

Planning For UK And EU Crypto-Asset Regulations In 2025

By **Steven Lightstone** (December 13, 2024, 8:03 PM GMT)

Against the backdrop of the rapidly transforming digital landscapes in the U.K. and European Union, and evolving innovative financial instruments and technologies, the U.K. and EU crypto-asset regulatory frameworks are continuing to develop.

In the U.K., the government and the Financial Conduct Authority have recently provided updates on the proposed new U.K. crypto-asset regulatory regime that is now intended to take effect in 2026.

In the EU, crypto-asset firms are preparing for the fast-approaching rollout dates of the EU Digital Operational Resilience Act, or DORA, and the remaining provisions of the EU Markets in Crypto-Assets Regulation, or MiCA.

We cover below the outlook for U.K. and EU crypto-assets regulation in 2025, specifically the plans for the proposed new U.K. crypto-asset regime and the new EU-level requirements under MiCA.

U.K. Regulatory Regime

Under the current U.K. regulatory framework, crypto-assets are subject to existing rules and regulations. The FCA classifies different crypto-assets as:

- Security tokens, which are regulated and akin to specified investments, such as shares and debt instruments;
- E-money tokens, which are regulated and meet the definition of electronic money; or
- Unregulated tokens, which are further broken down into utility tokens and exchange tokens, and include cryptocurrencies such as bitcoin. Unregulated tokens currently fall outside the regulatory perimeter, meaning that buying and selling cryptocurrencies do not require FCA authorization.

Previously Proposed Regime

The previous U.K. government had said that it wanted to make the U.K. a global crypto-asset technology hub. To this end, HM Treasury set out plans to create a new regulatory regime for crypto-assets, to be implemented in two phases. The first phase of the plans involved the creation of FCA-regulated activities

for the issuance and custody of fiat-backed stablecoins issued in the U.K. — and the regulation of payment services related to these coins when using a U.K. payment chain.

The second phase involved bringing within the scope of the existing regulatory framework all activities relating to other crypto-assets not currently within the U.K. regulatory perimeter. These activities included admitting crypto-assets to trading venues; making public offers of crypto-assets; exchange activities; lending, borrowing and leverage activities; custody activities; and investment and risk management activities.

Next Steps

As to the next steps under the new Labour government, Tulip Siddiq, economic secretary to the Treasury, delivered a Nov. 21 speech on planned updates to the U.K. crypto-asset regulatory regime. On Nov. 26, the FCA published a blog, press release and road map on its plans for regulating crypto-assets.

While a lot of the detail will be in the forthcoming draft legislation and FCA rules, these publications give the industry welcome clarity on timing that will enable it to start planning.

The government does intend to implement the Treasury's earlier proposals in full — including the creation of new regulated activities for crypto-assets — but without taking the proposed phased approach.

The government instead intends to proceed with the regulation of stablecoins concurrently with the rest of the crypto-asset regulatory regime. While the issuance of fiat-backed stablecoins is still expected to fall within a new regulated activity, the government does not intend to bring stablecoins into U.K. payments regulation at this time, as this would place disproportionate regulatory burdens on certain stablecoin activities.

The government also intends to provide legal certainty in relation to crypto-asset staking services not constituting a collective investment scheme. The Treasury plans to engage firms on draft provisions for the crypto-asset regulatory regime as early as possible next year.

The FCA's Proposed Approach

The FCA's road map contemplates that the new crypto-asset regulatory regime will start to apply in 2026, although it is likely that the regime will not be in place until the latter half of the year, as the FCA intends to still be publishing final rules and policy statements through early 2026.

In the first half of 2025, the FCA intends to publish:

- A discussion paper that would cover:
 - Trading platform rules, including requirements for location, access, matching and transparency;
 - Intermediation rules, including requirements for order-handling and execution;
 - Lending rules, including ownership, access and disclosures;
 - Staking, including disclosures and ownership; and
 - Prudential considerations for crypto-asset exposures.

- A consultation paper that will cover:
 - Stablecoins, including redemption and backing assets;
 - Custody, including recordkeeping, reconciliations, segregation of assets and the use of third parties; and
 - The introduction of a new prudential requirement sourcebook, which will address capital, liquidity and risk management.

In the third quarter of 2025, the FCA intends to publish:

- A consultation paper on conduct and firm standards for all regulated activities. This would cover systems and controls, including operational resilience and financial crime; the consumer duty; complaints; conduct-of-business rules; governance, including the senior managers and certifications regime.
- A consultation paper on admissions and disclosures, and market abuse.

At the end of 2025 or the beginning of 2026, the FCA intends to publish a consultation paper on trading platforms, intermediation, lending and staking, and prudential requirements.

As the FCA papers and draft legislation are published, crypto-asset firms operating in the U.K. must engage with the details of the proposed regime and consider how they apply to their businesses.

EU Regulatory Regime

MiCA entered into force on June 29, 2023, with its provisions related to issuers of asset-referenced tokens and electronic money tokens applying as of June 30, 2024. The remaining provisions, including those related to crypto-asset services providers, and issuers of crypto-assets other than asset-referenced tokens and electronic money tokens, will apply starting Dec. 30. Legislative procedures related to MiCA's delegated acts are also currently being undertaken.

MiCA was proposed as a part of the digital finance package that included DORA, which contains operational resilience requirements and will also apply to EU crypto-asset service providers when it takes effect Jan. 17, 2025. MiCA introduces a new regulatory framework for crypto-assets that are not covered by existing EU regulations. MiCA was driven in part by a concern that while the crypto-asset market does not currently pose a threat to financial stability, this may change as global stablecoins emerge.

Different crypto-assets are subject to different requirements. MiCA distinguishes between:

- "Asset-referenced tokens," i.e., crypto-assets purporting to maintain a stable value by referencing the value of several fiat currencies, one or several commodities or crypto-assets, or a combination of these;
- "Electronic money tokens" i.e., crypto-assets used as a means of exchange and purporting to maintain a stable value by referencing the value of a single fiat currency; and
- Crypto-assets that are neither asset-referenced tokens nor electronic money tokens.

Nonfungible tokens not falling within existing crypto-asset categories are excluded from the scope of MiCA, but the European Commission is required to assess this and, if necessary, adopt a legislative proposal for a nonfungible token regime.

Requirements for Issuers of Crypto-Assets

MiCA includes several transparency and disclosure requirements for the issuance and admission to trading of crypto-assets.

Entities must produce a white paper explaining the structure of and their plans for the crypto-asset before they may offer it to the EU public or be admitted to trading on a trading platform. An issuer of crypto-assets other than asset-referenced tokens and electronic money tokens must notify the relevant regulator of the white paper, though the white paper need not be approved by the regulator before it is published.

For an issuer of asset-referenced tokens and electronic money tokens, an offer to the public in the EU or admission to trading on a trading platform for those tokens is only permitted if the issuer is authorized in the EU and the white paper has been approved by the relevant regulator.

Ongoing obligations applying to issuers under MiCA include those relating to establishing a complaint-handling procedure, conflicts of interest, notifying the regulator of changes to their management body, governance arrangements, and requirements for own funds and the custody of reserve assets. Issuers offering asset-referenced tokens classed as "significant" are subject to more onerous requirements.

Requirements for Crypto-Asset Service Providers

Crypto-asset services that will be regulated under MiCA from Dec. 30 include, for instance:

- The custody and administration of crypto-assets on behalf of clients;
- The operation of a trading platform for crypto-assets;
- The exchange of crypto-assets for funds or other crypto-assets;
- The execution, or reception and transmission, of orders for crypto-assets on behalf of clients; and
- Providing advice or portfolio management on crypto-assets.

Providers of these services will generally need to be authorized under MiCA and will be subject to operational, organizational and governance requirements; rules on the safekeeping of clients' crypto-assets and funds; the obligation to establish a complaint-handling procedure; rules on conflict of interests; rules on outsourcing; and measures to prevent market abuse.

Key Takeaways

Crypto-asset firms operating in the U.K. must start planning in view of the recent updates on next steps for the proposed new U.K. crypto-asset regulatory regime. Firms should consider whether their existing activities fall within the scope of the proposed regime and engage with the details in the draft legislation

and FCA papers as these are published over the coming months.

In the EU, crypto-asset firms have just days to ensure that they have reached a status that complies with the new requirements under MiCA and DORA. Crypto-asset service providers and issuers of crypto-assets must be clear on the activities within scope of MiCA and ensure that they have a compliance framework to meet MiCA's applicable requirements.

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