

# Regulating the UK "Wild West" of Crypto Assets

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Article By

[Jonathan Lawrence](#)

[K&L Gates](#)

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On 19 September, the UK House of Commons Treasury Committee published a [highly critical report](#) of the state of UK crypto-asset regulation. Crypto-assets themselves (i.e. those designed primarily as a means of payment / exchange) are not within the scope of UK Financial Conduct Authority (**FCA**) regulation. This is because crypto-assets generally will not meet the criteria to be considered a specified investment under the Regulated Activities Order (**RAO**), nor would they typically qualify as 'funds' or 'e-money' in the Payments Services Directive and the E-Money Regulation 2009.

The Committee recommends that the FCA be given more power to control how crypto-exchanges market their services, by bringing the activities they perform into the regulatory perimeter. The Committee believes that the introduction of regulation could lead to positive outcomes for the crypto-asset market. The implementation of crypto-asset regulation in the UK may enable the marketplace to move to a more mature business model that improves consumer outcomes and enables it to grow sustainably. The entry of institutional investors into the market would increase liquidity, which in itself could reduce some of the inherent risks that exist at present.

There are two ways in which regulation of crypto-assets can be introduced in the UK: incorporating crypto-asset activity into the existing regulation or designing a new framework of regulation specifically for crypto-assets. The Committee favours the introduction of regulation of crypto-assets and associated activities by extending

the RAO as the quickest method of providing the FCA with the necessary legal powers to execute its duties of protecting consumers and maintaining market integrity. Designing a new framework of regulation would inevitably take much longer and given the growing risks surrounding crypto-assets and subsequent consumer detriment, the introduction of regulation should be treated as a matter of urgency. The Committee recommends that the Government consider what “activity” related to crypto-assets should be specified in the RAO and the ramifications of this introduction.

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