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The UK's Plan to Become a Global Crypto Hub



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On April 4, 2022, the UK government [announced](#) plans to become a “global hub” for the cryptoasset industry with proposals for the regulation of stablecoins, development of an NFT (non-fungible token) issued by the Royal Mint, together with other measures, including the introduction of a “financial market infrastructure sandbox” to help firms experiment and innovate. The proposals were laid out in a [speech](#) by John Glen, Economic Secretary to the Treasury, at the Innovate Finance Global Summit. In January 2021 the UK government issued a [consultation on cryptoassets and stablecoins](#), and it has now published its response outlining the feedback received from 89 parties and setting out detail on proposed changes to the regulatory perimeter.

Stablecoins are a form of cryptoasset pegged to a reserve asset like a fiat currency, commodity or even another cryptocurrency. The UK government proposes to legislate to bring stablecoins, where used as a means of payment, within the regulatory perimeter under the supervision of the Financial Conduct Authority (“FCA”). This would require stablecoin issuers to hold equal reserves of pounds sterling for the tokens issued. Glen stated that the “approach will ensure convertibility into fiat currency, at par and on demand,” adding that the Bank of England would regulate “systemic” stablecoins.

The UK government also announced its intention to review taxation rules for cryptoassets, including a review of DeFi loans (where holders of the cryptoasset lend them out for a return). Glen stated that the government intended to explore the possibility of issuing government debt using distributed ledger technology (“DLT”) and that they were also developing opportunities to use DLT to “ease the import of goods.”

In May, the FCA will hold a two-day “CryptoSprint” with industry participants, seeking views from industry on key issues relating to the development of a future cryptoasset regime. The UK government also intends to establish an engagement

group convening regulatory authorities and industry to advise the government on the sector.

There remains, however, significant scepticism from some policymakers, including Governor of the Bank of England Andrew Bailey, who, on the same day as the UK government's announcement, stated in a [speech](#) at the Stop Scams Conference that cryptocurrencies were the new "front line" in criminal scams and that the technology had created an "opportunity for the downright criminal."

Despite these high-profile announcements, at present there remains a distinct lack of detail in the proposals. For the moment, the UK government appears to be signalling a warmer approach to the role of cryptoassets in the economy than that envisaged by UK regulators.
