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Digital Assets
and Blockchain

Digital asset regulation in the UK

*A quick guide for overseas
entities*

April 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 promotion
- Regulatory engagement
- Regulatory business plans
- Governance and risk management frameworks
- Senior management/board effectiveness review and training

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.

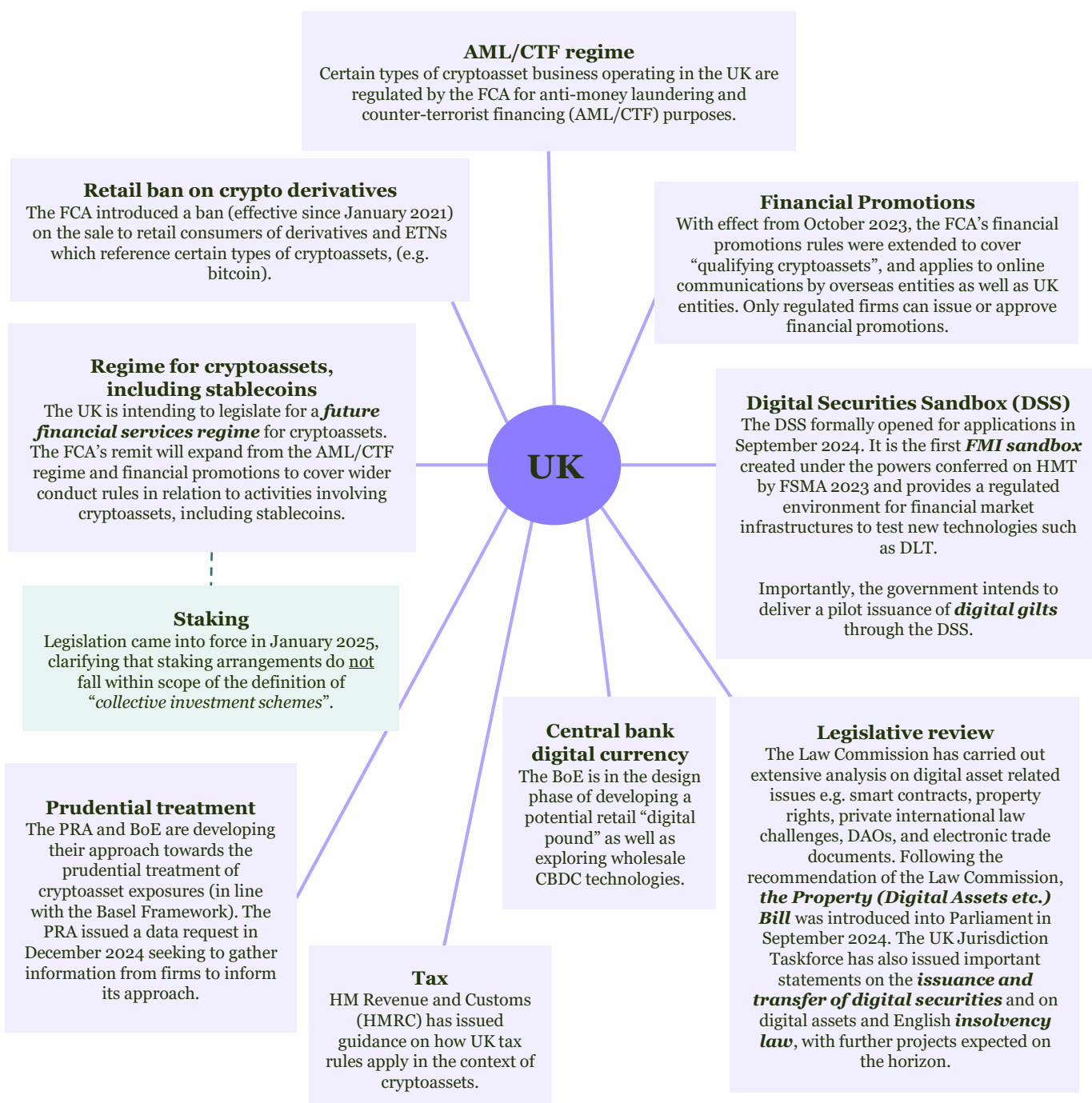
Our legal and consulting teams can help you with all areas of UK financial regulation alongside the developing framework for digital assets, as well as regulatory and policy engagement with key stakeholders.

- Safeguarding
- Operational resilience
- Conduct risk
- Consumer duty
- Compliance frameworks and monitoring

The UK digital asset regulatory landscape

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.

What to look out for

The regulatory landscape in the cryptoassets space is evolving quickly. According to the FCA's roadmap, a stream of policy publications relating to cryptoasset activities—including **custody**, **staking**, and **lending**—will be issued for public consultation **over the course of 2025-2026**. The FCA expects all Policy Statements to be **finalized in 2026**.

When will we see rules on stablecoins?

The FCA has previously issued a discussion paper on its approach to fiat-backed stablecoins. We are expecting further consultations in the first half of 2025, including on proposed rules relating to stablecoin backing assets and redemption.

Will decentralized finance (DeFi) be in scope?

In 2023, HM Treasury stated that it is premature to implement a regulatory framework covering DeFi at this stage. At the same time, there is **no intention to ban DeFi**.

For now, the UK will continue to take part in international initiatives (e.g. through the Financial Stability Board and other standard setting bodies) to inform its domestic approach.

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. This includes taking a new approach to ensure regulation supports growth. An example of this is the FCA extending pre-application support to cryptoasset firms.

The pressure on regulators to be **growth-focussed** will likely influence the approach taken to developing the incoming 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.

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

How we can help

- **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
- **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

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

Find out more



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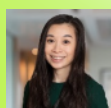
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