

Treasury Committee

Oral evidence: Cryptocurrency, HC 1500

Tuesday 18 November 2025

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Members present: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Luke Murphy; Catherine West.

Questions 1 - 82

Witnesses

I: Matt Gravelle, Policy Director, UK Cryptoasset Business Council; Professor Daniel Broby, Academic Programme Director, Asian Institute of Management; James Butterfill, Head of Research, CoinShares; Ian Taylor, Board Director, CryptoUK.

II: Chris Pond, Chair, Financial Services Consumer Panel; Simon Youel, Head of Policy and Advocacy, Positive Money; Professor Burcu Yüksel Ripley, Professor of Law, University of Aberdeen.

Examination of witnesses

Witnesses: Matt Gravelle, Professor Daniel Broby, James Butterfill and Ian Taylor.

Chair: Welcome to the Treasury Select Committee on Tuesday 18 November 2025. Today, we are looking at the issue of cryptocurrency, which is something that is of growing interest across the world. We wanted to ask some questions of different panellists. We have two panels today, looking at it from the sector and then from the consumer angle in our second panel.

I am really pleased to welcome, for our first panel today, Professor Daniel Broby, who is the academic programme director at the Asian Institute of Management. Welcome to you, Professor Broby. He is joined by James Butterfill, who is head of research at CoinShares. They are joined by Matt Gravelle, who is the policy director of the UK Cryptoasset Business Council. Ian Taylor is the board director of CryptoUK. A very warm welcome to you all. Thank you very much for coming.

Dame Harriett Baldwin: In terms of getting a declaration of interest on the record, can you all put up your hands if you own a cryptoasset or bitcoin, or something along those lines?

Chair: That is James Butterfill and Ian Taylor, for our colleagues at Hansard.

Q1 **Dame Harriett Baldwin:** I wanted to start by asking Mr Gravelle whether he thinks that the UK is missing out on the growth in the cryptoasset industry. If he thinks that, why does it matter to my constituents?

Matt Gravelle: Thank you for the invitation. I moved here from Canada 13 years ago. I have been working in financial services policy ever since and I have not done one of these before, so it is very exciting.

Chair: You say that now.

Matt Gravelle: It is called the preamble. Our members also appreciate the opportunity. The UKCBC is a diverse group of firms that believe in the opportunity around blockchain and digital assets. They also believe in the importance of a clear regulatory framework, not only to encourage investment and create business certainty, but also to ensure that consumers are protected and understand what they are doing when they are getting involved in the digital asset space.

We are at a really important moment in the UK. A lot of the big policy questions have been settled, notwithstanding the fact that we are still awaiting legislation to be finalised at the Treasury end of the spectrum. The regulators have certainly done a good job getting on with it and putting out quite a few consultation papers for us to deal with. We are getting that clear direction of travel on how the cryptoasset side of things



is going to be regulated. There is more work to do. We should see that framework finalised next year. We have had really positive engagement with the FCA and have seen some really constructive and forward-thinking ideas from the regulators. There is a big piece open from the Bank of England right now as well on stablecoins.

To your question around whether it is good for your constituents and whether there is a chance that the UK is missing out, when we look at digital assets they are not a monolithic thing. There is obviously a trading and investment use case, so to speak, where individuals may want to put money into cryptoasset markets. We are also looking at stablecoins and payments, where the Bank of England piece is very important and something we need to get right in the UK.

There is also a big conversation right now around tokenisation and financial services more generally, which is critically important for the UK as a global leader in financial services. It is a strategic sector. This is something that other jurisdictions are moving on at pace and it is related to, but perhaps separate from, the piece around regulating cryptoasset markets and those new rules that will be coming out from the FCA and the Bank.

Your constituents will have different interests. Some may want to trade and invest. Some may want to use stablecoins for cross-border payments. Some may want to engage with new products in the exchange-traded structure that the FCA has enabled. All those should be subject to clear regulatory guidelines. We are getting that, and that is positive.

The really important area of focus now, as those pieces bed down, is what the UK chooses to do around the tokenisation of traditional financial instruments. I am talking about securities and funds, and how that is something that could open up new distribution channels, new opportunities to invest in different ways and even new opportunities to grow UK capital markets.

Q2 **Dame Harriett Baldwin:** Mr Butterfill, I believe that it is correct to say that 7 million Brits have at some point held a cryptocurrency of some sort. That suggests that it is already quite well established in the UK.

James Butterfill: Yes, we know that there is demand for it. From a CoinShares perspective, I had best talk about it from a crypto ETN—exchange-traded note—perspective. We know that there is demand for and real interest in it. Many fund platforms report bitcoin or crypto-proxy equities as a potential investment route. Some platforms have reported that up to 3% to 4% of total platform trading turnover is in these companies, so we know that there is demand for it.

If you look at the crypto ETN space at the moment, the US is absolutely dominating. Around 93% of volumes are from the United States, 6% is in Europe, and only around 0.1% to 0.2% is from the UK at present.



Q3 Dame Harriett Baldwin: You say that there is demand for it. Is it as something to speculate in or gamble with, in effect?

James Butterfill: We run a survey every quarter and have done since 2020. It tracks around \$1 trillion worth of assets. Originally, that was the case. It was speculative, say, in 2021. That was the top reason. Some 60% of respondents said that that was the reason why they were investing. That has really changed. Now speculation is number five on the list. The top of the list is diversification and access to distributed ledger technology. Also, there is quite a lot of general demand for and interest in the asset class.

Q4 Dame Harriett Baldwin: Mr Taylor, how would my constituents benefit from more widespread access to cryptoassets in the UK?

Ian Taylor: Thank you for inviting me back to give evidence today. There are two ways to answer it. Matt touched on some of the use cases. Your constituents, one would assume, would be retail, so we could look to the investment thesis of a new alternative asset class.

Q5 Dame Harriett Baldwin: They would be businesses as well.

Ian Taylor: Let us separate these two out, so retail and wholesale, which are two fundamentally different use cases for this asset class and technology that use different payment rails, for example. Stablecoins have been mentioned.

If I start with retail, access to this investment asset is fundamentally easier than accessing certain equities, bonds or other types of financial assets. It is a bottom-up industry that has been driven by retail, as opposed to most asset classes, which start from the institutional space. That is that financial inclusion benefit. We have seen quite a lot of numbers out of the FCA work. Some 12% of adults—but we believe the number for younger adults from an age of 18 to 49 will be 25%—hold cryptoassets. This is the new investment thesis for your younger constituents.

On the wholesale or corporate side, we can see new ways to transfer value using blockchain. Blockchains work 24/7/365 and you can send value across a blockchain much more quickly and cheaply than you can by using other traditional methods of transferring value, whether that be cross-border payments or peer-to-peer transactions between me and you.

Also, we will start to see other use cases for blockchain. Blockchain is not just financial services. We talked about putting financial products on chain. That has a number of post-trade settlement benefits, which reduce cost, time to settle and many of the costs that are extracted out of the financial market infrastructure at the moment. These will benefit businesses if they want to trade FX, for example. It will be cheaper to hedge against translation risk if they are cross-border settling.



Q6 Dame Harriett Baldwin: To go back to the 18-year-old constituent, you said that there is a benefit to that 18-year-old of investing in a cryptoasset. Can you elaborate a bit more on why it is beneficial to them that that should be something that they can access more easily than traditional stocks and shares?

Ian Taylor: The barriers to entry to invest in this asset class are significantly less than they might be to enter other asset classes. Private credit is not open to everyone. Certain types of asset classes are only open to high-net-worth individuals. You have a new type of asset class that is open and accessible to all. The technology that underpins it perhaps might seem, in my experience, talking to younger folks in the community, more interesting as a thesis to invest in than a traditional stock.

Q7 Dame Harriett Baldwin: You keep saying “asset class”, but it is not really an asset. A cryptocurrency is more a medium of exchange, is it not?

Ian Taylor: That is one use case, yes.

Q8 Dame Harriett Baldwin: For example, would you describe the Trump meme coin as an investment that you think an 18-year-old in my constituency would benefit from owning? That is something that launched, I understand, at about \$60 and is trading at about \$8 today.

Ian Taylor: I should obviously answer this question carefully because I do not want to get into the discussion about whether a President should launch—

Q9 Dame Harriett Baldwin: You are not in line to be the next UK ambassador to the United States, so don’t hold back.

Chair: You speak under parliamentary privilege.

Ian Taylor: There are many flavours of a digital asset or cryptoasset, so a token that is minted on a blockchain. There is bitcoin, which we believe is the gold standard, which most people in the industry, on Wall Street and in the financial services sector believe is now a new asset class, based on the volumes of, interest in and institutional adoption of this new asset, which is fundamentally different from, say, an equity or stock that represents a company.

On the other end of the spectrum, you have so-called meme coins. Do meme coins have a value proposition? Do they have an underpinning economic framework? My personal view is no, but there is demand. You can call them a collector’s item or a card that might reference a sports team. It is this sort of idea, but in digital form. This is how this whole area has evolved. I would not want to give you an answer on whether this particular meme coin has value or not, but there are people who invest in it. We should probably turn to the folks who work in consumer



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protection on how we build guardrails around that. It is important to make sure folks know what they are investing in.

- Q10 **Dame Harriett Baldwin:** Mr Butterfill, you wanted to come in on this. I am not entirely convinced that 18-year-olds in my constituency should suddenly be given unfettered access to playing around in these things.

James Butterfill: Part of the reason why this industry has been held back is that every cryptocurrency has been tarred with the same brush, and they are all quite different. Bitcoin trades now \$10 billion to \$20 billion a day. That is more than triple that of the FTSE 100. It is a deeply liquid instrument.

- Q11 **Dame Harriett Baldwin:** It is a finite commodity, is it not?

James Butterfill: It is a finite asset. You can get very philosophical thinking about asset classes and what they represent. Government debt is ownership. If you are an individual, you are lending to the Government. Equity is ownership of a business. Bitcoin is, I suppose, best coined as a non-sovereign store of value. That has many benefits for people crossing borders in Ukraine with their wealth.

Also, because it is this 24/7, deeply liquid asset, it acts in some respects like an economic barometer. If Donald Trump announces something on a Saturday that is about trade tariffs and it looks like it is quite destabilising, your 18-year-old can invest off the back of that if they deem it positive or negative for the asset.

- Q12 **Dame Harriett Baldwin:** You are talking about bitcoin. As I understand it, in Russia, Professor Broby, crypto is the biggest market. It has taken off there presumably because other mediums of exchange are not as well trusted by the general population. Is it really such a badge of honour for us to aim to be the biggest market for cryptoassets here?

Professor Broby: Can I correct some misconceptions? We are talking about peer-to-peer electronic payment. A payment method is not an investment.

- Q13 **Dame Harriett Baldwin:** It is a medium of exchange.

Professor Broby: An investment requires cashflow with an expected return to present value. Your constituents who are so-called investing in cryptoassets are doing an injustice. They are speculating.

That does not mean that the UK should not participate in what is a very interesting digital payment method, because there are going to be ancillary industries that grow around that. There are also other digital payments such as stablecoins, which are blockchain depository receipts, or fiat currency. You can have, for example, a stablecoin linked to the pound, which is also a cryptoasset as such. You can also have a state-backed central bank digital currency, so in other words a digital pound. That would be an alternative.



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Q14 **Dame Harriett Baldwin:** I appreciate what the definitions are. I wondered whether you wanted to comment on Russia being the leading market in Europe.

Professor Broby: Russia has sanctions. As a result, for them to be able to do payment transfers, they need to bypass Swift. As a result, it is not surprising that it is one of the leading markets in a payment that is pseudo-anonymous.

Q15 **John Grady:** I briefly want to come back to Mr Taylor on the 18-year-olds investing in crypto. You said, Mr Taylor, that you cannot really get access to private assets as an 18-year-old investor. Is it not the case that you can through things such as investment trusts?

Ian Taylor: The point I was making was that there are certain asset classes that are not available to everyone. You have to have a certain amount of wealth. You have to prove that you are sophisticated through a test of your sophistication. We have seen that young people who perhaps would not have started saving for their future, which is really important for any economy, have started investing in this new asset class and building a future for themselves where they can contribute to the economy. That is the point I was making, because the barriers to entry are significantly less than these other areas to invest in.

Q16 **John Grady:** I would not wish to fall out, but I think that you could open up a SIPP or an ISA as an 18-year-old and get access to an investment trust that invests in private equity with limited checks.

Ian Taylor: The question is whether they are.

Q17 **John Grady:** I know. The next question is this: if you were advising an 18-year-old and they had a modest amount of money to invest, what percentage would you suggest they invest in bitcoin?

Ian Taylor: I am not an IFA.

Chair: Despite parliamentary privilege, I think that we are into an interesting and difficult area.

Q18 **John Glen:** This conversation has demonstrated that there is a range of understanding in the marketplace about the different instruments or means of exchange that exist. There are good reasons why people are, in a sense, rationed by the regulatory framework that exists. We might lament the lack of investment by young people and that might be related to a deficit in financial education. Is there not a risk here that, if we do not make those guardrails clear, there is a significant downside reputational risk for you, collectively, as an industry?

There is a big difference between a high-net-worth, sophisticated investor having a meaningful portion of their wealth invested in a range of cryptoassets and an 18-year-old looking at TikTok and speculatively thinking that this would be a good idea, when their interest would be better in a FTSE tracker or a cash ISA or LISA, saving for a deposit. If



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you do not get that messaging and distinction right, you do not get what you want and the young people do not get it right either. What do you think about that, Mr Butterfill?

James Butterfill: You are absolutely right that we do not want the TikTokers of the world trading crypto.

Q19 **John Glen:** That is what is happening now, is it not?

James Butterfill: It is very hard to quantify that, genuinely. We can get that feeling. What we are proposing at CoinShares is bitcoin in a balanced portfolio. There is plenty of empirical evidence to suggest that something like a 1% to 4% position—if we are getting into portfolio technicals here—enhances Sharpe ratios, so that is the risk-adjusted returns.

I spend a lot of my time going across Europe speaking to investors, primarily institutional rather than retail. The questions they are asking now are not, “I am thinking of speculating on this. I saw this on TikTok”. They are running the numbers themselves and coming to a similar conclusion that it is worthy in a portfolio, and for many reasons actually. I mentioned diversification, but many of them are asking this question about monetary policy. Since the 1970s, post-Bretton Woods and the fiat monetary policy experiment, is it going to end properly or in an orderly way with QE and QT, etc? They want an insurance policy against maybe a tail risk of something such as the fiat monetary policy system all unwinding in a very disorderly way. Government debt in many different countries also poses tail risks. They are looking for something that diversifies and that is where bitcoin fits well.

Q20 **John Glen:** I am not disputing the desirability. There are questions we will come on to about how you regulate and enable the use of investment in this class of assets within a portfolio. I am saying that you are always reluctant, it seems to me, to make a distinction between the individual retail, unguarded, un-guardrailed consumer making a single investment—I know you do not want to be IFAs and all the rest of it—and the completely different proposition of a wholesale investment manager making an investment in an asset class as part of a balanced portfolio of risk. Is that not a reasonable distinction for the regulator and Governments to make?

James Butterfill: We really champion the idea of bitcoin in a portfolio. I do not see why that is not applicable to an 18-year-old just as much as it is to a business. All our research is free and accessible, so there is the option for them to invest in an institutional way if they want.

Q21 **John Glen:** In terms of a hierarchy of investment, you would typically, if you have very limited resources, invest in something where you are going to have a higher propensity, less volatility and less loss risk before you have started going to something that is inherently—you would have to admit—more volatile.



James Butterfill: Absolutely, yes. That is why we would advocate anywhere from 1% to 4%. We now have pension funds adding 1% positions in crypto ETNs, so this is something that I believe young individuals should be thinking about as a sensible way of investing, not the TikTok approach.

Matt Gravelle: On this point of, let us call it, the "should" set of questions, it is maybe helpful to reflect for a second on the stuff that is coming as part of the regulatory framework. If you take a look at the behavioural aspect of this and take the "should" out of it, people are investing in this. That demand is there, whether it is for things with deeper liquidity and perhaps more proven track records such as bitcoin versus your meme coin questions earlier.

The FCA is going to put a number of guardrails around this and is addressing many of the risks that we are discussing. When it comes to marketing and your influencers, the financial promotions regime is already in place and is a very important piece of it. There is going to be a robust admissions and disclosures regime where the intermediaries, so the platforms that are making various digital assets available, will have to make hard decisions around which ones are appropriate to list, which ones they can get across the line, so to speak, in terms of their own compliance requirements, and which ones are suitable for investors and are compliant with the admissions and disclosures regime.

There is a conduct regime coming into place that, if you park your money with a platform, it cannot run away with the money, which is something that has been seen in the not-too-distant past. There is a market abuse regime coming, so that, if you are trading something that is perhaps a little bit more out there, you can at least have some confidence that there are controls in place so that you are not being traded against by those who are looking to exploit investors. There is a bunch of really important building blocks here that it is fair to say that UKCBC's members support and see as inherent to building that confidence in the market and for that 18-year-old hypothetical investor.

Q22 **John Glen:** I was supposed to come in later, but I might as well do my questions now, and the Chair has agreed with me. Can we get to the heart of what is going wrong or right in the UK with respect to regulation? You have set out there some of the incremental things that have gone on over the last three or four years. There is a sense that there is movement globally in what is happening in the US and we are, in the UK, missing an opportunity to maximise the value of this emerging market. Would you like to explain how you think the FCA is doing, in terms of meeting the expectations you have or missing the opportunity for UK plc?

Matt Gravelle: It has an enormous amount of work to do. The approach set out by the Treasury is very comprehensive. I just listed a few pieces, but of course there are more and it has consulted on more. It already has an anti-money laundering set of rules in place and a registration perimeter for that, which has been, frankly, hard yards for firms to get



into. I think that is right. It is incredibly important, for reasons already alluded to on this Committee, to get that market confidence up through ensuring anti-money laundering controls are in place. It was right to start there. It was also right to impose quite significant rules around financial promotions and the marketing of cryptoassets to protect consumers.

Of course you can quibble with the implementation aspects of various pieces of that, but those are really fundamental building blocks. Now we are getting the rest of it, so to speak, from a cryptoasset regulatory framework point of view. I hope that that will come into force in the next couple of years.

I want to bring it back to points I made at the outset, because this is perhaps where some of the sentiment that you have picked up on around missing a trick is coming from. Something that UKCBC members are really excited about is the increasing convergence between—you have heard the term—TradFi, so traditional financial services, the Square Mile, the City of London, this really important sector in the UK, and the digital assets sector. We are seeing more experimentation at the level of products and tie-ups between big financial houses, whose names you would all recognise, and maybe some of these incumbents, who may or may not be UKCBC members. There is a really interesting opportunity there.

The FCA has just put out a very interesting consultation paper on fund tokenisation, which UKCBC thinks is absolutely on the right track. This, again, is about putting your traditional stocks, bonds, funds etc on to the blockchain and opening them up to new ways of being traded and invested in, and new middle and back office efficiencies. There is lots of interesting stuff there. That is where the posture of the UK has perhaps been a little unclear.

It has been quite clear on the fact that a crypto regulatory framework is coming. It will be FS regulations. The FCA and the Bank of England will have power. We are going to get that. Again, you can quibble over the timing and certain aspects of that, but the general movement there is very positive. We have to make sure that we do not miss the boat on the tokenisation piece, because that is fundamentally about the competitiveness of the City of London.

Q23 John Glen: We always have this problem with this area when we have people before the Committee, where they want to say, “The FCA has done this well. It has done this well. It is moving slightly along on this”. What is the problem? Then I have private meetings with some of your members, and they say to me, “We are missing an opportunity. We are not going quick enough. If we don’t do this, everything is going to move to the US”.

Chair: They say it to us here.

John Glen: I am a bit frustrated. Please can you tell us what it is that you need to happen, and how quickly you need it to happen, so that the UK is not missing an opportunity with crypto?



Matt Gravelle: I do not think that it is realistic, frankly, to say that the regulatory framework has to come in more quickly. Many of our members would appreciate that, but I do not think that it is realistic, looking at the amount of work that the FCA has to do and the number of moving pieces that it needs to put into place.

Q24 **John Glen:** There is no criticism of the FCA's approach to this area of regulation.

Matt Gravelle: There are pieces that the FCA is looking at right now. I have mentioned the financial promotions regime. The question of whether it is appropriate to subject all cryptoassets to the same 24-hour cool-off period and risk warning is a thing that our members have found frustrating. They see it as a ceiling on overall investment, but I wish to underline very clearly here that that is something that the FCA has been in very constructive mode on and is looking at.

Q25 **John Glen:** Do you think that it will resolve it in the right way in the end probably?

Matt Gravelle: It is looking at the data. This should be a data-driven conversation and should be based on market data. What is actually liquid? What is actually volatile? It should be based on those kinds of questions and subject to the right kinds of restrictions around, at a granular level, specific cryptoassets. That is what we are shifting towards. I suspect that that is something that you have heard some frustration about, and so I think that that is something that is very much on the FCA's radar.

Q26 **John Glen:** Mr Taylor or Mr Butterfill, is there anything you would like to say about the FCA's handling of the regulation of your industry and whether it is good or bad for the UK?

Chair: Please be candid. It is not helpful to us, as Mr Glen has said, if you are not.

James Butterfill: I make a distinction between Government policy and the FCA. Matt Gravelle articulated it very well, so I do not have much to add on there. If you look at the US and why we have seen a sudden acceleration into stablecoins in particular, which could be a conduit for investments into US T-bills, for instance, that is a \$300 billion industry. The Treasury Secretary, Scott Bessent, thinks that it will be a \$2 trillion industry by 2028. It is a huge opportunity for us. What the US did right was to set government policy right, and that has laid out the framework very clearly for investors.

Q27 **John Glen:** Sasha Mills at the Bank of England says that limiting the number of stablecoins in the UK for individuals and businesses is going to be something that needs to be looked at, because it could allow rapid outflows of deposits. It is not a gotcha moment, but I am trying to understand whether that is broadly a legitimate concern.



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Professor Broby: Just recently—in other words last week—JP Morgan has issued a dollar-based, tokenised deposit account that is interest-bearing, which is a stablecoin that has interest. You just mentioned a concern that there would be capital flight from deposit accounts to these. The technology is there. The reason why JP Morgan was able to do that was because of the GENIUS Act allowing it to have protections of custody domestically, so that people can actually have those sorts of things.

We have a set of rules in the UK. As I said, I would rather call it speculation than investment. The FCA has a mandate on all these things. Having guardrails separately for cryptoassets will do more to stop innovation, such as the one I have just mentioned, than to do it. We need to focus on how we can protect assets. In other words, if the digital payments are kept in servers, we need to ensure that the people who oversee those servers have oversight and control. It is the custody areas that are the weakest part of the UK equation.

Q28 **John Glen:** I am a bit unclear. This is complicated stuff, but you seem to be saying that, on one level, the guardrails that the FCA is putting in place outweigh the advantages that you see in the US with the GENIUS Act and the consequences of that. What does the UK need to do to replicate the positive steps made by the GENIUS Act in the US?

Professor Broby: As I said, we have the rules. We need to get the FCA to be more proactive on oversight of custody. In other words, where do we keep these digital assets? Presumably, you want them kept in an environment—

Q29 **John Glen:** A secure environment on their servers and the cloud.

Professor Broby: Exactly, yes. That gives the consumer faith that they can use these instruments.

Ian Taylor: I do not want to reiterate what has already been said, but I am happy to take the other side and be more candid with you, Mr Glen. CryptoUK has been advocating for this industry since 2017. With our 100-plus members, it would be remiss if I was not honest with you. We thank you for the policy position that you came out with, when you were EST, in April 2022.

Chair: For anyone watching who does not already know, John Glen was Economic Secretary to the Treasury. He was the longest serving since the second world war, so he did a lot of this work in that role.

Ian Taylor: That really drove direct foreign investment into the UK. It is all about UK jobs and UK tax revenue. This industry can provide the current Government's growth mandate. We truly believe that. We have seen the investment globally.

The Europeans consulted on their framework for regulation in 2020. That is live. There are licensing regimes that have been around in Europe for over a year. We have not had a set of regulations laid down in the UK



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since you were in office as the City Minister. That tells businesses that they cannot plan or build a roadmap, and then they look elsewhere. This is happening. In 2022, I would get calls from the Department for International Trade saying, "Ian, can you talk to this firm in Asia? Can you talk to this firm in North America? They want to come to the UK". The opposite is true now. I am getting those calls from people saying, "We need to go to the US".

Why is the US different? It has a policy position that is promoting crypto, but it also has put friendly leaders in its regulatory agencies. SEC is a perfect example. I had the pleasure of meeting Paul Atkins, its new chair, recently at a crypto conference. He said something fundamentally different from his predecessor, which is, "I do not believe that the majority of cryptoasset tokens are securities". That is a complete 180. Do you know what that tells the industry? "Yes, we can now start building".

You have seen lots of investments, capital and public listed companies going live in the US. In the UK, the opposite is true. The capital is flying out. Is it the FCA? Businesses will tell me that it is moving too slowly. Yes, regulation is a blunt instrument and needs to be proportionate and balanced, but we have a second-mover advantage post the European regulation, called MiCA—markets in cryptoassets. Our members would like to see it move a little faster. It does not have to be a big-bang approach. It can be a piecemeal approach.

John Glen: That is helpful.

Matt Gravelle: You mentioned the holding limits piece around stablecoins. That is something that UKCBC's members are concerned about, particularly if you look at capping that at £10 million for institutions for wholesale. It is very hard to use in financial markets or in the corporate space for treasury management etc.

To round off the points on the need for certainty, it is really important that, as we bed down the rules and move towards an authorisation regime, that regime is predictable, transparent and well resourced. The key next step, once we get the rules finalised, is making sure that the FCA has people in place to actually deliver this. I think that that is what it is working on.

Q30 **Chair:** Talking of predictable and so on, Mr Taylor, when you last gave evidence on this subject, you told the then Committee that non-fungible tokens, often called NFTs, were a further benefit that the crypto industry brings. You also said that they increased social inclusion. Nearly everyone has lost everything they invested in NFTs as the prices collapsed. Do you regret what you said then?

Ian Taylor: I somewhat feel that I have been asked to give financial advice again. This is another particular, in my view, technological benefit of blockchain, in so far as you can have a creator economy. An artist, whether a music artist, writer or graphic designer, can issue a piece of



art, distribute it seamlessly to a huge market and then receive benefit from that for somebody using their art, rather than where, in what we call Web 2.0 traditional social media platforms, all that value is trapped in that one ecosystem. Our belief is that the technology allows Web 3.0, as we call it, as a new way to transact and transfer value. Those who create the art can then receive benefit from that, directly from the user or the purchaser.

This type of cryptoasset, which is a particular standard that lives on different base layers or different blockchains, confers new benefits, data and types of storage of files on the individual token. That particular speculation rose quite rapidly at that time and has somewhat come down, but the underlying technology remains the same. The speculation is one thing over here, and we see speculation in all sorts of markets, including those that are regulated and unregulated.

Q31 **Chair:** You are saying that the artist got what they needed at the time.

Ian Taylor: Certain artists did, yes.

Q32 **Chair:** When Dame Harriett raised this issue of the Trump meme coin, you talked about it as a collector's item. Are you saying that there is another class of asset? I am not quite sure why you would collect a Trump meme coin, but you tell me why.

Ian Taylor: No, I agree with you.

Chair: It is not quite like a coronation coin.

John Glen: It is to the Americans, probably.

Q33 **Chair:** Are you saying that this is a whole other asset class where people will collect something digitally because they want to do that for the fun of it, I suppose?

Ian Taylor: In my experience with non-fungible tokens, we saw a whole new userbase come into using blockchain as a technology that perhaps may not have been interested in the investment thesis. I buy bitcoin. I put it in my portfolio as a hedge against other types of assets that are uncorrelated, for example.

Q34 **Chair:** It is more like a GoFundMe-type arrangement, like paying for a coffee for someone.

Ian Taylor: Possibly, yes. There have been NFT projects. There was one in the US for the constitution that raised a lot of money to buy the constitution and you would have a share in ownership of that constitution as an investor in an NFT. That was one use case. There are many new use cases that perhaps we have not seen. The point that I was making at the time about NFTs, and what we believe, is that that brought in a whole set of users in who were not just financial investors.

Chair: It is catching people into the system. Do you think that there is



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enough clarity that you do not make money? Dame Harriett, do you want to tell us how much a Trump meme coin sold for? Was it \$60? What is it worth now?

Dame Harriett Baldwin: Yes, it is down to \$8 now.

Q35 **Chair:** You are saying that that is a way of hooking people into the system. Do you think that that is a good thing?

Ian Taylor: I would not use the word “hooking”. It is about being interested in using this new technology and transferring value in a different way. Matt eloquently talked about the regulatory framework that will give warnings and tell people what this actually is. That is what we advocate for too, rather than just, “I see this thing over here on a social media platform and acquire it” without understanding what the benefits that it may confer to the user are.

Q36 **John Grady:** We need to step back here for a moment. There are huge opportunities in blockchain technology for making the wholesale markets more efficient and tokenising investments such as large bonds. There are all sorts of things I read about on a daily basis that are very exciting. Then we have this opportunity to speculate in bitcoin, memes, tokens and all the rest of it. Stepping right back, we are talking about an 18-year-old, a 20-year-old or a 22-year-old starting saving for a deposit for a house, their retirement and all the rest of it. As a policymaker, I sit here and say, “People are not saving enough for this stuff”. Is there a real risk that this kind of wild west, to characterise it in that way, of bitcoins, meme coins and Trump coins actually damages the overall thing that I, as a policymaker, want to achieve?

Professor Broby: There are two questions here. There is one on how we protect the consumer. The other is how we allow for innovation, particularly in blockchain. The danger is that interpreting what happens with NFTs and people speculating in these instruments, and regulating that, can harm the innovation side of things. That is why I said that we have a framework in the UK for investor protection. If you want to call these an asset class, they fall within that framework if you are using them for speculation.

On the other hand, you can use them not for speculation but use them in the way that you are talking about, so all these decentralised finance applications that come from the layer 2 of the blockchain, which is smart contracts. To run an automated, executed piece of code—a smart contract—you have to spend either ether or polygon, so an amount of cryptoassets, to make that program execute. If we start viewing these as undesirable, developers will not be able to do their job and create new and interesting applications for the blockchain.

Q37 **John Grady:** Another way of putting it is that all the noise about random tokens and meme coins risks damaging all the great stuff that can happen on the other side.



Professor Broby: That is exactly my point, yes.

- Q38 **John Grady:** We can spend all our time talking about all the stuff over here—meme coins—and thinking about regulating that, whereas we need to be getting on with creating a framework for all the good stuff over here.

Professor Broby: Exactly, yes.

James Butterfill: There are plenty of examples of quite shameful abuse, frankly, in the crypto space. It is just reflecting human nature. It happened in the railroad industry in the United States 200 years ago. It happened in the dotcom boom too. Because we apply such a bad reputation to crypto sometimes because of some bad actors, we are missing some really compelling projects that are being put forward.

Matt Gravelle: You put it eloquently and it boils down to a bit of a “baby and the bathwater” style argument. I have an observation on what happens if we focus entirely on the speculation use case, so to speak, and miss some of the other applications. Stablecoins are a really interesting example here because we are looking at a potential regulatory framework in the UK that is going to have both trading and investment-style rules for stablecoins when that is what they are being bought for, as well as potentially some narrow rules or specific treatments when it comes to stablecoins used as payments. Indeed, that is what the Bank of England regime is aimed at.

It is an interesting approach. There are challenges around having different treatments of a single asset, but you can start to get a little bit imaginative around regulation here and look at a stablecoin as something that you can just take a punt on or use for other reasons in the crypto ecosystem, but also something you can use for payments. The regulations will, I hope, address that.

- Q39 **Chair:** Mr Butterfill, talking of payments and the main reasons that people are now investing in it, you said that speculation has dropped down but one of the top things was distributed ledger technology—DLT. That is pretty old now. You can think about how smartphones have moved on. It was invented at about the same time as the iPhone, so it is quite outdated. If it is a powerful tool, why are its use cases now not more mainstream?

James Butterfill: Being quite honest, it is disappointing how much distributed ledger tech or payment systems have grown. On bitcoin, there is a layer 2 solution called the Lightning Network. The uptake of that in places such as El Salvador has been quite disappointing.

We have witnessed the birth of a brand-new asset class. It is only 14 years old. Should we be expecting for everyone to be using it as a payment system? We are finding this grassroots or organic usage of things such as bitcoin as a payment system in emerging market countries. In Lebanon, where the Lebanese pound has fallen dramatically,



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people are starting to use it. In Nigeria as well, there are many payment systems. I appreciate that the Government have banned bitcoin, but it is used extensively for localised trading. If you look at those small use cases relative to the overall size of the bitcoin or other blockchain networks, they are pretty small, but that is a very positive thing.

I recently went to a Human Rights Foundation event and I would say that about 80% of the discussions were around bitcoin and the freedom it gave people. For instance, women in abusive marriages in Iran can leave that marriage. They are not allowed bank accounts. Bitcoin gives them that freedom to have an asset and to have a bank account for the first time. There are plenty of very socially positive things about it.

Chair: We could go into more of that.

Q40 **Catherine West:** On the reputational aura around the asset class, you would be aware of the quite high-profile case of Qian Zhimin, who was the bitcoin queen, and the £5.5 billion Ponzi scheme that was built up. That obviously has quite a lot of relevance in terms of the way that she then came to the UK on a stolen passport and so on. Is it the view that cryptoassets help criminals?

James Butterfill: In the crypto world, it is perceived as quite an old-fashioned view now, although the view was very different, say, five years ago. There are some very interesting businesses arising out of the crypto space in blockchain or analytics. Bitcoin forensics companies are perhaps the best example. Chainalysis and Elliptic, for instance, can track criminals very effectively. In fact, in the United States the FBI had the largest ever stolen goods haul of, I think, \$3.7 billion. That crime happened seven years ago. That crime is on record on the bitcoin blockchain publicly forever. If you engage in any sort of criminal activity, there is a permanent record of it. These forensics companies are very effective. The London Metropolitan Police, for instance, uses Chainalysis. They have been very effective at tracking down criminals.

Yes, originally it was quite a good place to be a criminal, but now not at all. Hamas has been openly saying, "Do not send us donations of bitcoin" because it is trackable. I can go on to a blockchain explorer online right now. We could search for Hamas wallets and it will tell you exactly what they are spending. That image of it being a domain for criminals is not correct anymore.

Professor Broby: There is a way around that, unfortunately, so it is not as rosy as all that. There is something called a mixer. In essence, it is like a casino for money laundering. You basically take bitcoins in, swap them and change them to a different blockchain. That interchangeability is what should be banned. That should be an extension of the anti-money laundering rules.

You are right. It is pseudo-anonymous, and we can use principal component analysis, k-factors and so forth, to look at patterns and identify where those money traces lead. If they start obfuscating that



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money trail, we have a problem. That is where you need to focus the regulation.

Q41 **Catherine West:** In other words, you can see the outside of the wallet, but you are not sure who it belongs to.

Professor Broby: That is right. They mix it around.

Q42 **Catherine West:** I do not know whether Mr Gravelle would like to come in as our regulator voice.

Matt Gravelle: It would be disingenuous to say that there are no crimes and no scams in crypto. Of course there are. The scale or the quantum is important. Those analytics firms that James referred to show that it is not necessarily rampant. You see different figures, but perhaps less than 1% of total transactions, so less than in traditional payments corridors, depending on how you look at it. It is important to be clear on the scale.

In terms of what you do about it, it is a mix of regulation and education. From a regulatory point of view, it is really important to make sure that firms have the right controls in place. There is the anti-money laundering aspect of that, which we have also discussed.

When it comes to scams, criminal activity and fraud, there is an unfortunate pattern of stuff happening off exchange, where it has nothing to do with a regulated cryptoasset firm or digital assets entity. It is, in effect, someone reaching out to someone else and saying, "Give me some money for some crypto" and they give them the money. That is not really an easy thing to address through regulation, because there is no regulatory nexus there. That is just private individuals engaging in something quite unfortunate. There, the education piece has to play a part.

Q43 **Jim Dickson:** On the environmental cost of crypto, it has been observed that crypto is responsible for something like 100 million tonnes of carbon emissions a year. That is 0.2% of overall global emissions, so that is one part of one industry creating an awful lot of carbon emissions. What work is being done to reduce the carbon footprint of crypto, which is very worrying?

Professor Broby: With the first iterations of cryptoassets, in other words bitcoin, we used a process called proof of work, which has all computers running at the same time to solve a cryptographic puzzle. The wastage there is that they are all trying to solve the same algorithm. That is extremely wasteful. In fact, globally, minting new blocks for bitcoin is using as much energy as the state of the Republic of Ireland uses every year.

Later iterations of different cryptocurrencies now use different types of things such as proof of stake, which are a lot more environmentally friendly, because they are no longer requiring that sort of computational power. The problem is just with the most dominant and leading types of



cryptocurrency, particularly bitcoin. What is being done to mitigate that? The mitigation began with Ethereum recognising that it was a problem, so it moved from proof of work to proof of stake. It proved extremely difficult and took a long time. Can that be done with bitcoin? I do not think it is possible, so you are not going to get away from that issue.

Q44 Jim Dickson: We clearly need to see that number come down. It is nearly 100 billion tonnes per year. Can we expect to see it come down with some innovation and change?

James Butterfill: We are missing something here. I am talking specifically about bitcoin. We can look at the stats. There are a few stats that are worth noting. The emissions intensity, so that is the amount of carbon per kilowatt hour, was around 650 grams per kilowatt hour in the crypto industry four or five years ago. Now it is 250 grams per kilowatt hour. The traditional finance industry is at around 400 grams per kilowatt hour. Now, in the bitcoin mining industry, 56% to 57% of all bitcoin mining is from a sustainable source of energy. Again, it is a bit of an old-fashioned narrative.

CoinShares is a big investor in bitcoin mining industries globally. We have been to see many of the mining installations throughout the world. Texas is a poster child for how bitcoin mining could stabilise energy grids.

Q45 Chair: You use it when demand is—

James Butterfill: In the UK—I have seen someone calculate some stats on this—around 30% of wind energy is not used. It is excess energy. You could be monetising that energy through bitcoin mining. It is stranded energy that no one can use. You could be monetising that and that could accelerate payback, so a debt repayment for wind power, for instance.

In Texas, they have that kind of load balancing so that excess energy is used. The ERCOT provides live power prices and the bitcoin miners scale up and scale down depending on when there is a lack of demand for power. As a consequence of that, we have seen a much greater investment by the power companies into renewable power. We have seen a 900% increase in Texas in solar power generation over the last five years and bitcoin mining has a part to play in helping that. Texas is now the largest renewable power generator in the whole of the United States.

Q46 Jim Dickson: Can we expect to see that global carbon emissions number come down?

Professor Broby: No.

James Butterfill: I think that it has. We have seen the efficiency of bitcoin mining. Bitcoin miners fell from 30 watts per terahash. Now the latest ones are 9 watts per terahash, so a dramatic improvement in efficiency. If you look at flaring gas from oil rigs, you can monetise that. In the same process of monetising it by using bitcoin mining, you can



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reduce those carbon emissions by 63%. I have written this in my paper that I provided and it is worth being cognisant of that.

Ian Taylor: I have a couple of additional points to specifically answer your question on mitigation. Colleagues on the panel mentioned that the second largest blockchain, Ethereum, which is a smart contract platform that does a lot more than bitcoin does, changed its consensus mechanism and went from a huge energy consumption down to zero overnight. There are a couple of micro and macro points towards mitigation.

For bitcoin miners, or the folks who provide the hardware to produce the blocks on the bitcoin blockchain—they are not mining; they are not digging anything out of the ground, just to be clear—we are seeing that there is a lot of investment into the ASICs—application-specific integrated circuits—that do this mining. They do one thing particularly well. Think of a graphics card in a computer for gaming. It is not a multipurpose processor, but it does this one thing really well. Lots of investment has been put into this hardware to improve the ability and processing power.

Now we are starting to see, with the huge increase in AI, these bitcoin mining companies or block producers utilise their spare energy for the demand in AI. This will also provide support as we move into what will be a huge demand and supply mismatch, where we cannot build new nuclear power stations or energy to provide the demand for AI compute. These folks in bitcoin are starting to see the opportunity there. I can see two benefits to mitigate against that carbon footprint.

Q47 **Dame Harriett Baldwin:** On Mr Butterfill's use case of the Iranian woman fleeing violence, she would have to have either been given a wallet or paid for a wallet. Presumably these are exactly the same characteristics that would make it valuable to someone who is an ISIS fighter, for example.

James Butterfill: A wallet is something you can set up on your phone in five minutes. It is very easy. You do not have to pay for a wallet.

Q48 **Dame Harriett Baldwin:** You would have to buy—

James Butterfill: Yes, you will have to somehow, from fiat rails, get that—

Q49 **Dame Harriett Baldwin:** You said she would not have a bank account.

James Butterfill: I am guessing that, in that example, cash was used to get it somehow on to that bitcoin wallet. Theoretically, she could have mined it, although that is probably unlikely.

Q50 **Dame Harriett Baldwin:** May I ask a quick yes/no of the panel on whether the Bank of England should launch its own central bank digital currency?

Ian Taylor: No.



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Matt Gravelle: Yes.

James Butterfill: No.

Professor Broby: Yes.

Dame Harriett Baldwin: We have a 50/50 split on that. The market participants there perhaps have a bit of an interest in the Bank not doing it.

Q51 **Chair:** We have heard today that there are various different sorts of crypto. At the beginning, Dame Harriett asked which of you had bought bitcoin. From memory, that was Mr Butterfill and Mr Taylor.

Professor Broby: The question was whether we currently own it. I have previously.

Chair: You do not currently own it, Professor Broby.

Dame Harriett Baldwin: It was whether you ever have.

Q52 **Chair:** Perhaps you could explain. Professor Broby, have you ever owned it?

Professor Broby: Yes.

Q53 **Chair:** Why do you not own it now?

Professor Broby: I was awarded some as part of a competition as the prize.

Q54 **Chair:** You did not choose to buy it.

Professor Broby: No.

Q55 **Chair:** Okay. Why not? Why have you not ever bought bitcoin or some other cryptocurrency?

Professor Broby: The volatility of these relative to fiat has a standard deviation of about 25, which is twice as volatile as equities.

Q56 **Chair:** It is not in your risk appetite. Why do you not own it, Mr Gravelle?

Matt Gravelle: This is a tricky question. Well, I will just say it. I do policy work on digital assets and I think that it is cleaner not to own the stuff I am talking about.

Chair: That is a fair point. That is fine. We have similar constraints.

Matt Gravelle: I was concerned about the counterpoint to that, which is that those who do own some, for some reason, maybe are less—I did not want that to imply what it implied. That is why I hesitated.

Q57 **Chair:** We also have constraints about what we do in our roles. Can I thank our witnesses very much indeed for their time? The transcript of this session will be available on the website uncorrected in the next



couple of days, with great thanks to our colleagues at Hansard for that. You are welcome to stay for our second panel. Thank you very much indeed.

Examination of witnesses

Witnesses: Chris Pond, Simon Youel and Professor Burcu Yüksel Ripley.

Chair: Welcome back to the Treasury Select Committee on Tuesday 18 November 2025. We are delighted to welcome our second panel on cryptocurrency. I am delighted to be joined by Simon Youel, who is the head of policy and advocacy at Positive Money, and Professor Burcu Yüksel Ripley, who is professor of law at the University of Aberdeen. A very great thanks to you, Professor, for flying down from Aberdeen to join us. It is a long way to come. Thank you very much. It is important we get a non-London perspective. I am also delighted to welcome Chris Pond, formerly of this parish, but now, among other things, chair of the Financial Services Consumer Panel. A warm welcome to you all.

Q58 **Dame Harriett Baldwin:** In the interests of fairness, I shall start with my first question again. Have you ever owned or do you now own any cryptoassets? Can you just put up your hands, if you have?

Simon Youel: In the past I had a wallet. I am not sure whether I technically still own it because I do not have access to the keys. Legally, I am not sure.

Chair: You could be very rich.

Simon Youel: This raises some of the questions around regulation.

Chair: For the other witnesses, the answer is no.

Professor Yüksel Ripley: I do not have a wallet, but I have a digital token, which I got for attending a meeting of an international organisation. It is a different use case: proof of attendance.

Chair: One of you has bought it and one of you has been given it.

Chris Pond: I do not have it at all.

Q59 **Dame Harriett Baldwin:** You heard the previous panel. One thing that I tried to probe with my questions was whether there is anything that my constituents are missing out on in terms of their ability to access cryptoassets. The FCA data is that now 7 million UK individuals have at some point owned or still hold a cryptocurrency. Perhaps starting with you, Mr Pond, can you articulate what the benefits to my constituents would be if the FCA were to take an approach that enabled more than those 7 million people to own cryptoassets?



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Chris Pond: The first point is that that number has increased considerably. It was 5 million only two years previously. It has been going up very considerably. That reflects two things.

First, there are considerable benefits for certain individuals who, as Mr Glen pointed out earlier, are more sophisticated in terms of their investment decisions. They can benefit from swifter and cheaper transactions, especially when we are talking about cross-border remittances, where it is of value. Therefore, as part of an overall portfolio, it can be valuable.

It is also very clearly the case that this is an important part of the growth agenda for the economy as a whole. Therefore, if we get this right and we have safe growth in this sector, your constituents are bound to benefit.

I am speaking from the point of view of the Financial Services Consumer Panel. The name gives away what it is all about: it is a statutory body set up to make sure that the consumer voice is heard within the FCA. I am not here to speak on behalf of the regulator. We need to make sure that we get it right and provide protection for those more vulnerable people. We have had a lot of discussion about younger people investing. We have concerns that many of those who buy these assets or invest are not well protected and may not be making these decisions for the right reasons.

Q60 **Dame Harriett Baldwin:** Would that include someone here in the UK who wanted to buy the Trump meme coin at \$60, for example?

Chris Pond: It would, yes, if they were doing so without having all the information available to them. We know we have to go through a process of rebalancing risk and growth, but, if people are to be encouraged to take on those extra risks, they need to have the means to do so. Therefore, they need to have the financial capability and the education that is necessary to make the right decisions.

Q61 **Dame Harriett Baldwin:** Mr Youel, what is your view? Are there things that my constituents are missing out on?

Simon Youel: You have asked those questions to the industry and it has struggled to give you a clear answer. There are several different things that crypto is trying to achieve. There are payments and digital assets. It has now pivoted into talking about DLT, which is not a new technology. It is not something that came only with bitcoin. Distributed processing and decentralised computing has been around for around 50 years. The issue is that they have not managed to find a compelling use case. The question is whether bitcoin is able to do that.

Is it a growth opportunity? I do not think so. Real growth comes from the capital development of the economy. What is all of the money that is going into bitcoin and other speculative assets doing? The previous panel said that railway mania was a good example for bitcoin. No, it is not. We



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had railways built by the end of railway mania. What do we have from bitcoin other than NFTs and burnt-out graphics cards?

I believe in the principles of the original cypherpunks and the people who inspired bitcoin and peer-to-peer decentralised payments. The problem is that it has been hijacked by people who want to get rich quick. It has turned into a form of digital gold. That is fine. If people want to speculate on that, some will make money; some will lose money. It is fair to say most of your constituents will, as retail traders, probably lose money. That is fine, if they want to take that risk.

My worry is that there is a lot of capital and brainpower being put into something that does not produce much of value. We have spent an hour here trying to figure out what the actual use case is and we could not get a clear answer. I would suggest that we should look at other technologies and other industries to grow the economy.

Q62 Dame Harriett Baldwin: We heard that sanctions evasion was a use case.

Simon Youel: That is a great one. It is a possible use case.

Q63 Dame Harriett Baldwin: In terms of characterisation, would you say this is more like the tulip bulbs of the 21st century?

Simon Youel: Yes, I think so. If you look at the tulip bubble, people look now and say, "It is crazy that a tulip could be worth hectares of land". If we looked back after several generations and said, "These digital tokens are worth \$100,000 and we are using huge amounts of energy to transmit them", we would think that was obviously crazy.

I do not know whether there is a ceiling or a floor to bitcoin. It is a speculative asset. I do not know. It has managed to survive several crashes, unlike a lot of bubbles. Does that make it good? No. Some people will get rich. On a macro level, society will get poorer.

Q64 Dame Harriett Baldwin: You would prefer a tulip, would you?

Simon Youel: If I were to invest, I would invest in things like property.

Q65 Dame Harriett Baldwin: Do you think tulips are more valuable?

Simon Youel: I do not know. Yes, probably. The one thing going for it is that it is probably a better speculative investment than housing. At least it does not necessarily harm so many people, if people are speculating on the price of bitcoin. People do not need bitcoin, whereas they need homes. As an outlet for speculation, maybe it is harmless.

The worry is when retail consumers are the ones holding the bag, which probably will be the case. That is where we need to worry. We should worry when leverage comes in and when it gets into other parts of the financial sector.



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Don't get me wrong. I support things such as stablecoins. We need to disrupt the current financial system based on bank payment rails. There is a huge opportunity there. I do not see why stablecoins, especially bitcoin, are better served to do that than a publicly issued alternative.

Q66 Dame Harriett Baldwin: Professor Yüksel Ripley, are there any additional benefits or harms that my constituents might experience as a result of a wider adoption of cryptoassets in the UK?

Professor Yüksel Ripley: Yes, there are certain benefits in terms of payments, particularly cross-border and international payments. Despite all these technological developments, cross-border international payments, to a large extent, are still very slow and costly and are less transparent. Particularly for certain types of cryptoassets, such as stablecoins, if they are backed by fiat currency, there is some scope for benefits from that perspective.

Q67 John Grady: I have a quick question for Mr Pond. I see you chair the advisory board for the Money and Mental Health policy institute. A couple of weeks ago we were talking about online gambling and the serious harms that arise from it, particularly among young men aged 18 to 26. We have heard some evidence today about 18-year-olds buying cryptocurrency and the like. To an uneducated mind such as mine, one could see that as quite similar behaviour. Is there any evidence out there about any mental health or wider issues around cryptocurrency in that cohort of young people? Is there any evidence of harm?

Chris Pond: I do not have the evidence of harm to hand at the moment, but you are quite right in flagging that as a concern. As well as chairing that advisory board, I also chair something called GAMSTOP, which is a self-exclusion scheme for people who have problems with gambling. Something like 550,000 people have signed up to that form of voluntary exclusion.

In a previous iteration, this Committee recommended that crypto ought to be regulated by the Gambling Commission rather than by the FCA. I did mention it at the Gambling Commission last week when I was there in Birmingham. It was not enthusiastic with that idea.

I do not take quite as negative a view of this bit of the market as colleagues at this end of the room because there are elements of it, especially in terms of stablecoins, which can be valuable, but you are right, Mr Grady, to flag that there is a real risk that some people could participate in this without thinking it through and then suffer real harm as a result, which can have mental health implications.

For instance, the FCA research shows that two-thirds of younger people, who we know are a disproportionate number of cryptoasset earners, make investment decisions in less than a day and one in seven in less than an hour. It also showed that impulse buying of cryptoassets was



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only number four behind impulse buying of air fryers, smart watches and energy drinks.

There is an issue about the need for education and the deficit in financial education, which John Glen mentioned earlier on. We need to make sure that, when people enter this market, they do so with their eyes open and recognise what the implications might be. Otherwise, we will have the mental health difficulties that you flagged.

Q68 John Grady: Some people are buying it on a speculative basis and, I suspect, trading more frequently. We need to explore whether things are needed to protect younger consumers from speculation in this area, in the same way as we have the GAMSTOP mechanism.

Chris Pond: Yes.

Q69 John Glen: In the last panel, contrary to what you said, Mr Youel, we saw a clear use case for wholesale investment in funds based on the record of returns. If you create a regulatory environment that chills that significantly, will you not damage the outcomes for pensions and other pooled investments that are available?

Simon Youel: Does that mean we should not regulate Ponzi schemes because people would lose out if we did?

I would characterise it more like gold. If people want to have part of their portfolio in gold, which does not yield anything but, as a society, we have decided it has inherent value, that is fine. If people want to do the same with bitcoin, that is fine. They can allocate some of their portfolio for that.

How does that improve the capital development of the economy? That is how we get growth. That is how we improve people's incomes. You do not get rich by trading digital tokens. You cannot save your way to prosperity. You need to invest, and there is no actual investment.

The problem is that we confuse savings and investment. I am old-fashioned. I like my old macroeconomics like Keynes. There is a difference between saving and investment. Investment is investment in actual capital goods, in employing labour to produce things. Saving is merely holding a security. You can save in bitcoin, bank deposits or gold, but it does not produce economic growth.

Q70 John Glen: You seem to be, if I may say, imposing your own personal moral judgment about different qualities of investment. Surely that should be for fund managers and individual actors.

Simon Youel: Yes, sure. As a society, can we really not do better than this? This used to be a country that had innovation. The Victorians built huge engineering projects. They built housing; they had massive scientific innovation. I would prefer that we did that. As a society, we would be wealthier if we had our smartest and best people working on those things rather than trading digital tokens.



Q71 **Chair:** Are there any benefits to bitcoin?

Simon Youel: In relation to stablecoins and disrupting the current bank-based payment system, yes. If bitcoin was the digital cash that it purports to be, I would be supportive of it. The problem is that the people who developed bitcoin did not understand money.

Chair: The benefit that you see is about payment systems.

Q72 **John Glen:** Mr Pond, could I ask you about the FCA's interventions in this space so far? If we look at what it has done since 2020, there is AML for crypto exchanges; it has banned the sale of crypto derivatives to retail consumers; and it has brought crypto into the financial promotions regime. We discussed some of those in the last panel.

In a world where individuals are at liberty to make those investments anyway—the internet gives people access to do what they want—how does the FCA get it right in terms of creating an asymmetry in the UK, which is bad for the messaging around the competitiveness of the economy, while doing what we are both probably sympathetic to, which is to protect vulnerable people? Is it possible to do that and get that balance right?

Chris Pond: It is. The FCA is moving beyond the AML and promotions aspects to other elements of the regulation. As I said, I am not here to speak on behalf of the FCA. I would not dare.

The perception that we have at the panel, from responding to each of the consultations that the FCA produces on the next stage of the regulation, is that there is a very clear focus on the importance of innovation and growth, and a recognition that you achieve the growth of this sector most effectively if you build confidence. To build confidence in the businesses that are engaging, they need to have a stable regulatory regime that is in line with the regimes operating elsewhere, whether that is in Europe or the GENIUS Act in the States. We do not need to replicate those regimes, but we need to be consistent with them. At the same time, we need to provide the sort of protection that gives people confidence to enter the market.

Some of the research that the FCA carried out last year suggested that more of those people who were not currently engaged in this market, who did not hold cryptoassets, would do so if they felt they were protected. Among those who hold cryptoassets, a large proportion say they would increase their engagement in the market if the protection was there.

A stable regulatory framework is beneficial in terms of helping this bit of the market grow. Without it, I fear we could be in the territory that my colleague at the other end of this table has been talking about.

Q73 **John Glen:** I hear what you are saying. That is the sort of classic answer that responsible people say, which is that we need stability, certainty and



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alignment with other jurisdictions so people feel confident to invest. What is specifically missing at the moment? What exists at the moment? It seems like a lot is being cooked up at the moment. The call from the previous panel was essentially to get on with it. What is it that you fear is not going to happen in what comes out of the conveyor belt from the FCA?

Chris Pond: "Getting on with it" is the key phrase here because the market is evolving so quickly. As I understand it, the FCA is seeking to finalise its regulatory framework by the end of next year, which is ahead of the GENIUS Act in the States. As we have heard, the European licensing regime has been in place for a while.

I am grateful to my colleagues at the Centre for Finance, Innovation and Technology for their review of the regulatory systems in this area around the world. It looks as if what the FCA is proposing sits somewhere in the centre between the EU proposals and the GENIUS Act in the States. That is probably relevant because the objectives of those different regulatory systems are different. In the UK there probably is more focus on consumer protection than there might be in the States.

Q74 **John Glen:** Professor Yüksel Ripley, what do you have to say about this? Could you bring some perspectives on international law and regulatory regimes that we could draw lessons from?

Professor Yüksel Ripley: International co-ordination is essential in this area because these systems are global structures. There will always be a risk that overregulation might lead to the relocation of business elsewhere.

There are various risks involved. The very first idea behind bitcoin was disintermediation. It was developed to be a peer-to-peer electronic cash payment system with no intermediaries. The market looks very different today. It is highly intermediated. The market created its own actors: crypto intermediaries. It is important to balance promoting and supporting innovation with protecting consumers and investors in this very intermediated market.

Q75 **John Glen:** Have we achieved that in the UK at the moment?

Professor Yüksel Ripley: The UK is relatively proactive in the area. I agree with what Chris Pond said on this. It is good to be cautious on this stuff because it is an emerging market. There are various risks, but the UK is quite proactive in the area.

Q76 **Catherine West:** It is lovely to see you, Chris. He is my former constituent, just to let people know.

I have two questions. First, should crypto be allowed to be held within stocks and shares ISAs? ISAs are quite a popular topic of discussion right now. Lots of people are thinking about them. Do you have a view on limiting crypto to innovative finance ISAs? Do you have a general point of



view?

Chris Pond: There is an argument for including them within an ISA wrapper in terms of investment ISAs. They are not the same as cash. Therefore, there is more of a question in terms of the cash ISA wrapper.

I suppose there is another slight disagreement at this end of the table in terms of whether savings are not therefore important, if it is not investment. We know large sections of the population have no savings whatsoever and they are therefore in a very vulnerable position. The national strategy on financial inclusion, published last week, is very welcome in helping that to happen. If this is a means of encouraging perhaps younger households to save in a way that they otherwise would not, the jury is out as to whether it is worth while. There is a question as to whether public subsidies should be provided for what is effectively an element of speculative investment.

Professor Yüksel Ripley: It is a bit too early to make such a decision yet. It might be preferable to wait for the regulatory regime to settle and satisfactorily integrate into the UK's wider financial regulatory framework before considering this question.

There is another broader question. If crypto is allowed within ISAs, could this be an encouragement and endorsement of crypto? It is important that consumers do not get mixed or conflicting messages about investing in crypto. Those are my views on that.

Simon Youel: It is probably not that much worse than a stocks and shares ISA. Again, we are confusing savings and investment. In this case, a lot of politicians are confusing primary and secondary markets. There is this idea that everyone investing in stocks and shares will increase capital investment. It will not. You will be buying up already existing shares. The firms will not get anything. As far as you are concerned, you are usually banking on a capital gain. If you want to do that with crypto or stocks and shares, sure, that is fine. There should not be a public subsidy.

We really need a vehicle in which people's savings can be mobilised towards new capital formation and capital investment, which we do not have.

Q77 **Catherine West:** Going the other way on that final question around the tax system and how we can encourage investment, you have mentioned that, in your view, it does not have an intrinsic value. Are there ways of understanding how tax could leak out through these asset classes? What remedy would that attract?

Simon Youel: This is an opportunity to rethink how we deal with economic crime. In the US, the current AML regime has been upended by the Trump Administration. Is the current way that we are trying to deal with economic crime, tax evasion or money laundering the best way? Currently, we have a system that is like a dragnet. We use the bank-based payment system and collect information on everyone involved in a



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transaction. All the intermediaries hold all kinds of personally identifiable information on all kinds of participants. That is not necessarily a good idea. I believe we should have a more decentralised payment system and deal with those things in other ways.

I am concerned about state overreach. This Government have targeted peaceful protesters.

Chair: We are talking about financial services.

Simon Youel: I know, but the point comes back to having privacy in payments, which is one of the main arguments against things such as CBDCs. We really do need to have privacy in payments. We have that with cash. We need to protect that and to think of digital cash in the same way as cash. That was the idea of bitcoin, but the failure there was that the unit of account of bitcoin is not something that people transact in.

Q78 **Chair:** There is privacy in payments, but there are still anti-money laundering rules. If there is large amounts of cash being paid out, there would be many questions. You could not buy a house with cash.

Simon Youel: We need it to have the same principles. Through the technologies that I am working with at the University of Manchester's digital public money infrastructure project, we are looking at more intelligent ways of doing this through asymmetric privacy—you do not necessarily need to see both sides of a transaction—zero-knowledge proofs and things like that.

There is a real opportunity here. At the moment, anti-money laundering costs banks supposedly 1% of GDP, £30 billion, which seems like an absurd number. We can do this better. It clearly is not working. We have huge amounts of economic crime. There is an opportunity. We should embrace it.

Q79 **Catherine West:** Professor Yüksel Ripley, do you have a view on maintaining that balance between an elected Parliament saying, "This is the tax that there is going to be", voting on it and therefore having that ripple through the financial services, and how you manage tax leakage in some of these more modern products?

Professor Yüksel Ripley: I do not have a particular comment to make on it, but, as a general point, the crypto market is very diverse now. There are thousands of cryptoassets. They have different features and functions. I am just wondering whether they should all be treated in the same way. It is a developing market as well. More and more tokens and assets are emerging and they are placed under this broader umbrella term of "digital assets". I am just wondering whether it requires a different approach.

Chris Pond: Especially in the current circumstance of the public finances, there is clearly an issue in terms of whether there is leakage of tax



revenues. As Professor Yüksel Ripley has pointed out, this market is very diverse and is growing very quickly in some respects. Therefore, being able to protect the public finances ought to be very high on our agenda. I do not have a clear answer as to how you do that, but it is something that public policy should be focused on.

Q80 Jim Dickson: I have a couple of quick questions on environment and financial inclusion. We know that the crypto industry is responsible for nearly 100 million tonnes of carbon emissions per year, 0.2% of overall global carbon emissions, which seems a lot for one part of one industry. Professor Yüksel Ripley, do you have any evidence that the industry is tackling this? Might we see that carbon footprint going down in the future or will it continue to go up as crypto becomes a larger entity?

Professor Yüksel Ripley: There is a concern around the high energy consumption of crypto systems, environmental impact and sustainability questions around that. This is closely linked to the consensus mechanism that the system uses, as already explained in the first panel.

There are particular concerns around the energy consumption of bitcoin because of its consensus mechanism. I checked some statistics recently. According to the latest estimates by the Cambridge Centre for Alternative Finance, bitcoin's electricity consumption is comparable to countries such as Spain, Vietnam, Thailand or South Africa. The estimates suggest that, if bitcoin was a country, it would rank 22nd in the world for electricity use.

In addition to electricity consumption, there are also concerns around the water footprint of bitcoin because water resources are also used to cool computers for mining. As mentioned in the first panel, there are some recent developments and improvements. The data again suggests that the electricity mix used by bitcoin miners is now predominantly sustainable, at 52.4%, with renewables accounting for 42.6%. Of course, the question is whether it is sensible to use renewables for this purpose, but there are some improvements from that perspective.

The environmental impact of crypto is important and needs to be monitored carefully. It is a part of the conversations in the EU as well.

Q81 Jim Dickson: We were told by the last panel that the better processing power and use of renewables would help bring that carbon footprint down. Do you agree with that? In the future, will we see that number, nearly 100 million tonnes of carbon per year, come down?

Professor Yüksel Ripley: We have seen some improvements in the recent years, but, as I said, there is still a question around whether this purpose is the best use of renewable energy. There will always be that question.

Jim Dickson: I do not know whether other members of the panel have any comment on that, but that is useful.



Chris Pond: As we heard from the previous panel, the carbon footprint of different elements of this market is different. Therefore, disclosure is very important. If you give consumers an opportunity to judge between one product and another, or one platform and another, they can make a decision. If they feel strongly about environmental issues and decarbonisation, they can make a decision to focus on those products and platforms that are going to do less harm and perhaps use more renewables than is the case with others.

Q82 **Jim Dickson:** I have one quick question on financial inclusion. Can you see any scenario in which crypto increases financial inclusion and access to financial services for those who are currently underserved?

Chris Pond: I can, but in a limited way. I mentioned I was formerly a member of the Financial Inclusion Commission, along with John Glen. I am very pleased that we now have a national strategy on financial inclusion, which is very important. As part of the national payments vision, this can form an important element of that by reducing the cost and length of time that transactions take. As I have said, it can be very valuable indeed for cross-border remittances and for SMEs.

Given that we know from our discussions today that financial exclusion and digital exclusion are two sides of the same rather old-fashioned coin, and given that such a large proportion of the population is both financially and digitally excluded, I cannot see that this is going to make a huge contribution in the short term to dealing with the real problems we have with financial exclusion.

Jim Dickson: That is very helpful.

Simon Youel: On the environment, there is also the question of what we could use that energy for instead. They say it is fine because you can use run-off energy, but I am sure people smarter than I am can find a better use for that than crypto.

On financial inclusion, I do not see it as a solution. We need cash and digital cash. We need something that is easily accessible to everyone with lower fees and lower risks. An opportunity for that is through a digital pound that is publicly issued. People may disagree with me on that, but that is my view.

Professor Yüksel Ripley: I agree with what has been said.

Chair: You agree with Mr Pond.

Professor Yüksel Ripley: Yes. I would just add that for certain groups within society there might be some adverse impacts or consequences, particularly for people who have low digital literacy, elderly people or people who are struggling to understand what crypto is and how to use it. They might be particularly vulnerable to crypto scams and frauds. Of course, they can be vulnerable in broader contexts as well, including traditional financial services, but crypto is a bit more complex than that.



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It has different elements. It has cross-border dimensions and so on. There is that aspect as well for certain groups of people in society.

Chair: Thank you all very much for your time. We have had a really interesting discussion with both panels. We learned that, as well as demand for cryptocurrencies for investment or speculation, it is the platform and the payment system that is quite significant. It is about access to that technology. We heard very clearly that a stable regulatory regime is needed for the market to grow responsibly. We had a good discussion with both panels about protection, particularly for retail consumers and the more vulnerable.

Can I thank you very much indeed for your time? The transcript will be available on the website uncorrected in the next couple of days. Thank you to our colleagues at Hansard and Bow Tie, the broadcasters. Thank you very much indeed.