Financial Conduct Authority

Research Note

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Cryptoasset Regulation and Consumer Decision-Making: Evidence from an Online Experiment

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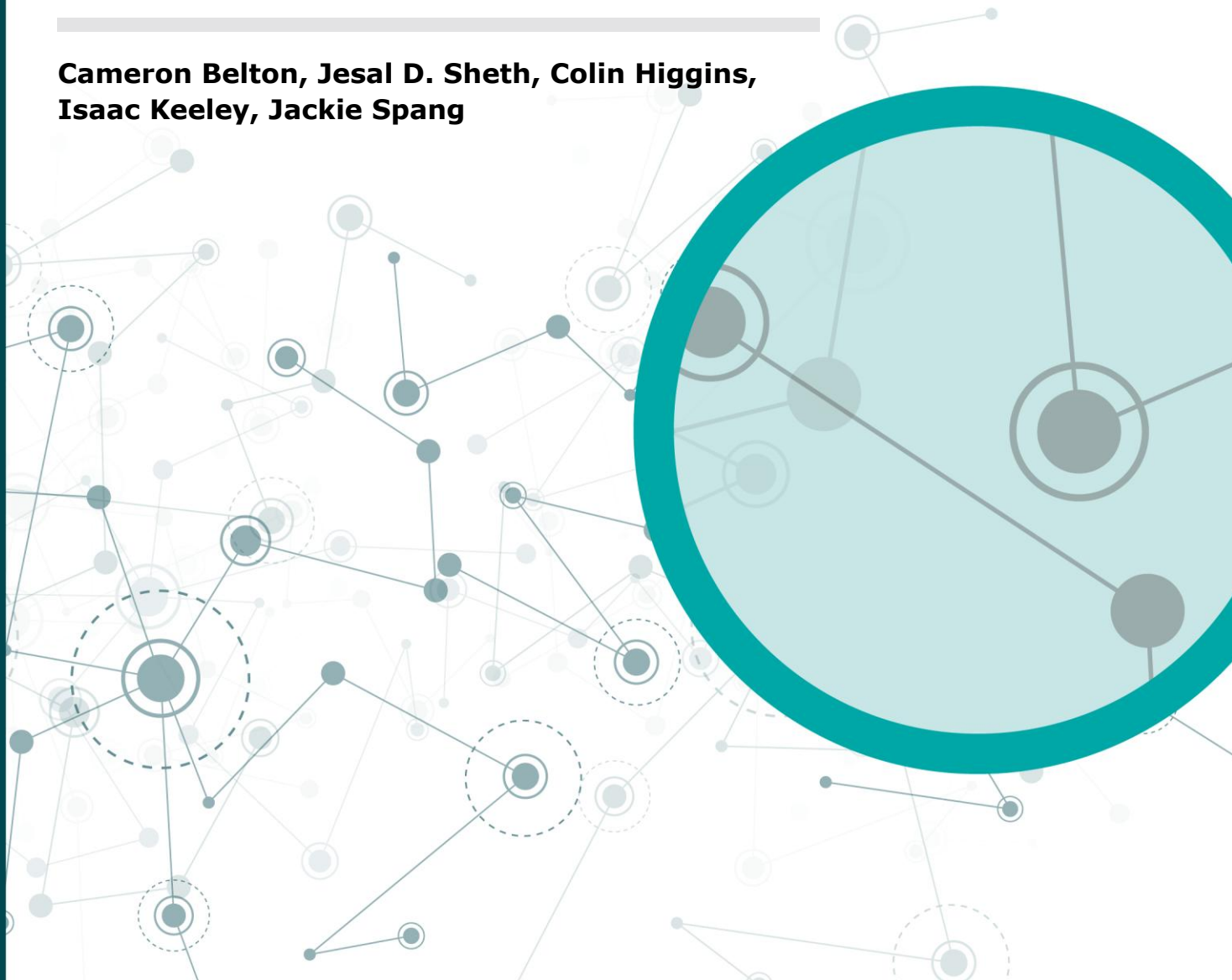

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Summary

To design effective regulation for new products, we need to understand how regulation might affect consumers' behaviour and beliefs. However, predicting these impacts is complex because the effects of regulation may be wide-ranging. For example, potentially influencing:

- Product demand
- Consumers' perceptions about the protections that apply
- Trust in the product, the FCA, or wider financial services

In this note, we present findings from an online experiment that explored the impact of regulation on consumers' behaviour and beliefs in the context of regulating cryptoassets. Specifically, we examined the impact of informing consumers that cryptoassets are regulated as well as the effect of providing differing levels of information about cryptoassets and the protections regulation may offer.

To do this, we tested 4 regulatory 'states of the world', each presenting participants with varying levels of information about cryptoassets, their regulatory status, and the protections that regulation may provide. We tested the 4 following regulatory 'states of the world':

- Current state: We told participants that cryptoassets are 'unregulated'[1]. We provided no additional product information about cryptoassets (i.e. associated risks, rights and obligations, and technology) or the protections that apply.
- Potential future state #1: We told participants that cryptoassets are regulated. We provided no additional information about the potential protections[2] under regulation.
- Potential future state #2: We told participants that cryptoassets are regulated. We also provided additional information about the potential protections under regulation.
- Potential future state #3: We told participants that cryptoassets are regulated. We provided additional information about the potential protections under regulation *and* additional product information about cryptoassets (i.e. associated risks, rights and obligations, and technology).

We used a hypothetical investment task and a survey to test the impact of these scenarios. We randomly assigned participants to different states so we could attribute differences in investment behaviour or survey responses to the different information participants saw.

This experiment was a diagnostic study aimed at gaining a broad sense of how different regulatory states might influence consumers' behaviour and beliefs. We did not seek to identify the exact causal mechanisms behind the effects of regulation on consumers, nor

[1] For the purpose of this experiment, we refer to this as 'unregulated'. However, this was designed to reflect the current regulatory status of cryptoassets – not regulated by the FCA in the same way that most products are and lacking the increased regulatory protections planned to take effect in 2026.

[2] We informed participants in potential future states #2 and #3 that firms would be required to safeguard assets and comply with standards set by the FCA. We also explained that they would not be protected by the Financial Services Compensation Scheme (FSCS), would not be able to reclaim losses arising from operational failures or market performance, and would likely be unable to complain to the Financial Ombudsman Service (FOS) for mis-selling. This experiment was designed based on assumptions made about the protections that may apply. These assumptions may not reflect final policy positions.

did we aim to test specific policy options. There could be several explanations for any observed effect of regulation. For example, regulation providing a perceived "stamp of approval" for the product, or shaping beliefs about the protections offered. We did not test these types of underlying mechanisms in a causal manner.

This note forms part of a coordinated package of research and consultation papers that the FCA has published as part of its ongoing work to develop a proportionate and effective regulatory regime for cryptoassets in the UK. While this research has informed the FCA's approach, it does not necessarily represent the final regulatory position. For example, what we tell participants in the hypothetical scenario about the potential protections they may be covered by under regulation does not necessarily reflect the protections that will be in place.

Key findings

Regulation and related information provision significantly impacted consumer decision-making, understanding of the coverage of protections, and trust.

- **Informing consumers that cryptoassets are regulated increased demand for cryptoassets**. This did not appear to be driven by a reduction in cash holdings, but rather by substitution away from other forms of investment.
- **Participants generally had a poor understanding of the potential protections under cryptoasset regulation**.
- **Providing additional information helped but its impact was limited**. When no additional information was provided, participants were less likely to understand that in this experimental context[3] they were not protected by certain protections. Providing additional information about cryptoassets and the protections that regulation might provide supported consumer understanding of protections and trust in cryptoassets. However, many participants continued to misunderstand that they lacked certain protections.
- **Without providing additional information about the coverage of protections, regulation made participants less trusting of the FCA.** This suggests that a lack of transparency in the protections that accompany regulation may reduce trust in the FCA.

[3] This experiment was designed based on assumptions made about the protections that may apply. These assumptions may not reflect final policy positions

Introduction

In order to design effective regulation for new products, we need to understand how regulation could affect consumers' behaviour and beliefs. For example, how regulation may impact demand for financial products, consumer understanding of the coverage of protections, and trust in the FCA or wider financial services.

This paper reports the findings of an experiment designed to better understand the potential impact of regulation in the context of cryptoassets. We chose this context because cryptoassets are set to have increased regulatory protections. As a case study, it has timely, real-world relevance and application.

By furthering our understanding of the impact of regulation in this context, we have informed ongoing policy and strategic discussions around the regulatory approach to cryptoassets, as outlined in the Cost Benefit Analysis in CP 25/40. This has included shaping our understanding of how consumer demand will likely respond to our future regulatory regime, and the potential wider impact on firms.

Policy Context

Recent research shows that the cryptoasset market is evolving: although the proportion of UK consumers holding cryptoassets has dipped from a peak of 12% in 2024 to 8% in 2025, ownership remains higher than the 4% recorded in 2020 (FCA Consumer Research series, 2020–2025). Our Financial Lives survey (FLS) supports this overall upward trend in ownership rates (FLS 2024). At the same time, the Consumer Research series (FCA, 2025) shows that the typical value of cryptoassets held by UK consumers has increased.

Additionally, consumers who own cryptoassets generally report positive experiences operating within the market, as reported in FCA's cryptoasset Consumer Research series (FCA, 2025). However, we've also observed some consumers experiencing harm when engaging with the cryptoasset market. For example, 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.

The FCA has taken action under the powers granted by the Government to address certain harms in UK cryptoasset markets. Since 2020, firms are required to be registered for anti-money laundering purposes. In addition, in October 2023, a financial promotions regime for cryptoassets was introduced. Cryptoassets are classified as a "Restricted Mass Market Investment" (RMMI) and firms must apply risk warnings and conduct appropriateness assessments before marketing them to consumers.

Future regulatory regime

The Government laid legislation to Parliament in April 2025 which, when made, will bring cryptoassets within the FCA's regulatory perimeter. The FCA have previously outlined the intended approach to regulate the cryptoasset sector through a roadmap (FCA, 2024).

The proposed future regime will include rules for:

- Regulating cryptoasset activities (such as operating a cryptoasset trading platform, issuing a stablecoin, providing lending and borrowing services, or providing custody services)
- Prudential requirements to mitigate against disorderly firm failure
- A market abuse regime
- Admissions and Disclosure requirements (covering how firms should admit assets to their platform to make available to consumers, and key information which must be provided)
- Wider FCA Handbook rules related to Systems and Controls, Redress and Operational Resilience

These requirements and accompanying proposals aim to protect consumers, ensure transparency of risks, and promote innovation within a trusted and well-regulated market.

Wider impact of our regulation

Findings from the Consumer Research series (FCA, 2025) suggest that regulating cryptoassets may result in increased consumer demand, driven by new consumers entering the market and existing cryptoasset consumers purchasing more. For example, 25% of UK adults who don't currently own cryptoassets say they would consider purchasing if they were regulated and 72% of current cryptoasset consumers say they would purchase more cryptoassets if they were regulated.

Increased demand may also have wider economic consequences depending on how the demand is funded. For example, individuals changing consumption, savings, or debt, and/or through portfolio allocation decisions that could affect the allocation of capital in the economy.

A significant minority of consumers appear to fund cryptoasset purchases by reallocating from other investments. 36% of current cryptoasset holders bought them as "part of a wider investment portfolio", while 21% purchased cryptoassets as an alternative to traditional products such as shares or investments (FCA Consumer Research series, 2025). These findings are consistent with other analysis carried out by the FCA looking at substitution effects between cryptoassets and other investment products (FCA, 2025).

The Consumer Research series (FCA, 2025) also found that 13% of consumers did not undertake any research prior to investing in cryptoassets. This indicates that many consumers may be unaware of the lack of regulatory protections currently in place, and the risks they are exposed to. Without conducting research prior to investing in cryptoassets, consumers may rely on their own assumptions about what the introduction of regulation means. This may lead to a false sense of protection and a lack of awareness of the limits of FCA cryptoasset regulation (e.g., the FCA will not regulate to prevent

price volatility). This could have an adverse impact on consumers if false assumptions impact their decision-making. For example, by consumers taking on more risk than they otherwise would have.

Research purpose

Within this context, we undertook research to better understand the potential impact of the FCA's regulatory regime. In particular, our research aimed to identify:

- How consumer demand for cryptoassets might change once there are increased regulatory protections in place;
- Consumer understanding and awareness of potential regulatory protections and coverage, and how regulation might affect this.

These questions inform various live policy considerations around the regulation of cryptoassets, including topics covered in CP 25/40 and CP 25/41.

Beyond the findings from the Consumer Research series (FCA, 2025), wider international evidence on the impact of regulating cryptoassets is limited and mixed. Trading activity data suggests that regulatory measures do not cause traders to enter or exit jurisdictions (Fernstein et al., 2021). Other research has also shown that regulatory news events can have significant positive or negative effects on cryptoasset markets, depending on the type of news (Auer and Claessens, 2018).

The purpose of this study is to further understand the impact of cryptoasset regulation in order to help the FCA regulate cryptoassets in a way that supports the FCA's strategy, as well as its operational and secondary objectives (FCA, 2025). It is also intended to inform how to apply certain aspects of the FCA's rules to cryptoasset markets. For example, CP25/25 includes both the proposed rules under consultation and a discussion chapter on challenges related to applying the Consumer Duty to cryptoassets. It also discusses whether customers of cryptoasset firms should be able to refer complaints to the FOS.

This research furthers our understanding by examining how regulation and the provision of additional information impact consumer decision-making, understanding, and trust, so that the FCA can anticipate the potential risks and challenges consumers may face.

Regulation cannot eliminate all risk, nor is that its purpose. The objective is to enable informed participation in the cryptoasset market and encourage responsible conduct by firms. This research contributes to shaping that approach and will continue to do so. Broader consultation is underway to strike an appropriate balance as the next phase progresses.

Methodology

Experimental Design

We conducted an online experiment using Qualtrics, an online survey platform. This experiment was designed as a diagnostic study. As such, our goal was to gain a broad sense of how different regulatory states might influence outcomes, rather than pinpointing exact causal mechanisms or testing precise policy options.

10,817 participants completed the experiment. These participants were recruited using an online panel provider. The sample were broadly representative of the general population, including cryptoasset ownership. 12% of our sample reported currently *or* previously having invested in cryptoassets. This is in comparison to 8% currently holding cryptoassets and 5% having previously owned cryptoassets according to the FCA's Consumer Research Series (2025). See the Annex for more details.

Figure 1 presents a high-level overview of the experimental flow, demonstrating participants' journey through the experiment.

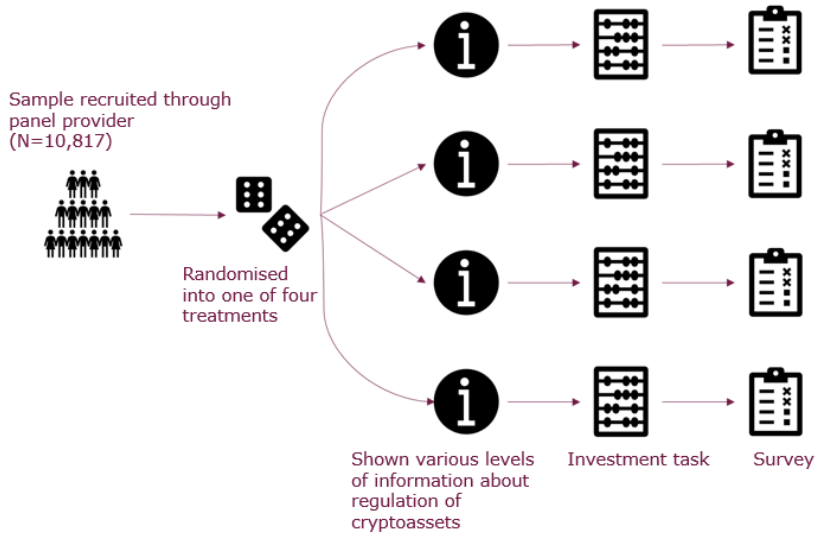
Before beginning the experiment, participants were randomly assigned to one of four treatment groups, each receiving different information about the regulatory status of cryptoassets. All other aspects of the experiment were identical. This randomised controlled trial (RCT) design allowed us to attribute any differences in investment behaviour or survey responses to the regulatory status or information provided.

The experiment comprised two key parts:

1. **Investment task** - Participants were asked to allocate a hypothetical cash fund of £1,000 across four different financial products (including a cryptoasset[4]) or retain it as cash.
2. **Survey** - Questions that assessed participants' understanding of cryptoassets, their regulatory status and associated protections, as well as their trust in financial services and institutions, attitudes towards regulation, and other outcomes.

[4] In this experiment, the cryptoasset tested was Bitcoin, an unbacked cryptoasset. According to the FCA's Consumer Research Series Bitcoin is the most commonly owned cryptoasset (FCA, 2025). We use the term cryptoasset and Bitcoin interchangeably while explaining our experimental set up and reporting our results.

Figure 1. Experiment flow



Scenario

Before beginning the investment task, we presented participants with the following scenario (see Figure 2) and asked them to imagine themselves in it.

Figure 2. Scenario

You have been able to save some money month to month and have built up a savings pot, which you store in cash in the financial platform '*Vertex*'. This includes an emergency fund, which you have set aside for a rainy day. On top of this, you have built up £1000 of excess cash.

Vertex also offers the option to invest money in different types of investment products.

You are now deciding whether and how to grow this pot by investing in a range of different options.

In this experiment, you will be asked to decide whether and how you'd like to invest your £1,000.

Treatment groups

Participants were then randomly assigned to one of four treatment groups and given information to support them in completing the investment task. Each group was shown information that varied in context and level of detail.

These were simplified versions of the type of information consumers might see if there were increased regulatory protections in place for cryptoassets. They were not intended to reflect the FCA's specific rules on information provision for cryptoassets.

The information consisted of the three following components, which differed by treatment.

Regulatory status of cryptoassets
First, participants were either told that cryptoassets *were* an FCA regulated product or that cryptoassets *were not* regulated by the FCA in the same way that most other products are (we refer to this as 'unregulated').

Protection coverage
Next, participants who were assigned a treatment in which cryptoassets *were* regulated by the FCA were either given detailed information about what regulation means for the consumer protections that may or may not apply to cryptoassets (see Figure 3 for the exact information provided to these participants), or they were given no additional information about the coverage of protections. This experiment was designed to inform live discussions and therefore, this information was not designed to reflect final policy positions.

Product-level information for cryptoassets
Lastly, all participants received information about the four investment products they could invest in during the investment task. The three non-cryptoasset products were presented consistently to all participants and only included key information such as the product description, past performance and risk rating.

However, the information for cryptoassets varied. All participants saw the product description, past performance and a high-risk investment warning. In addition to this, participants in one treatment received information about: the technology that cryptoassets use, ownership rights and obligations, and the associated risks of cryptoassets.

This product information was stylised and not intended to fully reflect the FCA's information provision requirements. The additional information reflects a simplified version of the type of information outlined in the Admissions and Disclosures Discussion Paper DP24/4 (FCA, 2024).

Further details of the information provided can be found in the Annex.

Overview of treatment groups

Table 1 summarises the information provided to participants across groups.

Table 1. Summary of information components shown to each group

Information Component	Control: *Unregulated, no info*	Treatment 1: *Regulated, no info*	Treatment 2: *Regulated, regulatory info*	Treatment 3: *Regulated, regulatory + product info*
Regulatory status of cryptoassets	Not regulated	Regulated	Regulated	Regulated
Protection coverage	No explanation	No explanation	Explanation of implications	Explanation of implications
Product-level information for cryptoasset	Basic information	Basic information	Basic information	Comprehensive information
What does this treatment tell us?		Comparing to Control enables us to test assumptions about regulation	Comparing to Treatment 1 enables us to isolate the impact of regulatory information	Comparing to Treatment 2 enables us to isolate the impact of product-level information

Figure 3. Protections coverage information component

Cryptoassets are regulated by the Financial Conduct Authority (FCA).

Vertex is authorised by the Financial Conduct Authority (FCA) to carry out cryptoasset activities under the Financial Services and Markets Act 2000.

What does this mean?

- Our platform is authorised by the FCA to facilitate trading in regulated cryptoassets. We are required to meet certain standards for how we operate and treat customers.
- Cryptoassets are still not protected by the Financial Services Compensation Scheme (FSCS). If the value of your crypto falls, or if a crypto project fails, you may not get your money back.
- You are unlikely to be able to complain to the Financial Ombudsmen Service (FOS) for issues relating to cryptoassets.
- Cryptoasset providers are required to hold your assets separately from their own funds. This is a practice known as safeguarding and helps your funds in case the provider becomes insolvent.

Note: This information was designed during ongoing policy discussions and may not reflect final policy positions.

Investment task

Next, participants completed the investment task. We presented four investment options, including an unbacked cryptoasset, Bitcoin. Participants were asked to use sliders to allocate £1,000 of cash savings among the four investment options or keep any money leftover as cash.

The investment options represented a mix of risk levels: low risk (cash holdings), moderate risk (Exchange Traded Funds (ETF)), and high risk (Contract For Differences (CFD) and cryptoassets). Among ETFs there was a choice of domestic (FTSE 100 ETF) and global (Global ETF) products.

We chose this range of products to explore potential substitution effects between traditional financial products and cryptoassets. Specifically, if consumers choose to invest more or less in cryptoassets, then where does this investment come from? We were also interested in whether participants are more likely to substitute toward or away from global versus domestic investments with implications for economic growth.

At the same time, we limited the number of options to avoid overwhelming participants with information within the time constraints. A key point to note is that our goal was not to estimate precise absolute investment allocations, but rather to understand how relative allocations across a broad range of product types shift in response to regulation and information provision.

Survey questions

After completing the investment task, participants answered a series of survey questions, measuring:

- **Objective consumer understanding** – the definition of cryptoassets, the regulatory status of cryptoassets, and coverage of protections
- **Self-assessed understanding** – what cryptoassets are and how they operate, the regulatory status and coverage of protections for cryptoassets
- **Trust** – in cryptoassets, cryptoasset providers, financial services, the FCA
- **Perception of cryptoassets** – perceived riskiness, expected returns, expected volatility
- **Attitudes towards regulation** – whether the FCA should be doing more to regulate cryptoassets, whether participants think firms are required to meet Consumer Duty related outcomes and principles

Empirical Strategy

A full list of outcome measures and the corresponding econometric models used are included in the Annex. We used OLS regressions for continuous outcomes and logistic regressions for binary outcomes. We used these models to examine the relationship between our treatment groups and the outcomes measured.

We collected data to allow us to estimate models including the following covariates:

- Age
- Income
- Gender
- Previous/current cryptoasset ownership
- Previous/current stocks and shares ownership
- Financial literacy (based on the established 'Big Three' financial literacy questions; e.g. Lusardi & Mitchell, 2008)

We estimated various models - with no covariates or with a subset of the covariates listed above. Throughout, we report the results from the models with all additional covariates, but our results do not differ qualitatively across all models we estimated. Models without covariates, or with subsets of covariates, are included in the Annex.

To account for multiple hypothesis testing, where testing several treatments increases the chance of finding a statistically significant result by chance, we applied the Bonferroni correction (Abdi, 2007). We adjusted the conventional significance threshold ($a = 0.05$) by dividing it by the number of comparisons (3 treatments versus the control, giving a significance threshold of 0.0167).

Overall, our attrition rate was 26%, with around 24% (N=3,579) dropping out. We only analyse and report the findings from those who completed the experiment. We also excluded participants who took less than 120 seconds to complete the experiment and more than 1 hour (N=293) to ensure data quality. The resulting sample consisted of 10,817 participants.

Results

Table 2 provides a summary of the impact of regulation and the provision of additional information on our key outcomes. Upwards and downwards arrows indicate statistically significant differences (at our 'Bonferroni-corrected' significance level of 1.67%) between a treatment group and the unregulated group.

Table 2. Summary of key results

Outcome	Regulated, no info	Regulated, regulatory info	Regulated, regulatory + product info
Investment outcomes			
Investment in cryptoassets	↑	↑	↑
Remaining cash held	-	-	-
Investment in 'Other' products (not cryptoassets/cash)	-	-	-
Understanding			
Understanding of protections and limitations	↑	↑	↑
Understanding of whether you can complain to FOS for mis-selling	↓		↑
Understanding of whether you are protected by FSCS	↓		
Trust			
Trust in cryptoassets	-	↑	-
Trust in cryptoasset providers	-	-	-
Trust in the financial services industry	-	-	-
Trust in the FCA	↓	-	-

Investment Decisions

Overall investment portfolios

Participants could invest anywhere between £0 and £1,000 from their cash across the four investment products.

58% of participants chose to invest something in cryptoassets. Overall, participants chose to invest 14.7% (£146.83) from their cash in cryptoassets.

Investment in cryptoassets was lower than investment in ETFs as seen in Figure 4: participants allocated 28.4% to the FTSE ETF and 26.2% to the Global ETF on average. Investment into cryptoassets was similar to the average investment in CFDs (15.2%) and to the amount left as cash (15.4%).

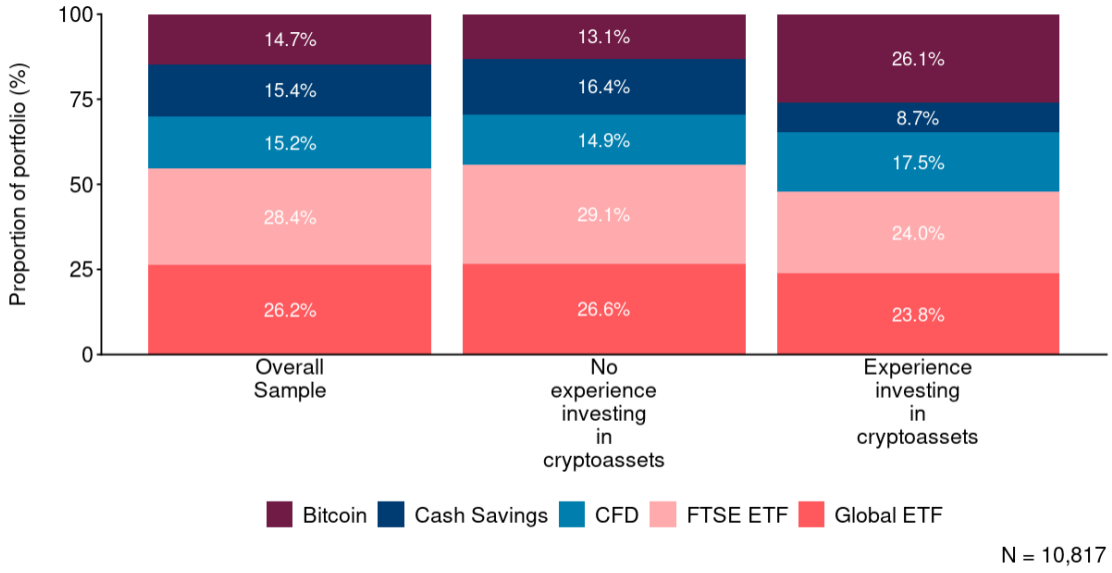
Overall, participants demonstrated a statistically significant 'home bias' across ETF investments. Participants allocated more of their portfolio to the FTSE ETF (28.4%) than to the Global ETF (26.2%).

We observed differences in how participants with or without experience investing in cryptoassets allocated their portfolios on average. Participants with experience in cryptoasset investment allocated 26.1% of their portfolio to cryptoassets, compared to 8.7% among those without. They also invested more in CFDs, less in the FTSE and Global ETFs, and left less as cash. The pattern of 'home bias' we observed overall did not differ by cryptoasset investing experience.

In summary, we see that investment behaviours observed in the experiment qualitatively reflect participants' experiences outside the experiment in the real world. For example, higher levels of investment into safer investment products like ETFs compared to HRIs, and cryptoasset investors investing relatively more into cryptoassets in the experiment compared to non-cryptoasset investors.

However, it is worth acknowledging that this task was designed as a simplified, hypothetical exercise. Participants were asked to allocate a fictional £1,000, with no real financial consequences. Hypothetical experiments are well suited to measure *relative* differences in outcomes across different 'states of the world'. We would not expect the *absolute* levels of change observed in this experiment to perfectly reflect the absolute impact of cryptoasset regulation on investment behaviours in the real world.

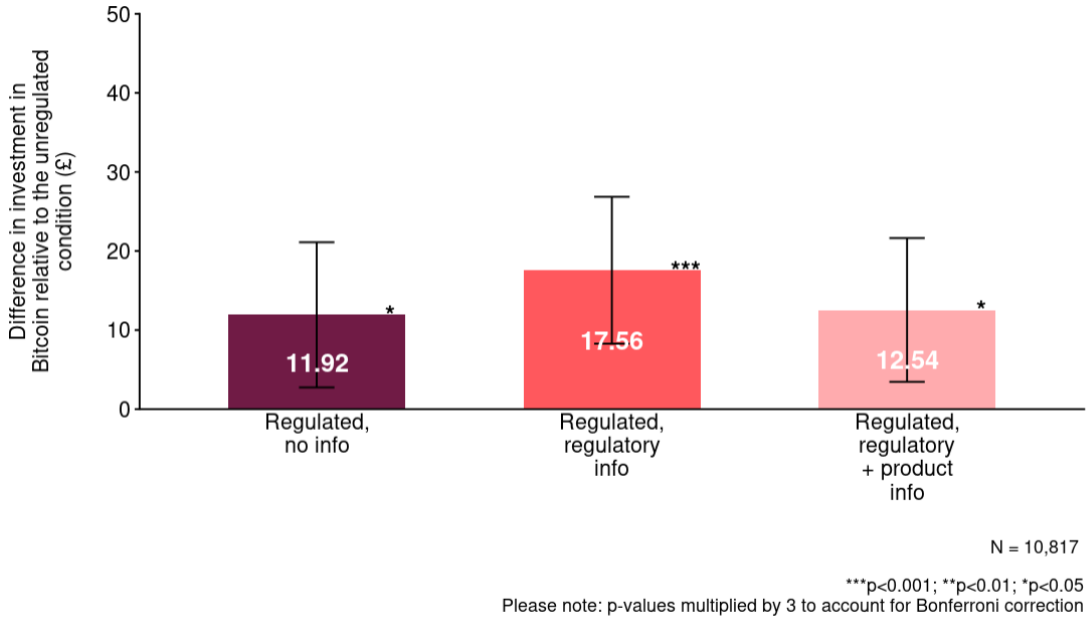
Figure 4. Average portfolio invested



The impact of regulation on cryptoasset investment

Participants in the unregulated group invested £137.16 in cryptoassets on average. Telling participants that cryptoassets are regulated by the FCA increased investment in cryptoassets by between £11.92 (1.2pp) and £17.56 (1.8pp) depending on the treatment. There were no statistically significant differences in cryptoasset investment between regulated groups.

Figure 5. Impact of regulation and additional information on cryptoasset investment



The increased investment into cryptoasset could be driven by two factors:

1. Treatments made participants more likely to invest something in cryptoassets when they otherwise wouldn't;
2. Conditional on investing in cryptoassets, the treatments increased the amount of cryptoasset investment participants made.

Findings from further analysis suggest that the effect of regulation on cryptoasset investment overall was driven by both factors. Further details can be found in the Annex.

Overall, we found demographic differences in the amounts invested in cryptoassets. In models including all covariates, males, those aged under 35, and those with low financial literacy invested more in cryptoassets than females, those aged over 35 and those with medium or high literacy. We also found some indicative evidence that income is associated with demand. In general, those earning less than £30,000 invested less in cryptoassets than those earning more than £30,000. We did not find that any of these demographic groups were differentially impacted by our treatments (i.e we did not find any statistical evidence of an interaction effect between our treatments and these demographic characteristics). These findings are consistent with our Consumer Research series and assumptions we have used throughout our CBAs.

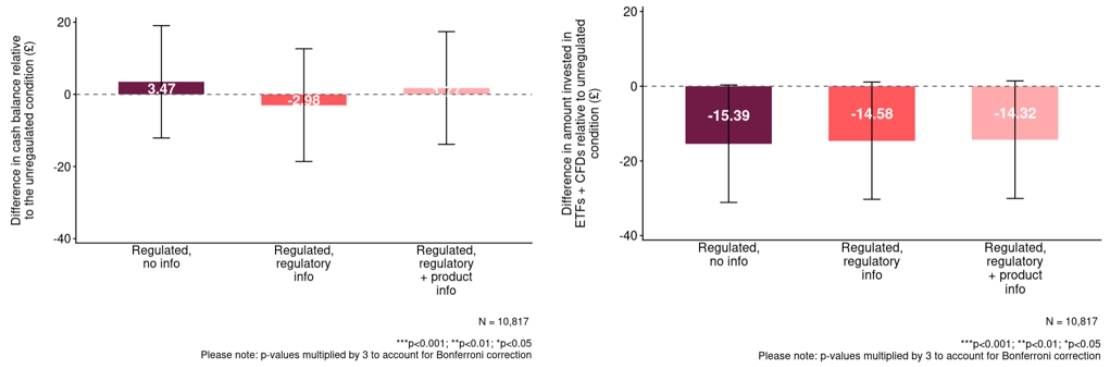
Substitution effects: the source of additional investment into cryptoassets

Since participants had a fixed budget of £1,000 to invest, any increase in investment in cryptoassets necessarily had to come from a reduction in investment in other products, and/or a reduction in cash held.

Our primary question of interest here was whether participants reduced cash holdings to invest more overall as a result of cryptoasset regulation. We found no evidence of this type of substitution, i.e., moving cash into investments. Differences in cash held relative to the unregulated group were close to zero (and in two of the three groups were on average slightly positive – the opposite of a substitution).

Logically, this implies that any substitution therefore comes from a reallocation among other invested products (ETFs and CFDs). Qualitatively, this appeared to be true in our findings. Across the regulated treatments, directionally we saw that, on average, there was a reduction in the amount invested in ETFs and CFDs combined, relative to the amount held in cash (see Figure 6). However, these differences were not statistically significant. There was also no clear pattern in substitution away from investing in a specific product.

Figure 6. Impact of regulation and additional information on cash held (left) and combined investment in ETFs and CFDs (right)



We conducted some further analysis to explore the extent to which these findings were simply a consequence of our experimental design (and therefore cast doubt about their generalisability to the real world). The investment task gave participants the option to spend a fictional £1,000. This hypothetical scenario may have encouraged participants to invest all of their money, which would remove the potential for any substitution from any remaining cash. Indeed, 69% of participants invested the entire £1,000.

As a robustness check, we re-ran our analysis on the subset of participants who did not invest all of their £1,000, and who therefore could substitute away from either cash or other investments. The results among this sub-group revealed a similar directional trend; the average substitution effect was disproportionately larger from other investments than from cash. This gives us confidence that these findings are not simply a result of our particular experimental design.

We were also interested in whether consumers were more likely to substitute away from domestic or global funds. Our analysis indicated that regulation or the provision of additional information did not have a statistically significant impact on the difference between the value participants invested in the FTSE or global ETFs. This suggests that participants' do not disproportionately substitute away from domestic or global investments to fund increased demand in cryptoassets under regulation.

Understanding

Understanding of protections

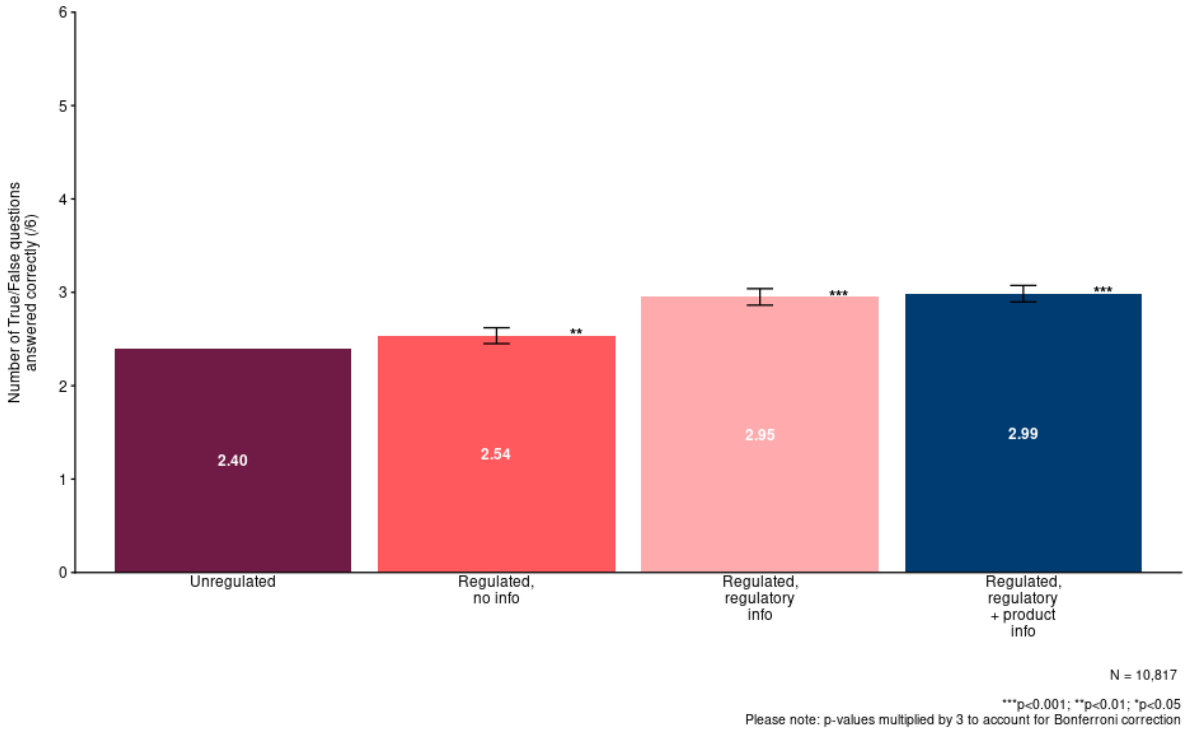
We asked participants 6 true or false questions about whether certain protections might apply to cryptoassets based on the regulatory context provided (see Annex for list of questions).

Overall, understanding was relatively poor. Participants answered fewer than 3 of the 6 questions correctly on average across all groups. Only 5% answered all 6 correctly. Overall, 24% of responses to these 6 true of false questions were 'Don't know'.

In the unregulated group, participants answered 2.40 questions (40%) correctly on average. Participants in the regulated groups demonstrated better understanding overall (by 2.3pp-9.8pp depending on the treatment). Generally, we found participants performed better with the provision of additional information. However, even in the best performing treatment group, participants only answered correctly about 50% of the time (2.99/6 on average).

Again, it is worth noting that this experiment was designed to capture relative differences in understanding across different 'states of the world', rather than approximating absolute levels in the real world. It is important for comprehension questions to be sufficiently challenging in experiments in order to allow for variation in responses and therefore allow a detection of differences across groups. Several factors likely also contributed to the generally poor understanding observed: participants could only view the materials once, unlike in real-world settings where they might encounter information multiple times; in many cases they were asked to imagine a scenario that does not currently exist; and they were asked about the regulatory protections of a complex product many participants had little knowledge of (for example, only 37% of participants correctly identified the definition of cryptoassets out of 4 options).

Figure 7. Impact of regulation and additional information on understanding protections and limitations



We also examined performance on each of the 6 questions individually, with results summarised in Table 3. In the unregulated group, we assumed that none of the protections applied, so the correct answer for all 6 questions was False. For the regulated groups, we assumed that 2 protections applied, meaning the correct answer for those questions was True. Again, these answers may not reflect final policy positions and the protections that apply in the real world.

Table 3. Impact of regulation and additional information on understanding protections and limitations

Protection	% of participants who selected the correct answer			
	Unregulated, no info	Regulated, no info	Regulated, regulatory info	Regulated, regulatory + product info
Questions where the correct answer changes from 'False' to 'True' in the regulated states of the world.				
Safeguard assets	**22.2%**	+20pp	+33pp	+32pp
Meet FCA standards	**35.6%**	+11pp	+20pp	+18pp
Questions where the correct answer is 'False' in all states of the world.				
FSCS protections	**43.1%**	-4pp	+2pp	+3pp
Complain to FOS for mis-selling	**31.7%**	-6pp	+3pp	+3pp
Reclaim losses from operational failures	**49.9%**	-4pp	-3pp	+1pp
Reclaim losses from market performance	**57.4%**	-2pp	-0pp	+2.3pp

Note: The results here show the % of participants who selected the correct answer. The green cells indicate where performance is statistically significantly (at our 'Bonferroni-corrected' significance level of 1.67%) better than the unregulated group. Red cells indicate where performance is statistically significantly worse.

Table 3 highlights important differences between the unregulated group and those told that cryptoassets were regulated but not provided any additional information. Those in the latter group performed worse than those in the unregulated group for questions relating to protections or loss reclaim opportunities that *did not* apply in a regulated world according to this experiment.

Providing additional information about what regulation means, as in the other two regulated groups, mitigates this negative effect.

Understanding cryptoassets and their regulatory status

We assessed both objective and self-assessed understanding of cryptoassets and the regulation of cryptoassets.

We assessed objective understanding using two multiple choice questions: (1) asking participants to identify the correct definition of cryptoassets (from four options) and (2) asking participants to identify whether cryptoassets are regulated or not. We assessed self-assessed understanding by asking participants to rate their own understanding of cryptoassets and how they work, as well as their understanding of the regulatory status and protections for cryptoassets. We did so on a scale from 'Not well at all' to 'Very well'.

Overall, 37% of participants correctly identified the definition of cryptoassets from four answer options. This generally low comprehension mirrors self-assessed understanding. Only 15% of participants reported understanding what cryptoassets are and how they operate 'well' or 'very well'. Objective or subjective understanding of cryptoassets did not differ across groups.

36% of participants correctly identified that cryptoassets are unregulated in the unregulated treatment. Again, this mirrored self-assessed understanding. 19% of participants in the unregulated group said they understood the regulatory status and protections for cryptoassets 'well' or 'very well'. Those in the regulated group who received no information about regulation were 4pp less likely to report understanding the regulatory status and protections compared to the unregulated group.

Other outcomes

Trust

We asked participants to indicate the extent to which they trust cryptoassets, cryptoasset providers, the financial services industry, and the FCA on a scale from 0 (do not trust at all) to 10 (trust completely). We then categorised them into Low (0-6), Medium (7-8) and High (9-10), aligning with the categorisation used in the FCA's Financial Lives survey (FLS, 2024). Trust in the FCA was only measured among participants who reported being aware of the FCA (80% reported being aware of the FCA, higher than a comparable finding (65%) in the FCA's Financial Lives survey 2024) (FLS 2024).

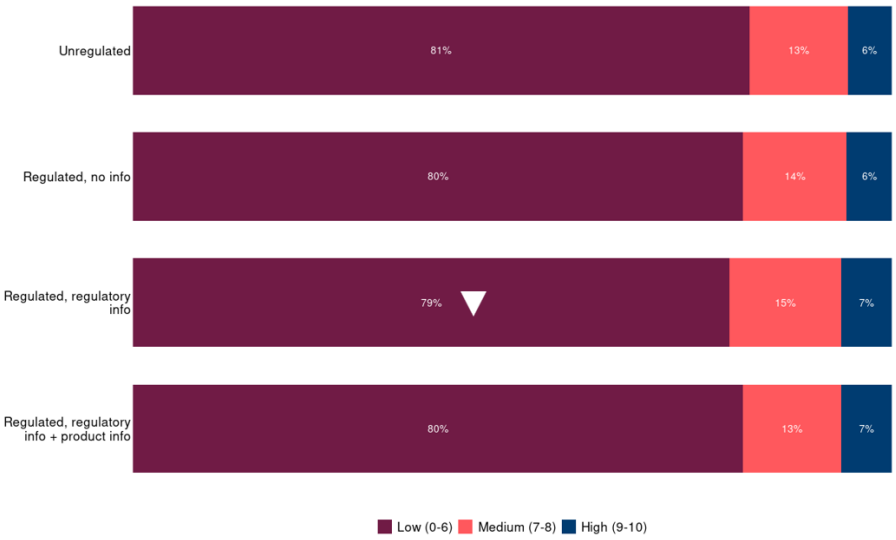
81% of participants in the unregulated group reported 'Low' trust in cryptoassets. Providing additional information had a small, but statistically significant negative effect on trust in cryptoassets, reducing the likelihood of participants reporting 'Low' trust in cryptoassets, to 79% (see Figure 8).

Among participants aware of the FCA, 26% of participants in the unregulated group reported 'High' trust in the FCA. This is comparable to findings from a similar question asked in the FCA's Financial Lives survey 2024 (where 27% reported 'High' trust in the FCA "to protect your best interests as a consumer of financial products and services") (FLS 2024).

Regulating cryptoassets without providing additional information had a small but significant negative effect on trust in the FCA, reducing the likelihood of participants reporting 'High' trust in the FCA, to 23%. There were no significant differences between the unregulated and regulated groups that received additional information (see Figure 9).

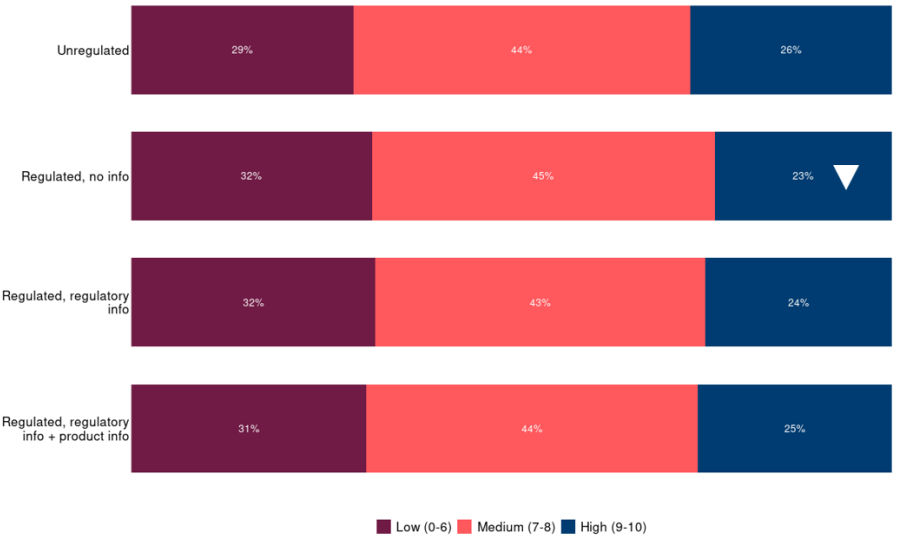
We found no significant differences between treatment groups in either trust in cryptoasset providers or trust in financial services overall.

Figure 8. Impact of regulation and information provision on trust in cryptoassets



Note: Arrows indicate a statistically significant difference in the likelihood of reporting the given level of trust compared to the unregulated group.

Figure 9. Impact of regulation and information provision on trust in the FCA



Note: Arrows indicate a statistically significant difference in the likelihood of reporting the given level of trust compared to the unregulated group.

Attitudes towards regulation

We were interested in understanding participants' broader perspectives on the appropriateness and reach of cryptoasset regulation based on the information they had seen.

Overall, 67% of participants somewhat or strongly agreed that the FCA should be doing more to regulate cryptoassets. This proportion did not vary significantly depending on the information participants saw in the experiment (i.e., unregulated vs regulated groups).

We also asked participants whether they thought that cryptoasset providers were required to meet several outcomes and principles that regulated firms are required to meet under the FCA's Consumer Duty. These results are presented in Table 4.

Telling participants that cryptoassets are regulated increased expectations that these requirements applied to cryptoassets, but only significantly so when additional information about what regulation means is provided. Providing additional product information appeared to somewhat mitigate the positive effect of the telling participants what regulation means. However, directionally, we still saw increased expectations in this group compared to the unregulated group.

Table 4. Impact of regulation and additional information on perceptions of protections

Requirement *Are cryptoasset providers like Vertex required to…*	% of participants who reported that providers probably/definitely are required			
	Unregulated, no info	Regulated, no info	Regulated, regulatory info	Regulated, regulatory + product info
…provide the information consumers need, at the right time, and to present it in a way consumers can understand?	**57.5%**	+1pp	+6pp	+3pp
…offer products and services that are designed to meet consumers' needs, characteristics and objectives?	**62.5%**	+1pp	+4pp	+2pp
…provide support to meet consumers' need and that they should not face unreasonable barriers when they need to access support?	**55.1%**	+2pp	+6pp	+4pp
…set prices or costs for products or services so that the amount consumers pay is reasonable in relation to the benefits of the product they receive?	**51.6%**	+1pp	+5pp	+2pp
…act in good faith, such as not exploiting consumers' lack of knowledge or understanding?	**56.9%**	+1pp	+6pp	+6pp

Discussion

This research used experimental methods to investigate both the potential impact of cryptoasset regulation and the effect of providing additional information. The research assessed how these factors might influence consumer decision-making, understanding of the coverage of protections under regulation, and trust. There are wide-ranging insights from our work for near-term policy discussions as well as the long-term strategic direction for the FCA.

Our findings suggest that bringing cryptoassets under FCA regulation could increase demand for cryptoassets. This could potentially come at the expense of reduced investment in other products, although more research to better understand potential substitution effects may be helpful. We saw evidence that regulation could increase trust in cryptoassets, but that it may also lead to a generalised perception of protection that does not necessarily apply. In our experiment, this results in consumers overestimating the protections that regulation provides. Additional information can help to support consumer understanding of whether protections apply, but its impact is limited. By introducing rules to this new sector, the FCA expect to have a positive impact on consumers and the market. However, the cryptoasset market is inherently volatile, which means that even with a regulatory regime in place, this market will remain high risk.

Regulation increases demand for cryptoassets but may come at the expense of reduced demand for other investment products.

This experiment found evidence that regulation likely increases demand for cryptoassets, regardless of whether consumers are told about the protections that regulation provides.

Increased demand for cryptoassets may come with trade-offs. In this experiment consumers appeared to fund increased investment in cryptoassets by substituting away from other investment products rather than reducing their cash holdings. This finding is consistent with previous empirical and survey evidence.

Regulating cryptoassets may lead to a generalised perception of protection that does not necessarily exist.

We found evidence that consumers may make incorrect assumptions about what regulation entails, specifically the protections that apply. In particular, simply telling participants that cryptoassets are regulated without any further information about the protections that do or do not apply made them less likely to recognise the lack of FOS and FSCS protections[5] compared to when participants were told that cryptoassets are unregulated. Additionally, regulation made consumers more likely to think that cryptoasset providers were required to meet several outcomes and principles covered under the FCA's Consumer Duty. This suggests that consumers may hold a generalised perception of protection that may not necessarily apply.

[5] Recall that this experiment was designed based on assumptions made about the protections that may apply. These assumptions may not reflect final policy positions.

More information can help, but many consumers still misunderstand their protections. Information disclosures may not be sufficient to fully mitigate this misunderstanding.

Providing information about regulations can help consumers understand whether protections apply. However, the benefits of additional information are limited. Even after receiving information about what regulation entails, many participants did not understand whether protections applied. This may have consequences for demand – further analysis showed that thinking that either FOS and/or FSCS protections applied in a regulated world was associated with a £27 increase in cryptoasset investment.

The limited impact of additional information suggests that for a subset of consumers, beliefs about regulatory protections are particularly rigid. Several factors may explain this: they hold strong prior assumptions about what regulation entails, so discount or overlook additional information provided; they don't engage meaningfully with the information; or the information itself is difficult to understand.

These findings align with a previous review of FCA behavioural research testing information-provision interventions. This found some positive impact of disclosure but an absence of universal success (FCA, 2016). This review concluded that how information is disclosed matters, on top of if it is disclosed.

Regulation can also impact trust, and trust may impact behaviour.

Our findings show that regulation can increase trust in cryptoassets when consumers are given information about what regulation entails. Further analysis revealed that trust in cryptoassets was associated with greater demand. Therefore, fostering trust may be one mechanism by which regulation increases demand for cryptoassets.

Telling consumers that cryptoassets are regulated without providing additional information about what this entails reduced trust in the FCA. This suggests that a lack of transparency in the protections that accompany regulation may reduce trust in the FCA.

Future areas of research

Does the impact of regulation on cryptoassets generalise to other financial products or services?
This experiment focused on the impact of regulating cryptoassets. The effect of regulation may differ for other financial products, for example those with a lower profile or perceived risk. Similarly, within cryptoassets, we only explored the impact regulation on demand for Bitcoin. Responses to regulation could vary for less volatile assets such as stablecoins or for higher-risk options like meme-coins. Further research is needed to assess whether these findings extend to other high risk investment products and scenarios.

What is the real impact of regulating cryptoassets on absolute levels of investment, substitution, understanding, and trust?
Hypothetical behavioural experiments are well suited to identifying relative differences in outcomes across different 'states of the world' but are not necessarily well suited to approximating absolute levels in the real world. For example, participants in this experiment chose between four investment options and cash holdings, using hypothetical excess funds. In reality, consumers face a much broader range of investment choices and make decisions with their own money. While observed behaviours broadly aligned with our expectations of real-world investment choices, these constraints mean that we

cannot determine absolute levels of cryptoasset investment or fully understand how consumers would reallocate funds if given a wider set of options. Similar caveats apply to our other outcomes.

What are the causal mechanisms driving the impact of regulation?
This was a diagnostic experiment designed to provide an overall sense of how different regulatory states influence outcomes. It did not aim to identify the mechanisms driving the increased demand or test specific policy interventions. Further research is required to uncover how and why regulation affects consumer behaviour in this context.

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