Amendments to the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) | GBBC Comments

About Global Blockchain Business Council (GBBC)

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GBBC furthers adoption of digital technologies by engaging regulators, business leaders, and global changemakers to harness these transformative tools for more secure and functional societies.

GBBC industry verticals: Financial Services, Global Commerce/Supply Chains, and Commodities, underpinned by AI, digital identity, governance, hardware, infrastructure, policy, regulation, and security.

GBBC initiatives: BITA Standards Council (BITA), GBBC Digital Media, Global Standards Mapping Initiative (GSMI), International Journal of Blockchain Law (IJBL), InterWork Alliance (IWA), and U.S. Blockchain Coalition (USBC).

Introduction

GBBC welcomes the opportunity to respond to the draft statutory instrument amending the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (the "SI") and the accompanying Policy Note. We recognise that the SI is a targeted, time-bound intervention rather than a comprehensive reset, and that several of the larger structural questions are reserved for the forthcoming payment services reforms and the Phase 2 cryptoasset work due in 2027. Within that framing, the SI takes important steps: pulling UK-issued qualifying stablecoin ("UKQS") payments out of the dealing perimeter, tidying the settlement exclusion, correcting the asymmetry that pushed proprietary liquidity provision offshore, and extending the Article 40 safeguarding exemption to CSDs and their nominees for cryptoassets.

Our submission focuses on the points where members consider that the current drafting either leaves material residual ambiguity, risks under-delivering against the policy objective, or omits issues that materially affect whether the UK regime is competitive in practice. Where appropriate, we have set out indicative drafting that HM Treasury could consider for the final SI or articulate in the Policy Note. We have tried throughout to be selective rather than exhaustive: these are the items members have identified as most likely to determine whether the SI achieves its intended effect.

Three cross-cutting themes inform our specific comments. First, the SI's carve-outs will only deliver on their competitiveness rationale if the dealing perimeter is read coherently with the arranging perimeter under FCA perimeter guidance, and if the carve-outs themselves reach the universe of instruments that industry members are operationally using during the interim period. Second, GBBC members operating across both established payments businesses and crypto-native infrastructure consistently observe that, in payment use cases, the relevant instruments function as payment instruments rather than as investments – a categorisation that the SI's direction of travel rightly anticipates, and which the payment services reforms will need to follow through. Third, the SI necessarily operates in an interim period before those reforms are completed; the resulting layering of perimeters and consultations needs to be actively managed so that firms do not face dual or duplicative authorisations during the transition.

Summary of recommendations

Our principal recommendations to HM Treasury are set out below. Each is framed as an action that HM Treasury can take directly – on the face of the SI, in the Policy Note, or through coordination with the FCA and the Bank of England – and is developed in the substantive sections that follow.

1. **Non-UK stablecoins (Section 1).** Include in the SI a power for HM Treasury to designate, by direction or order, classes of overseas-issued stablecoins as eligible for the dealing and arranging carve-outs at Chapter 2, subject to defined criteria.
2. **Lending, borrowing and collateral arrangements (Section 2).** Provide on the face of the SI for the exclusion from paragraph 2.2 of (i) title transfer collateral arrangements between non-retail counterparties, (ii) cleared repo and short-dated intraday liquidity facilities, and (iii) corporate lending arrangements between non-retail counterparties.
3. **Arranging activity (Section 3).** Provide on the face of the SI for the arranging perimeter to mirror the dealing carve-out for UKQS payments, and include a bounded exclusion for technology providers that do not exercise meaningful intermediation.
4. **Market-making exemption – drafting clarity (Section 4.1).** Articulate in the Policy Note that the concepts of "service" and "client" for the purposes of paragraph 4.1 are to be read by reference to economic substance, and coordinate with the FCA on supervisory guidance addressing the principal scenarios in which the boundary is unclear.
5. **Market integrity (Section 4.2).** Provide on the face of the SI that the UK market abuse regime for cryptoassets applies to all persons engaging in trading or related activity in cryptoassets, irrespective of authorisation status.
6. **Safeguarding pass-through cases (Section 5.1).** Provide on the face of the SI – or articulate in the Policy Note – that brief receipt of stablecoins for the sole purpose of conversion into fiat does not amount to the cryptoasset safeguarding activity.
7. **Fund holdings of stablecoins (Section 5.2).** Coordinate with the FCA and the Bank of England to resolve the constraint on regulated funds holding stablecoins, on a timetable aligned with this SI's entry into force.

8. **CSDs and DLT-native custody (Section 6).** Address in the Phase 2 work how the safeguarding perimeter should accommodate tokenised settlement arrangements that do not involve a traditional CSD.
9. **Financial promotions (Section 7).** Confirm in the Policy Note that the existing institutional and professional scope of the financial promotions regime is unchanged by the consequentials at Chapter 3.
10. **Sequencing with CP26-13 (Section 8).** Coordinate with the FCA on the timing and content of CP26-13, and articulate in the Policy Note the migration path from the SI's interim treatment to the payment services reforms end-state.
11. **Interaction with the systemic stablecoin regime (Section 8).** Set out in the Policy Note or accompanying material how the SI's provisions are intended to operate alongside the Bank of England's regime for systemic stablecoins, including the treatment of instruments that transition between regimes.
12. **Variation of permissions (Section 8).** Coordinate with the FCA to confirm that firms holding existing FSMA permissions can extend into UKQS-related activities through variation of permission, on proportionate terms.

1. Treatment of non-UK qualifying stablecoins (Chapter 2)

This is the issue our members have most consistently raised during our Working Group meetings. The carve-out at Chapter 2 is restricted to UKQS – stablecoins issued in the UK by a firm authorised for the new regulated activity in regulation 9M. Cross-border use is acknowledged at paragraph 2.3 but is left effectively unresolved on the face of the SI.

The operational consequence is significant. For the carve-out to deliver its policy aim during the interim period before the payment services reforms are completed, it needs to reach the instruments that members are actually using to build payment, treasury, FX and settlement products in that window. UKQS issuance is at an early stage of development; the instruments members are operationally relying on to deliver these products today are, in significant majority, denominated in currencies other than sterling. As drafted, the carve-out therefore covers a narrower scope of activity than the policy is intended to enable. Members are particularly concerned about the cross-border payment, corporate treasury and wholesale settlement use cases that the regime ought to be capable of attracting to the UK.

The point bites with particular force in the asset management context. As tokenised fund issuance progresses through the second half of the year, funds will need a route to accept stablecoin settlement

– in many cases in instruments other than UKQS – in order to subscribe for and redeem tokenised units. A non-sterling fund cannot reasonably be required to convert into sterling, and then back again, simply to acquire a tokenised asset whose natural cash leg is in a different currency. As drafted, that activity sits outside the carve-out, even where the underlying economic activity is plainly a payment leg of a regulated investment transaction.

We note HM Treasury's explicit position that the policy aim is not to exclude USD-denominated or other non-UK stablecoins from the UK market, and we agree that this is the right policy stance. The question is how that aim is reflected on the face of the instrument. In our view, there are two complementary routes that would deliver the policy outcome without prejudging the design choices reserved for the payment services reforms.

The first route would be a recognition power on the face of the SI: HM Treasury would be able to designate, on a unilateral and time-limited basis, classes of overseas-issued stablecoins as eligible for the payments carve-outs at Chapter 2 where they meet defined criteria. Member discussions suggest that the appropriate criteria would include full reserve backing held in segregated arrangements; an enforceable right of redemption at par in normal market conditions; denomination in the official currency of the issuer's home jurisdiction (which preserves UK currency sovereignty while accommodating the universe of overseas stablecoins for which the UK would be a payments user rather than an issuer); and substantively equivalent holder protections to those afforded under the UK qualifying stablecoin regime.

We have framed this as a recognition mechanism rather than as an equivalence regime. A unilateral recognition power keeps the design choice in HM Treasury's hands, allows time-limited and revocable designations during the interim period, and avoids dependency on parallel determinations by other jurisdictions – which is particularly important given the pace at which both the EU (under the MiCA review) and the United States are now moving.

The second route would place the assessment with UK-authorised intermediaries. The SI could permit UK-authorised banks, e-money issuers and payment institutions to perform the eligibility assessment against criteria set in or under the SI when intermediating payments involving overseas stablecoins. The regulatory anchor would then sit with an FCA-supervised UK entity already subject to consumer duty, AML and conduct standards, rather than with the issuer or instrument. This route could operate as a complement to the recognition power, providing a pathway for instruments that are not the subject of an HM Treasury designation but which are intermediated by UK-regulated entities applying clear conditions.

Either route would, in our view, materially improve the competitiveness of the regime during the interim period, while preserving HM Treasury's ability to set the conditions of recognition and the FCA's ability to supervise outcomes. We would be happy to engage further on the detailed parameters

– including on the role of the FCA in advising on designation conditions, the appropriate transitional arrangements, and the interaction with the Bank of England's regime for systemic stablecoins (discussed at Section 8 below).

2. Lending, borrowing and collateral arrangements (paragraph 2.2)

We support the policy intent of keeping lending and borrowing of UKQS within the dealing perimeter so that the FCA can address the consumer-protection risks associated with retail-facing lending and borrowing protocols. The harms that animate this policy choice – yield products marketed to retail users, leverage stacking, rehypothecation across protocols – are real and warrant supervisory attention.

The concern GBBC members have raised is that, as drafted, paragraph 2.2 also captures activity that is institutional rather than retail in character, and that supports the payment and settlement use cases the SI is otherwise trying to enable. We highlight three categories:

- **Institutional collateral arrangements.** The dealing perimeter at paragraph 2.2 should align with the established treatment of title transfer collateral arrangements under the safeguarding perimeter. Title transfer collateral arrangements between non-retail counterparties are properly excluded from the safeguarding perimeter under the base regulations; bringing them back into the dealing perimeter through the operation of regulation 9Z10A(2) creates an inconsistency that has no obvious investor-protection rationale. The result would be to chill in UKQS form the very kinds of institutional collateral arrangements that support the orderly settlement of the transactions Chapter 2 is intended to facilitate.
- **Repo and intraday liquidity.** Repo and reverse repo arrangements and short-dated intraday liquidity facilities can, on a literal reading, look like lending and borrowing. In economic substance they are settlement and liquidity plumbing that supports payment activity rather than investment activity. Without an explicit exclusion these arrangements risk being chilled in UKQS form precisely where members are trying to develop them.
- **Corporate and other B2B lending.** Corporate lending is not, as a general matter, a regulated activity in the UK when conducted in traditional money. We see no principled basis on which the same activity should become regulated solely because it is denominated in a UKQS. Treating identical economic substance differently based on the instrument used cuts against the policy logic of the broader regime.

To put the substance in concrete terms, we would propose that the SI (or the implementing FCA rules made under it) exclude from the dealing perimeter:

- title transfer collateral arrangements where each party is an FCA-authorised firm or otherwise a non-retail counterparty;
- repo and reverse repo arrangements with a maturity not exceeding a short specified term (a seven calendar day ceiling would be a workable starting point), conducted between non-retail counterparties;
- intraday liquidity arrangements supporting payment and settlement activity; and
- lending and borrowing between non-retail counterparties for non-consumer purposes.

The relevant test in each case should be the economic substance of the activity and the nature of the counterparties, rather than the form of the arrangement or the instrument used. We recognise that some elements of the test may sit more naturally in FCA rules than on the face of the SI, and would encourage HM Treasury to coordinate with the FCA on the appropriate locus for each.

A further point on which clarity would be useful: the SI should distinguish between (a) a holder of stablecoins posting them as collateral or lending them to a third party, and (b) an issuer or exchange distributing stablecoins in the form of a loan. These are economically distinct and warrant different treatment. Clarification of how each fits within the perimeter – and how the lending treatment interacts with the no-interest provision applicable to stablecoins themselves – would materially reduce the legal uncertainty members are currently navigating.

3. Interaction with the FCA's perimeter guidance on arranging

The carve-out at Chapter 2 removes UKQS payments from the dealing perimeter when undertaken as principal or agent. It does not, however, address the parallel question of arranging, which is governed by the FCA's perimeter guidance (most recently in CP26-13 / PERG 19A). The arranging definition is currently being interpreted broadly, and the available exemptions narrowly. The practical effect is that significant categories of activity which the dealing carve-out is intended to take out of the regime will be brought back in on the arranging side. Without a parallel intervention, much of the benefit of the SI's Chapter 2 work risks being absorbed by the arranging perimeter.

Two recurring fact patterns illustrate the issue. The first concerns firms whose service is to provide a customer-facing technical channel to a separately-regulated cryptoasset custodian. On the current reading of the arranging perimeter, the operator of that channel may itself be treated as carrying on regulated arranging in respect of the custody relationship, notwithstanding that it does not hold customer assets, does not exercise discretion over the custody arrangement, and is not the firm to which the customer is contractually exposed for safekeeping purposes. The second concerns interfaces that are agnostic to the cryptoasset being transferred – for example, where the customer's onward instructions, or the wallet from which the customer is transacting, determine the instrument involved. The current reading produces the result that the regulatory status of the interface depends on choices made by the customer rather than on the activity of the interface itself. As a regulatory design matter, the perimeter status of an essentially neutral channel should not turn on inputs over which the channel exercises no control.

We would encourage HM Treasury to address this interaction on the face of the SI. Options include: (i) mirroring the dealing carve-out for UKQS payments on the arranging side, so that the perimeter treatment is consistent across the two regulated activities; (ii) introducing a bounded exclusion for technology providers that do not exercise meaningful intermediation; and (iii) coordinating with the FCA so that any accompanying perimeter guidance sets out worked examples consistent with the SI's policy intent.

On the second option, an exclusion would need to be carefully drawn so as not to capture firms that do, in substance, intermediate. By way of indicative formulation, the SI could provide that a person does not arrange deals in qualifying cryptoassets where, in providing the relevant service, that person (a) does not exercise discretion over the counterparty, asset, price or timing of any transaction effected through the service; (b) does not hold customer assets or funds at any point in the transaction chain; and (c) acts in substance as a technical conduit between the customer and a separately regulated counterparty. We would welcome the opportunity to engage on the detailed parameters.

Without an intervention of this kind, the case-law on arranging – which has historically turned on fact patterns involving human intermediation rather than purely technical channels – will be relied on to draw a line it was never designed to draw, with the predictable consequences of legal uncertainty and avoidable litigation.

4. Market-making exemption: drafting clarity and market integrity (paragraph 4.1)

We support the policy direction at paragraph 4.1. The asymmetry whereby overseas firms could provide liquidity to UK trading platforms without authorisation, while UK-based firms providing the same service were required to secure dealing permissions, was creating a measurable competitive disadvantage and pushing activity offshore. Bringing the treatment of pure proprietary trading and market-making activity into line with the established approach under MiFID and the broader FSMA framework is, on principle, the right call.

Two issues require further work for the exemption to deliver as intended.

4.1 Clarity on "service" and "client"

The exemption applies where activity is not carried out for the purpose of providing a service to another person (the "client") and is not related to the carrying on of a regulated activity on behalf of that client. In cryptoasset markets the boundary between proprietary activity and service provision is not always clear-cut. Members have identified several recurring patterns in which the firm trades on its own account but the economic substance arguably amounts to a service:

- Activity conducted on a trading platform pursuant to a market-making agreement or designated market maker arrangement, where the platform itself receives a service even though the firm trades on its own account.
- Liquidity-support arrangements under which a token issuer transfers assets to a market-maker through a loan, option or similar mechanism. These give rise to an economic relationship that has more in common with a mandate than with arm's-length trading.
- Bilateral or OTC activity carried out on the firm's own account that, depending on structure and frequency, resembles client-facing services notwithstanding its formal characterisation.

If the exemption is read too narrowly, cautious firms will be deterred from genuine proprietary activity that the policy is intended to enable; if it is read too broadly, less cautious firms will treat substantively client-facing activity as exempt. We would encourage HM Treasury to address this in two ways: by confirming in the Policy Note that the test in paragraph 4.1 is to be read by reference to economic substance, and by coordinating with the FCA on supervisory guidance addressing each of the patterns above and the residual treatment where activity falls outside the exemption.

4.2 Market integrity should not turn on authorisation status

A distinct point concerns the application of the UK market abuse regime for cryptoassets ("MARC"). Exempting proprietary trading and market-making activity from authorisation is appropriate as a matter of licensing proportionality. It does not follow, and in our view should not follow, that such firms should sit outside the market abuse framework. Proprietary trading firms and market-makers can account for a significant share of trading volumes, operate across multiple venues (centralised, decentralised, on- and off-chain) and jurisdictions, and deploy algorithmic and high-frequency strategies that materially influence price formation. In some cases they also have access to commercially sensitive or non-public information, including through relationships with issuers, exchanges and listing teams.

The integrity risks these patterns create do not turn on whether the relevant firm holds an authorisation. The relevant typologies in cryptoasset markets include manipulation of volume or order-book signals (whether through wash trading, layering or spoofing); coordinated conduct across multiple venues or related instruments designed to influence pricing or settlement; conduct in or around listing events that exploits information asymmetries; and arrangements under which market-making compensation is linked to price or volume metrics, which can create conditions in which proprietary activity shades into manipulative conduct. These risks are present whether or not the firm in question is authorised, and a regime that draws the integrity perimeter by reference to authorisation status will leave them unaddressed.

The MiCA framework provides a useful comparator. While certain proprietary trading activities are not subject to authorisation under MiCA, Title VI (market abuse) applies broadly to persons professionally arranging or executing transactions in cryptoassets, reflecting the principle that market integrity obligations should apply by reference to market impact rather than authorisation status. The timing of these provisions adds to the case for the UK position to be clear early: Title VI is due to be operative from early 2027, ahead of the proposed UK regime's full entry into force. A clear UK position on the application of MARC to proprietary trading firms in advance of that date would support international alignment and reduce the risk of regulatory arbitrage in the intervening period.

We would encourage HM Treasury to provide on the face of the SI, or in accompanying material, that:

- MARC applies to all persons engaging in trading or related activity in cryptoassets, irrespective of whether they hold an FCA authorisation;
- the prohibitions on insider dealing and market manipulation apply equally to proprietary trading firms, including where the activity takes place off-platform or across multiple venues; and
- the supervisory architecture is expected to support cross-market and cross-venue surveillance covering both on-chain and off-chain activity.

Taken together, the licensing exemption (paragraph 4.1) and the market integrity perimeter (MARC) should be calibrated independently. The right outcome is proportionate licensing combined with robust market integrity – not a regime in which firms that are economically central to price formation sit outside both.

5. Safeguarding: settlement exclusion, pass-through activity and fund holdings

5.1 Settlement exclusion and pass-through activity (paragraphs 2.6–2.7)

We support the policy intent at paragraphs 2.6–2.7 to clarify that the temporary settlement exclusion was designed to support the settlement of trades on dealing and trading platforms, and not to take payments firms out of the cryptoasset safeguarding activity at regulation 9N. The clarification reduces the risk that the exclusion is read more broadly than intended.

Members have nevertheless asked us to flag a closely related issue that the current drafting does not address. The cryptoasset safeguarding activity is animated by the customer-protection concerns that arise where a firm holds customer assets in any meaningful sense – with discretion, control or material time exposure. There is a category of activity, important to a number of payment use cases, where none of these features is present: a UK-authorised bank or payment institution may receive a stablecoin solely as a step in converting that value into fiat for the customer, with no exercise of discretion, no meaningful time exposure and no continuing relationship of safekeeping. Treating this as cryptoasset safeguarding extends the perimeter beyond the purpose for which the activity was designed and would inadvertently catch institutions whose role in the chain is purely incidental.

We would encourage HM Treasury to address this on the face of the SI or in the Policy Note. The clarification need not be extensive: a confirmation that brief receipt of stablecoins for the sole purpose of conversion into fiat is not within the safeguarding activity, with appropriate guardrails to prevent the clarification being used to escape genuine custody, would be sufficient to remove the friction members are currently navigating.

This calibration is also consequential for broader settlement-efficiency aspirations. As the UK market moves towards same-day and intraday settlement of tokenised securities, the safeguarding perimeter will need to accommodate short-dated, agency-style holdings of stablecoins as part of the settlement chain. A clear treatment of the pass-through case would support those aspirations rather than work against them.

5.2 Fund managers' ability to hold stablecoins

A material gap, not addressed by the SI, is the inability of UK-authorised funds to hold stablecoins as part of the fund's holdings. Members in the asset management sector report that under current rules, stablecoin settlement must take place outside the fund – the fund itself accepts only fiat – which directly constrains the tokenised settlement use cases the SI is otherwise trying to enable. As tokenised fund issuance moves forward, including in light of the FCA's recent guidance on blockchain as the golden source, the cash leg of those transactions needs to be capable of being held by the fund in stablecoin form. Without that, the operational chain breaks and the policy benefit of the broader tokenisation agenda is diluted.

We recognise that the appropriate fix may sit in the FCA's rulebook rather than in this SI, and that other trade associations representing the asset management industry are leading on the detail. We flag the issue here because the gap is consequential for the SI's objectives: a UKQS payments carve-out has limited practical value for the UK tokenisation use case if regulated funds cannot themselves hold the instruments to which the carve-out applies. We would encourage HM Treasury to coordinate with the FCA and the Bank of England so that the question is resolved on a timetable aligned with this SI's entry into force, rather than significantly later.

6. CSDs, nominees and tokenised settlement (paragraphs 4.2–4.3)

We welcome the extension of the Article 40 safeguarding exemption to CSDs and their nominee companies in respect of specified investment cryptoassets. This is a sensible correction of an unintended asymmetry and removes a friction that would otherwise have constrained the use of tokenised securities in UK settlement chains.

One forward-looking observation. The Article 40 model is designed around the role of a CSD as a central legal-entity intermediary. Some emerging tokenised settlement arrangements, particularly those operating natively on distributed ledger infrastructure, do not always rely on a traditional CSD as the relevant safeguarding intermediary. As HM Treasury moves into the Phase 2 work in 2027, we would encourage consideration of how the safeguarding perimeter should accommodate DLT-native settlement arrangements that achieve the same investor-protection outcomes without a traditional CSD in the chain. This is not a blocker to the SI as drafted, but the question will become more pressing as DLT-native infrastructure matures.

7. Consequential changes (Chapter 3)

Aligning the financial promotions perimeter with the new dealing perimeter is sensible, and the early activation of the carve-outs from collective investment scheme and AIF status for stablecoin backing assets removes an avoidable barrier to issuer activity ahead of the 2027 reforms. We would, however, welcome confirmation in the Policy Note that the existing scope of the financial promotions regime in respect of institutional and professional audiences is unchanged – i.e. that the lending and borrowing carve-in does not, by side-effect, bring wholesale activity into a regime that has historically been designed around retail protection. In line with our comments on paragraph 2.2 above, HM Treasury may also wish to coordinate with the FCA so that accompanying guidance makes clear that the lending and borrowing scope under financial promotions is directed at retail-facing lending and borrowing protocols, rather than infrastructure activity in which institutional users post stablecoins as routine collateral.

On the CIS/AIF carve-out for stablecoin backing assets, we consider that broad, principles-based drafting is preferable to a closed list of permitted assets at this stage. A closed list risks crystallising the regime around current market practice in a way that would constrain prudent reserve management as products and markets evolve. A short confirmation, in the Policy Note or in coordination with the

FCA, that real-world assets held in tokenised form, and money-market-fund-type holdings, are not by default treated as creating an AIF where they form part of a stablecoin reserve, would close the remaining residual uncertainty in this area.

8. Sequencing and the interim period

The SI sits within a broader reform programme: the FCA's ongoing perimeter consultation (CP26-13), the forthcoming consultation on payment services reforms, the expected joint FCA – Bank of England consultation on stablecoins, and the Phase 2 cryptoasset work due in 2027. We recognise that no single instrument can resolve all of the interactions between these workstreams. We highlight five points where active management by HM Treasury would materially reduce friction for industry.

First, the SI changes certain elements of the perimeter that are also under consultation in CP26-13. Coordination between HM Treasury and the FCA on the final form of both – and on the sequence in which they take effect – will be important to avoid firms responding to one set of rules while planning for a different end-state in the other.

Second, the carve-out for UKQS payments at Chapter 2 takes effect in advance of the payment services reforms, but firms providing UKQS payment services will still be required to obtain cryptoasset safeguarding permissions during the interim period before transferring into the payments regime. The risk is that firms invest in authorisations under one regime, only to face transitional friction when migrating into another. A clearer articulation – in the SI itself, the Policy Note, or accompanying FCA material developed in coordination with HM Treasury – of the migration path and the conditions under which permissions and authorisations will translate would give firms the confidence to proceed during the interim period.

Third, the Bank of England's regime for systemic stablecoins sits alongside this SI but is not addressed within it. From an operational perspective, firms designing infrastructure under the SI will need to know how its provisions interact with the systemic regime, particularly where the same instrument may, over its lifecycle, transition between non-systemic and systemic status. A high-level articulation in the Policy Note of how the two regimes are intended to operate together – including the treatment of transitioning instruments and the allocation of conduct, prudential and oversight responsibilities across the FCA, the PRA and the Bank of England – would give firms a workable basis on which to plan.

Fourth, the SI's design choices will set precedents for how programmable money instruments are treated within the broader UK payments architecture. Members anticipate that, over time, that architecture will include not only stablecoins but also tokenised commercial bank deposits, and that operational systems will need to be capable of handling both within an integrated payments environment. We are not suggesting that tokenised deposits be folded into this SI's scope. The observation is rather that the choices reflected in this SI – and in the forthcoming payment services reforms – should be made with an eye to their forward consistency with the regulatory treatment of other forms of programmable money, so that firms are not required to design fundamentally different operational paths for substantively similar instruments.

Fifth, where an established UK-authorised institution wishes to extend into UKQS-related activities, the appropriate route is variation of permission rather than fresh authorisation. We would encourage HM Treasury to coordinate with the FCA to confirm that this route will be available – including for traditional payment institutions, e-money issuers and credit institutions – and that the conditions for variation will be proportionate to the incremental activity being added rather than requiring re-justification of existing permissions. Clarity on this point would allow incumbents to plan their entry into UKQS activity in parallel with the SI coming into force.

More broadly, our members note that the cumulative effect of these workstreams – and the gap between the SI coming into force and the payment services reforms being completed – is itself a material consideration. Each individual workstream is well-conceived; the period during which firms operate across multiple parallel perimeters carries a competitiveness cost that closer sequencing would help to mitigate.

Concluding remarks

GBBC welcomes the SI and supports its core objectives. The points raised in this submission are intended to be constructive: in each case, we have tried to identify a concrete area where the current drafting could be tightened, an interaction that needs to be managed, or a use case that the SI as drafted does not yet accommodate. Several of these points – the treatment of non-UK stablecoins, the interaction with the arranging perimeter, the calibration of the market integrity perimeter, the inability of regulated funds to hold stablecoins, and the coherence of the SI with the Bank of England's systemic stablecoin regime – will, in our view, materially affect whether the UK regime is competitive in practice.

We are grateful for HM Treasury's engagement with industry on this SI and would welcome the opportunity to discuss any of the points raised in this submission in more detail. Through our UK Working Group, we are happy to coordinate further input from members on any of the issues identified.

Submitted by Global Blockchain Business Council, 22 May 2026.