



Telephone: 020 7066 9346

Email: [enquiries@fs-cp.org.uk](mailto:enquiries@fs-cp.org.uk)

22 May 2026

By email: [cryptoasset.legislation@hmtreasury.gov.uk](mailto:cryptoasset.legislation@hmtreasury.gov.uk)

Dear HMT,

The Panel welcomes the opportunity to respond to HMT's **draft Statutory Instrument (SI)** amending the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026.

The Panel recognises the need to address the regulatory misalignment that would otherwise have required stablecoin payment providers to obtain crypto-dealing permissions designed for trading venues, delaying consumers' access to stablecoin payment services. The Panel supports the SI's approach to ensuring that safeguarding and lending/borrowing oversight remain in place, avoiding a situation in which stablecoin payments operate without clear consumer protections. The Panel also understands that these are interim amendments, intended to apply until the government completes its modernisation of the payments regulatory framework.

Overall, these steps appear pragmatic in enabling UK-issued stablecoin payment services to operate before the full reforms are in place. However, they primarily benefit industry, and consumer protections will remain incomplete until the wider payments reforms are implemented.

Removing the need for crypto-dealing permissions for payment-only activity could:

- reduce compliance costs and regulatory friction for firms;
- enable the earlier launch of stablecoin payment products;
- address market-making disadvantages for UK-based liquidity providers; and
- remove duplicative permissions for CSDs involved in tokenised securities.

In particular, removing the need for crypto-dealing permissions for payment-only activity supports the government's objective of strengthening the UK's fintech competitiveness. These changes reduce friction for firms, even though they do not in themselves deliver immediate, direct benefits to consumers.

The Panel agrees that consumers may benefit from earlier access to new payment options. Consumers should also benefit from stablecoin holdings used for payments remaining subject to safeguarding requirements, while higher-risk lending and borrowing activities would continue to sit within the crypto regime. However, the Panel is concerned that the overall consumer benefits are indirect and are likely to be realised only once the wider payments reforms are implemented.

The Panel is also concerned that consumers may struggle to understand which protections apply during the interim period, as stablecoin payments will sit between two regimes until reform is complete. With overseas stablecoins remaining within the crypto-dealing perimeter, the level of protection and user experience may also vary across regimes, creating further confusion for consumers.

Overall, the interim package appears industry-first, with consumer benefits materialising only once payments reform is implemented. There is a risk that innovation is prioritised over consumer clarity and protection.

During the interim period, stablecoin payments may appear similar to traditional payments, but the applicable protections will differ. Without clear communication, consumers may overestimate the level of protection they receive. If the interim regime becomes long-term because wider reform is delayed, these temporary arrangements could continue for several years, increasing the risk of consumer detriment. As a result, if a firm offers stablecoin payments during this period, consumers may face confusion about whether crypto or payments rules apply.

The Panel recognises the need to address this misalignment; however, we emphasise that consumer protection must not lag behind industry requests and competitiveness objectives.

It is therefore essential that the government and regulators provide clear, accessible information to consumers about the protections that do and do not apply during this interim period, and that supervisory attention is maintained to prevent consumer detriment. The Panel also urges the timely delivery of the full payments framework to ensure that stablecoin

payments are ultimately brought within a regime that provides consumers with consistent rights, redress, and protections equivalent to those available for traditional payment services.

The Panel would like to thank HMT for the opportunity to respond to this consultation and would welcome continued engagement and future discussion as the government develops the wider payments reforms and the stablecoin regulatory framework.

Yours sincerely

Chris Pond

Chair of the Financial Services Consumer Panel