



HM Treasury

Draft statutory instrument
amending the Financial
Services and Markets Act
2000 (Cryptoassets)
Regulations 2026

Policy Note

April 2026

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ISBN: 978-1-918417-35-7 PU: 3628

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Chapter 1

Introduction

1.1 In February 2026, the government passed legislation to create the UK financial services regulatory regime for cryptoassets: the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 ('the crypto regime'). The government intends to build on this by undertaking reforms to modernise UK payments services legislation, including to ensure that the framework can facilitate innovation, including tokenised payments such as stablecoin.¹

1.2 The government is seeking to avoid placing additional burdens on firms where these can be avoided. In particular, the government is aware that firms seeking to provide stablecoin payment services are (as things stand) likely to fall within the cryptoasset perimeter for dealing or arranging under the crypto regime. The government intends to rationalise the dealing and payments perimeters for stablecoins as part of its forthcoming payments services reforms, and will be consulting more comprehensively on its payments services reforms soon.² However, it would like to avoid requiring stablecoin payments firms having to secure authorisations for cryptoasset dealing and arranging for October 2027 whilst the payments reforms are still being completed.

1.3 In addition, since the passing of the crypto regime into law, the government has continued to engage closely with the sector with a view to securing a competitive UK regime. The government has listened to feedback on where amendments can be made in support of this objective and to correct any unintended consequences in the current regime.

1.4 The government has therefore published draft legislation to address these considerations. This document provides an explanation of the government's policy intent for these provisions. The Treasury will be engaging with industry participants over the coming weeks to seek views on these draft provisions.

¹ As set out in the government's Financial Services Growth and Competitiveness Strategy (July 2025).

² As set out in the Payments Forward Plan (February 2026), the government intends to consult on this work in Q2 2026.

Chapter 2

Payments with UK-issued qualifying stablecoin

2.1 The government will be consulting soon on bringing payment services utilising stablecoins that have been issued in the UK by a firm authorised for the new regulated activity in regulation 9M (issuing qualifying stablecoin) into regulated payments as part of its planned payment services reforms. Under the crypto regime, the FCA will ensure firms issuing UK qualifying stablecoin (UKQS) have met the threshold conditions for authorisation and can comply with the necessary standards. This status will reflect that UKQS can be considered truly stable, and therefore suitable for payments. The government will be bringing forward a consultation on its payments services reforms soon, and will seek input on this proposal in greater detail as part of that process. In order to avoid undue barriers to firms seeking to provide payment services with UKQS ahead of the payments services reforms, this draft statutory instrument ('the SI') will carve UKQS out of the new activities of dealing in qualifying cryptoassets as principal, dealing in qualifying cryptoassets as agent and arranging deals in qualifying cryptoassets.

2.2 However, the government does not consider it would be appropriate to permanently remove lending and borrowing activities involving UKQS from the regulatory perimeter. Under the SI, lending and borrowing activities involving UKQS will remain within scope of the cryptoassets dealing activities so that the FCA can create rules to address the associated consumer risks as appropriate. The government recognises that leaving UKQS lending and borrowing in the dealing perimeter could create frictions for the use of UKQS in collateral arrangements. The government intends to try and mitigate any such barriers as part of the final SI and will seek input from industry on how best to achieve this.

2.3 The government further recognises that cross-border payments are a significant use case for stablecoin payments. It is possible that frictions could remain for certain types of cross-border stablecoin payments by virtue of overseas-issued stablecoin remaining inside the perimeter for cryptoasset dealing and arranging. This is likely to depend on the way transactions are structured, and it is not clear that any such barriers would necessarily be prohibitive. The government intends to

explore these considerations further with industry during the informal consultation period on this SI.

2.4 Taking UKQS out of the regulatory perimeter for cryptoasset dealing and arranging creates increased risk of consumer detriment during the interim period until UKQS are brought within the regulated payments perimeter. However, this change will not remove the need for firms undertaking UKQS payments to secure permissions for cryptoasset safeguarding (under regulation 9N) under the crypto regime where they safeguard, or arrange for another to safeguard, cryptoassets (including UKQS) on behalf of another. The government will be consulting on a proposal that, under the payments services reforms, safeguarding undertaken in the course of providing payments services should sit within the payments regime rather than the crypto regime.

2.5 The government recognises that this will leave outstanding frictions for some UKQS payment firms in the interim period due the requirement to have cryptoasset safeguarding permissions. However, the government considers this an appropriately balanced approach in ensuring UKQS payments firms are brought under FCA supervision in advance of the payments services reforms and in support of protecting consumers, and the government will work with the FCA with a view to delivering a streamlined transition for these firms into the new payments regime when it is completed.

2.6 Within the crypto regime there is a temporary settlement exclusion from cryptoasset safeguarding for firms that hold cryptoassets 'temporarily to facilitate the settlement of a transaction'. It was the government's intention that this exclusion be for the purposes of settling trades (i.e. to ensure a dealer or trading platform operator that holds a customer's cryptoassets for a short period to facilitate the settlement of a transaction is not in scope of the cryptoasset safeguarding activity). However, under the current wording, it is possible that firms undertaking UKQS payments services might be taken out of scope from the safeguarding activity.

2.7 In order to provide clarity, and deliver against the intended policy, the government is proposing to clarify in the SI that this exclusion applies only where the activity is ancillary to dealing or arranging, and therefore does not apply to holding UKQS in the course of providing payments services.

Chapter 3

Consequential changes

3.1 The government is proposing to make some additional minor changes as part of the approach set out above, and in support of UKQS stablecoin use cases.

3.2 Firstly, the government intends to make changes to the perimeter for the financial promotions regime so that it remains in line with the crypto regime's regulated activities. This means that transactions involving UKQS (and no other cryptoassets) will not be subject to the financial promotions regime, with the exception of lending and borrowing arrangements. The regulated activity of issuing a qualifying stablecoin has also been added as a new activity to the Financial Promotions Order.

3.3 Secondly, the government intends to turn on early the provisions in the crypto regime that carve out stablecoin backing assets from being either a collective investment scheme or alternative investment fund. This will help avoid barriers to stablecoin adoption for different use cases and associated services ahead of the crypto regime provisions coming into full force in late 2027.

3.4 Firms undertaking services in UKQS only and not holding a FSMA permission may still be required to register under the FCA's Money Laundering Regulations Gateway to ensure appropriate compliance with obligations related to the prevention of money laundering.

Chapter 4

Additional proposals

Proprietary trading/market making

4.1 In general terms, the UK crypto regime seeks to require firms to secure authorisation from the FCA where they are providing services within scope of the regulated activities either in the UK or to UK customers. However, in the case of the dealing activities, this approach could stand to create uncompetitive dynamics for firms where they are trading on their own account and not providing a service to client. For instance, an overseas firm can provide liquidity to UK authorised cryptoasset trading platforms without needing to be authorised for dealing in principle, whereas a UK based firm would be required to secure these permissions. This stands to push firms offshore to the detriment of the UK and as such this SI seeks to address this matter so that firms can provide market making services in the UK without being penalised.

Central Securities Depositories

4.2 Central securities depositories (CSDs) are exempted under UK financial services law from needing authorisation for activities that they provide as part of their core functions. CSDs and the nominee companies they use for the purposes of safeguarding and administering assets are not required to secure safeguarding permissions under Article 40 of the Regulated Activities Order 2001.

4.3 However, this exemption does not apply to exempt persons' nominee companies for cryptoasset safeguarding. The government is therefore proposing to correct this discrepancy for specified investment cryptoassets as part of this SI. This will help ensure the avoidance of barriers to UK innovation with tokenised securities.

Chapter 5

Next steps

5.1 The Treasury will engage with industry to secure feedback on these proposals and the draft provisions. Written returns can also be sent to cryptoasset.legislation@hmtreasury.gov.uk up until the deadline of close Friday 22 May 2026.

Chapter 6

Privacy Information

Introduction

This Privacy Notice should be read alongside HM Treasury's (HMT's) Personal Information Charter. The Charter sets out:

- the standards you can expect from HMT when we use your personal information;
- the contact details for our Data Protection Officer;
- how to exercise your Data Protection Information Rights (including access);
- how to exercise your right to complain to the Information Commissioner's Office.

<https://www.gov.uk/government/organisations/hm-treasury/about/personal-information-charter>

This Privacy Notice supplements the Personal Information Charter and outlines additional information in relation to Consultation and Calls for Evidence responses from all interested parties and stakeholders.

Data Controller

A data controller makes decisions about processing activities. They exercise overall control of the personal data being processed and are ultimately in charge of and responsible for the processing.

The data controller for this processing activity is HMT, unless otherwise stated.

Data Processors

A data processor is an organisation or company that handles personal information on our behalf, following our instructions. Data processors do not use your information for their own purposes; they only process it as directed by us.

The following organisations are directed to process your personal information on our behalf:

Processor Name	Function
Microsoft	Provision of enterprise IT services including email, document storage, collaboration tools, and infrastructure support

Who we process personal data about

The table below outlines the categories of individuals whose personal data we will process in this activity, alongside the types of personal data we will use.

Category of Individual	Types of Personal Data
Members of the public	Name
	Postal address
	Email address
Representatives of businesses or organisations	Telephone number
	Job title and employer (where an individual is making representations on behalf of an organisation)
	Personal opinion

We may also process special category data or data about criminal convictions, if you volunteer such information. Special categories of personal data may include:

- Data about racial or ethnic origin
- Political opinions
- Religious or philosophical beliefs
- Trade union membership

Source of Your Personal Data

Personal data of the individuals listed above will be collected in the following ways:

Directly - from Respondents (you)

Purpose and Lawful Basis

We will process your personal data for the following purposes and using the specified lawful bases:

Purpose	Lawful Basis	Further Information
Obtaining opinions about government policies, proposals, or an issue of public interest.	<p>Article 6(1)(e) of the UK GDPR – Public task</p> <p>Article 9(2)(g) of the UK GDPR – Substantial public interest</p> <p>Schedule 1, Part 2, Paragraph 6(2)(b) of the Data Protection Act – necessary in the exercise of a government department.</p>	To help HMT understand who has responded to this process and, in some cases, contact respondents to discuss their response.

Who we share your personal data with

We will share your personal data with the following types of recipients:

- HMT staff and Ministers - who have a business need to access the data as part of the process
- Other government departments who have policy functions relevant to the topic. Sharing in this context will ordinarily be anonymised unless information about the respondent is necessary to inform policy.
- Regulators including the Financial Conduct Authority (FCA) - where their functions are relevant to the topic. Sharing in this context will only include personal data where information about the respondent is necessary to inform policy.

Please be aware that if we receive correspondence or communication which we consider threatening in nature or suggests a possible risk to you or a third party, we may share this correspondence (along with your personal data) with relevant law enforcement / safeguarding authorities.

International Transfers

Your personal data will not be transferred to an international recipient during this activity.

How long we hold your personal data

We will retain your personal data only for as long as necessary to fulfil the purposes for which it was collected. Personal data contained within responses will be retained for the duration of the drafting, testing, implementation, and monitoring of the statutory instrument amending the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.

Automated Decision-Making and Profiling

This activity does not involve automated decision making or profiling. This means that decisions which may affect you are not made solely by automated means without human involvement, and your data is not subject to analysis intended to evaluate or predict aspects such as your behaviour, preferences, or interests.

HM Treasury contacts

This document can be downloaded from www.gov.uk

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