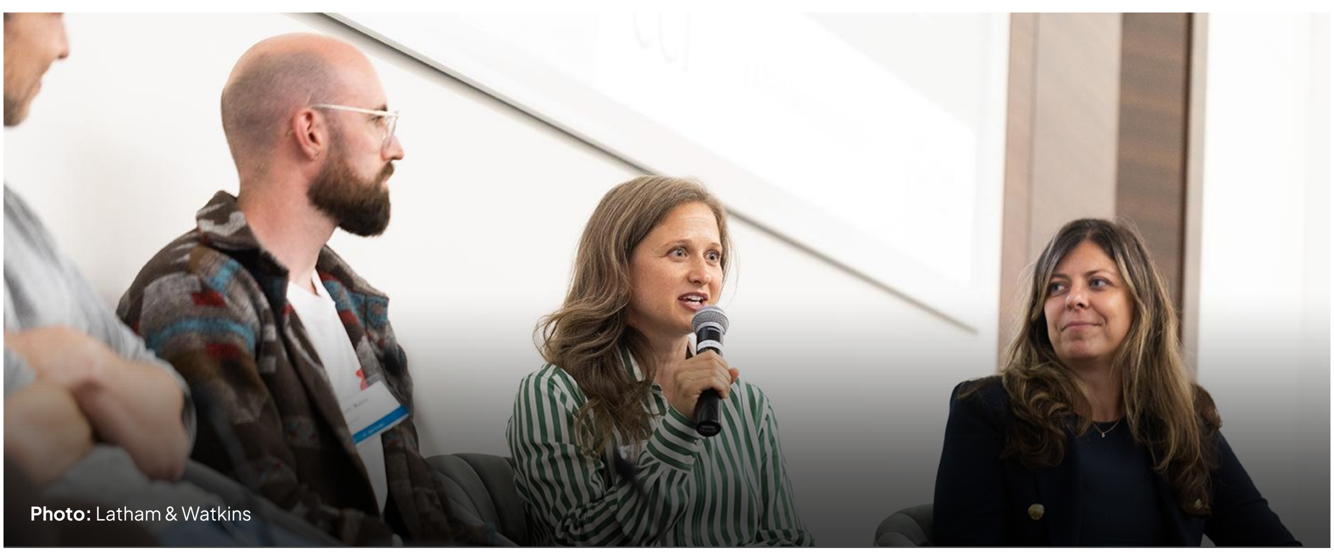


Photo: Latham & Watkins

Market structure

Participants agreed that definitions need tightening up. For example, under the existing proposals, one participant revealed that it wasn't clear whether her company would be regarded as a crypto asset trading platform or an intermediary. Similarly, it was also argued that regulatory definitions are so broad they can have unintended consequences for firms that never touch assets and should technically be exempt from the scope of the regime.

Also stressed was the need for greater clarity related to existing regulatory rules, as well as integration with trad-fi and other financial institutions. Clarity is vital; it will help allay the fear of businesses who want to scale up their operations but fear misalignment because of lacking guidance.

Photo: Latham & Watkins

What are the likely challenges?

Is the fundamental vision clear?

Several participants questioned the UK's vision and strategy, asking the fundamental question as to whether its digital assets strategy was sufficiently clear, and whether the government was placing a greater emphasis on artificial intelligence as an engine of growth.
For its part, the FCA stressed that its focus was on deepening trust, countering risk, improving lives and supporting growth, something that crypto strategy was argued as sitting firmly within.

The question persisted, with another argument made that while the UK holds firm to the idea that a strong, stable regime will attract global players, is this sufficient, particularly in a post-Brexit environment?

How do regulators get the balance right?

Balance is key and several participants argued that while consumer protection is very important, it needs to be balanced against allowing the market to function freely and continue to innovate. In this respect, calls were made for more in-depth cost-benefit analysis, which also examines the opportunity cost of getting the approach wrong. Subjectivity was also raised as an issue, again underscoring the need for clarity and guidance rather than individual decisions coming down to the FCA.

How much will Brexit prove a challenge?

The point was made repeatedly that the UK is a small, limited growth market, and as a result, many global players will not view it as a worthwhile investment opportunity. Reflecting this was the sentiment that the UK must work even harder to make its regulatory environment as efficient as possible, particularly by cutting red tape. An example given was to provide crypto-asset regulatory exemptions for licensed payment providers utilising stablecoins to settle fiat transactions. It was argued that if regulators made this move, a lot of payment providers would want to base themselves in the UK.

Is the second mover advantage really an advantage?

There are advantages and disadvantages to being a 'second mover' or as several participants pointedly noted "third, fourth, fifth or sixth mover". It places the UK in a strong position to witness legislation in action, judging what is and isn't working elsewhere. It also means that it has lost its earlier competitive advantage in the sector and finds itself having to lay its framework over several preceding ones.

Another point made about the second mover advantage is the fact that it only remains an advantage if it's taken. One participant argued that the UK had failed to truly analyse other regimes to assess how it could benefit from their experiences and legislative shortfalls.

Will historic problems hound the UK's regulators?

Several participants highlighted past communication problems on the part of the regulator. There was the sense that it's an improving situation, but a warning from the workshop was that businesses would be deterred from operating in the UK market if the application process was slow or disconnected.

What's an ideal timeframe?

Warnings were issued that while the industry is pressing regulators to act more swiftly, will the industry have sufficient time to implement the requirements once legislation comes into effect.

It was suggested that regulators both assess what a reasonable timeframe is as well as consider a transitional period.

Photo: Latham & Watkins

Outlook

Those participating in the workshop gave a real sense that the UK has a huge opportunity if it gets its legislation right. Areas where panellists suggested the UK could lead included stablecoin innovation, which would be possible if the UK created an environment in which innovation could flourish while also ensuring consumer protection.

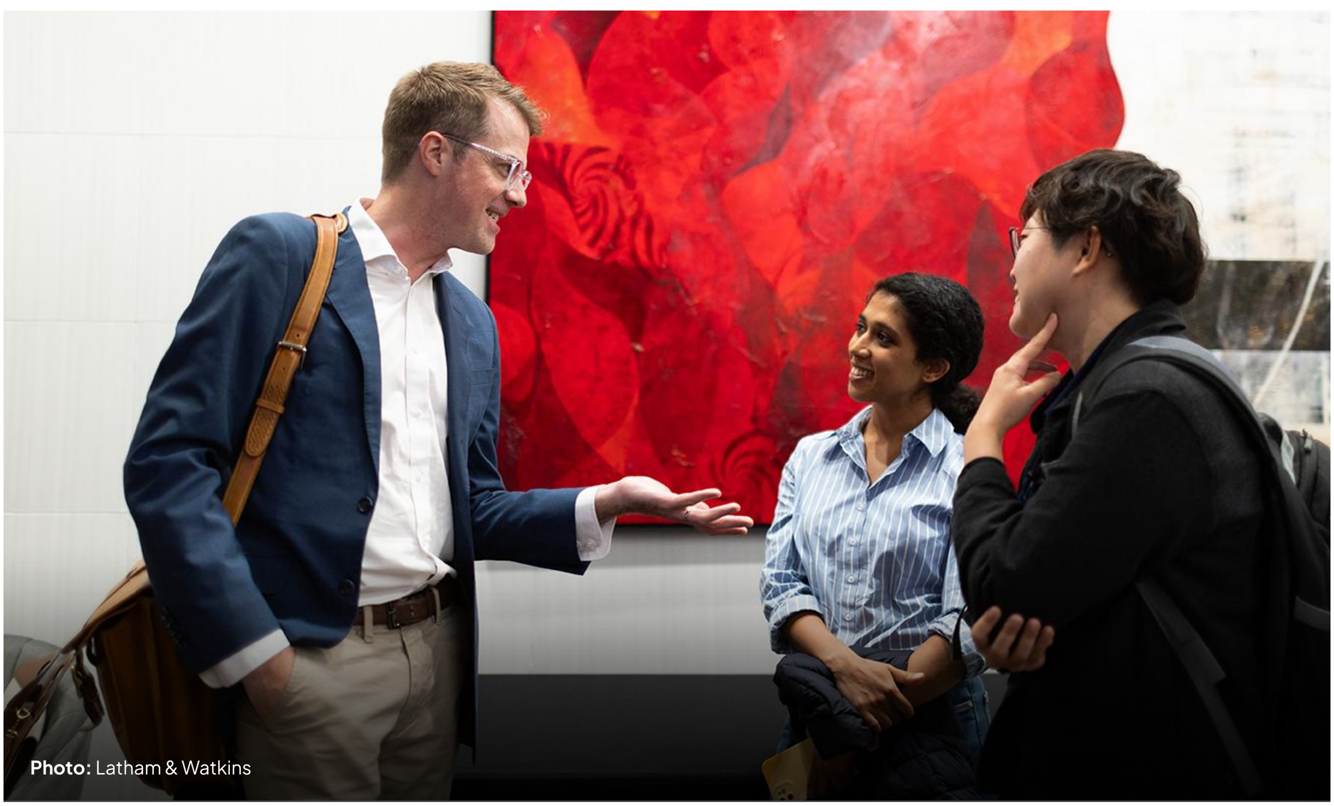
It was stressed that real-world use cases were invaluable to answer vital questions like how to deliver utility and how to best identify risks, as well as ensure that regulations aren't crafted in a silo or vacuum.

Certainly, the sentiment from the FCA was that it's heard the feedback and appreciates that the UK authorities need to get on and deliver a regime. At the same time, however, everyone in the room was conscious that digital assets is a very complex area and one where it's vitally important to get things right.

In this respect, a call was made several times for regulation to be unrolled in stages. There was a sense of overriding urgency in getting a strong piece of legislation promulgated swiftly, after which other elements – described by one participant as "trigger areas" – could be more fully researched, weighed and enacted.

Overall, participants were keen to see regulators worldwide settle on a cohesive and synergistic approach as is practically feasible. It was stressed that as a new sector that is global in nature and based on the same technology, it makes sense for regulators to work together a lot more than they currently are.

In turn, this would help businesses worldwide. As one panellist said, the burden of running a global business in multiple jurisdictions shouldn't fall solely on the global business. Regulators worldwide should be supporting businesses by addressing instances of mismatched regulation.



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