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## HM Treasury Publishes Draft Legislation Establishing Financial Services Regulatory Regime for Cryptoassets in the UK

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. Below, we provide an overview of the key points from the draft legislation and policy note.

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.

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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.