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Securing the UK's competitiveness in crypto-asset regulation

2025

The UK's role as an international financial centre is poised for transformation with the adoption of blockchain technology.

The Government has stated its ambition for the UK to be a world leader in digital assets,[1] and is committed to creating a regulatory framework for crypto-assets. Draft secondary legislation[2] was published in April during UK Fintech Week 2025.

If the regulatory framework is designed correctly, it can facilitate innovation, enhance financial inclusion and solidify the UK's position as a competitive financial centre. This aligns directly with the Government's number one mission of boosting economic growth. The Government can unlock this growth by supporting the development of the UK as a global hub for digital assets, but to do so successfully it needs to create a regulatory framework that empowers financial institutions to incorporate and invest in digital assets and blockchain technology with confidence.

Following the Government's secondary legislation, the responsibility for policymaking now shifts to the regulators. The FCA's crypto roadmap[3] provides industry with some clarity on upcoming publications, allowing stakeholders' input to shape the final regulatory framework. Participants' experiences within the Digital Securities Sandbox (DSS) will also contribute to creating the regime. We strongly recommend that the FCA leverages this available expertise to create a regulatory environment which actively supports growth.

This paper outlines how the UK can capitalise on this moment, drawing on discussions from the 1 April 2025 'UK Policy Summit', convened by Ripple, Innovate Finance and the UK Centre for Blockchain Technologies. The Summit gathered a range of experts from academia and industry to discuss the potential for the UK's new regulatory framework for crypto-assets. The sessions focused on several key areas:

- What the UK can learn from regulatory practices from other jurisdictions;
- The role of stablecoins as a new form of money; and
- How to position the UK as a leader in tokenisation.

As digital assets represent one of the most promising avenues for unlocking economic growth, participants recognised that the legal and regulatory framework is critical for success. The defining takeaway of the day was a clear sense of urgency for the UK to act swiftly and seize these opportunities.

1 https://www.gov.uk/government/speeches/chancellor-speech-at-global-innovate-summit-2025
2 https://www.gov.uk/government/news/new-cryptoasset-rules-to-drive-growth-and-protect-consumers
3 FCA Crypto Roadmap

Global lessons and challenges for the UK in regulating crypto-assets

The UK already boasts a globally leading, competitive financial services centre with particular strengths in fintech, FX, capital markets, insurance and professional services. Leveraging this strong foundation, the UK can significantly benefit from the integration of crypto-assets and blockchain technologies.

Blockchain technology enables direct transactions between parties, making payments cheaper and faster by reducing transaction fees and processing times. Blockchain also democratises access to financial services by providing secure platforms for lending, borrowing, and investing, and its decentralised and immutable ledger system reduces the need for manual record-keeping and reconciliation. This leads to increased transparency and minimises errors and fraud. The substantial industry appetite to experiment with this crypto-asset and blockchain technology is evident. In 2024 over 90% of major finance firms surveyed in the US, Asia, Europe (including the UK) and the Middle East were already handling crypto currency in some shape or form, including as part of 'testing' the digital asset sector.[4]

By adopting blockchain technology, the UK can position itself as a leader in financial innovation. This would attract investment and foster a thriving fintech ecosystem, ultimately creating high-skilled jobs. Improved access to finance supports entrepreneurship and economic participation, while enhancing operational efficiency leads to cost savings.

Fintechs and traditional finance institutions alike are eager to invest in this technology. However, regulatory clarity is needed to secure these investments. This is evidenced by the significant capital inflows into the EU following the introduction of its Markets in Crypto-assets Regulation (MiCA). **Between 2022 - 2023, the share of venture capital funding for early-stage crypto and blockchain businesses in Europe increased sevenfold.**[5] The regulation includes provision for different types of crypto-assets and set out requirements for issuers and service providers. This clarity has opened the way for firms servicing the EU to make investments in blockchain and tokenisation technologies (albeit coming with certain challenges in terms of compliance).

Similar boosts are not yet lost to the UK, but it must move faster with its rulebook. The UK can leverage a valuable 'second mover advantage' by implementing a proportionate and forward-looking regime that learns lessons from other jurisdictions.

Recommendation 1:
The Government and regulators must act at pace to develop a regulatory framework for crypto-assets that drives investment and growth. This is crucial for the UK to seize the opportunities offered to early movers and advocates of digital assets.

4 the-digitalisation-of-uk-capital-markets.pdf, page 19
5 https://www.linkedin.com/pulse/mica-effect-europes-share-crypto-vc-funding-up-700/

Political enthusiasm and understanding of crypto remains low in the UK. Despite growing recognition of the momentous technological shift offered by digital assets, issues like 'Buy Now Pay Later', pensions and investment culture dominate the UK political discourse. This lack of political engagement contrasts sharply with the recent US election, where crypto played a significant role in the political conversation.

The FCA's approach also needs to change. Since January 2020, only 14% of crypto-assets firms that applied for licenses under money laundering regulations with the FCA have been registered.[6] While it is important to assess authorisation applications carefully, these figures suggest that the FCA is not getting the balance right between risk and innovation. The lack of reference to crypto in the FCA's 5 year Strategy[7] further reinforces this. UK politicians and senior regulators must do more to demonstrate their enthusiasm for the transformative benefits of crypto-assets in financial services.

The UK does not have first mover advantage on crypto-asset regulation, and without acting soon, it will lose its secondary mover position as other leading jurisdictions support the adoption of this transformational technology. The Government and the regulators need to act swiftly and proportionately to regulate crypto-assets.

Recommendation 2:
The UK must seek to improve on other jurisdictions' approaches to enhance its role as a globally competitive financial centre. The strategy should also consider interoperability with global regulatory frameworks, so firms do not face conflicting requirements and unnecessary burdens.

Other jurisdictions have already taken significant strides to establish a future regulatory framework for crypto-assets that the UK can learn from:

The European Union: MiCA offers a harmonised approach across the EU and has been widely praised for increasing regulatory clarity for the industry. However, MiCA has also been criticised for being too burdensome and inflexible for a rapidly evolving industry. MiCA also requires firms to provide services locally, which may undermine the benefits of crypto as a globally fungible technology. UK policymakers must prioritise the inherently global nature of crypto technology.

The United States: The Trump administration's approach to crypto takes a distinctly global perspective, aiming to position the US as "the crypto capital of the world". This ambition is aided by the fact that the majority of global stablecoins are denominated in USD. As the US moves towards regulatory clarity, the UK should actively look for alignment between the two jurisdictions.

Asia Pacific and the Middle East: Singapore, Hong Kong and the United Arab Emirates (UAE) have positioned themselves as digital finance hubs for crypto-asset innovation. Implementing agile, pro-growth regulation in the UK will help it to cooperate and compete with other countries.

14%

of crypto-assets firms that applied for licenses under money laundering regulations with the FCA have been registered.

6 Cryptoasset AML / CTF regime: feedback on good and poor quality applications | FCA
7 Our strategy 2025 to 2030

Stablecoins as a new form of money

Stablecoins, a class of crypto-assets pegged to stable assets such as fiat currencies, are a critical part of the digital financial ecosystem. As well as offering stability, stablecoins are the only form of money that is fully transferable on blockchains, and therefore have a crucial enabling role to play in digital asset markets. As acknowledged by the (then) Economic Secretary,[8] they are at present the only meaningful proposition for 'atomic settlement,' a process whereby payment for a security and its transfer of ownership can occur simultaneously. These characteristics give stablecoins a crucial enabling role in digital asset markets, and make them a promising new form of money for digital financial systems.

Initially, stablecoins mostly served as on/off ramps for moving between traditional financial systems and cryptocurrency, or for remittances. However, their use has evolved to include collateral for trading digital assets and on-chain settlement, enabling efficient and secure transactions. There are already over 200 stablecoins in circulation,[9] and as they expand into various sectors, their benefits become evident:

Lower Costs: Stablecoins can significantly reduce fees compared to traditional payment systems, which can charge 1.5% to 3% per transaction.[10] By minimising the number of intermediaries involved, sending $200 in stablecoins can cost less than one cent.[11]

Faster Settlement: Stablecoins enable near-instantaneous settlements, eliminating delays typically caused by intermediaries and banking operational hours.

Market Access: They can enhance financial inclusion and economic participation, offering social and economic opportunity to the 1.4 billion unbanked individuals globally[12] and democratising access to illiquid real world assets, by allowing fractional ownership of high-value assets such as real estate, private equity and art. Atomic settlement then means that these tokenised real world assets can be paid for and ownership exchanged simultaneously.

Banks, asset managers and payment processers are looking to incorporate stablecoins into their systems to take advantage of their benefits. **Major institutions such as Bank of America, Fidelity and Paypal are either planning to or have launched a stablecoin offering.**[13] However, the lack of regulatory clarity in the UK is a blocker as large industry players seek regulatory certainty before investing in implementation.

Recommendation 3:
The UK risks losing out by delaying its stablecoin regulation. The UK's regulation should allow various stablecoins to circulate without local issuance requirements to solidify its role as an international financial centre and ensure a level playing field with other forms of money.

1.4B

Unbanked individuals globally

8 Keynote address at the Tokenisation Summit: UK government approach to tokenisation and regulation - GOV.UK
9 How Many Stablecoins are There in 2025? – Stablecoin Insider
10 White Paper: Industry Best Practices for Stablecoins, page 9
11 https://www.nasdaq.com/articles/save-money-transact-faster%3 A-stablecoins-as-an-alternative-to-traditional-banking-2021-09
12 The Global Findex Database 2021, page 33
13 The stable door is closing - the urgent issues facing the UK's stablecoin sector | Travers Smith

The UK should ensure that a variety of stablecoins can be used in the UK, including those issued overseas. MiCA's stringent requirements necessitate a stablecoin to be issued in the EU, so that a locally regulated entity is responsible for redemption rights and backing. This undermines the benefits of global stablecoins as internationally fungible settlement assets, which is problematic when a key use case is cross border settlement. The UK must prioritise the international operability of stablecoins in their approach.

Both MiCA and the UK approach (as currently proposed) have built-in disincentives for stablecoin issuers to grow. MiCA adds additional requirements for stablecoins as they become bigger, which then increases the largest stablecoins' links with the banking sector, potentially risking financial stability. The UK is adopting a similar approach, whereby a stablecoin becomes classed as systemic by HM Treasury once it reaches a certain threshold and would then be regulated by the Bank of England. The BOE needs to consider the proportionality of its expectations for a firm to change its entire business model to fit with the 'systemic' requirements and instead design a regulatory framework which offers a coherent route for a stablecoin to grow and thrive in the UK.

For the UK economy to truly benefit from the opportunities offered by stablecoins, the regulatory framework needs to support their growth, and not create a cliff edge between the FCA and BOE regulatory regimes.

At a minimum, certainty is needed as to which stablecoins would be considered systemic. Well-regulated stablecoins should be able to be used in wholesale payments to the same extent as commercial bank money is today.

Finally, the role of Central Bank Digital Currencies (CBDCs) offer their own valuable use cases as a 'new form of money'. There are situations where market participants prefer to settle transactions in central bank money, and this is likely to continue to be the case in digital assets markets, once central bank money is available on-chain. However, the delay in governments bringing central money on-chain should not hold back the adoption of stablecoins as enablers of digital assets.

How to position the UK as a global leader in tokenisation

Tokenisation uses blockchain and distributed ledger technology (DLT) to digitally represent assets like stocks, bonds, real estate, and commodities. This transformation enhances how assets are traded, settled, custodied, and verified, which boosts their liquidity, transparency and efficiency. According to new research, tokenised assets are expected to reach $19 trillion in value by 2033.[14]

Tokenisation and DLT technology also increase the efficiency of the markets through streamlining, automating and simplifying the complex stages of investing. The widespread use of DLT in the EU could result in annual cost savings of up to €4 billion in the area of reporting and "several billion" in the European derivatives market over time, in clearing, settlement, collateral management,[15] and asset managers could achieve savings of 23% in operating costs by implementing tokenisation and deploying DLT.[16]

This technology does not just have the potential for driving future economic growth, we are already seeing the economic opportunities emerge now. JP Morgan's Kinexys, its bank-led blockchain platform, has processed over $1.5 trillion in tokenised transactions since it launched, with daily volumes exceeding $2 billion.[17] As Larry Fink, CEO of BlackRock, stated in his 2025 Annual Chairman Letter to investors, tokenisation has the potential to "change the entire financial system and revolutionise investing".[18]

Countries that are at the forefront of this technology have the chance to lead this change. The UK is particularly well-positioned to lead, thanks to its respected legal system, top universities, and the global use of English in business and finance. Furthermore, the UK financial services industry is already making progress on tokenisation. The Government's Asset Management Taskforce has been proactive in exploring the transformative potential of tokenisation, using the UK's expertise as the world's second largest asset management sector.

The regulators are also progressing exciting work in this space. The Digital Securities Sandbox (DSS), a joint initiative by the Financial Conduct Authority (FCA) and the Bank of England (BoE), allows financial market infrastructures to test new DLT models under a modified regulatory regime. This will provide valuable insights as the first significant integration of DLT into the UK financial system. Simultaneously, the FCA and the Monetary Authority of Singapore (MAS) are conducting industry pilots in Project Guardian to test tokenisation.

Recommendation 4:
The UK Government and regulators have made a promising start in promoting tokenisation. However, a bold and ambitious approach is essential to tackle the legal, regulatory and tax barriers faced by industry and ensure the UK's positioning as a global leader on tokenisation.

$19 trillion

By 2033, tokenised assets could be as much as $19 trillion in value.

14 Approaching the Tokenisation Tippling Point, by Ripple and Boston Consulting Group

15 Unlocking the power of securities tokenisation.pdf, page 14

16 White paper: Decoding the Economics of Tokenisation: Transforming Cost Dynamics in Asset Management – Calastone

17 approaching-tokenization-at-the-tipping-point.pdf, page 3

18 Larry Fink's 2025 Chairman's Letter to Investors | BlackRock

The UK should address legal and regulatory barriers to tokenisation.

A number of legal and regulatory barriers to tokenisation exist, since existing rules were not designed with this technology in mind. The Digital Securities Sandbox (DSS) should be used to identify these barriers and permanently resolve them via legislative reforms to reflect the specific features of DLT-based technology. It is also essential to allow the use of stablecoins for the payment settlement leg in the DSS. Legislation may also be required to ensure digital assets can be used as collateral alongside non-digital assets.

Improvements are also needed in the FCA authorisation process to avoid the current cycle of firms waiting months to be assessed and then rejected, which drains resources and hinders investment opportunities.

Further regulatory changes are required to prevent the competitive disadvantage of the digital assets sector. Under the FCA's proposed rules, custodians of tokenised assets and trading platforms could potentially be exposed to entirely new and excessive liabilities. Custodians may be subject to something approaching strict liability for losses due to hacks, even those outside their control. Trading platforms will be subject to extensive 'gatekeeping' requirements under the FCA's proposed rules for admissions and disclosures (A&D) and market abuse in cryptoassets (MARC), which could lead to their decisions being challenged in court. If UK custodians and trading platforms are going to be able to compete globally, they will need legal defenses against these exposures.

The regulators also need to consider sensible regulatory capital and liquidity regulations, recognising that no "one size fits all" in such a fast-moving industry, and utilise the existing overseas persons exclusion to avoid making the UK an isolated pool of liquidity.

The UK is in a strong position to be a global leader in the revolutionary change which tokenisation will bring to the financial services sector. But the above challenges show that a proactive and cooperative approach to UK digital asset legislation and regulation continues to be crucial.

Close

The UK stands at a pivotal moment for the crypto-assets sector. It is vital that policymakers harness industry expertise to create a regulatory environment that will transform the opportunities outlined in this paper into tangible benefits and position the UK as a leader in crypto-assets. The UK can draw insights from other jurisdictions to shape its regulatory framework, but it should also not be opposed to deviating from existing regimes. By working with industry, it can create a tailored and outcomes-driven approach, rather than "one size fits all," achieving the best possible outcomes for the UK to maintain its global leadership in financial services and innovation.

Recommendations

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About Ripple
Ripple is the leading provider of digital asset infrastructure for financial institutions—delivering simple, compliant, reliable software that unlocks efficiencies, reduces friction, and enhances innovation in global finance. Ripple's solutions leverage the XRP Ledger and its native digital asset, XRP, which was purpose-built to enable fast, low-cost, highly scalable transactions across developer and financial use cases. With a proven track record working with regulators and policymakers around the world, Ripple's payments, custody and stablecoin solutions are pioneering the digital asset economy—building credibility and trust in enterprise blockchain. Together with customers, partners and the developer community, we are transforming the way the world creates, stores, manages and moves value.

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