HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Harriett Baldwin MP
Treasury Select Committee, Chair
House of Commons
London
SW1A 0AA

06 April 2023

Dear Harriett,

I am writing to you and your Committee to inform you that, on Monday 27 March, the government laid before Parliament a draft statutory instrument to expand the scope of the Financial Promotions Order, to safeguard against misleading cryptoasset promotions.

The instrument, and relevant Financial Conduct Authority (FCA) rules, will provide for the regulation of in-scope cryptoasset financial promotions and ensure that they are held to the same high standards as promotions of other similar risk financial services products[1]. The proposed approach will make the FCA the regulator and supervisor of cryptoasset promotions, meaning that a person not authorised by the FCA must have any promotion of qualifying cryptoassets approved by an authorised person before they are communicated unless an exemption applies.

Cryptoasset firms on the FCA's register of firms complying with Anti Money Laundering (AML) regulations will also be able to approve their own financial promotions in relation to qualifying cryptoassets. Cryptoasset businesses relying on this exemption will be subject to the same financial promotion rules as authorised persons communicating equivalent promotions. Further detail has been set out in in the policy statement published in February 2023[2].

The government anticipates that this measure will significantly improve UK consumers' understanding of the risks and benefits associated with their investments.

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[1] The draft SI and supporting documents are available at: www.legislation.gov.uk/ukdsi/2023/9780348246490/contents
[2] Available at: www.gov.uk/government/consultations/cryptoasset-promotions

As for when this measure will come into force, the proposal will require the passage of a statutory instrument via the affirmative procedure involving debate in both houses of Parliament. There will also be a transition period of four months after the statutory instrument is made in Parliament giving businesses suitable time to prepare and ensure proper compliance with the regime. Subject to parliamentary time and approval, we therefore expect that this legislation will be in force by late 2023.

When in force, all cryptoasset firms marketing to UK-based consumers, regardless of where in the world the firm is communicating the promotion from, will need to comply with the regime. The FCA has committed to take robust action against firms breaching the requirements of this regime when in force[3]. The government and FCA are therefore urging all firms marketing to UK consumers, whether from the UK or abroad, to get ready for this regime now.

I hope this letter provides continued reassurance that the government is delivering on its commitment to enhance consumer protection, while promoting responsible innovation in the sector.

This work also forms part of our wider approach to regulating cryptoassets, harnessing the advantages of crypto technologies while mitigating the most significant risks. For further information on this, please refer to the consultation paper HM Treasury published in February 2023 on the future regulatory framework for cryptoasset regulation.

I would be happy to answer any further questions you may have, and I look forward to continuing to work with you as we deliver on our ambition to make the UK a leading jurisdiction for cryptoasset technology and investment.

Kind regards,

ANDREW GRIFFITH MP

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[3] Available at: www.fca.org.uk/news/statements/cryptoasset-firms-marketing-uk-consumers-must-get-ready-financial-promotions-regime