

Preparing for Change: FCA Consultations Redefine the UK Digital Assets Regulatory Landscape

JULY 31, 2025

2025 is shaping up to be a pivotal year for the regulation of digital assets in the UK. As the European Union's Markets in Crypto-Assets (MiCA) is reshaping the EU's regulatory landscape by introducing a unified framework for crypto-asset service providers, the UK Financial Conduct Authority (FCA) is advancing its own agenda, guided by its Cryptoasset Roadmap, to ensure regulatory clarity while supporting innovation. Meanwhile, in the U.S., the new GENIUS Act seeks to create a federal framework for stablecoins, aiming to reduce regulatory fragmentation and lay the groundwork for a more consistent digital asset policy. Together, these efforts reflect a broader global shift toward more structured and harmonized crypto regulation.

On 28 May 2025, the FCA published two significant consultation papers - CP25/14 and CP25/15 - detailing proposals for the next phase of cryptoasset regulation in the UK under the Financial Services and Markets Act 2000 (FSMA). These developments signal a transition from limited, piecemeal oversight to a comprehensive, full-spectrum UK regulatory regime.

THE FCA'S CRYPTOASSET ROADMAP: STRUCTURED INTEGRATION INTO THE REGULATORY FRAMEWORK

The FCA's Cryptoasset Roadmap, published in November 2024, sets out a multi-phase strategy to bring crypto-related activities within the UK's mainstream financial regulatory framework. This approach marks a decisive evolution from selective oversight to the full integration of cryptoassets into the established FSMA regime. The Roadmap aims to balance consumer protection and market integrity with innovation as the crypto market matures.

The key Roadmap milestones include:

Phase 1: The currently effective anti-money laundering (AML) supervision (live from January 2020) and the extension of the financial promotions regime to cryptoasset firms (effective from 8 October 2023).

Phase 2: Introduction of a comprehensive regulatory regime for trading venues, custodians, and cryptoasset issuance (2025), currently the subject of consultation via CP25/14 and CP25/15.

Phase 3: Future consultation and potential regulation of decentralised finance (DeFi), staking activities, and programmable assets such as smart contracts (expected from 2026 onwards).

The Roadmap provides a phased timeline through 2026 and beyond, reflecting the FCA's commitment to a stable, forward-looking framework that allows industry participants time to adapt.

CP25/14: REGULATION OF STABLECOIN ISSUANCE AND CRYPTOASSET CUSTODY

CP25/14 proposes new rules for the regulation of stablecoin issuance and cryptoasset custody in the UK.

Key proposals include:

- For stablecoin issuers:
 - Firms issuing stablecoins referencing a single fiat currency must fully back their tokens with secure, liquid assets held in a statutory trust for the benefit of stablecoin holders.
 - Backing assets must be safeguarded by an independent third-party custodian.
 - Issuers are required to guarantee redemption at face value for all holders, with clear and timely redemption processes.
- For cryptoasset custodians:
 - Firms safeguarding cryptoassets must segregate client assets from their own, hold them in trust, and maintain accurate records.
 - Robust requirements are proposed for governance, record-keeping, and the use of third parties, ensuring clients' assets are protected and can be returned promptly in the event of firm failure.
- Transparency and Disclosures:
 - Both stablecoin issuers and custodians will be subject to enhanced disclosure obligations, including regular publication of information regarding asset backing, redemption policies, and the involvement of third parties.

CP25/15: INTRODUCTION OF A NEW PRUDENTIAL REGIME

CP25/15 sets out proposals for a new prudential regime for cryptoasset firms in the UK, focusing on capital and liquidity requirements, risk management, and internal controls.

Key elements include:

- Capital and Liquidity Requirements:
 - Firms must maintain sufficient capital to absorb losses and meet obligations to clients.
 - Minimum capital thresholds are proposed:
 - £350,000 for stablecoin issuers
 - £150,000 for cryptoasset custodians
- Additional capital requirements are determined by:
 - A fixed overheads requirement (FOR), calculated as a proportion of the firm's annual expenditure, ensuring resources are available to cover ongoing costs, particularly in a wind-down scenario.
 - Activity-based "K-factor" requirements, which scale with the volume of stablecoins issued or the value of assets safeguarded, aligning regulatory expectations with the potential risk to consumers and markets.
- Liquidity Management:
 - Firms are required to hold sufficient liquid assets to support an orderly wind-down and meet short-term liabilities.
 - For stablecoin issuers, specific liquidity requirements are proposed to address potential shortfalls in backing asset pools, ensuring stablecoins remain reliably redeemable and issuers can respond promptly to market

events or redemption requests.

- Risk Management and Internal Controls:
 - Firms must implement comprehensive governance and risk management frameworks, tailored to the specific risks of their business model.
 - Obligations include monitoring and managing concentration risks, such as overexposure to single counterparties or asset types.
 - Internal controls must be robust to ensure ongoing compliance with prudential standards and to safeguard client assets, reducing the risk of operational failures or misconduct.

INTENDED OUTCOMES AND IMPACT

The FCA has signalled an intention to create a more secure and stable environment for cryptoasset firms, reducing the risk of firm failures and disorderly market exits. This approach is designed to protect consumers and maintain market integrity, ensuring that participants can engage with confidence. By enhancing consumer protection and boosting market confidence in cryptoassets, the FCA hopes to encourage greater participation and trust in the sector. Additionally, the proposals are intended to support innovation and foster effective competition, positioning the UK as a leading centre for digital asset businesses and making it a competitive destination for cryptoasset firms, offering a stable and predictable regulatory environment.

The proposed regime will have a broad impact across the digital assets ecosystem, applying to:

- Cryptoasset firms seeking authorisation for stablecoin issuance or cryptoasset custody, who will need to meet the new prudential standards as a condition of authorisation.
- Firms using stablecoins as part of broader business activities, who may be indirectly affected by the enhanced requirements for issuers and custodians.
- Industry groups, professional advisers, and clients interacting with cryptoassets, who will benefit from increased transparency, stability, and consumer protection within the market.

NEXT STEPS AND STRATEGIC CONSIDERATIONS

The consultation period for CP25/14 and CP25/15 is open for feedback until 31 July 2025, with the consultation closing on 10 October 2025, and the final rules expected in mid-2026 with a likely phased implementation. Crypto firms operating in or entering the UK market should prepare to meet the same standards expected of traditional financial institutions, including:

- The need for a FSMA authorisation if providing trading, custody, or issuance services.
- Enhanced governance and internal control expectations, including surveillance systems and consumer protection measures.
- Ongoing FCA regulatory engagement.
- Legal exposure for issuance-related disclosures and promotions.

The FCA's recent publications make clear that the regulatory future for cryptoassets in the UK is imminent, and now is the time for firms to engage and prepare for compliance.

4 Min Read

Author

Yulia Makarova

Related Locations

London

Related Topics

Regulatory

EU

Crypto Asset

Stablecoins

Related Capabilities

Financial Innovation & Regulation

Cryptocurrencies, Digital Assets & Blockchain Technology

Related Regions

Europe

European Disputes, Regulatory & Compliance

European Transactions

Related Professionals

A large, stylized black letter 'W' centered within a light gray rectangular box.

[Yulia Makarova](#)

This entry has been created for information and planning purposes. It is not intended to be, nor should it be substituted for, legal advice, which turns on specific facts.