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Digital Assets  
and Blockchain

# Digital asset regulation in the UK

*A Quick Guide for  
Overseas Entities*

*May 2025*





## Crypto and digital assets regulation in the UK

Numerous jurisdictions across the globe are developing their own cryptoasset regulatory frameworks—the UK is no exception. Cryptoasset businesses overseas looking to enter the UK market, or to offer services to customers in the UK, will need to navigate the applicable regulatory requirements as well as be cognisant of evolving policy developments.

Our Hogan Lovells teams are well-placed to support you. Our Digital Assets and Blockchain (DAB) practice is widely recognized for the breadth and depth of its expertise and experience.

- AML/CFT regime
- Financial promotions
- Authorizations
- Regulatory engagement
- Regulatory business plans
- Governance and risk management frameworks

Our UK Financial Regulatory teams have been helping new-to-market FinTech clients gain authorization, launch, and scale their businesses in the UK for the past decade, making us Chambers UK's FinTech Firm of the Year 2025.

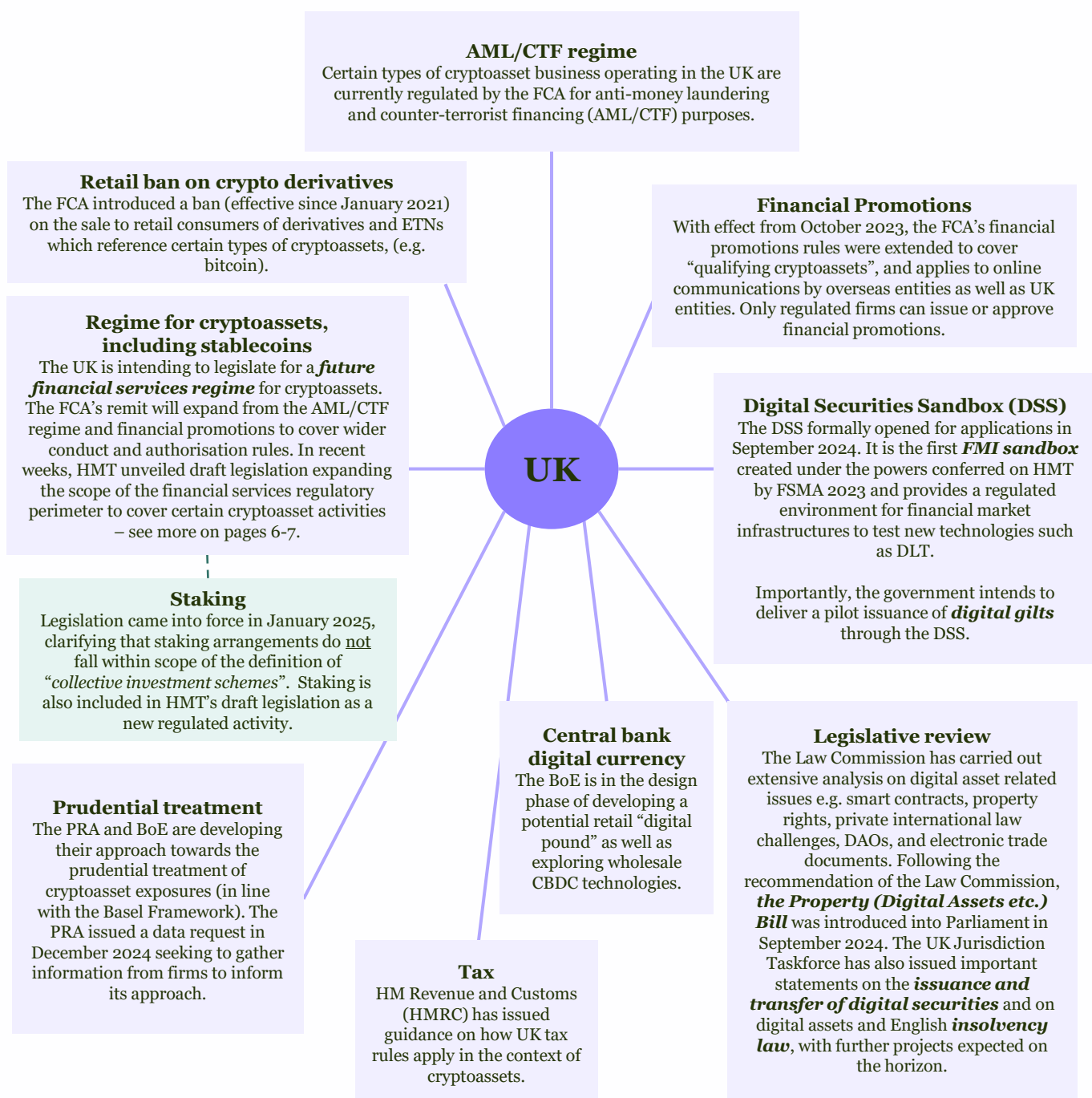
Our legal and consulting teams can help you with all areas of UK financial regulation alongside the developing framework for digital assets, as well as regulatory and policy engagement with key stakeholders.

- Senior management/board effectiveness review and training
- Safeguarding
- Operational resilience
- Conduct risk
- Consumer duty
- Compliance frameworks and monitoring

# The UK digital asset regulatory landscape: Existing regime

## Key regulators and government bodies

- **The Financial Conduct Authority (FCA):** regulates the financial services firms and markets in the UK
- **The Prudential Regulatory Authority (PRA):** regulates banks, building societies, credit unions, insurers, major investment firms
- **The Bank of England (BoE):** central bank of the UK, maintains monetary policy and financial stability, and the regulator of financial market infrastructures such as CCPs, CSDs, and payment systems.
- **His Majesty's Treasury (HMT):** the government's economic and finance ministry, plays a key role in defining policy



# The UK AML / CTF regime

## Scope

The FCA supervises UK cryptoasset businesses for anti-money laundering and counter-terrorist financing (AML/CTF) purposes. The regime covers:

- Cryptoasset exchange providers (i.e. cryptoassets for money or other cryptoassets), including ATMs and those issuing new cryptoassets. ***The meaning of “exchange” is defined very broadly.***
- Custodial wallet providers.

## Registration

Cryptoasset businesses in scope of the regime are required to register with the FCA, prior to carrying out business in the UK.

The application will involve submitting a number of forms and documentation how the business is governed and how it operates.

The FCA should come to a decision within 3 months of an application being submitted, ***but only if the application is considered complete.***

## Ongoing compliance

Cryptoasset businesses must comply with ***ongoing requirements***, for example:

- Having appropriate systems and controls in place to mitigate risks of money laundering, proliferation financing and terrorist financing
- Carrying out customer due diligence and ongoing monitoring
- Nominating an officer responsible for reporting suspicious activities

## Acquisitions

A person who decides to ***acquire or increase control*** over an FCA-registered cryptoasset firm—so that they become a “beneficial owner” as defined under relevant laws—must notify the FCA and obtain approval, ***before*** completing the acquisition.

Not obtaining FCA approval in line with the relevant rules is a criminal offence.

## How we can help

- **FCA registration:** supporting you throughout the application process, from drafting application documents to liaising with the FCA
- **Regulatory analysis:** undertaking perimeter analysis to understand whether or not your business activity falls in scope of the regulatory regime, carrying out risk assessments of a new product or service, or any other regulatory challenge you may be facing
- **Mergers and acquisitions:** carrying out legal due diligence in cryptoasset firms (generally and on the regulatory health of the target), as well as drafting and negotiating transaction documents
- **FCA change in control approvals:** obtaining the approvals you need before acquiring a controlling interest in a FCA-registered cryptoasset business

## AML Registration Toolkit

Our AML registration tool gives you practical guidance on the requirements you must meet, and our insight into the expectations of the FCA. It has everything you need to quickly create best-in-class documents for a straightforward and successful registration application.



# Financial Promotions in the UK

## What is a financial promotion?

A financial promotion is an **invitation or inducement** to engage in **investment activity**, communicated by a person **in the course of business**.

Generally, “investment activities” would cover activities such as buying, selling or trading **qualifying cryptoassets**.

## What is the restriction?

Under section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”), it is an offence for a person, in the course of business, to communicate a financial promotion, unless:

- that person is **authorized**,
- the content of that communication has been **approved by an authorized person**, or
- that person falls in scope of an **exemption**—for instance, there is an exemption applicable for cryptoasset businesses registered with the FCA.

### Applies to overseas entities

In the case where a communication originated from outside of the UK, the restriction applies if the communication is **capable of having an effect in the UK**.

(It is irrelevant whether the communication actually has effect, as long as it is capable of doing so.)

### Many types of communications and arrangements are covered

This can include:

- Content on your website
- In-app communications
- Social media channels, both public (e.g. YouTube, TikTok, Meta, Instagram, X) as well as private channels (e.g. Discord, Telegram)
- Memes, livestreams (e.g. Twitch)
- Affiliate marketing
- Incentive programs

### Consequences of breach

For example, the FCA can order withdrawals of specific promotions, and place firms on the **Warning List**.

**Knock-on effects** can include difficulties with app store listings, damage to reputation and relationships with business partners etc.

Illegal communication of a financial promotion is a criminal offence, punishable by up to **2 years imprisonment, the imposition of an unlimited fine, or both**.

## How we can help

- **Training and guidelines:** providing you with guidance that can be tailored to your needs, covering the do’s and don’ts under the regime
- **Compliance assessment:** analysing your existing communications against the rules and recommending uplifts, from specific pieces of content or a review of all your social media channels
- **FCA engagement:** supporting you in directly communicating with the FCA on matters relating to your promotions
- **Ad hoc consultations:** addressing any specific questions you have or situations you may be facing (e.g. app store queries about your compliance with the financial promotions rules)

### Financial Promotions Toolkit

Our Financial Promotions Toolkit helps guide clients through this regime and ensure that they are able to confidently operate in the UK under the correct permissions.

# Latest developments in the UK framework

## New draft legislation

On 29 April 2025, HM Treasury (HMT) published a draft statutory instrument (the Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions) (Cryptoassets) Order 2025) and an accompanying policy note which explains the intentions behind the Order. The draft Order introduces new regulated cryptoasset activities by making amendments to existing legislation.

The consultation period for “technical” comments ended on **23 May 2025**.

## FCA Discussion Papers

On 2 May 2025, the Financial Conduct Authority (FCA) published a Discussion Paper (DP25/1) which gives an indication of the FCA’s proposed direction for the regulation of certain cryptoasset activities introduced under the draft legislation.

The FCA is seeking feedback until **13 June 2025**.

On 28 May 2025, the FCA published a consultation paper on stablecoin issuances and cryptoasset custody, and another on prudential regimes for crypto firms. The FCA is seeking feedback on both papers until **31 July 2025**.

## Why does this matter?

It will be important for overseas businesses to consider these proposals in terms of in relation to understanding the extent to which they fall within the regulatory perimeter, and **the authorizations that such firms may need to obtain**.

The consultations also present **an opportunity to influence the future UK regime** and to flag areas of uncertainty that would benefit from guidance or clarification, such as in relation to:

- The **precise boundaries** of cryptoasset activities falling in scope of the regime
- Treatment of **overseas firms** and the extent of **UK legal entity or physical presence requirements**
- **Transitional measures** particularly for currently authorised firms
- Proposed restrictions on **retail cryptoasset lending/borrowing** and on **use of credit by retail consumers** to purchase cryptoassets (except stablecoins)
- The regulatory perimeter in relation to **DeFi**

According to the FCA’s roadmap, a stream of policy publications relating to cryptoasset activities will be issued for public consultation over the course of 2025-2026, and the rules are expected to be **finalized in 2026**.

## What cryptoasset activities will be in scope of the future regime?

The draft statutory instrument introduces new regulated cryptoasset activities by making amendments to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “RAO”). In brief, the new activities include:

- stablecoin issuance;
- safeguarding (custody);
- staking;
- operating a trading platform;
- “dealing” in cryptoassets (as principal or as agent); and
- “arranging deals” in cryptoassets

## Cryptoasset rules to be finalized in 2026

- Admissions (e.g. application to trading, issuer due diligence)
- Disclosure requirements
- Market abuse regime for cryptoassets
- Stablecoin-specific rules (e.g. backing assets, redemption rights)
- New prudential sourcebook covering capital, liquidity and risk management
- Prudential treatment of cryptoasset exposures
- Staking
- Lending
- Trading platform rules
- Custody
- Order handling and execution
- Conduct rules
- Consumer Duty
- Complaints handling
- Governance
- Operational Resilience
- Financial Crime

# What to look out for

## When can we expect further details on stablecoin regulation?

As per the draft statutory instrument published on 29 April 2025, issuing stablecoins will be a regulated activity in the UK. The FCA has published a consultation paper on 28 May 2025 regarding stablecoin issuances, and further considerations will be consulted on later in 2025 as per the FCA Roadmap.

In terms of regulating stablecoins from a payments perspective, the draft statutory instrument **does not to bring stablecoins within scope of payments legislation**—meaning, for now, that although stablecoins may be used for payments, they will remain unregulated for payments purposes.

In the meantime, following its Discussion Paper of November 2023, the Bank of England continues to develop its approach to regulating **systemic stablecoins used for payments**.

## What is happening in terms of UK policy?

The UK government is undertaking reforms to help the UK become more competitive, promote growth, and drive down the cost of business. An example of this is the FCA extending pre-application support to cryptoasset firms. The pressure on regulators to be **growth-focussed** while ensuring **consumer protection** and **market integrity** will likely influence the development of the UK cryptoasset regulatory framework.

In addition to responding to upcoming consultations, there may also be an opportunity to engage with regulators on existing rules which may have been imposing significant—and potentially disproportionate—burdens on industry players.

## Will decentralized finance (DeFi) be in scope of the new regime?

the FCA has noted that “truly” decentralised activities are out of scope of the regulatory perimeter—however, the FCA will, on a case-by-case basis, determine if there is an identifiable intermediary with sufficient control. The FCA intends to introduce guidance to help firms understand their obligations (e.g. in relation to consumer protection) and is inviting feedback on how to assess the degree of (de)centralisation.

## How we can help

- **Policy engagement:** facilitating the conversation with policymakers and regulators, from responding to policy publications (e.g. upcoming FCA consultation papers), to proactively engaging with regulators on specific issues
- **Horizon scanning and bespoke training:** keeping you up to date with the latest cryptoasset regulatory and policy developments in the UK
- **Jurisdictional comparison:** providing guidance in partnership with our colleagues across the globe, particularly the EU and the United States

## Further resources

- [Regulating Staking: A Comparative Guide](#)
- [Tokenized Deposits, Stablecoins, and E-money: A Comparative Guide \(UK\)](#)
- [DLT and Wholesale Settlement in Central Bank Money: A Comparative Guide \(UK\)](#)
- [The Smart Contract Primer](#)



## Digital Assets and Blockchain

Our Digital Assets and Blockchain (DAB) practice is widely recognized for the breadth and depth of its expertise and experience. We provide clients with streamlined cross-practice and cross-jurisdiction support that utilizes our firm's leading, global **regulatory, financial market infrastructure**, and **capital markets** experience in the traditional finance space, alongside our DAB teams' deep understanding of the opportunities and challenges surrounding the adoption of new technologies and asset classes in financial services.

Our commercially-oriented, forward-thinking lawyers have worked with clients across the full ecosystem, including on:

- DLT Consortia formation and launches (including drafting and negotiating member documentation)
- On-chain payment and settlement solutions
- Trading platform launches and digitalized financial market infrastructure
- Digital bond and tokenization of debt instruments
- Service providers facilitating the tokenization of assets
- Regulatory requirements for cryptoasset and DLT-related activities
- Custody solutions (including triparty arrangements)
- Regulatory and policy engagement advice

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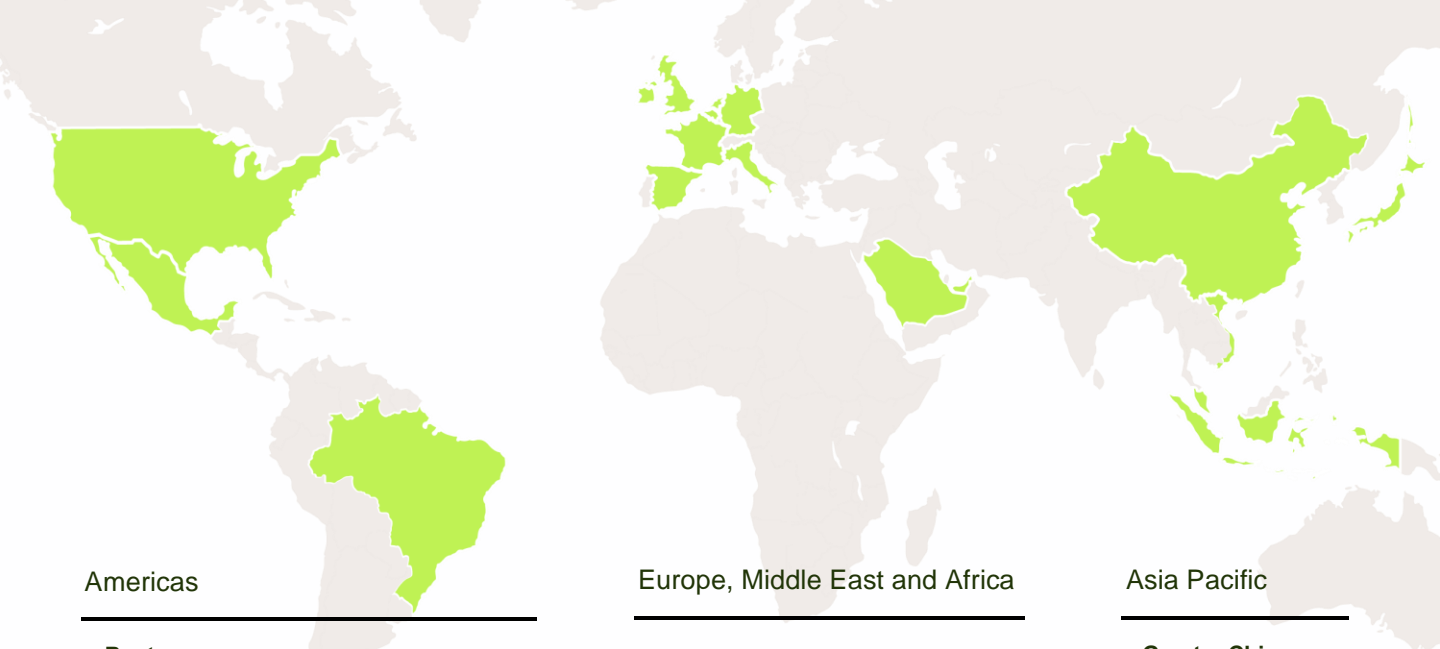


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