



CLIENT BRIEFING

New UK Regulatory Framework for Cryptoassets

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Executive Summary

The UK Government has laid final legislation in Parliament which establishes a comprehensive financial services regulatory framework for cryptoassets within the existing FSMA architecture¹. The Financial Conduct Authority (the **FCA**) has simultaneously published a series of Consultation Papers setting out proposed rules for firms conducting cryptoasset activities in or targeting the UK market.

The new regime represents a fundamental expansion of the UK's regulatory perimeter for cryptoassets, moving well beyond the current anti-money laundering registration requirement. From 25 October 2027, firms conducting specified cryptoasset activities in or targeting the UK will be required to hold full regulatory authorisation from the FCA, or risk committing a criminal offence.

The implementation runway is aggressive. The application gateway opens on 30 September 2026, and firms must submit applications by 28 February 2027 to access the saving provision. Firms that miss this window face a "no new business" transitional regime. Those that do not apply at all must run off their UK operations. International firms must also urgently assess their UK customer exposure and determine their compliance strategy under the new framework.

1. Background and Policy Context

- 1.1. The UK's approach to regulating cryptoassets has evolved incrementally over recent years. An anti-money laundering and counter-terrorist financing regime for cryptoasset exchange providers and custodian wallet providers was introduced in January 2020 under the Money Laundering Regulations 2017 (**MLRs**). A financial promotions regime for cryptoassets followed in October 2023. In January 2025, the Government clarified that staking is not a collective investment scheme, removing a barrier to service provision in the UK.
- 1.2. However, most cryptoasset activities have remained outside the scope of broader financial services regulation covering matters such as conduct, prudential requirements, and market integrity. This SI addresses that gap by bringing cryptoasset activities within the established FSMA framework.
- 1.3. The Government's stated policy approach is same risk, same regulatory outcome, seeking regulation of cryptoassets that is consistent with traditional finance where appropriate, whilst remaining tailored to the unique risks of the cryptoasset sector. This approach aligns with recommendations from the International Organization of Securities Commissions and the Financial Stability Board.

¹ [The Financial Services and Markets Act 2000 \(Cryptoassets\) Regulations 2025](#) and [Explanatory Memorandum](#)

2. Key Definitions and Scope

- 2.1. The SI amends the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **RAO**) to introduce three principal categories of cryptoasset:
- (a) **Qualifying cryptoassets:** a subcategory of the existing FSMA definition of cryptoassets, being cryptoassets that are fungible and transferable. This is the broadest category and captures most commonly traded tokens such as Bitcoin and Ethereum.
 - (b) **Qualifying stablecoin:** a qualifying cryptoasset that references a national currency and holds backing assets to maintain a stable value. Stablecoins issued in the UK will be subject to specific FCA rules regarding backing assets, redemption, and offers.
 - (c) **Specified investment cryptoassets:** tokens that meet both the FSMA definition of a cryptoasset and a specified investment (for example, a tokenised equity or bond). These are expressly excluded from the definition of qualifying cryptoassets but are captured within the safeguarding regime.
- 2.2. Mere records of value or contractual rights that happen to use cryptographic security (such as an encrypted spreadsheet) are excluded from the definition of qualifying cryptoassets.

3. New Regulated Activities

- 3.1. The SI creates the following new regulated activities under the RAO. Any person carrying on these activities by way of business will require FCA Part 4A authorisation:
- (a) **Issuing qualifying stablecoins in the UK** (new article 9M of the RAO): this comprises three components – offering, redemption, and maintaining the value of a qualifying stablecoin. A firm undertaking all three activities from a UK establishment, or arranging for them to be carried out in the UK on its behalf, will require authorisation. The SI also provides legal clarity that stablecoin issuers are not to be treated as accepting deposits.
 - (b) **Safeguarding qualifying cryptoassets** (new articles 9N–9R of the RAO): firms safeguarding qualifying cryptoassets on behalf of others in the UK or for UK consumers will require authorisation. This activity extends to relevant specified investment cryptoassets that are securities or contractually based investments. An exception exists for firms safeguarding at the direction of an authorised person.
 - (c) **Operating a qualifying cryptoasset trading platform** (new article 9S of the RAO): defined as a system in which multiple third-party buying and selling interests in qualifying cryptoassets interact and result in a contract for the exchange of qualifying cryptoassets for money (including electronic money) or other qualifying cryptoassets.
 - (d) **Dealing in qualifying cryptoassets** (new articles 9T–9Z5 of the RAO): dealing as principal, as agent, or arranging deals. These provisions are also intended to capture cryptoasset lending and borrowing services.
 - (e) **Qualifying cryptoasset staking** (new articles 9Z6–9Z9 of the RAO): firms making arrangements for another person for qualifying cryptoasset staking in the UK or for UK consumers will require authorisation. This includes liquid staking models. The operation of a validator node alone is excluded.

4. Territorial Scope

- 4.1. The SI amends section 418 of FSMA to define when a person is deemed to be carrying on regulated activities in the UK. For trading platform operations, dealing as principal, dealing as agent, and arranging deals, firms involved in the sale or subscription of qualifying cryptoassets to or by a UK consumer will require UK authorisation, regardless of whether the firm is based in the UK or overseas.
- 4.2. **Key exception for overseas firms:** where a UK authorised trading platform or dealer as principal intermediates between the overseas firm and the UK consumer, the overseas firm will not need separate UK authorisation. Additionally, overseas firms serving only UK institutional customers (i.e. non-retail) (who are not themselves acting as intermediaries to UK consumers) will not require UK authorisation for trading, dealing, and arranging activities.
- 4.3. For safeguarding and staking, firms will need authorisation if they carry on the activity in the UK or on behalf of a UK consumer. An exception applies where the firm acts at the direction of an authorised person. For stablecoin issuance, the firm creating the qualifying stablecoin (or on whose behalf it was created) will require authorisation if carrying on the activity from a UK establishment or arranging for all three limbs of the activity to be carried out in the UK.

5. Admissions, Disclosures and Market Abuse

Admissions and Disclosures

- 5.1. The SI creates new designated activities under Part 5A of FSMA for public offers of qualifying cryptoassets and admissions to trading on a qualifying cryptoasset trading platform. A general prohibition on public offers of qualifying cryptoassets applies unless an exemption is met (for example, offers to fewer than 150 persons in the UK or offers only to qualified investors). Breach of this prohibition is a **criminal offence**. Where an offer falls within an exemption and the total consideration amounts to at least £500,000, additional disclosure requirements apply.
- 5.2. Qualifying cryptoasset disclosure documents must include the necessary information to enable investors to make informed decisions. Those responsible for such documents are liable for compensation if they contain untrue or misleading statements or omit required information, subject to certain exemptions.

Market Abuse Regime for Cryptoassets

- 5.3. The SI establishes a bespoke market abuse regime for qualifying cryptoassets (the **MARC**), modelled on the assimilated UK Market Abuse Regulation but tailored to cryptoasset markets. The MARC defines inside information and market manipulation, and prohibits insider dealing, unlawful disclosure of inside information, and market manipulation. The regime applies to activities concerning any relevant qualifying cryptoassets in and outside the UK, regardless of whether the activity takes place on a trading platform.
- 5.4. The FCA will have the ability to specify activities as legitimate cryptoasset market practice to future-proof the framework and prevent emerging market developments being inadvertently captured by the prohibitions.

6. FCA Regulatory Framework

- 6.1. The FCA has published a series of consultation papers which set out the proposed detailed rules covering the full lifecycle of cryptoasset activities. These include:

- (a) [CP25/14](#) (*Stablecoin Issuance and Cryptoasset Custody*);
 - (b) [CP25/40](#) (*Regulating Cryptoasset Activities*);
 - (c) [CP25/41](#) (*Admissions & Disclosures and Market Abuse Regime for Cryptoassets*);
 - (d) [CP25/42](#) (*Prudential Regime for Cryptoassets Part II*); and
 - (e) [CP26/4](#) (*Application of FCA Handbook for Regulated Cryptoasset Activities II*).
- 6.2. Stablecoin Issuance and Cryptoasset Custody (CP25/14): the FCA proposes that qualifying stablecoins must be fully backed at all times, with backing asset pools restricted to specified asset classes including on-demand deposits and short-term government debt instruments. Issuers must guarantee redemption at par value for all holders, and a statutory trust must be imposed over backing assets for the benefit of stablecoin holders. Issuers are required to appoint an independent third party, outside the issuer's group, to safeguard backing assets. For cryptoasset custody, qualifying cryptoassets held by custodian firms must be segregated via trust arrangements, with detailed record-keeping requirements.
- 6.3. Trading Platforms, Intermediaries and Staking (CP25/40): the proposed rules impose significant market structure and conduct requirements on cryptoasset trading platforms (**CATPs**), intermediaries (dealing as principal, as agent, and arranging), and firms providing cryptoasset lending, borrowing, and staking services. CATPs must ensure adequate systems and controls, publish transparent access and operation rules, and identify and monitor market making activity. Conflicts of interest management is central – CATPs are prohibited from principal dealing on their own platform, and legal separation is required where an entity holds both platform and principal dealer permissions. These requirements are likely to significantly impact the business models of firms seeking UK authorisation.
- 6.4. Admissions, Disclosures and Market Abuse (CP25/41): the FCA proposes an admissions and disclosures regime and a Market Abuse Regime for Cryptoassets (the MARC) broadly aligned with the traditional financial services framework, with features tailored to cryptoasset markets. CATPs must establish risk-based and objective admission criteria, approved by the platform's governing body and published on the platform's website, for assessing whether a proposed admission is likely to be detrimental to retail investors. Platform operators must reject applications where their assessment indicates detriment.
- 6.5. Prudential Requirements (CP25/42): the FCA proposes an own funds requirement as the minimum amount of regulatory capital that a cryptoasset firm must maintain at all times. The prudential framework also addresses capital adequacy, liquidity, wind-down planning, and overall risk assessment, representing a material uplift from the current MLR compliance requirements.
- 6.6. FCA Handbook Requirements (CP26/4): the FCA proposes to apply existing FCA Handbook requirements to regulated cryptoasset activities, including the Consumer Duty, dispute resolution (DISP), conduct of business standards (COBS), the Senior Managers and Certification Regime (SM&CR), regulatory reporting (SUP 16), cryptoasset safeguarding, and location policy guidance. This integration into the existing FSMA architecture means that cryptoasset firms will be subject to the same core regulatory standards as other FCA-authorized firms.
- 6.7. The FCA intends to publish Policy Statements setting out final rules and guidance in respect of each of the above consultation papers in 2026, subject to parliamentary approval of the enabling legislation. The final rules will take into account consultation responses received and will form the detailed regulatory framework applicable from the regime commencement date of 25 October 2027.

7. Authorisation Timeline and Process

7.1. The FCA has published the key milestones and timeline leading up to the commencement of the new cryptoasset regime on 25 October 2027.

Milestone	Date
Application Form Published and PASS Opens	July 2026
Application Gateway Opens	30 September 2026
Application Period Closes	28 February 2027
Regime Commencement	25 October 2027
Saving and Transitional Provisions Expire	25 October 2029

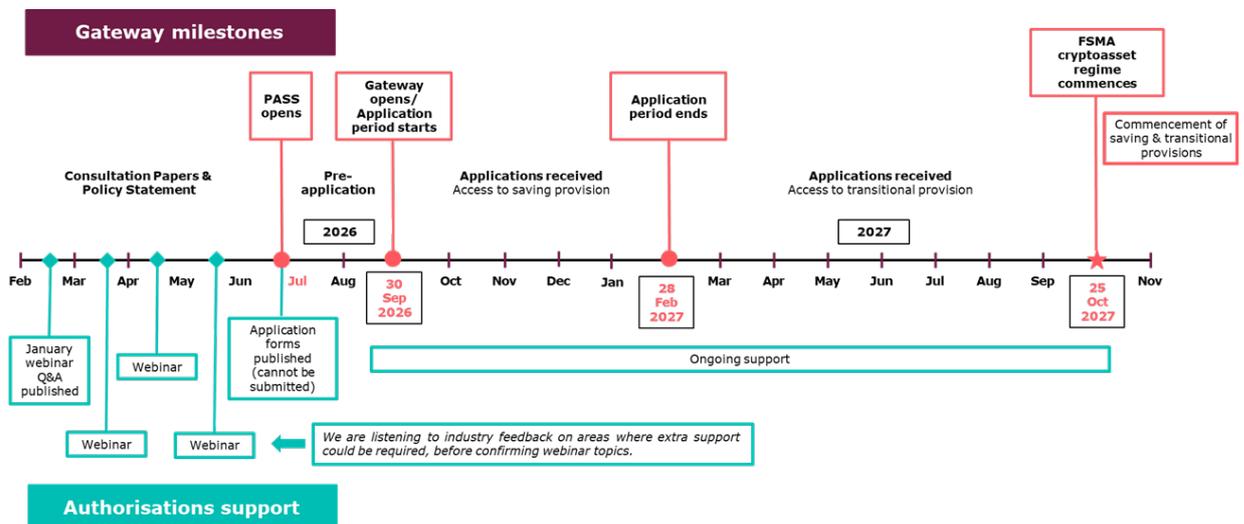
7.2. The FCA has emphasised that firms should begin planning their applications immediately. The Pre-application Support Service (PASS) will be available from **July 2026** and is recommended (though not mandatory). The FCA has stressed that PASS meetings are supportive in nature – they are not a test, and no determination is made at the PASS stage.

7.3. Once the application gateway opens on **30 September 2026**, the FCA will assess applications in the order they are received. There will be no priority afforded to MLR-registered or existing FSMA-authorized firms. The FCA expects to determine applications submitted during the designated application period **before** the regime commences on **25 October 2027**.

7.4. The FCA will interview key Senior Managers as part of the assessment process, including (but not limited to) the CEO, Money Laundering Reporting Officer, Chief Risk Officer, and Head of Compliance. The FCA will assess experience, understanding of the regulatory framework, and integrity.

7.5. The FCA has confirmed that it may issue a **mind to authorise** indication where a firm has substantially met the requirements, but certain operational matters remain outstanding – for example, subject to regulatory capital being in place by the authorisation date. This is intended to give firms confidence to proceed with operational expenditure before final authorisation is granted.

Timeline



Savings and Transitional Provisions

- 7.6. **Firms that apply during the application window:** if a firm applies between 30 September 2026 and 28 February 2027, and that application has not been determined before 25 October 2027, the firm enters the **saving provision**. Under the saving provision, the firm may continue to provide cryptoasset services – including conducting new business – until its application has been finally determined. Both provisions run until 25 October 2029.
- 7.7. **Firms that apply after the application window but before commencement:** if the firm applies after 28 February 2027 and that application has not been determined before 25 October 2027, the firm enters the **transitional provision**. Under the transitional provision, the firm may only continue to service existing UK customers and **may not take on new UK business** until (and unless) it is authorised. This is a critical distinction – the transitional provision is effectively a no new business regime.
- 7.8. **Firms that do not apply at all:** firms that do not intend to seek authorisation must run off their UK business before 25 October 2027. There is no access to either the saving or transitional provisions. Failure to do so risks commission of a criminal offence under section 19 of FSMA (contravening the general prohibition on carrying on regulated activities without authorisation) or, for already FSMA-authorized firms, breach of section 20 (acting without permission).

8. Implications for UK and International Firms

UK-based Firms

- 8.1. All firms currently operating in the UK under MLR registration as cryptoasset exchange providers or custodian wallet providers will need to apply for full FSMA authorisation. MLR-registered firms, payments firms, and e-money firms that are not already FSMA-authorized will all need to submit new authorisation applications. Existing FSMA-authorized firms wishing to undertake the new cryptoasset activities will need to apply for a variation of permission (VOP).
- 8.2. The FCA has stated that it will be pragmatic in its AML framework assessment of MLR-registered firms seeking FSMA authorisation, taking into account all available information from the registration process. However, the overall assessment will be substantially broader, and firms should not underestimate the step-change required.
- 8.3. The FCA has emphasised that it will take a dim view of shell applications and will reject poor-quality submissions without assessment if they do not provide the minimum information required. Applications need not be accompanied by 500-page business plans, but must demonstrate a clear and credible plan for readiness by commencement. Where a firm is not fully ready at the point of application, it must demonstrate how and when it will become ready.

International Firms Targeting the UK Market

- 8.4. Overseas firms involved in the sale or subscription of qualifying cryptoassets to UK consumers will require UK authorisation for trading platform operations, dealing, and arranging activities, unless a UK-authorized intermediary stands between the overseas firm and the UK consumer.
- 8.5. International groups may set out arrangements at group level, but must demonstrate how the UK-authorized entity will itself meet the FCA's requirements. The FCA's assessment will focus on the UK firm's readiness, governance, and controls.

- 8.6. Overseas firms serving only UK institutional customers (that are not themselves intermediating to UK consumers) will not require UK authorisation for trading, dealing, and arranging activities. However, safeguarding and staking activities carried on in the UK or for UK consumers will still require authorisation regardless of customer classification.

9. Recommended Actions for Clients

- 9.1. The new UK regime represents a fundamental shift in the regulatory landscape for cryptoassets. The UK is one of the world's largest crypto markets, with a substantial and growing user base. The introduction of a comprehensive regulatory framework will be demanding, but it also presents a significant commercial opportunity for clients. We recommend the following steps as immediate actions for UK and international firms.

(1) Assess whether your business is within scope: the essential first step is to determine whether your existing or planned activities fall within the scope of the new regulations. For UK-based firms, this means mapping your existing business against the new definitions to identify which activities now require FCA authorisation. For international firms, the regime's territorial reach is extensive – if you are involved in the sale or subscription of cryptoassets to UK consumers, you will require UK authorisation regardless of where your firm is established, unless a specific exemption applies.

(2) Prepare your FCA authorisation application: if your activities fall within scope and you intend to engage in UK business, you should begin preparing your FCA application now. The application gateway opens on 30 September 2026, and the application period closes on 28 February 2027. This is a tight timeline in which to produce a quality application submission and credible plan for authorisation.

(3) Consider your UK corporate structure: the FCA's expectation is that firms conducting regulated cryptoasset activities will establish a UK-incorporated legal entity. Overseas firms may apply for branch authorisation. International firms should take legal advice on the optimal UK corporate structure for their business model, including the implications for capital allocation, governance arrangements, and operational setup.

- 9.2. The key to successfully navigating the new regime will be early preparation. Firms that engage with the process now will be best placed to secure FCA authorisation. It will be equally important for firms not applying for UK authorisation, to determine the regulatory impact on their business model and organise their operations accordingly.

LawBEAM is a leading international firm focused on cryptoasset law and regulation. We provide strategic legal advice and solutions to cryptoasset firms in the United Kingdom and worldwide. If you would like to discuss the impact of the new UK regulatory framework on your business, please contact us.

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