

# Research

## Description of the UK Cryptoasset Market

July 2026



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# FCA research in financial regulation

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# Executive Summary

This market description outlines the structure and development of cryptoasset markets globally and in the UK. It provides a comprehensive overview of how these markets operate, including the types of cryptoassets available, the roles of key market participants, and the ways in which retail and institutional consumers interact with these products. It also describes the economic characteristics of cryptoassets, including factors which impact their pricing, their use cases, and implications for consumers and the wider financial system.

The purpose of this note is to:

- Support our Cost Benefit Analysis of our cryptoasset regulatory regime through providing a descriptive account of UK cryptoasset markets and key features
- Improve understanding of how consumers engage with cryptoasset products and services
- Set out the economic factors influencing demand, supply, and valuation in these markets

This note collates findings and evidence previously discussed within our Cost Benefit Analyses and cryptoasset research series to outline how UK cryptoasset markets operate. Key features include:

1. **Cryptoassets are currently primarily used as investment products rather than as a means of payment.** Evidence from consumer research indicates that retail demand for cryptoassets is predominantly driven by expectations of financial returns. Use as a payment mechanism remains limited, despite ongoing developments in areas such as stablecoins and tokenisation.
2. **Cryptoasset markets are characterised by diverse participants and evolving market structures.** The supply side of the market includes issuers, trading platforms, intermediaries, custodians, and service providers (such as lending and staking platforms), often with overlapping roles. Retail consumers typically access markets through trading platforms and exhibit strong platform loyalty.
3. **Cryptoassets prices can be volatile and driven by sentiment.** Most cryptoassets do not generate cash flows, and there is no widely accepted framework which explains the price of a particular cryptoasset at a given time. Empirical and theoretical evidence suggests that prices are influenced by investor sentiment, expectations of future demand, and external shocks, resulting in high volatility and strong co-movement across assets.
4. **Retail consumer behaviour reflects both financial motives and behavioural factors.** While financial returns are a key motivator, our research suggests consumers also derive value from participation in cryptoasset markets in

and of itself. Behavioural biases, including optimism bias and herding, can influence decision-making and contribute to market dynamics.

5. **Cryptoasset markets present risks to consumers, including exposure to fraud and limited protections.** Consumer engagement takes place in an environment with varying regulatory protections and information standards. Many consumers report exposure to frauds and scams, and reliance on informal information sources may limit their ability to make informed decisions. However, despite these risks, most consumers indicate they are happy engaging in cryptoasset markets.

These features illustrate that from a retail consumer perspective, UK cryptoasset markets are currently predominantly investment-driven, with prices sensitive to sentiment and characterised by high volatility. However, from a firm perspective, cryptoassets may offer significant opportunities for innovation, which in turn supports future efficiencies and use cases in these markets.

# 1 Cryptoasset Products

## Defining cryptoassets

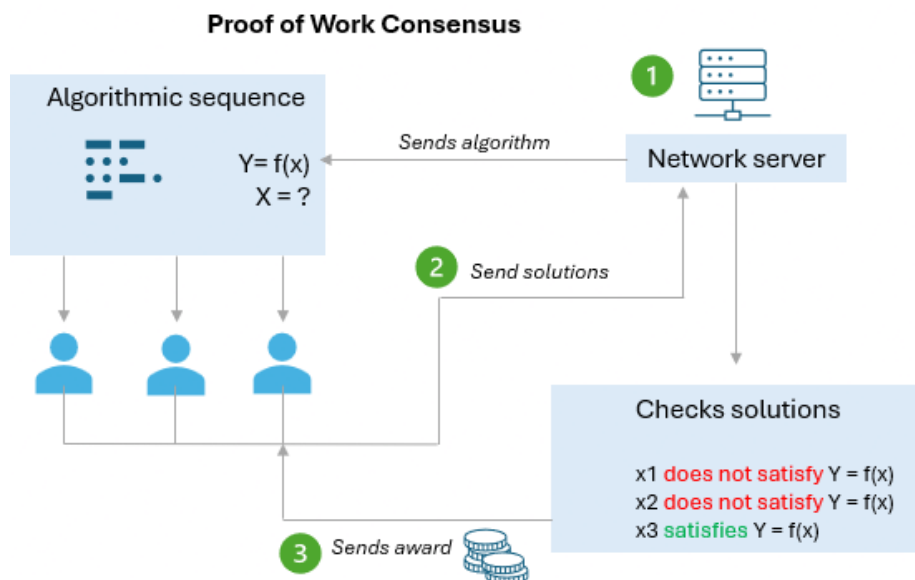
The term “cryptoassets” is defined in legislation<sup>1</sup> as any cryptographically secured digital representation of value or contractual rights that:

- can be transferred, stored or traded electronically, and
- that uses technology supporting the recording or storage of data (which may include distributed ledger technology)

A central feature of cryptoassets is the use of Distributed Ledger Technology (DLT) to create a secure, transparent and decentralised record for transactions. Cryptoassets utilise a “consensus mechanism” for validation of transactions, meaning network participants validate transactions before they are recorded. There are two main forms:

- Proof of Work:** A consensus mechanism used in distributed ledgers where participants (miners) compete to solve a computationally intensive cryptographic problem, which is the algorithmic sequence depicted as  $Y = f(x)$  with all the predefined conditions. The first miner to find a valid solution to solve this function from an input  $x$  adds a new block of transactions to the blockchain and receives a reward in the form of new tokens. Bitcoin is most widely used example of proof of work, and currently rewards miners 3.125 BTC for validating a sequence (equivalent to ~£140,000 as of 29<sup>th</sup> June 2026).

**Figure 1 Illustration of Proof-of-Work consensus mechanism.**

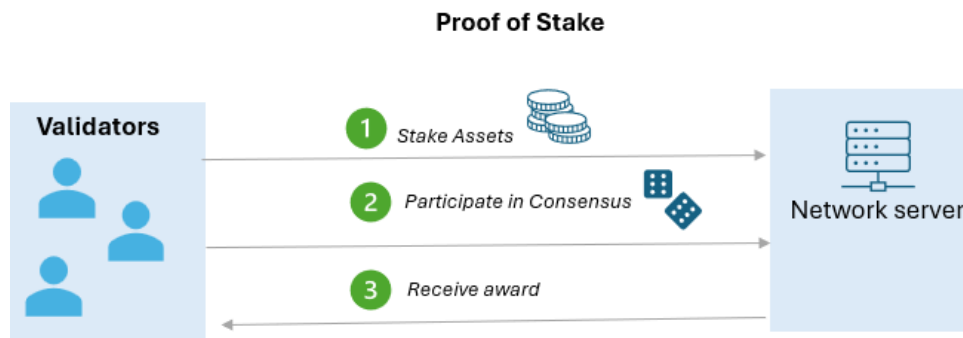


- Proof of Stake:** Validators provide some of the network’s native token as “staked” collateral. Validators are rewarded by receiving payment in the token of

<sup>1</sup> See s417 on The Financial Services and Markets Act 2000

that network, although if they incorrectly validate a sequence of transactions, their collateral can be “slashed”, creating an incentive to act honestly. Ethereum uses a proof of stake mechanism, where rewards are paid monthly as a share of total assets staked (typically 1.5%-4% APR).

**Figure 2 Illustration of Proof-of-Stake consensus mechanism.**



Consensus mechanisms are critical to reducing reliance on central authorities to verify transactions. However, certain features of DLT networks<sup>2</sup> can mean they are difficult to scale - the Bitcoin blockchain, for example, processes an average 3-7 transactions per second, compared to 1,700- 6,000 for Visa and Mastercard networks. The industry is currently exploring solutions to overcome these challenging bottlenecks (such as the Lightning Network, which enables faster transactions for Bitcoin).

## Issuance protocols

For cryptoassets without an underlying reference asset, such as Bitcoin or Ethereum, the issuance of new tokens is typically linked to the validation of transactions on the network. Under these mechanisms, new tokens are issued as rewards to participants who contribute to transaction validation and network security.

- In Proof-of-Work (PoW), participants (miners) use computational power to solve cryptographic puzzles, thereby validating transactions and adding new blocks to the blockchain.
- In Proof-of-Stake (PoS), validators are selected based on the amount of cryptocurrency they “stake” (i.e. lock up) as collateral and are rewarded for validating transactions honestly.

The process by which participants compete to validate transactions and earn newly issued tokens is referred to as mining in PoW systems and more generally as validation (or staking) in PoS systems.

If the cryptoasset is designed to maintain a stable price, issuance and redemption are linked to the management of the collateral. New tokens are typically issued when users deposit backing assets into a reserve. Conversely, tokens are redeemed (and often

<sup>2</sup> Such as the distribution of consensus (where transactions must be validated by multiple participants) which requires significant data storage and communication between validators

burned) when users withdraw the underlying assets. The stability of these assets depends on the adequacy, liquidity, and transparency of the backing reserves.

### **Decentralised finance**

Decentralised Finance (DeFi) is an industry term referring to an open, blockchain-based financial ecosystem that removes traditional intermediaries such as banks and brokerages. By using smart contracts (self-executing code deployed on DLT) DeFi enables users to lend, borrow, trade, and earn returns on a peer-to-peer basis.

Within DeFi, a common issuance mechanism is liquidity mining (also known as yield farming). Under this model:

- Users deposit their cryptoassets into liquidity pools, which are smart contract-based reserves used to facilitate trading, lending, or other financial activities.
- In return, users receive newly issued tokens as rewards, typically in addition to any fees generated by the underlying activity (e.g. trading fees).
- These tokens may confer governance rights (e.g. voting on protocol changes) or provide additional economic incentives.

Liquidity mining serves both as a distribution mechanism for new tokens and as a way to bootstrap liquidity in decentralised platforms. However, it can also introduce risks, including token price volatility and smart contract vulnerabilities.

## **Types of cryptoassets**

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There are numerous forms of cryptoassets which offer different functions and features to end users, from cryptoasset native tokens to tokens which reflect ownership rights to real-world assets and commodities. We distinguish between 3 broad categories in the new regime according to the UK legislative definition under FSMA:

- Qualifying cryptoassets<sup>3</sup> (most cryptoassets on the market today)
- Specified investment cryptoassets<sup>4</sup> (which reference a security or contractually based investment)
- Qualifying stablecoins<sup>5</sup> (which maintain a reference value to a fiat currency)

## **Qualifying cryptoassets**

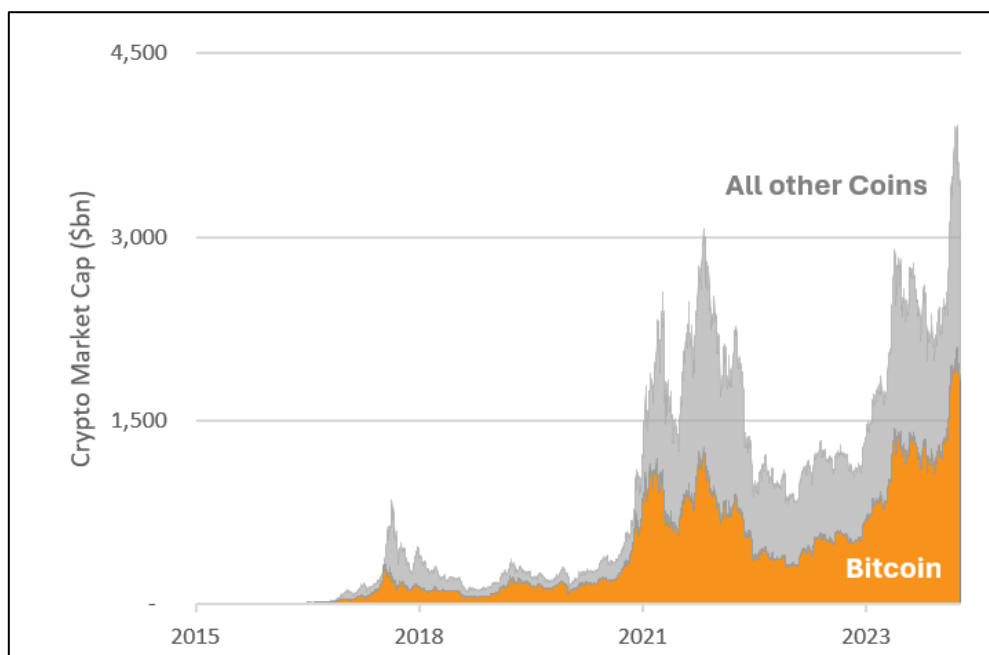
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Under legislation, a qualifying cryptoasset is a cryptoasset which is fungible and transferable. Cryptoassets are traded in a highly interconnected global market, which operates continuously (i.e. 24/7). As of June 2026, the size of the global cryptoasset market was reported as \$2.7trn, with most of this being made up by the price of the most popular asset, Bitcoin, followed by Ethereum and other components such as stablecoins. In addition to being considered an investment, qualifying cryptoassets may be transferred between individuals and considered by consumers as a means of payment.

<sup>3</sup> Seen article 88F of the Financial Services & Markets Act 2000 (Cryptoassets) Regulations 2026.

<sup>4</sup> See s40(1) of the Financial Services & Markets Act 2000 (Cryptoassets) Regulations 2026.

<sup>5</sup> See article 88G of the Financial Services & Markets Act 2000 (Cryptoassets) Regulations 2026.

**Figure 3 Cryptoasset market capitalisation**

## Specified investment cryptoassets

Specified investment cryptoassets (SICs) are cryptoassets linked to a security or contractually based investment. These are typically tokens on a DLT that represent an interest or right to an existing financial instrument (such as an equity, bond or derivative contract) but can also include a tokenised fund. As of May 2026, there were an estimated \$36bn in global real-world assets issued on publicly available DLTs, including tokens representing portfolios of home equity loans, gold and US government debt.

## Qualifying stablecoins

Qualifying stablecoins are cryptoassets which have their value linked to an underlying reference asset (such as a fiat currency). Stablecoins are currently primarily used for trading purposes within the cryptoasset sector, providing holders of cryptoassets an opportunity to convert their holdings into a less volatile asset, without off ramping into fiat currency. As of 30<sup>th</sup> June 2026, the aggregate value of the global stablecoins market was ~\$316bn. Tether and USDC, the two most popular stablecoins, represented 82% of this value, with both referencing USD.

## 2 How are cryptoassets currently regulated in the UK?

### Regulatory requirements as of May 2026

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Cryptoassets operate within highly complex global markets, and in recent years, have faced increased attention from international regulators. The International Organisation of Securities Commissions (IOSCO) has published a set of [18 policy recommendations](#) for the regulation of cryptoassets, and many member associations have implemented or are in the process of implementing these recommendations for the firms they regulate.

Cryptoasset firms who carry out business within the UK must register with the FCA and comply with the [Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#) since 2020. Firms must register, comply with AML/CTF rules, including the Travel rule and collect transmit information about both the originator (sender) and beneficiary (recipient) of a cryptoasset transfer.

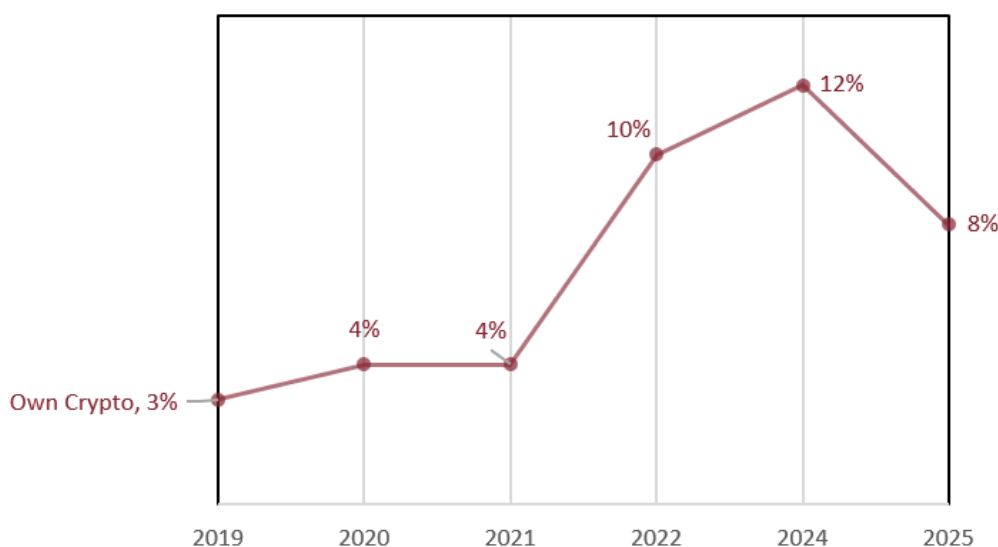
Since October 2023, cryptoasset firms offering products to UK consumers must also comply with our [financial promotions' regime](#). These introduce a set of positive frictions, designed to ensure consumers are aware of the risks of investing in cryptoassets, and reduce consumer harm. Firms offering cryptoassets to UK consumers must display risk warnings, ensure customers demonstrate sufficient knowledge to invest in cryptoassets, categorise clients based on their risk profile, and enforce 24 hour "cooling off" periods for new customers.

### 3 UK cryptoasset markets (demand side)

#### UK cryptoasset retail consumer ownership rate

As of August 2025, an estimated 8% of UK adults own cryptoassets, equivalent to 4.5m people. UK demand for cryptoassets has increased sharply in recent years, having more than doubled since 2020. Much of this has been driven by rising asset prices, but also increased accessibility, with user-friendly digital apps the most common way individuals access cryptoasset markets. Since October 2025, UK retail consumers can also access regulated cryptoasset ETNs<sup>6</sup>, which may further increase demand through improved accessibility.

**Figure 4 Estimated share of UK adults who own cryptoassets (FCA Consumer Research Wave 6)**



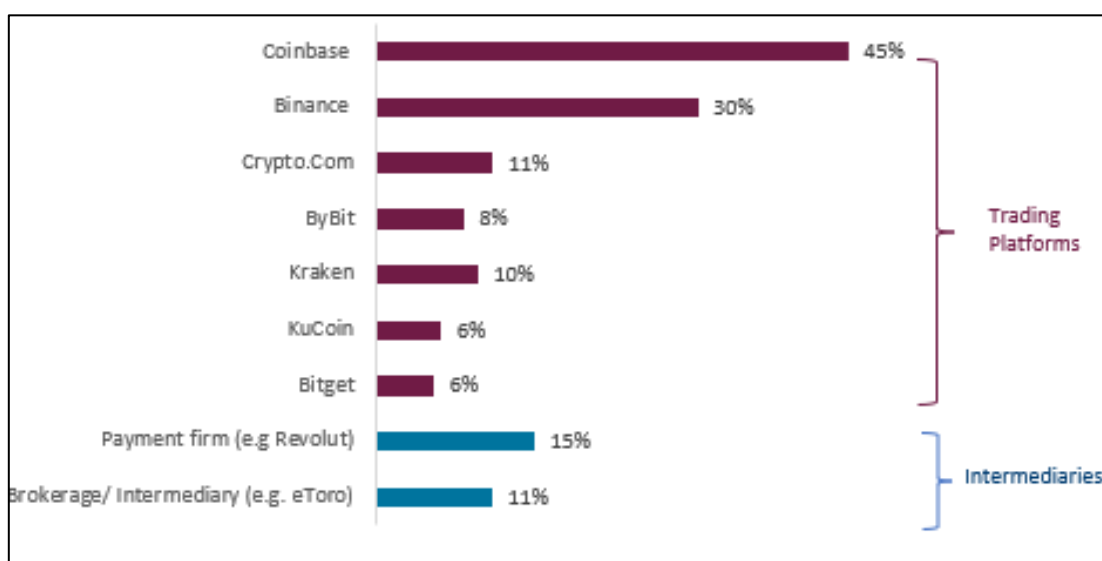
The average estimated UK cryptoasset portfolio is £2,250, although distribution is skewed, most people own less than £1,000, while around 16% hold more than £5,000. Evidence from our consumer research indicates that the average estimated cryptoasset holdings are increasing at a lower rate than popular assets, suggesting UK consumers are selling a portion of their portfolios as prices rise.

<sup>6</sup> Cryptoasset (Exchange-Traded Notes) are financial instruments that give investors exposure to the price of cryptocurrencies without owning the underlying assets directly.

## Where people are buying cryptoassets

Most UK consumers rely on a small number of popular trading platforms and payment providers for purchasing cryptoassets as demonstrated below (note consumers may purchase from multiple sources and so figures below sum to greater than 100%). Our consumer research indicates cryptoasset holders have a high degree of trust towards these firms, driven by how long they have been operating in cryptoasset markets and having large user numbers.

**Figure 5 How UK consumers access cryptoasset markets (FCA Consumer Research Wave 6)**

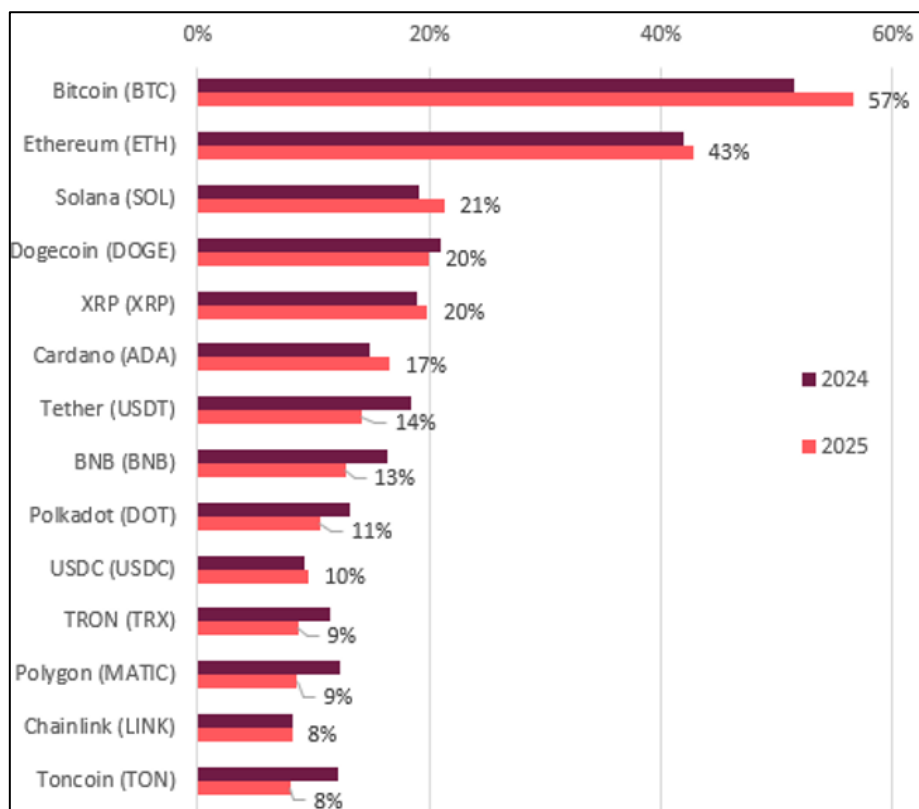


## What tokens people purchase

Cryptoassets owned by UK consumers include a mix of native layer 1 assets (such as Bitcoin) and application-layer tokens issued on these networks, such as stablecoins and governance tokens. UK consumers own a diverse range of assets, as outlined below, almost all of which are digitally native tokens, with the most popular being those which have experienced high price rises in recent years.

Beyond purchasing tokens, some consumers also engage in additional cryptoasset activities. Our consumer research series indicates that 7% of cryptoasset owners reported participating in either borrowing or lending, while 22% reported participating in staking.

**Figure 6 Most popular cryptoasset tokens with UK consumers (FCA Consumer Research Wave 6)**



## Who buys cryptoassets?

For **retail investors**, our survey data suggests cryptoasset consumers tend to have common characteristics which distinguish them from the average population. As of our most recent survey data:

- 68% are male
- 58% are below the age of 34, while 92% are below 54
- 62% come from higher-socio economic backgrounds (ABC1)
- 63% say they are willing to take risks when investing (compared to 24% of the wider UK population)

These characteristics may influence how much people are investing and why they choose to invest in cryptoassets. Evidence from [qualitative interviews with UK cryptoasset owners](#) indicates reported dissatisfaction with traditional financial institutions may be an additional factor driving demand, due to low rates of return relative to asset prices, and consider cryptoassets a positive alternative.

For **wholesale firms and institutional investors**, there are fewer common characteristics of those which purchase cryptoassets, although many may be operating in related innovative sectors such as payments or fintech. Several firms operating across

different sectors have purchased cryptoassets to establish strategic cryptoasset reserves, while large financial institutions may purchase cryptoassets to offer them to their clients either directly or via an exchange traded product.

## **Economic factors influencing retail demand for cryptoassets**

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As evidenced through our consumer research, retail consumers primarily consider cryptoassets an investment. In determining their investment allocation over a particular time horizon, consumers are influenced by several factors when deciding how much they will invest in cryptoassets. Our research suggest key factors are:

- Expected returns compared with other forms of investing
- Utility associated with investing in cryptoasset markets
- Behavioural biases

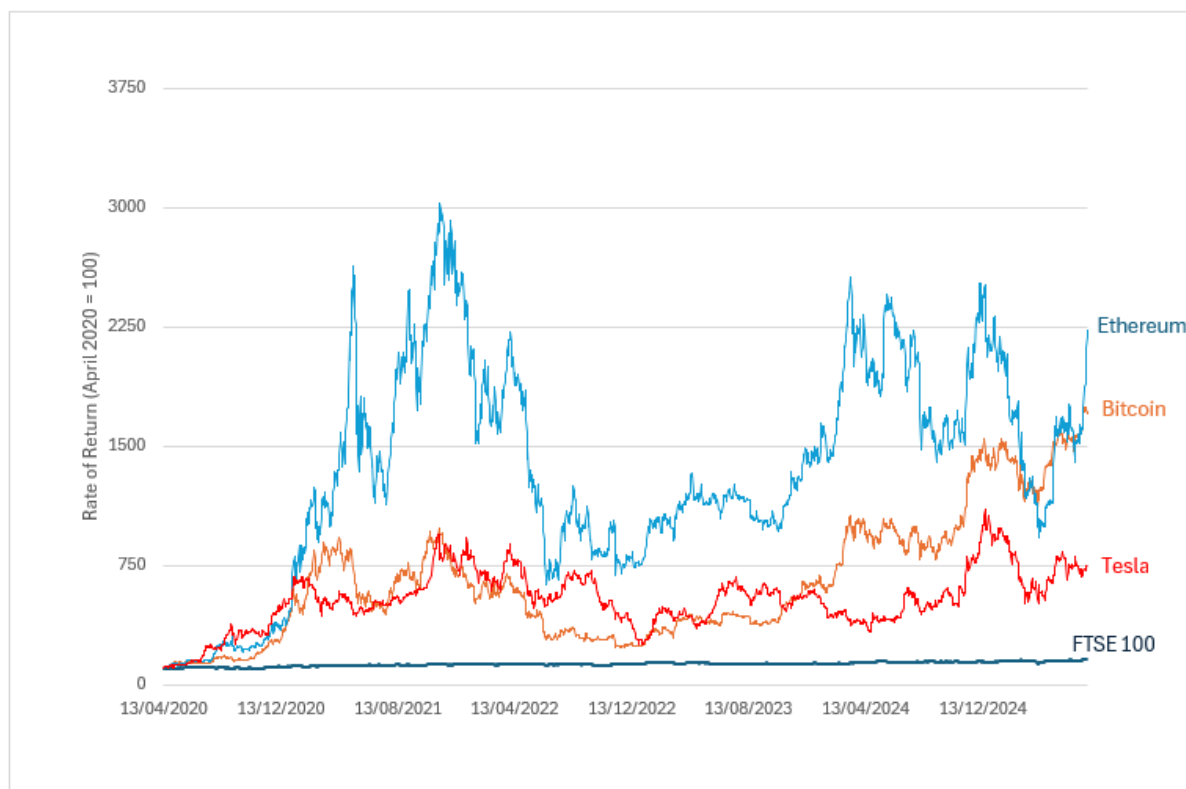
### **Expected returns compared with other forms of investing**

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Consumers see investing in cryptoassets as an opportunity to earn high financial returns, which they believe they would not be otherwise able to, if relying on traditional financial products. Our consumer research suggests most consumers invest a small amount (relative to their income), which they are generally comfortable losing, but anticipate high rates of return, anchoring their expectations on previous asset price growth (i.e. their expectation is that future returns will be similar).

Cryptoasset prices have experienced high growth since 2015, in excess of even high performing US-listed stocks. This is likely a significant contributing factor to people considering cryptoassets as an investment, with high asset prices drawing more people in, subsequently boosting asset prices further. Our research indicates that 62% of consumers state their cryptoasset investments have increased since they first purchased them.

**Figure 7 Change in cryptoasset price level relative to popular stocks (Bloomberg)**



### **Non-financial value from investing in cryptoasset markets.**

As outlined in [previous research](#), consumers often describe investing in cryptoassets as a fun and exciting activity, which provides them with a sense of community as a result of their investment. This community aspect is typically a reason consumers remain involved or invest more in cryptoasset products, after their initial purchase. This can result in some consumers experiencing non-financial value from investing in cryptoassets in and of itself, independent from expected returns.

Our research also illustrated that demand can also be motivated by reported consumer dissatisfaction with more mainstream financial products and institutions. Much of the online commentary on cryptoassets highlights a perceived unfairness of the existing financial system. Our research indicated that younger consumers reported this as a particularly important factor for their investment, with many considering owning cryptoassets as an alternative investment product. By purchasing cryptoassets, consumers may be engaging in conspicuous non-consumption activity, intending to signal status or ethical values by avoiding traditional financial products.

### **Behavioural biases**

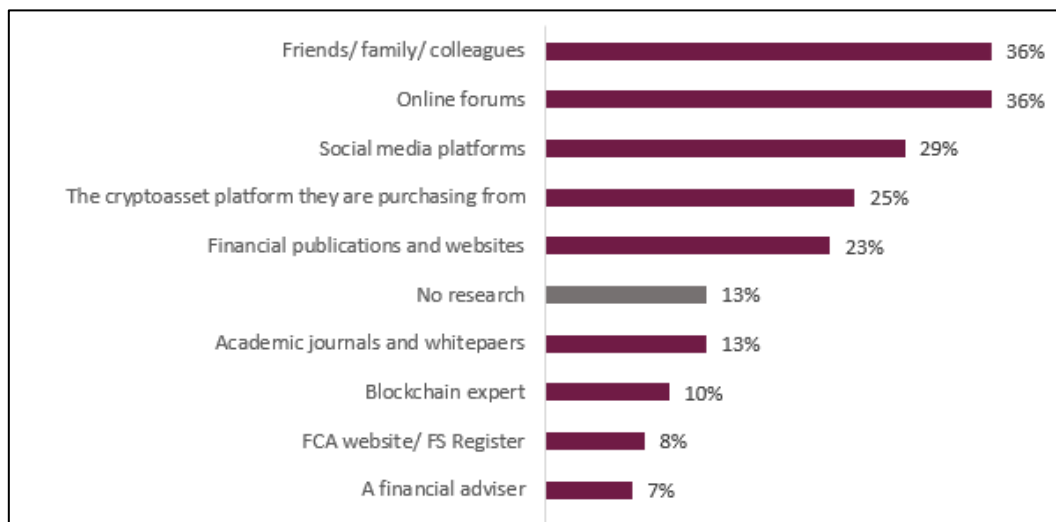
Our consumer engagement and research indicate that many UK cryptoassets owners have a limited understanding of digital asset products, and exhibit signs of **“optimism**

**bias**". Optimism bias is common in financial investing, particularly amongst retail consumers, who may overestimate the likelihood of earning a high financial return. Within the context of purchasing cryptoassets, consumers can demonstrate optimism bias in a number of ways:

- **Expectations of future prices:** Many consumers anchor their expectations of future asset prices on previous price growth, which may be a poor indicator of likely asset prices.
- **Underestimating their risk of harm:** Consumers generally do not expect to be impacted by fraud and scams so long as they interacted with only reputable and established cryptoasset firms.

A further cognitive bias consumers can demonstrate in cryptoasset markets is "**herding**". This occurs when investors follow others in their investment choices rather than conducting their own research and analysis. Most UK cryptoasset owners purchase assets based on word-of-mouth recommendations, and use social media, WhatsApp groups or online forums for investment advice, but conduct limited independent research (such as reading whitepapers or speaking to a financial adviser). Our [2025 Consumer Research](#) suggests that 40% of the people who bought cryptoassets relied either on friends and family or social media for advice when determining what assets to purchase and which platforms to purchase from.

**Figure 8 Where consumers get their information from (FCA Consumer Research Wave 6)**



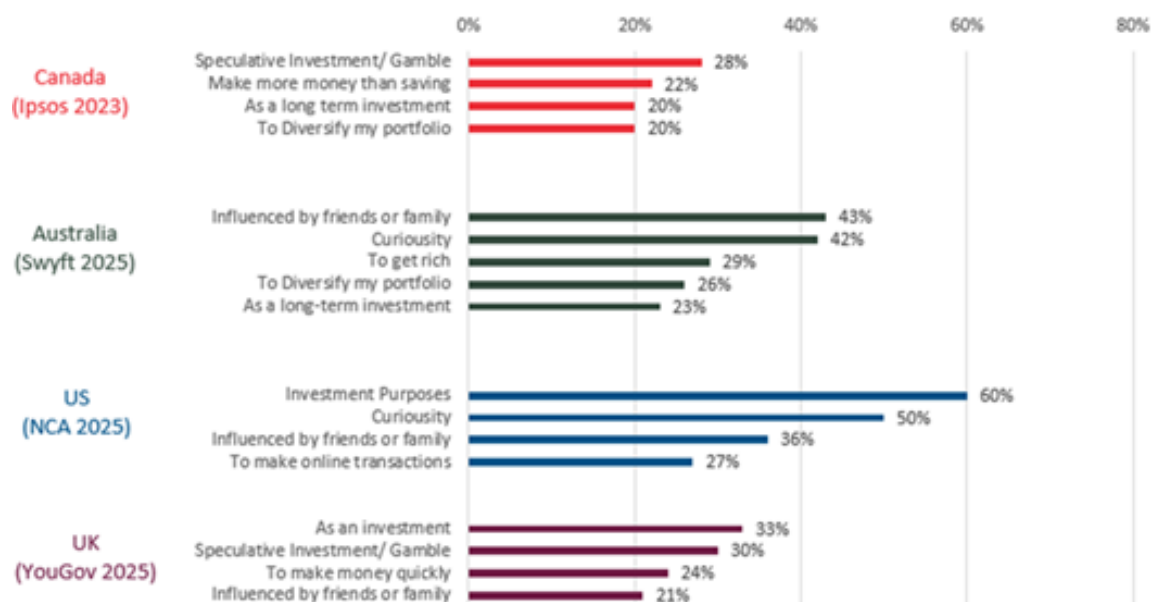
These behavioural biases can amplify market distortions, and result in consumers investing in cryptoasset products which do not align with their investment goals and risk preferences. Optimism bias and herding behaviour among retail investors is not unique to cryptoassets, and previous research we have [published on trading apps](#) has highlighted that firms use behavioural techniques to shape consumer engagement. However, consumers may be more at risk when buying cryptoassets relative to traditional

investments due to higher levels of volatility, which can make large, intra-day price swings, common.

## Demand from retail consumers

Research we have conducted highlights financial returns as the primary motivator for why people in the UK initially purchase qualifying cryptoassets. UK consumers' reasons for owning cryptoassets are similar to those in other countries, as outlined below. This data, collected from surveys across jurisdictions highlights that retail consumers across different countries mostly consider cryptoassets as investments, rather than as means of payment. In addition, peer networks (such as friends and family) play an important role in driving decisions to purchase.

**Figure 9 Reasons for owning cryptoassets (international comparison)**



Some consumers indicate they use cryptoassets for payments. Our analysis of markets both in the UK and internationally suggests that, as of June 2026, there is generally limited merchant acceptance of cryptoassets for payments. However, the market is growing, with the volume of stablecoin payments<sup>7</sup> made annually estimated at \$390bn in 2025, and providers such as Visa, Mastercard and Stripe building their own networks for stablecoin payments.

<sup>7</sup> As discussed here: <https://www.mckinsey.com.br/industries/financial-services/our-insights/stablecoins-in-payments-what-the-raw-transaction-numbers-miss>

## Demand from institutional investors

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Although we do not currently conduct surveys on why some institutional investors choose to purchase cryptoassets, qualitative evidence and engagement with firms indicates many have similar reasons for holding cryptoassets as retail consumers:

- **High returns:** Cryptoassets have enjoyed high returns in recent years, and while volatile, holding cryptoassets can give firms opportunities to benefit from rising asset prices.
- **Diversification of portfolios:** Cryptoasset prices may be correlated with wider economic indicators, allowing investors holding cryptoassets to hedge against future events through diversifying their portfolio.

In addition, firms may have specific reasons for purchasing cryptoassets:

- **Increased efficiencies:** The use of DLT and smart contracts can allow for reduced reliance on intermediaries, which could create significant value in wholesale settlement or back-office efficiencies. Firms may purchase cryptoassets such as stablecoins or tokenised assets to benefit from these potential efficiency gains.
- **Arbitrage opportunities:** As cryptoasset markets continue to develop, firms can benefit from arbitrage trades from market inefficiencies.

**Customer demand:** Firms may face demand from their customers that they hold cryptoassets, either within their portfolio (i.e. in a fund) or in the products and services they offer to customers.

## Demand for cryptoassets for criminal purposes

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As highlighted by the National Crime Agency (NCA), cryptoassets can be exploited by criminals to launder the proceeds of crime and raise money. While overall volumes remain low relative to wider cryptoasset transaction volumes, the NCA estimates that cryptoasset money laundering in the UK ranged between \$1.4bn and \$5.1bn in 2025. Research by aggregation firm Chainalysis indicates that cryptoasset funds sent to illicit addresses was \$154bn in 2025, with the majority related to sanction evasion. Complementing this, the Financial Action Task Force (FATF) estimate, in their last report, that approximately \$51 million in illicit on-chain activity linked to fraud and scams occurred in 2024.

## The retail customer journey (purchasing cryptoassets)

While cryptoasset consumers are diverse and engage with markets in different ways, most purchase cryptoassets through large trading platforms. For these consumers, our research suggests a common user journey, highlighted below:

- 1) **Pre-purchase:** Prior to purchasing cryptoassets, most consumers are aware these exist, but may be concerned cryptoasset prices are too risky, or have heard negative stories relating to scams/ crime. A lack of regulatory protections may also affect their decision not to own cryptoassets
- 2) **Trigger-point:** An individual may have their existing views and perceptions about cryptoassets challenged, which generates a curiosity into how the market operates. The most common reason for people to purchase crypto is following advice of a trusted friend or peer. This could involve them highlighting the high returns available, demystifying the technology and recommending a trading platform to use.

Consumers may also be targeted by advertising or sponsorship of a product/ sports team. These adverts may suggest cryptoasset investors are ahead of the curve, while also indicating that knowledge of the technology is not required to invest. Since October 2023, these adverts in the UK are required to have a risk warning in place.

- 3) **Research:** Consumers may look to conduct some research (~1 hour) on blockchain technology and how it works. They may also make use of online forums (Reddit), social media platforms, and friends/ family. Their research will often highlight the returns some individuals have been able to make. Through these forums, consumers may start to be exposed to the "Crypto Community" culture which encourages optimism and financial independence. The consumer may conclude that cryptoassets are complicated, but they don't need to understand the complexity to earn high returns and move on to the purchase stage.
- 4) **Purchase:** Once they have decided to invest in cryptoassets, consumers will need to select a platform to engage with, for which they will typically rely on advice from peers. More risk averse consumers may rely on a financial firm they have an existing relationship with (e.g. a payment firm or bank) rather than a cryptoasset specific firm. First time consumers will typically purchase a small amount, a mixture of different assets (some well-known, some more niche) and pay via debit or credit card.

Since October 2023, consumers are required to complete an appropriateness test to demonstrate they have sufficient knowledge of the risks of cryptoassets before purchasing. They also face a 24-hour cooling off period when buying from a platform for the first time.

- 5) **Post-purchase:** If consumers have had a positive experience from engaging with cryptoassets (likely due to high returns in a short period) they may invest more money into cryptoassets and become more involved in cryptoasset online communities. They may also look to purchase more niche cryptoasset products (i.e. lending, staking) or recommend cryptoassets to family and friends. 47% of UK consumers say they have had a positive experience when purchasing cryptoassets.

Alternatively, if consumers have a negative experience due to lower-than-expected returns, they may disengage from their investment or exit the market

entirely. 15% of UK consumers say they had a negative experience and regret their purchase.

**Figure 10 Customer journey when purchasing cryptoassets**



The consumer journey for purchasing cryptoassets is similar to that of other investment products. However, compared to traditional investing, cryptoasset markets lack consistent standards on information provided at the point of purchase and may not clearly explain the nature and complexity of the activities. In practice, this can mean consumers:

- **Rely on social media influencers:** Consumers may (correctly or incorrectly) believe a trusted influencer has inside information on a token and purchase it as a result.
- **Rely on misleading or fake stories:** Lack of clear standards has meant cryptoasset prices fluctuate significantly in responses to online rumours and speculation, which can result in significant market activity based on fabricated events.
- **Accept a lower standard of behaviour:** Our consumer research indicates many consumers consider elements such as scams or insider trading as “features” of the market which drive volatility and high returns.

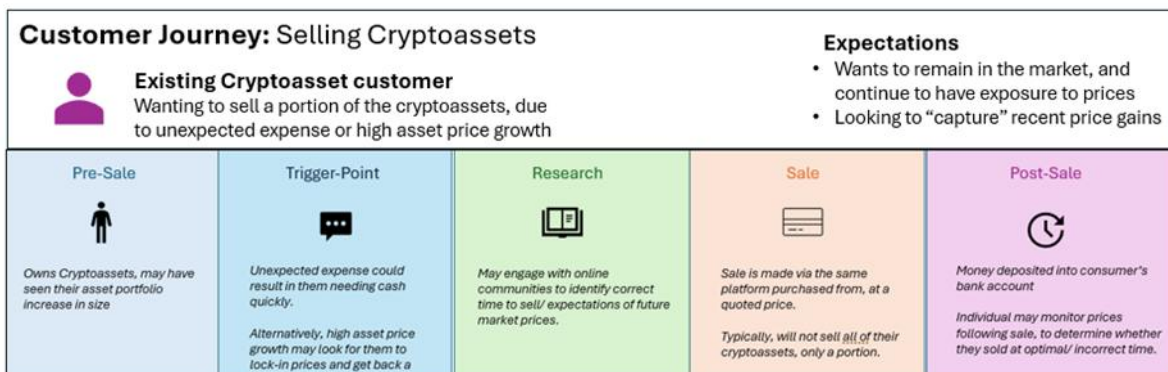
This reliance on limited and inconsistent information can result in inefficient price discovery with consumers facing difficulty in making informed investment decisions and are therefore at risk of increased harm.

## The retail customer journey (selling cryptoassets)

Consumers generally tend to manage their cryptoassets through the platform they originally purchased from, including selling. When consumers decide to sell cryptoassets, our consumer research indicates a common journey:

- 1) **Pre-sale:** Consumers may have observed an increase in their cryptoasset portfolio since investing, and/or be monitoring market prices.
- 2) **Trigger-point:** Prices might reach such a level where consumers feel they are unsustainable and so need to sell before a market correction. Alternatively, an unexpected event may cause consumers to need funds quickly.
- 3) **Research:** Generally limited. Consumers may check online forums or discuss with peers to determine the optimal time to sell.
- 4) **Purchase:** Consumers will typically complete the sale through the platform they custody their cryptoassets on and not look to transfer to a different exchange to gain a better price.
- 5) **Post-purchase:** Consumers receive funds in exchange for their cryptoassets. Depending on their motivation for selling, consumers may monitor price movements after the sale to determine whether they sold at the optimal time (i.e. a market peak) and use this to inform future investment decisions.

**Figure 11 Customer journey when selling cryptoassets**



## 4 UK cryptoasset markets (supply side)

On the supply side, cryptoasset markets have a variety of interrelated roles to enable the market to function effectively and meet consumer demand. Key roles include:

- **Issuance:** Cryptoassets need to be created, in a process known as issuance. These are typically issued by a firm, either directly on a platform or via an Initial Coin Offering (ICO).
- **Access:** Investors (both retail and wholesale) require ways to purchase cryptoasset products which are issued. This is typically via Trading Platforms or Intermediaries, but can also be done via existing regulated holdings (such as ETNs) or publicly listed firms holding cryptoassets.
- **Services:** Key cryptoasset market functions, such as ways for consumers to store their assets (Custody) or opportunities to earn additional revenue (Lending, Staking) while supporting wider market functionality.

In this section, we describe how these roles interact with one another to impact how cryptoasset markets function.

### Issuing cryptoassets

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There are a diverse range of cryptoassets, which serve different purposes. Some are native to "Layer 1" blockchains, including Bitcoin (BTC), Ethereum (ETH), and Solana (SOL). Other types of cryptoassets are built on top of existing blockchains to serve specific purposes. These include stablecoins, governance tokens (used for voting in decentralised protocols), Non-fungible Tokens (NFTs) and "memecoins," which often lack a clear utility or business model.

Cryptoassets need to be issued on DLTs, and the operators of these networks set their own standards for creating assets on their platform. For example, the Ethereum network utilises the ERC-20 standard to ensure interoperability between projects and enable smart contracts to automate transactions.

Once issued, cryptoassets can currently be offered to investors in multiple ways (although this will change following the introduction of our regime):

- **Admitting to trading:** A trading platform may admit to trading a cryptoasset and make it available to its customers. Trading platforms currently set their own rules for tokens they admit but generally require a whitepaper setting out how the token is expected to function.
- **Initial Coin Offerings:** Operate in a similar manner to an initial public offering (IPO) and offered investors the opportunity to purchase a cryptoasset token based on an intended functionality set out in a white paper or prospectus. ICOs significantly declined in popularity following numerous high-profile failures.

- **Airdrops:** Firms may give away free tokens to users, as part of a promotion or to grow its community, by directly sending tokens to a wallet address.

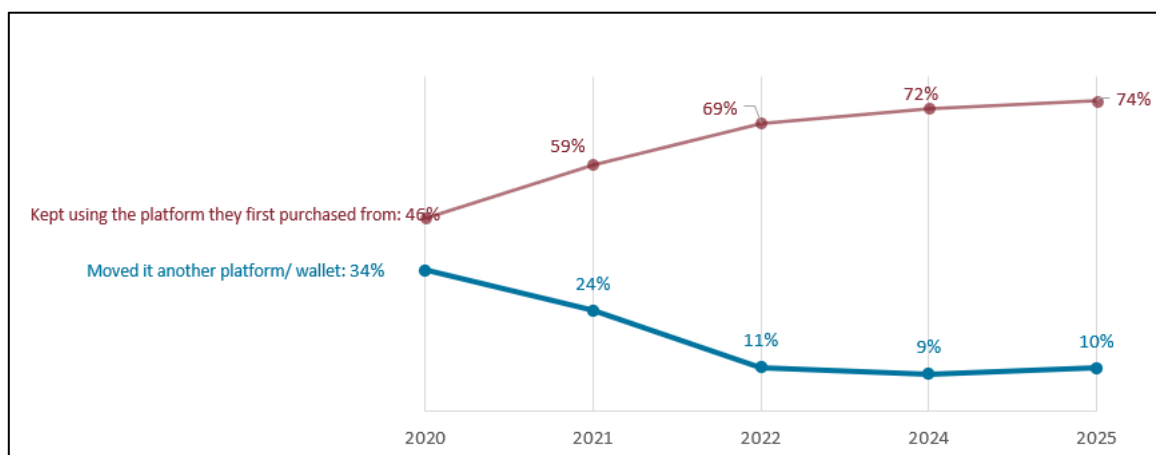
Cryptoassets are most commonly offered to UK consumers via centralised trading platforms. Trading platforms may admit cryptoassets they have a material interest in for trading on their platform. Cryptoassets can be issued by an independent 3rd party, the trading platform itself, by an affiliate entity of the group or by a partner with privileged commercial relationships.

Issuers of cryptoasset tokens compete with one another based on the features and functionality of their token. Certain tokens may offer particular functionality or use cases on DLT networks. A subset of tokens (memecoins) do not offer any business model to investors and instead compete primarily on hype and popularity (often through trying to associate with a contemporary trend). In practice however, consumers primarily choose cryptoassets based on expected returns, and so issuers may adopt practices which increase the price level of their asset, such as limiting supply, buyback programmes, or influencer-based marketing to increase the asset price and subsequent demand.

## Accessing cryptoassets: Trading Platforms

Cryptoasset trading platforms operate similarly to exchanges in traditional financial markets, bringing together buyers and sellers for price discovery of assets. Unlike in traditional finance, cryptoasset trading platforms allow direct retail access and are the most common way UK consumers access cryptoasset markets. Our [Consumer Research](#) also indicates UK consumers are reluctant to change platform once they have selected a provider and prioritise ease of use and platform reputation over transaction costs when accessing markets. This suggests platforms may benefit from first mover advantage due to high loyalty/ low switching rates of cryptoasset consumers.

**Figure 14 Share of consumers who switch cryptoasset platforms (FCA Consumer Research Wave 6)**



Trading platforms use a variety of practices and strategies to manage market and counterparty credit risk. These include requiring prefunding of trades<sup>8</sup> while some may

<sup>8</sup> Where a platform may require cryptoassets to be first transferred to wallets under their direct control before they execute trades

currently offer credit lines to counterparties. These practices will not be permitted under the new rules.

### Business model

Trading Platforms can earn revenue in multiple ways, with the most common involving charging fees to customers for spot cryptoasset transactions. They can also offer subscriptions or other service-based activities that earn them revenue (e.g. offering more advanced trading or lending functionality on their platforms).

## Accessing cryptoassets: Intermediaries

Rather than engaging directly with an exchange, investors may engage with a broker intermediary, who will seek to carry out transactions on their behalf. A broad range of intermediary business models have emerged as cryptoasset ownership has become more common among retail customers<sup>9</sup>. We have identified three types of intermediaries operating in UK cryptoasset markets:

1. **Retail intermediaries.** Retail intermediaries provide an alternative way for retail customers to buy and sell cryptoassets, where they can receive more support.
2. **Institutional intermediaries.** Institutional intermediaries serve wholesale clients such as banks, asset managers and hedge funds. They can provide increased connectivity and broader liquidity access to wholesale market participants and allow clients to connect to a range of Trading Platforms, OTC desks and other service providers.
3. **Principal trading firms.** Principal trading firms (PTFs) act as direct counterparties to client/counterparty transactions. PTFs deal using own capital and profit from the transactions directly, for example through the spreads between buy and sell prices.

Intermediaries are the second most common way for UK consumers to access cryptoasset markets. [Qualitative research we have previously conducted](#) suggests these consumers are typically already a customer of the intermediary and value its trusted brand name for engaging with cryptoasset markets.

### Business model

Similar to trading platforms, intermediaries generate revenue through charging fees on transactions to consumers. Our analysis suggests cryptoasset intermediaries typically charge higher fees to retail clients when purchasing relative to trading platforms, as outlined below. This is the case because trading platforms allow investors to trade with cryptoasset directly without the need of an intermediary.

**Table 1 Average price paid for £2,250 in cryptoassets (calculated by averaging fees from trading platforms and intermediaries).**

Firm	Access	Price paid for £2,250 Cryptoassets	Effective fee (£)
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<sup>9</sup> "In some cases, these activities are described in the legislation in different terms to how we have summarised them in this consultation. Where this is the case, we have explained the difference in terms at the start of the relevant chapters

<b>Trading Platform</b>	Direct	£2,257	£7
<b>Intermediary</b>	Indirect	£2,266	£16

## Cryptoasset services: Custody

Custody of cryptoassets refers to the method holders of cryptoassets choose to store the means of access to them. Across the variety of different types of cryptoassets available, there are two broad options cryptoasset owners have when storing their tokens:

- **Self-custody:** This approach typically involves software that allows the cryptoasset owner to interact directly with the blockchain or can include hardware on which the means of access (including a private cryptographic key or seed phrase) are stored (known as a wallet). This gives complete control over their assets and is typically low cost, but can be complex, and high-risk as if the wallet owner forgets or loses their keys/password their assets will become irrecoverable. Our survey data suggests 9% of UK cryptoasset holders have forgotten their private key and as a result lost access to their wallet.
- **Cryptoasset custodian:** Alternatively, a cryptoasset owner could rely on a firm to directly manage the storage of their cryptoassets and hold the means of access. The firm may use various methods to ensure cryptoassets remain secure while also maintaining ease of access. This custody method can significantly reduce administration and risk of asset loss to the cryptoasset owner, although custodians will charge a fee and so it is a higher cost than self-custody solutions.
- Within the UK, 72% of consumers choose to store their cryptoassets on the Trading Platform they purchased their cryptoasset from. These platforms are where most cryptoasset trading takes place, and so can be a convenient solution for consumers who value ease of access and the ability to buy and sell quickly.

### Business model

Custodians generate revenue through collecting fees on assets held, typically as a percentage of net-asset-value under custody. They may also charge transaction fees or charge for ancillary services such as tax reporting. Fees can range from 0.05%–1%, subject to the assets held and nature of the custody solution provided.

## Cryptoassets services: Lending and Borrowing

Most people consider cryptoassets as investments and hold on to them in the expectation that prices will rise in the future. Given limited use cases for cryptoassets, this can result in a market with a high capitalisation but low levels of liquidity due to a large share of dormant assets. Cryptoasset lending and borrowing business models look to provide a solution for this challenge, by offering products which allow for consumers to earn return on their cryptoasset holdings, while giving liquidity to the wider sector.

Cryptoasset lending is the disposal of a qualifying cryptoasset by a person to, or via, an authorised cryptoasset firm, subject to an obligation or right to reacquire the same or

equivalent qualifying cryptoassets from the firm, typically with compensation paid to that person by the firm in the form of yield. Payments are typically made in cryptoassets and compounded on a regular basis.

Cryptoasset borrowing is the disposal of a qualifying cryptoasset from, or via, an authorised cryptoasset firm to a person, subject to an obligation or right to reacquire the same or equivalent qualifying cryptoasset from the person, which may include the provision of qualifying cryptoasset borrowing collateral and/or the payment of interest from the person to the firm.

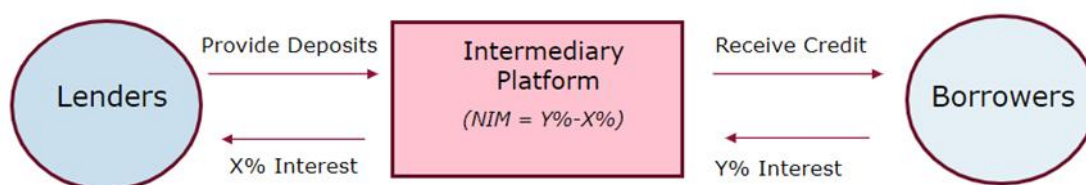
Note that cryptoasset lending and borrowing services do not operate in the traditional sense. They involve the transfer of assets to a recipient, with ownership passing to that recipient at the point of transfer. In cryptoasset lending, the firm receives and assumes ownership of the assets, whereas in cryptoasset borrowing, the client is the recipient and owner. This differs from traditional lending and borrowing arrangements, where ownership does not typically transfer in this way.

Lenders are typically retail consumers and consumers can be offered relatively high interest rates by platforms (e.g. up to 20% APY). Platforms look to achieve these rates through employing the funds provided to them by lenders and achieving a positive rate of return to account for their lending rates and operating costs. Borrowers can be institutions or retail consumers. Retail borrowers are typically required to over-collateralise loans, wherein the amount borrowed must be lower than the value of the collateral. The over-collateralised nature of loans reduces risks to lenders, but limits use cases to borrowers who have existing portfolios of cryptoassets in excess of the amount of credit they are seeking.

### Business model

The business model utilised by cryptoasset lending platforms (Figure 15) relies on the difference between returns received and those paid out. Lenders are offered a rate of return  $X\%$  while the platform looks to achieve a higher rate through its use of funds at an investment rate  $Y\%$ . The platform captures the difference between these two rates as its operating profit. Firms look to achieve a positive Net Interest Margin (NIM) between the rate of return on investments and the rates provided to lenders.

**Figure 15 Business model and corresponding interest rates used by cryptoasset lending platforms**



Cryptoasset lending and borrowing may offer efficiency gains relative to traditional financial products through the use of distributed ledger technology (DLT). For example, smart contracts can be used to automate key functions such as payments and collateral management. Our consumer research suggests only a small share of cryptoasset consumers currently take part in cryptoasset lending and borrowing services (9% of

current cryptoasset users take part in lending, with 2% taking part in borrowing). These consumers tend to be more comfortable with risk than other cryptoasset users and have larger portfolios.

## Cryptoasset services: Staking

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Staking is an industry term which refers to the practice of locking up cryptoassets to help secure and validate transactions on a blockchain network in return for a reward, usually in the form of additional cryptoassets. Staking can be done in a variety of ways, including:

- **Staking-as-a-Service (delegated staking):** Users who have the minimum deposit requirements but do not want to manage the necessary hardware, can delegate node operation to a third-party provider, for a regular fee.
- **Dedicated (single) staking** - A custodian will both safeguard a person's cryptoassets and operate a validator(s) node on their behalf. A custodian in this model may outsource the operation of validators to a third-party. There is no mixing of client assets, pooling or other consolidation.
- **Pooled custodial staking:** Customers can delegate their cryptoassets to be staked via a service, which pools multiple client assets. This can offer more flexibility on minimum deposits and lock up periods. This is the most common form of staking.
- **Liquid staking:** Users stake their assets and receive a liquid staking token (LST) which represents the value of their staked assets. This allows users to maintain flexibility to use their staked assets for other purposes.

Rewards from staking vary by platform, asset, network, and market conditions. Some platforms provide flexible staking with lower returns, while others, may have higher yields but require lock up of staked cryptoassets for a minimum period. Ranges for staking in August 2025 are outlined below:

- Ethereum (ETH): ~1.5-4% APY
- Solana (SOL): ~3-6% APY
- Cardano (ADA): ~2-5% APY

Our consumer research indicates as of August 2025, 22% of UK cryptoasset consumers have engaged with cryptoasset staking.

### Business model

Revenue typically comes from taking a commission on rewards earned via the staking of clients cryptoassets. Where firms offer staking services, they typically handle the operation and maintenance of the node, while consumers benefit from the staking rewards generated by the validator's activities. Staking firms can benefit from strong network effects, with potentially higher returns to scale as the staking pool expands.

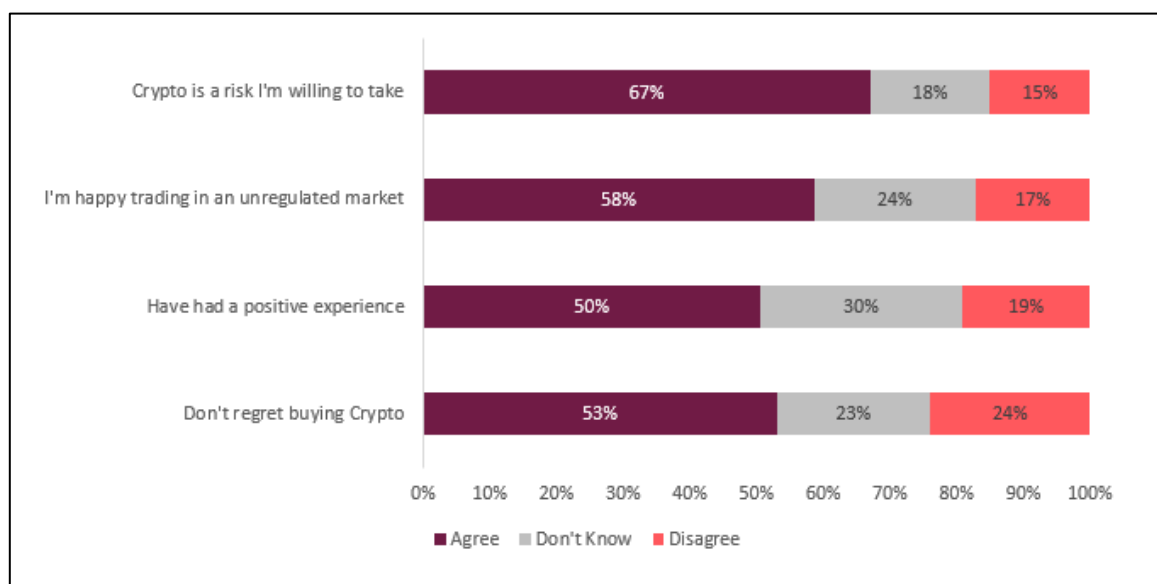
Some firms may also earn revenue through other charges. For example, a firm can both safeguard consumers' cryptoassets and operate a dedicated validator node(s) on behalf of a single customer. A custodian in this model may outsource the operation of validators to a staking as a service provider.

## 5 Market risks and features

### Consumer experiences

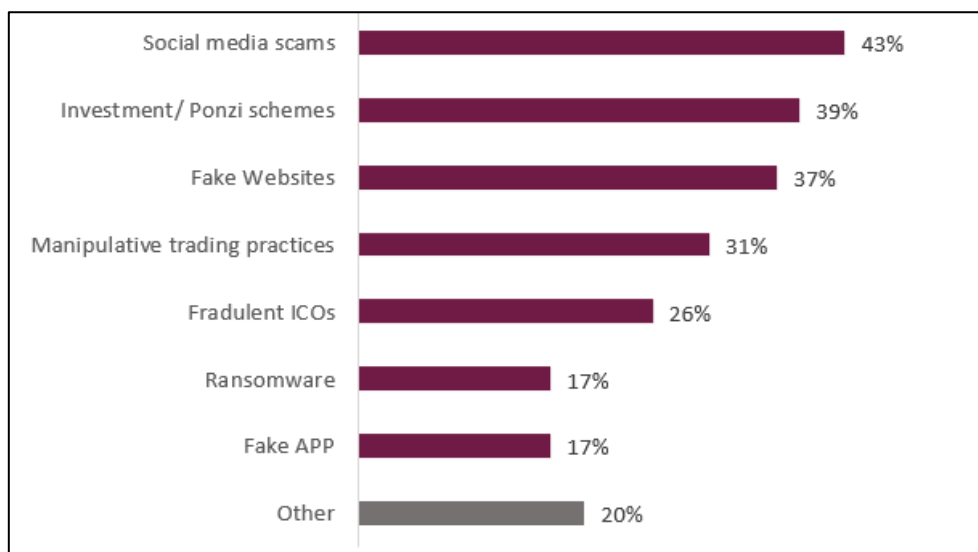
Consumers who own cryptoassets generally report positive experiences and are happy operating within the market even though they have limited regulatory protections. Most consumers consider cryptoassets within their risk appetite, have had a positive experience, and generally do not regret their purchase. Many consumers also report that they would purchase more cryptoassets if they had a higher disposable income (63%) or if the market had additional regulatory protections in place (49%).

**Figure 16 Consumer attitudes to cryptoassets (FCA Consumer Research Wave 6)**



However, despite positive sentiment, many consumers experience harm from frauds and scams. There were an estimated 9,000 cryptoasset scams or frauds reported to the FCA in both 2022 and 2023 in the UK, compared to approximately 3,000 in 2020. Our consumer survey data suggests 10% of UK cryptoasset consumers have lost money due to fraudulent activities involving cryptoassets, while an additional 17% indicate they were targeted for a scam but did not lose money. The most frequent scams encountered were social media scams (43%) and Ponzi schemes offering unrealistic returns (39%). The most common reported amount lost was less than £500 (40%), while 2% of consumers indicated they have lost more than £10,000 to fraudulent cryptoasset activity.

**Figure 17 Frequency of cryptoasset scams encountered by UK consumers (FCA Consumer Research Wave 6)**



## Factors impacting cryptoasset prices

Cryptoassets represent a distinctive asset class in that they do not generate cash flows (such as dividends) and there is no widely accepted theory which explains the price of an individual cryptoasset. In a standard economic framework, assets without expected future cash flows would be assigned a value of zero. An alternative view is that cryptoassets may have their prices determined from their potential use as money, either, as a medium of exchange, store of value, or unit of account.

In October 2020, we published a [technical annex to PS20/10](#) outlining our assessment of pricing valuation models for cryptoassets. Our analysis highlighted a wide range of prices cryptoassets could take based on underlying assumptions, suggesting no clear indicators to predict the price of cryptoassets reliably over different time frames. We also observed high correlation between prices of popular cryptoassets. These findings are consistent with [recent academic research](#) which suggests cryptoasset prices are influenced by investor sentiment and the degree of risk aversion among market participants.

## Wider economic impacts

Taking **a consumer perspective**, the most common reason for purchasing cryptoassets is as an investment. From our review of the relevant literature, we did not identify evidence to suggest economic growth materialising from consumers purchasing cryptoassets. For most cryptoassets UK consumers hold, there will be limited wider economic impacts in the UK from their investment as they tend to only purchase small amounts (particularly compared to international peers). In countries where average holdings are higher (i.e. Canada) there is no evidence to suggest that cryptoasset investing has reduced demand for traditional financial products or adversely affected the

wider financial sector. Cryptoassets may also foster positive competition within retail investment markets, which may benefit consumers.

Some consumers may purchase cryptoassets and subsequently see their asset prices increase significantly. While these consumers may benefit from increased consumption, these effects would primarily be economic transfers from new owners to existing owners, and so do not represent an increase in output. As such, we assess there to be limited economic impacts from consumers directly purchasing cryptoassets.

From **a firm perspective**, cryptoasset products can have wider economic impacts in several ways, including:

- **Labour market effects:** Cryptoasset firms employ high-skilled workers (and supporting supply chain jobs), resulting in increased employment from firms located in the UK. Increased demand for highly skilled workers in particular sectors can also lead to higher wages for individuals with these skills (including those not working for cryptoasset firms), creating additional economic impacts.
- **Capital inflows and liquidity:** Cryptoasset firms located in the UK create capital inflows, increasing liquidity in the financial sector. Improved financial sector liquidity can in turn have significant positive impacts, improving investment and productivity.
- **Innovation:** Cryptoasset markets are highly dynamic and innovative and have resulted in numerous new products and services created (such as smart contracts). Innovation in turn is a core driver of long-run economic growth, through creating efficiencies and improving productivity. Where cryptoasset products can increase efficiencies in existing financial sector infrastructure (such as the use of stablecoins in payments or wholesale settlement) they offer the potential to improve productivity of UK financial services firms, and in turn support long-run economic growth.

There is significant uncertainty as to the scale of the above factors, and how they may evolve in the future. Wider economic impacts are also dependent on several exogenous variables, in particular, the ability of DLT to create efficiencies at scale and compete with legacy financial infrastructure. In addition, the above impacts only materialise fully where economic activity takes place within the UK economy (particularly in relation to labour market impacts and capital inflows).

## 6 Future regulation

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To reduce harms currently observed in UK cryptoasset markets, HMT has introduced legislation to provide the FCA powers to regulate cryptoasset products and services. Using these powers, we have published final rules for the new cryptoasset regime:

- **Activity Specific Rules (PS 26/10 and PS 26/11):** Firms undertaking specified cryptoasset activities (such as providing custody of cryptoasset services to UK consumers and issuing stablecoins) will require FCA authorisation and must comply with our rules.
- **Prudential Requirements (PS 26/12):** Firms authorised for cryptoasset activities will face bespoke prudential requirements, which scale in size with the level of risk the firm is taking.
- **Cross-Cutting Rules (PS 26/13):** As with other FSMA firms we regulate, authorised cryptoasset firms will need to comply with our wider FCA Handbook rules, such as the Consumer Duty, Financial Crime, Operational Resilience and ESG.
- **An Admission and Disclosure Regime (PS 26/9):** A set of requirements for disclosures by issuers or offerors at the point of admission to trading on a UK authorised trading platform.
- **A Market Abuse Regime for Cryptoassets (PS 26/9):** These rules prohibit insider dealing, unlawful disclosure of inside information and market manipulation.

Authorised cryptoasset firms will need to comply with these rules, as well as the MLRs, and any other relevant financial crime legislation. However, firms authorised by the FCA will no longer need to separately register under the MLRs.

Systemic stablecoins, those that are widely used in payments and may therefore pose risks to UK financial stability, will be regulated jointly by the Bank of England and the FCA, once recognised by HM Treasury (HMT). The Bank's regime is designed to maintain financial stability and enable systemic stablecoin issuers to operate viable business models.

### Expected impact of our regulation

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We have set out within our [Cost Benefit Analysis](#) the expected impact these regulatory requirements will have on UK cryptoasset market participants. We anticipate:

- Consumers who engage in cryptoasset activities benefitting from receiving regulatory protections, reducing their risk of harm.
- Increased opportunities for firms and consumers to use stablecoins, resulting in greater efficiencies and innovation.
- Reduced fraud and scams using cryptoassets, and reduction in money laundering, benefitting the wider UK economy.

- A clearer regulatory framework for firms, reducing uncertainty over the long-term.
- Higher operational costs to firms, as a result of increased compliance costs, which may be passed on to consumers in the form of higher fees.
- Dynamic competition impacts, due to increased barriers to entry (through prudential requirements) but reduced uncertainty for firms (through a clearer regulatory framework). In the medium-to-long term, we anticipate increased competition in UK cryptoasset markets which benefits consumers.

We have also set out within our policy statements and CBA how we intend to measure success of our regulatory regime, and our intention to evaluate the impact of our rules at a future date.



