



Science and Technology Committee

Richard Fuller MP
Economic Secretary to the Treasury
By e-mail only

19 July 2022

Dear Minister,

Science and Technology Committee: blockchain

On Wednesday 29 June the Science and Technology Committee held an evidence session which examined current and future uses of blockchain technology, including its underpinning of cryptoassets and associated products.

We heard that while the technology has become increasingly widespread, and your predecessor as Economic Secretary to the Treasury in April announced plans to make the UK “a global cryptoasset hub”, there are real concerns from a consumer protection perspective over its application in cryptocurrency and other financial products, and on whether the regulatory landscape is keeping pace with new developments. We also heard concerning evidence about the use of cryptoassets in fraud and other criminal activity.

This followed a warning from Andrew Bailey, Governor of the Bank of England, that cryptoassets have “no intrinsic value” and a December 2021 Financial Stability Report by the Bank of England which said any future regulation of cryptoassets should aim to “balance risk mitigation with supporting innovation and competition.”

We have, in recent months, seen many cryptoassets decline significantly in value, leaving vulnerable consumers exposed to significant financial risks, having in many cases been attracted to such products by marketing campaigns fronted by celebrities, particularly footballers. The lack of regulatory oversight of such products, and their advertisement, was highlighted by our witnesses as a matter of particular concern.

We would therefore be grateful if you could provide further detail on the following points:

1. What progress the Government has made with the implementation of the plans announced in April. Specifically:
 - a) when can we expect the promised consultation on “wider regulation of the crypto-asset sector” to be published;
 - b) will the consultation seek input on how to ensure consumers are sufficiently protected against fraud and financial risk associated with crypto-assets and other products that utilise blockchain technology?



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2. How the Treasury is co-ordinating its plans with work being undertaken by other Government departments, such as HMRC, on possible deployment of the technology;
3. How the Treasury is co-ordinating its plans with work being undertaken by other bodies, such as the Advertising Standards Authority, the Bank of England, the Competition and Markets Authority, and the Financial Conduct Authority;
4. Whether the Treasury has, at this stage, formed a view as to which regulator should be responsible for overseeing crypto-assets and possible future financial products that may utilise blockchain technology; and
5. Whether the Treasury has had any discussions with the Department for Digital, Culture, Media and Sport regarding the promotion of cryptocurrency and cryptoassets by sports teams and/or sports players.

We would be grateful for your response to this letter no later than Friday 26 August.

This letter is copied to:

- Andrew Bailey, Governor of the Bank of England;
- Andrea Coscelli, Chief Executive, Competition and Markets Authority;
- Julian Knight MP, Chair of the DCMS Select Committee;
- Guy Parker, Chief Executive, Advertising Standards Authority;
- Nikhil Rathi, Chief Executive, Financial Conduct Authority; and
- Mel Stride MP, Chair of the Treasury Select Committee.

As is usual practice we will be placing a copy, together with your reply, into the public domain.

With best wishes,

Aaron Bell MP

Carol Monaghan MP

Interim Chairs of the Science and Technology Committee