EXPLANATORY MEMORANDUM TO

THE FINANCIAL SERVICES AND MARKETS ACT 2000 (CRYPTOASSETS) (MISCELLANEOUS AMENDMENTS) REGULATIONS 2026

2026 No. [XXXX]

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Declaration

2.1 Lucy Rigby KC MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Laura Mountford, Deputy Director for Payments, Fintech and Banking at HM Treasury confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 William Morello at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: cryptoasset.legislation@hmtreasury.gov.uk

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (S.I. 2026/102) ("the Cryptoassets Regulations") established the UK's financial services regulatory framework, within that provided for by the Financial Services and Markets Act 2000 ("FSMA"), for certain cryptoassets, including stablecoins. This instrument makes targeted amendments to that framework.

4.2 The instrument excludes activities involving qualifying stablecoins issued in the UK by an authorised person under FSMA for the activity of issuing such stablecoins ("UK qualifying stablecoin") from the regulated activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) ("the RAO") of dealing in qualifying cryptoassets as principal, dealing as agent, and arranging deals in qualifying cryptoassets.

4.3 However, these activities remain in scope where they involve qualifying cryptoassets other than UK qualifying stablecoin. Lending and borrowing involving UK qualifying stablecoin also remain in scope because of the risks they may present to consumers and other users. The exception to this is institutional collateral and repurchase agreement arrangements, which have been excluded from the dealing and arranging activities listed above for all qualifying stablecoin (whether they are issued in the UK or overseas).

4.4 The instrument also excludes the temporary holding of qualifying stablecoins issued in the UK from the cryptoasset safeguarding activity, where they are being held in connection with a payment transaction.

4.5 Finally, the instrument clarifies the regulatory perimeter for issuing qualifying stablecoins in the UK and excludes backing asset arrangements for those stablecoins from the relevant safeguarding regulated activities. It also introduces targeted exemptions for certain cryptoasset proprietary trading, market making, technical services, and central securities depository activities.

4.6 The instrument makes related changes to the financial promotions regime set out in the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (S.I. 2005/1529) ("the FPO"), including clarifying the regulatory perimeter for stablecoin issuance and backing asset arrangements and mirroring the exemptions in the RAO for certain proprietary trading, market making and central securities depository activities. It also creates a new controlled activity for the purposes of the financial promotion restriction (issuing qualifying stablecoin) and consequently a new controlled investment (qualifying stablecoin).

4.7 These changes are intended to remove unnecessary regulatory barriers while maintaining high standards of regulation for activities that present material risks to consumers or market integrity. Firms excluded from regulation by this instrument continue to have obligations under other legislation, including anti-money laundering requirements.

Where does the legislation extend to, and apply?

4.8 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.9 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 Stablecoins are a type of cryptoasset that seek to maintain a stable value by referencing a fiat currency and holding a reserve of backing assets. The Government considers that stablecoins have potential to introduce efficiencies in retail and wholesale payments and support innovation and competition in UK financial services, provided that they are appropriately regulated to ensure they maintain a stable value. The Government has confirmed its intention to modernise the legislative framework for the regulation of payment services and e-money, including to accommodate tokenised payments such as stablecoins. In July 2026, HM Treasury published a consultation setting out the proposed approach to bringing certain stablecoins into the payments regulatory perimeter.[1]

5.2 The regulatory framework established by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 created new regulated activities for qualifying cryptoassets, including qualifying stablecoins. Firms wanting to carry on those activities in the UK, as determined by that legislation, are required to be authorised by the Financial Conduct Authority (FCA) and to comply with FCA rules. Absent the changes made by this instrument, payment activities involving UK qualifying stablecoin would likely be within scope of the cryptoasset dealing and related intermediary regulated activities, with stablecoin payment firms subject to overlapping or disproportionate regulatory requirements ahead of the wider payments

[1] Consultation on modernising payment services regulation, available at: https://www.gov.uk/government/consultations/modernising-payment-services-regulation

reforms coming into force. This instrument addresses that risk by excluding UK qualifying stablecoin from the cryptoasset dealing and arranging activities. It also excludes the temporary holding of those stablecoins from the cryptoasset safeguarding activity where the stablecoins are held in connection with a payment transaction.

5.3 The exclusion from the dealing and arranging activities does not apply to lending and borrowing activities involving UK qualifying stablecoins. The Government considers that retaining those activities within the regulatory perimeter is necessary to protect consumers and market integrity, in line with the principle of "same risk, same regulatory outcome". However, collateral and repurchase agreement arrangements are excluded from the dealing and arranging activities for all qualifying stablecoins, where the original holder of the stablecoin is not a consumer or a person specified by FCA rules.

5.4 Since laying the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, the Government has continued to engage closely with the sector with the view to securing a competitive UK regime. The instrument therefore addresses other issues identified in the operation of the cryptoassets regulatory framework. These include exclusions for proprietary trading and market making, providers of mere technical services, the safeguarding of stablecoin backing assets and also for safeguarding arrangements operated by a recognised central securities depository or third-country central securities depository, including arrangements involving a nominee company. The Government expects these amendments to provide greater regulatory certainty, reduce unnecessary compliance costs for firms and support responsible innovation in stablecoin, cryptoassets and tokenised investments.

5.5 The instrument also brings forward the commencement of provisions in the Cryptoassets Regulations that provide that assets backing qualifying stablecoins are not treated as collective investment schemes, alternative investment funds or electronic money. This is intended to avoid creating unnecessary barriers to the adoption of qualifying stablecoins across different use cases and the provision of related services, ahead of the cryptoassets regulatory regime coming fully into force on 25 October 2027.

What was the previous policy, how is this different?

5.6 Before this instrument, the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 treated specified activities involving qualifying cryptoassets, including UK qualifying stablecoins, as regulated cryptoasset activities. This included dealing in qualifying cryptoassets as principal, dealing as agent, arranging deals and safeguarding qualifying cryptoassets. The framework was introduced to protect consumers and ensure cryptoasset firms are held to the same high regulatory standards as other financial services firms.

5.7 This instrument removes UK qualifying stablecoins from the scope of the cryptoasset dealing and arranging activities. Lending and borrowing involving those stablecoins remain in scope of regulation because they may present different risks to consumers. However, collateral and repurchase arrangements which do not involve a consumer have been excluded from the dealing and arranging activities for all qualifying stablecoin (whether the stablecoin is issued in the UK or overseas).

5.8 The instrument also removes the temporary holding of UK qualifying stablecoins from the scope of the cryptoasset safeguarding activity, where those stablecoins are being held temporarily in connection with a payment transaction. These changes are

aimed at avoiding duplicative or disproportionate regulatory requirements during the period before the wider payments reforms take effect.

5.9 The instrument provides targeted exclusions from the activity of dealing as principal for certain proprietary trading and market making activities. It also excludes from the activity of arranging deals in qualifying cryptoassets certain technical services provided by an unregulated person. The exclusion applies where the firm merely provides a non-discretionary technical interface that allows users to access services provided by an authorised (or exempt) person, or to access a decentralised protocol. It does not apply where the firm exercises discretion over or is substantively involved in the relevant transactions. The instrument further extends relevant safeguarding exemptions to specified investment cryptoassets held or administered by central securities depositaries and certain nominee companies.

5.10 The financial promotions regime is amended to reflect these changes, except that the exclusion for technical services providers is not replicated, meaning those services remain subject to the regime, and to bring the issuing of qualifying stablecoins within the list of controlled activities.

6. Legislative and Legal Context

How has the law changed?

6.1 This instrument makes miscellaneous amendments to the Cryptoassets Regulations and related legislation, including changes to the treatment of UK qualifying stablecoins, cryptoasset safeguarding, dealing and arranging activities and the financial promotions regime. They do not replace the framework established by the Cryptoassets Regulations.

6.2 The principal amendments made by this instrument are described below. Regulations 2 and 3 amend the RAO and the FPO respectively. Regulation 4 makes further amendments to the Cryptoassets Regulations and related provisions.

Amendments to the Cryptoassets Regulations:

6.3 Regulation 4(2)(a) and (b) amend regulation 1 of the Cryptoassets Regulations so that regulations 43, 46 and 47 of those Regulations come into force 21 days after the commencement of this instrument. Those provisions amend the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001; the Electronic Money Regulations 2011; and the Alternative Investment Fund Managers Regulations 2013. Their effect is to clarify that arrangements relating to assets held as stablecoin backing assets are not treated as a collective investment scheme or alternative investment fund where the relevant statutory conditions are met, and to clarify the border between e-money and qualifying stablecoin.

6.4 Regulation 4(5)(a)(iii) inserts a definition of "UK qualifying stablecoin" as a qualifying stablecoin issued within scope of article 9M of the Cryptoassets Regulations, by a person with Part 4A permission to carry on the regulated activity specified by that article. The definition is used in other amendments made by this instrument.

6.5 Regulation 4(5)(b)(i) amends article 9M of the Cryptoassets Regulations. It clarifies the circumstances in which a person is treated as carrying on the activity of issuing a qualifying stablecoin by providing that the offering limb of that activity must be carried on from an establishment in the UK.

6.6 Regulation 4(5)(b)(iii) replaces article 9Q of the Cryptoassets Regulations. It excludes from the safeguarding activity in article 9N arrangements where a qualifying cryptoasset is safeguarded temporarily to facilitate the settlement of a transaction. This provision clarifies that the exclusion applies where the safeguarding is ancillary to dealing or arranging deals in qualifying cryptoassets, operating a qualifying cryptoasset trading platform or carrying on qualifying cryptoasset staking activities.

6.7 Regulation 4(5)(b)(iv) inserts article 9QA and 9QB into the Cryptoassets Regulations. Article 9QA excludes from the safeguarding activity in article 9N arrangements under which a UK qualifying stablecoin is held temporarily in connection with the execution of a payment transaction. Article 9QB excludes from the safeguarding activity arrangements relating to assets held for the purpose specified in article 88G(2)(b), where the arrangements concern a UK qualifying stablecoin and are carried on by a person with Part 4A permission to issue that stablecoin. These exclusions prevent UK qualifying stablecoin payment-related activities and backing asset arrangements from also being treated as safeguarding activities under 9N.

6.8 Regulation 4(5)(b)(v) inserts an exclusion into article 9R of the Cryptoassets Regulations. It excludes activity from article 9N where it is carried on pursuant to arrangements relating to a relevant specified investment cryptoasset operated by a recognised central securities depository (CSD) or third country CSD in the course of operating a central securities depository. This could, for example, apply where the safeguarding is undertaken by a CSD's nominee company under arrangements operated by a CSD. The exclusion is subject to the CSD undertaking a responsibility to the person on whose behalf the cryptoasset is safeguarded which is no less onerous than the responsibility it would have undertaken had it safeguarded the cryptoasset itself.

6.9 Regulation 4(5)(b)(vi) inserts article 9UA into the Cryptoassets Regulations. Article 9UA excludes from the activity of dealing in qualifying cryptoassets as principal activity which is not carried on for the purpose of providing a service to another person relating to the carrying on of a regulated activity on that person's behalf. This excludes relevant proprietary trading not involving the provision of a service to another person and market making activity (such as providing liquidity to a cryptoasset trading platform) from the dealing as principal activity. This prevents UK firms from being placed at a competitive disadvantage to similar overseas proprietary traders and supports the availability of UK-based market making.

6.10 Regulation 4(5)(b)(viii) inserts article 9Z2A into the Cryptoassets Regulations. Subject to specified conditions, article 9Z2A excludes from the arranging activity in article 9Y arrangements under which a person who is neither an authorised person nor a payment service provider merely provides a technical service enabling another person to access one or more services provided by one or more authorised or exempt persons or decentralised protocols. This ensures that tech interface providers are not treated as arranging transactions, while ensuring activities where a service provider exercises discretion over or is substantively involved in the transactions remain within scope.

6.11 Regulation 4(5)(b)(xi) inserts article 9Z10A into the Cryptoassets Regulations. Subject to specified exemptions, it excludes from articles 9T, 9W and 9Y activity comprising or related to transferring a UK qualifying stablecoin to another person or exchanging it for another asset, including money or another UK qualifying stablecoin. The exclusion does not apply to a transfer or disposal subject to a right to return the stablecoin (lending or borrowing arrangements), or to an exchange for a qualifying

cryptoasset other than a UK qualifying stablecoin. Article 9Z10A also excludes certain activities involving all qualifying stablecoins received under title-transfer collateral arrangements or acquired under repurchase agreements. The latter exclusion does not apply where the original holder is a consumer or a person specified, or of a description specified, by FCA rules. Regulation 4(5)(b)(x) makes a consequential amendment to article 9Z10 so that its exclusion does not apply where article 9Z10A applies.

Amendments to the RAO:

6.12 Regulation 2(2) inserts article 43A into the RAO. It excludes from the safeguarding and administering investments activity in article 40 arrangements relating to assets held for the purpose specified in article 88G(2)(b) in relation to a UK qualifying stablecoin, where the arrangements are carried on by a person with Part 4A permission to issue that stablecoin.

Amendments to the FPO:

6.13 Regulation 3(2) inserts article 29(4B) into the FPO. It provides that the financial promotion restriction does not apply to communications required or authorised under Chapter 2 of Part 2 of the Cryptoassets Regulations, which contains the market abuse regime for qualifying cryptoassets and related instruments.

6.14 Regulations 3(3) and 3(4) amend the overseas communication exemptions in articles 30 and 31 of the FPO. They extend those exemptions to the relevant cryptoasset activities, including services described in paragraphs 7ZA to 7C of Schedule 1 to the FPO.

6.15 Regulation 3(5) inserts article 67A into the FPO. It exempts non-real-time communications and solicited real-time communications relating to qualifying cryptoassets where the communication is required or permitted by the rules of a qualifying cryptoasset trading platform operated by a person with the relevant Part 4A permission, or by the FCA.

6.16 Regulation 3(6) inserts article 73ZAA into the FPO, aligned with the corresponding exclusion in article 9Z10A of the Cryptoassets Regulations as inserted by this instrument. Subject to specified exceptions, it exempts certain communications within the scope of dealing, arranging, or advising activities where they relate to the transfer of a UK qualifying stablecoin to another person or its exchange for another asset, including money or another UK qualifying stablecoin. The exemption does not apply to an exchange for another qualifying cryptoasset. It also exempts certain transfers or disposals of qualifying stablecoin subject to a right of return and certain collateral or repurchase agreements involving qualifying stablecoin, where the original holder of the qualifying stablecoin is not a consumer or a person specified by FCA rules.

6.17 Regulation 3(7)(a)(i) inserts sub-paragraph 4A into paragraph 6 of Part 1 of Schedule 1 to the FPO. It excludes from the controlled activity of arranging for another person to safeguard and administer investments arrangements relating to assets held for the purpose specified in article 88G(2)(b) in relation to a UK qualifying stablecoin, where the arrangements are made by a person with Part 4A permission to issue that stablecoin.

6.18 Regulation 3(7)(a)(ii) inserts paragraph 7ZA of Schedule 1 to the FPO. It makes issuing a qualifying stablecoin a controlled activity and sets out when a person is treated as issuing such a qualifying stablecoin, in line with article 9M, as amended by this instrument.

6.19 Regulation 3(7)(b) inserts paragraph 26G into Part 2 of Schedule 1 to the FPO. It specifies "qualifying stablecoin" as a controlled investment for the purposes of the financial promotions regime.

6.20 The remaining amendments make consequential or clarifying changes to the Cryptoassets Regulations and related legislation to ensure the regulatory framework operates as intended and can be found at paragraph 11.2 of this memorandum.

Why was this approach taken to change the law?

6.21 The Government considered waiting for the wider reforms to payments services regulation. That approach could have required firms providing stablecoin payment services using UK qualifying stablecoin to obtain permissions under the cryptoasset regime during the interim period, before potentially requiring separate permissions under the future payments framework. The Government considered that outcome disproportionate because the relevant cryptoasset activities were intended to regulate trading-like activities rather than payment transactions.

6.22 The Government also considered whether the changes could be made through FCA rules or guidance. That would not have been sufficient because the changes amend statutory definitions, regulated activities, exemptions and the financial promotions regulatory perimeter.

6.23 A single amending instrument was chosen because the changes concern closely related elements of the cryptoasset and financial promotions frameworks and need to operate consistently. The approach retains safeguards for higher-risk activities while removing regulatory requirements that the Government considers unnecessary or duplicative.

7. Consultation

Summary of consultation outcome and methodology

7.1 HM Treasury consulted extensively on the financial services regulatory regime for cryptoassets ahead of legislating for the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, and details of those consultations, responses and outcomes are set out in the Explanatory Memorandum for that instrument.[2]

7.2 In April 2026, the Government published a draft statutory instrument covering the principal amendments made by this instrument, together with consequential amendments, and invited technical comments.[3] Following publication, the Government undertook an industry engagement programme to assess the practical operation of the draft amendments, identify any unintended consequences and consider whether any technical changes were needed to ensure that the regulatory perimeter operated as intended.

7.3 The Government received 27 written responses from a wide range of stakeholders, including firms, trade associations representing both the cryptoasset and traditional financial sectors, law firms and academics. Overall, the sector was supportive of the proposed amendments, and various suggestions were made towards ensuring the

[2] The Explanatory Memorandum for the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, available at: https://www.legislation.gov.uk/uksi/2026/102/memorandum/contents

[3] Policy note: Draft statutory instrument amending the Cryptoasset Regulations, available at: https://www.gov.uk/government/publications/policy-note-draft-statutory-instrument-amending-the-cryptoasset-regulations

amendments delivered on the Government's stated policy objectives. Where appropriate, feedback has been incorporated into the final instrument.

8. Applicable Guidance

8.1 None.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because there are no direct costs to businesses.

9.2 This instrument can be regarded as supplementary to the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026. A de minimis impact assessment was published alongside that statutory instrument setting out HM Treasury's assessment of the estimated costs on business of the financial services regulatory regime for cryptoassets.[4]

9.3 This instrument narrows the impact of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 by specifying circumstances in which firms who would otherwise be in scope of that instrument will not need to secure FCA authorisation. As the regulatory regime established by the Cryptoassets Regulations is not currently in force, businesses will not have to change their current business practices as a result of this instrument. Therefore, there are no additional costs or administrative burdens for firms beyond those already set out in the de minimis impact assessment for the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.

Impact on businesses, charities and voluntary bodies

9.4 There is no, or no significant, additional impact on business, including small or micro businesses, beyond that captured in the impact assessment accompanying the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.

9.5 There is no expected impact on charities or voluntary bodies.

9.6 There is no, or no significant, impact on the public sector, beyond that captured in the impact assessment accompanying the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 in relation to the operation of the FCA.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 HM Treasury will continue to monitor the cryptoassets regulatory framework on an ongoing basis. The FCA remains responsible for implementing the wider cryptoassets regulatory regime and will monitor its implementation and efficacy in the usual way, including changes effected by this legislation.

10.2 The Cryptoassets Regulations include a statutory review clause requiring HM Treasury to review the regulations within five years of their coming into force. The statutory review clause will continue apply to the Cryptoassets Regulations, as amended by this instrument.

[4] De minimis impact assessment for the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026, available at: https://www.legislation.gov.uk/uksi/2026/102/pdfs/uksiod_20260102_en_001.pdf

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The instrument brings forward the commencement of three provisions in the Cryptoassets Regulations that provide that assets backing qualifying stablecoins are not treated as collective investment schemes (CISs) or alternative investment funds (AIFs), and that neither stablecoins nor the assets backing them are electronic money, see regulations 43, 46 and 47 of the Cryptoassets Regulations. This is intended to avoid creating unnecessary barriers to the adoption of qualifying stablecoins across different use cases and the provision of related services, ahead of the cryptoassets regulatory regime coming fully into force in October 2027.

11.2 This instrument is issued under the free issue procedure as, amongst other things, it corrects a number of substantive defects in the Cryptoassets Regulations such as typographical errors, omissions and consequential amendments. These are regulations 4(3); 4(4): 4(5)(a)(i) and (ii); 4(5)(b)(ii); 4(5)(b)(vii); 4(5)(b)(ix); 4(5)(b)(x); 4(5)(c); 4(6)(a); 4(6)(b)(i), (ii) and (iii); and 4(7).

12. European Convention on Human Rights

12.1 The Economic Secretary to the Treasury has made the following statement regarding Human Rights:
"In my view the provisions of the Financial Services and Markets Act 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").