

Bitcoin Policy Institute

RESEARCH PAPER

# Britain's Bitcoin Opportunity

A Strategy for Turning Legal Clarity into Global Market Leadership

**By Conner Brown and Joey Garcia**

Bitcoin Policy Institute

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## Objective of This Paper

**Why this matters for the United Kingdom.** Between 4.5 and 7 million UK adults already hold cryptoassets, and Bitcoin is by far the largest of them. The question for government is therefore not whether Britons own Bitcoin, but whether they do so through regulated, tax-paying UK firms or through offshore platforms beyond the reach of UK protection. Getting the rules right serves four of the Government's own priorities at once. Growth and the competitiveness of London as a financial centre; consumer protection, by keeping activity onshore and supervised; the public finances, through onshore tax receipts and sound management of the Bitcoin the state already holds; and energy security, by turning curtailed wind, which already costs bill-payers more than £1 billion a year, into productive demand.

The objective of this paper is to establish, before the United Kingdom's cryptoasset regime commences on 25 October 2027, that Bitcoin is a distinct, "non-issued" digital commodity (meaning it has no state or corporate issuer, and new supply is created only on the protocol's fixed, public schedule, which no party can alter), and that the remaining obstacles to British leadership are frictions of implementation, not gaps in the law. The United Kingdom has already done the hard work. The analytical foundations, the statutory property framework, and the core regulatory architecture are in place. What this paper therefore asks for is coherence rather than new legislation. Each recommendation it makes is a specific, dated action that an existing institution, HM Treasury, the FCA, the PRA, HMRC, the Home Office or DESNZ, can take with existing powers within the implementation window now open. The recommendations are deliberately framed to be discrete and measurable, so that policymakers, industry and the public can judge in plain terms, between now and commencement, whether the United Kingdom has aligned its practice with its own analysis.

# Executive Summary

As the United Kingdom transitions into its comprehensive regulatory regime for cryptoassets under the Financial Services and Markets Act 2000 (FSMA), the practical question for government is whether the millions of Britons who already hold Bitcoin do so through regulated UK firms that pay UK tax and answer to UK regulators, or through offshore platforms beyond their reach. Most of the asks in this paper are specific to Bitcoin, because it is structurally different from other cryptoassets; where an ask applies to the sector as a whole (banking access, self-custody and the software perimeter), the paper says so. With the Financial Conduct Authority's (FCA) authorisation gateway open from 30 September 2026 through 28 February 2027 and full commencement of the regime set for 25 October 2027,[1] the months ahead represent the decisive window in which the practical calibration of British policy will be settled.

A deliberate, case-by-case assessment of the United Kingdom's policy landscape reveals a striking paradox. On the intellectual, legal, and statutory fundamentals, Britain has quietly built one of the strongest foundations for Bitcoin of any major jurisdiction in the world. Unlike jurisdictions still debating whether decentralized assets are securities or whether digital bearer assets can attract personal property rights, the UK resolved these core analytical questions early and well. The 2018 Cryptoassets Taskforce and the FCA's landmark 2019 interpretive guidance (PS19/22) accurately identified Bitcoin as a decentralized, non-issued exchange token analogous to a commodity or foreign currency. The Law Commission's multi-year programme culminated in the Property (Digital Assets etc) Act 2025 (and parallel Scottish legislation in 2026), giving English and Scots law an unmatched statutory property foundation for digital assets. Moreover, several core components of the incoming 2026–2027 regulatory settlement—including trust-based client asset safeguarding under CASS 17, the recognition that self-custody and non-custodial software fall outside the custody perimeter, and a proportionate, risk-based approach to self-hosted wallets under the Money Laundering Regulations—are thoughtfully designed and internationally competitive.

Yet between 2020 and 2026, day-to-day policy execution frequently pulled in the opposite direction to the Government's own stated objectives for growth and competitiveness, and to Britain's own legal analysis. Ministers set the direction and in several important instances, the rules as applied did not follow it. For nearly five years, retail investors were prohibited from purchasing regulated Bitcoin exchange-traded notes (cETNs) in regulated wrappers even while direct purchases on offshore, unregulated venues remained lawful. Even after the FCA rightly lifted that retail cETN ban in October 2025, tax-wrapper changes in April 2026 removed newly purchased cETNs from Stocks and Shares ISAs and confined them to Innovative Finance ISAs—a wrapper that would require platforms to seek additional permissions for them to offer alongside other cETNs, effectively cutting off tax-sheltered access for fourteen million ISA savers (except for existing holdings). Meanwhile, financial promotions and admissions frameworks continue to lump Bitcoin—a seventeen-year-old, $1.68 trillion open monetary network, built on open-source rules that anyone can inspect, with a fixed supply set in public code and no company behind it whose failure could take holders' money with it—into the same undifferentiated bucket as newly minted speculative tokens which may include scams. Compounding these regulatory frictions, UK retail and commercial banks routinely block lawful transfers and de-risk FCA-supervised firms simply because they do not wish to engage with the sector and fail to distinguish Bitcoin from the long tail of speculative cryptoassets.

The central conclusion of this assessment is that the United Kingdom should not need sweeping new primary legislation or an invented statutory taxonomy to lead on Bitcoin. What it needs is **implementation coherence**—aligning its operational rules, tax administration, supervisory guidance, and energy policies with the legal and analytical principles it has already established. Section 1 explains what Bitcoin is and where the UK stands today. Section 2 covers market access, bank capital, tax and the state's seized Bitcoin. Section 3 covers disclosure and promotions, self-custody, banking access and public education. Section 4 covers energy and mining. Each section sets out what the UK gets right, where friction remains, and the practical steps to fix it.

**What we ask.** Before the regime commences on 25 October 2027, using powers they already have: (1) HM Treasury and HMRC restore Stocks and Shares ISA eligibility for regulated Bitcoin products; (2) the FCA calibrates disclosure and promotions rules to what Bitcoin verifiably is; (3) the FCA, PRA and JMLSG issue guidance so that banks assess cryptoasset firms on their regulatory status, not their sector label; (4) the PRA and HM Treasury deliver the July 2026 UK–US commitment to risk-sensitive bank capital; (5) HM Treasury aligns the tax treatment of Bitcoin lending, collateral and small everyday payments with principles already applied elsewhere in the tax system; (6) HM Treasury and the Home Office adopt custody standards, and a presumption of retention, for any net seized Bitcoin left after victims are compensated; and (7) DESNZ and NESO assess flexible Bitcoin mining as a tool to reduce grid-constraint costs.

# 1. Why Bitcoin—and Assessing the United Kingdom's Position Today

## 1.1 What Bitcoin Is—and Why It Is a Policy Domain of Its Own

Bitcoin is an open, internet-native monetary network and a scarce digital asset. Conceived in 2008 and launched as open-source software in January 2009,[2] it has operated continuously for more than seventeen years without a central authority, issuer, or bailout, growing into a global monetary asset with a market capitalisation of approximately US$1.68 trillion as of September 2026.[3] Although policymakers and financial institutions frequently group Bitcoin under the catch-all label of 'cryptoassets' or 'digital assets', effective public policy begins with recognising that Bitcoin spans three distinct, intertwined dimensions: **a scarce digital asset** that individuals, institutions, and sovereigns hold and trade; **an open communications and settlement network** of user-operated nodes, wallets, and protocols; and **a physical computational process** (proof-of-work mining) that anchors the digital ledger's security in real-world energy use.[4]

These structural properties matter for policy because they place Bitcoin outside the institutional assumptions on which traditional financial regulation is built. A corporate security has an issuer whose management, balance sheet, and use of proceeds must be disclosed to protect investors from asymmetric information. A collective investment fund has a manager obligated to safeguard pooled capital. A conventional payment system has a central operator that can be licensed to police transactions.

Bitcoin has none of these. Its total supply is algorithmically capped at 21 million coins; its issuance schedule is transparent and verifiable by any user running full-node software; and its consensus rules cannot be unilaterally altered by any developer, company, foundation, or government.[5] In economic and legal substance, Bitcoin functions as a non-issued digital commodity. For the purposes of the new UK regime, it is also a qualifying cryptoasset within article 88F of the Regulated Activities Order, which does not depend on whether an asset has an issuer.

Crucially, while Bitcoin falls within the UK's legal definition of a cryptoasset, it is structurally different from the rest of that category. It accounts for the majority of the market value of the entire digital asset sector, and it is the only digital asset launched without a central issuer, venture fundraising, or an insider pre-mine. It is also the digital asset that regulators across major jurisdictions have most consistently distinguished from the wider category: the European Union's MiCA framework treats assets created through mining differently, Hong Kong applies large-cap eligibility criteria, Canada designates specified cryptoassets, and US regulators classify Bitcoin as a digital commodity. By contrast, tens of thousands of newly minted tokens are created each year by identifiable promoters who retain administrative keys, control token supply, or market speculative returns from a common enterprise. A regulatory or banking framework that treats a seventeen-year-old, open-source monetary network identically to a token created yesterday is not being 'technology-neutral'; it is committing a category error that applies rules designed for issuer risk to an asset that has no issuer, penalising lawful users of an established global asset.

**Bitcoin at a Glance: Six Key Facts for Policymakers**

### 1. FIXED 21 MILLION SUPPLY

Bitcoin's total supply is mathematically capped at 21 million coins by its consensus rules, which no individual participant can change unilaterally. New coins are issued on a pre-programmed schedule that halves roughly every four years (currently 3.125 BTC per block, or roughly every ten minutes) until issuance reaches zero around the year 2140. More than 19.8 million bitcoins have already been issued, and no central bank, company, or developer can unilaterally increase the supply.

### 2. OPEN SOURCE, WITH NO COMPANY BEHIND IT

Unlike a corporate security, fund, or fiat-backed stablecoin, Bitcoin has no issuing company, board of directors, foundation, or administrative keys. Launched as open-source software in January 2009 without venture fundraising, a public token sale, or an insider pre-mine, it is a non-issued digital commodity rather than a financial claim on an intermediary. Like the open-source software that underpins much of the internet and many government digital services, its code is public and anyone can inspect it.

### 3. NO SINGLE POINT OF CONTROL

Bitcoin's security and resistance to tampering follow directly from the fact that it is run by thousands of independent participants around the world: because no small group can change its rules, its supply and settlement are verifiable by anyone rather than dependent on an issuer's promises. That is what makes it credible as money, and why it can be regulated by reference to what it verifiably is rather than by assessing a counterparty.

### 4. ANYONE CAN INDEPENDENTLY VERIFY THE LEDGER

The Bitcoin blockchain is an open, timestamped public record of every transaction since 2009. Any individual or institution can run free 'full-node' software on a standard computer to independently verify the entire transaction history, audit the total coin supply, and enforce the network's consensus rules without relying on a trusted third party.

### 5. WHAT A PRIVATE KEY IS

Ownership and transfer of bitcoin are governed by public-key cryptography. A 'private key' is a secret cryptographic credential—analogous to a password—that authorises the movement of bitcoin associated with a public address. Holders can either entrust private keys to a regulated custodian (custodial holding) or hold their own keys directly using personal hardware or software (self-custody).

### 6. WHAT PROOF-OF-WORK MINING DOES

Rather than relying on a central clearinghouse to order transactions, Bitcoin uses 'proof-of-work' mining. Specialized computers compete using real-world electricity and costly hardware to solve cryptographic calculations that bundle transactions into blocks. This physical energy cost secures the ledger against tampering or double-spending and distributes newly issued bitcoin through open competition.

Nor should UK policymakers view Bitcoin primarily as a rival payment currency seeking to displace sterling. In modern economies, the textbook functions of money—medium of exchange, unit of account, and store of value—are rarely performed by a single instrument. British households and institutions hold bank deposits for daily sterling payments, gilts and money-market instruments for short-term liquidity, and gold, equities, or real estate as long-term stores of wealth. Bitcoin's primary,

demonstrated role in the global financial system is as **digital capital**: a scarce, portable, independently verifiable bearer asset held to preserve purchasing power over long horizons and to diversify against monetary and counterparty risks. On that mainstream institutional view, Bitcoin does not need to replace the pound or supplant high-street banks to matter profoundly for British economic policy; it needs only to continue absorbing a growing share of global store-of-value and collateral demand.

Bitcoin also matters as infrastructure, not only as an asset. It is an open settlement network that no single country, company or payment scheme controls, and it operates in the same way wherever its users are. At a time when governments are reassessing how far they depend on payment and settlement infrastructure controlled from outside their borders, an open network that Britain can use, supervise at the points where it meets the regulated economy, and build on, without needing any foreign operator's permission, has strategic value in its own right. Most of this paper's asks concern the asset, but the network is one reason why getting the framework right matters beyond investor access.

**Scope of this Assessment:** Because Bitcoin's economic role and decentralised technical architecture are fundamentally distinct from issuer-backed instruments, this paper focuses specifically on Bitcoin and its surrounding market, software, and energy infrastructure. It deliberately sets aside two adjacent policy debates in the United Kingdom: the Bank of England and FCA regime for fiat-backed stablecoins,[6] and the Bank of England's ongoing exploration of a retail central bank digital currency (the 'digital pound'). Stablecoins are credit instruments whose value depends on an identifiable issuer's reserve backing and redemption promise; retail CBDCs are sovereign liabilities involving distinct questions of monetary policy and financial privacy. Evaluating Bitcoin on its own merits—as a non-issued digital commodity and an open network—allows UK policymakers to calibrate rules for the reality of how Bitcoin actually works. The three dimensions also explain why each recommendation stands on its own grounds. The disclosure and promotions proposals rest on the absence of an issuer. The custody, banking and self-custody proposals address the services built around the network, which carry their own risks and are regulated as such. The energy proposals rest on demonstrated grid and emissions benefits, not on the absence of an issuer.

## 1.2 Britain's Comparative Advantage: Law, Markets, and Early Analytical Leadership

When assessing whether the United Kingdom is equipped to become a premier global hub for Bitcoin finance, custody, and innovation, the starting point is extraordinarily positive. Britain has built global commodity and financial markets before by combining clear legal standards with trusted institutional infrastructure. In 1750, the Bank of England established the London Good Delivery List, recognising refiners whose gold bars met an objective standard so buyers knew precisely what they were purchasing.[7] Today, the Bank of England holds roughly 400,000 gold bars in custody, enabling central banks and commercial counterparties to transfer ownership seamlessly on London's books without moving physical metal.[8] That same institutional capacity underpins Britain's 37.8 percent share of global foreign exchange turnover—the largest of any nation.[9] Britain earns its pre-eminent place in global finance by providing legal certainty and market infrastructure that make international assets safer and more efficient to hold, trade, and finance.

The scale of both international and domestic demand warrants applying that British tradition to Bitcoin. Internationally, Bitcoin's integration into mainstream capital markets has been historic:

following the approval of US spot Bitcoin exchange-traded products in January 2024, BlackRock's iShares Bitcoin Trust surpassed US$50 billion in assets under management within its first year—the fastest exchange-traded product launch in financial history.[10] Domestically, millions of Britons already participate in the market, with FCA consumer research estimating between 4.5 million and 7 million UK adults holding cryptoassets across recent survey waves.[11] These savers and institutions require competitive domestic providers, clear legal titles, and proportionate regulatory safeguards.

What is often overlooked in critiques of UK policy is how well British institutions performed the foundational intellectual and legal work on Bitcoin. In 2018 and 2019, the UK Cryptoassets Taskforce and the FCA's PS19/22 guidance established a clear, interpretative position—distinguishing unregulated exchange tokens like Bitcoin from security tokens and e-money tokens—years before other major jurisdictions achieved similar clarity.[12] Even more significantly, the Law Commission's digital assets programme culminated in the Property (Digital Assets etc) Act 2025 in England, Wales, and Northern Ireland,[13] followed by the Digital Assets (Scotland) Act 2026.[14] By confirming in statute that digital assets such as Bitcoin are not precluded from attracting personal property rights as a distinct category of property (neither a traditional 'thing in possession' nor a 'thing in action'), the United Kingdom gave Bitcoin ownership, custody trusts, and insolvency recovery a statutory foundation under English and Scots law that no competing financial centre matches.

## 1.3 The 2020–2025 Policy Detour and the 2026–2027 Implementation Window

Why, then, has the United Kingdom lagged behind the United States and European competitors in capturing Bitcoin market share? The answer lies in a costly five-year policy detour between 2020 and 2025, during which practical regulatory actions contradicted Britain's earlier analytical clarity. In January 2021, the FCA prohibited the sale of cryptoasset exchange-traded notes (cETNs) and derivatives to retail consumers (PS20/10).[15] That decision created a striking regulatory anomaly: for nearly five years, an ordinary British saver was barred from buying a regulated, custodied, exchange-listed Bitcoin note inside a brokerage account, yet remained completely free to purchase Bitcoin directly on an unregulated offshore exchange. In October 2023, the financial promotions regime compounded this friction by classifying all 'qualifying cryptoassets' as Restricted Mass Market Investments (RMMIs), imposing identical warning banners, friction, and appropriateness rules on Bitcoin and on the most speculative newly launched tokens alike.[16]

The documented consequences of that period were arguably counterproductive for both consumer protection and UK competitiveness. Rather than shielding British consumers from risk, barring regulated domestic options pushed retail demand toward offshore and unregulated platforms—precisely the dynamic exposed by the collapse of FTX in 2022. At the same time, the combination of blunt promotion rules, slow AML registration bottlenecks, and widespread commercial debanking triggered the withdrawal, suspension, or relocation of more than a dozen prominent firms from the UK market—including services operated by PayPal, CoinCorner, Skrill, Gemini, and Copper—while Britain's share of global Bitcoin mining activity and hashrate languished at roughly 0.1 per cent and the full UK regulatory regime slipped nearly three years behind the European Union's Markets in Crypto-Assets (MiCA) timetable.[17]

Today, however, the policy environment has shifted decisively, and the window to correct these self-inflicted frictions is wide open. Three developments make the 2026–2027 implementation period before the 25 October 2027 commencement date uniquely actionable:

- **First, the core statutory architecture is now in place—and much of it is sound.** The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) and the FCA's June 2026 policy statements (PS26/9–PS26/13) bring cryptoasset custody, trading venues, dealing, and arranging into a comprehensive FSMA conduct and prudential perimeter.[18] Unlike a simple anti-money-laundering registration list, this provides London with an institutional-grade regulatory rulebook. Crucially, the remaining friction points—how Bitcoin's non-issued structure satisfies disclosure rules, how non-custodial software developers are protected in perimeter amendments, how tax and ISA rules apply to Bitcoin products, and how banks assess sector risk—can be resolved through targeted secondary calibration, supervisory guidance, and tax administration without reopening the primary legislation.
- **Second, HM Treasury and the regulators have explicitly prioritised international competitiveness.** Anchored by the Government's Financial Services Growth and Competitiveness Strategy and the FCA's secondary international competitiveness and growth objective under the Financial Services and Markets Act 2023, UK authorities have shown a renewed willingness to correct rules that export activity overseas.[19] When the FCA lifted the retail prohibition on cryptoasset ETNs in October 2025, it explicitly invoked that competitiveness objective. Similarly, HM Treasury's April 2026 policy note on the dealing perimeter candidly recognised that overly broad drafting 'stands to push firms offshore' and moved to recalibrate it.
- **Third, recent experience proves that well-evidenced policy intervention during this window works.** When the House of Lords Financial Services Regulation Committee published its June 2026 report demonstrating that pre-emptive retail stablecoin holding limits were disproportionate and uncompetitive, the Bank of England abandoned the proposed limits within three weeks.[20] UK institutions are actively listening to rigorous, evidence-led proposals that work with—rather than against—the grain of the UK framework.

As Bitcoin Policy UK observed to the Chancellor of the Exchequer in July 2024, not having a coherent Bitcoin policy today is the equivalent of not having an internet policy in 1994. The sections that follow provide a balanced, domain-by-domain assessment of where British policy already succeeds, where it falls short, and the practical steps HM Treasury and UK regulators can take to finish the job.

# 2. Economics, Capital Markets, and Sovereign Strategy

Evaluating Bitcoin as a scarce, non-issued monetary asset raises four interrelated questions for British economic and financial policy: how ordinary savers and institutions access Bitcoin through regulated UK capital markets; how prudential rules and transatlantic regulatory cooperation shape wholesale banking services; how the tax code treats everyday payments and institutional collateral; and how the state manages the substantial Bitcoin holdings already under public supervision.

## 2.1 Retail and Institutional Market Access: Finishing the cETN Reform

**What the UK Gets Right:** The FCA deserves substantial credit for correcting the single most glaring anomaly in UK retail market access. In October 2025, invoking its secondary growth and competitiveness objective, the FCA lifted the retail prohibition on cryptoasset exchange-traded notes (cETNs) admitted to a UK Recognised Investment Exchange.[21] Since 8 October 2025, UK retail investors have been permitted in principle to gain Bitcoin exposure through London-listed, regulated debt securities backed by professionally custodied Bitcoin, rather than being forced onto unregulated venues. Alongside this step, the FCA's rules permitting UCITS and Non-UCITS Retail Schemes (NURS) to hold up to 10 per cent exposure to qualifying cETNs, consulted on in CP26/17 and in force since 28 September 2026, represent a welcome move toward normalising institutional and multi-asset fund access.

**Where Friction Remains:** Despite the FCA's regulatory green light, administrative tax decisions have inadvertently neutralised much of the reform's practical benefit. Under the Individual Savings Account (Amendment) Regulations 2026 (SI 2026/248), effective 6 April 2026, HM Revenue & Customs (HMRC) removed newly acquired cETNs from the mainstream Stocks and Shares ISA and restricted them to the Innovative Finance ISA (IFISA)—a niche wrapper originally designed for peer-to-peer lending.[22] The effect of this is that, unless UK investment platforms acquire the combined regulatory permissions and operational infrastructure to offer both exchange-traded notes on a Recognised Investment Exchange and IFISA accounts, UK savers have no practical route to purchase additional regulated Bitcoin cETNs inside any ISA wrapper. An access reform that cannot be used inside the tax-sheltered accounts through which fourteen million British adults actually save is an incomplete reform. Furthermore, UK products remain limited to exchange-traded notes (debt obligations) rather than true spot exchange-traded funds with in-kind creation and redemption, leaving London at a structural disadvantage relative to US capital markets.

**Practical Implementation Priorities:** HM Treasury and HMRC do not need primary legislation to resolve this bottleneck. First, HM Treasury should conduct an evidence-led review of the April 2026 ISA changes and restore Stocks and Shares ISA eligibility (via secondary amendment to the ISA Regulations, coordinated with the wider ISA amendments taking effect in April 2027 (the Individual Savings Account (Amendment) (No. 2) Regulations 2026, SI 2026/1018))[23] for unleveraged notes and exchange-traded products tracking Bitcoin, subject to verifiable 1:1 backing, enforceable holder rights, and admission to a UK Recognised Investment Exchange—while HMRC and the FCA immediately resolve the IFISA provider-permissions mismatch in the interim.

Second, the FCA should keep the 10 per cent fund-exposure cap under review as market experience develops, and work with HM Treasury to establish a clear legal and regulatory pathway for UK-listed

spot Bitcoin exchange-traded products with in-kind creation and redemption (permitting authorised participants to create and redeem shares directly in Bitcoin, which tightens tracking and deepens onshore market liquidity). That pathway will only work if the tax treatment matches the product mechanics. On current rules, an authorised participant delivering Bitcoin in exchange for shares (or receiving Bitcoin on redemption) may be treated as making a disposal and acquisition for Capital Gains Tax purposes, which would undermine the very efficiency the in-kind model is designed to deliver.[24] The corresponding tax neutrality is therefore addressed alongside the lending and collateral reforms in section 2.3.

Finally, across all regulated wrappers—cETNs, funds, and shares in Bitcoin treasury companies—the FCA's disclosure implementation should ensure that investors are told plainly in standard summary form what legal claim they own, who custodies the underlying Bitcoin, what fees and leverage apply, and how the wrapper's performance can diverge from holding spot Bitcoin directly.

## 2.2 Prudential Capital, Wholesale Markets, and the Transatlantic Opportunity

**What the UK Gets Right:** At the bilateral and strategic level, HM Treasury has laid the groundwork for a major transatlantic breakthrough. On 14 July 2026, the UK–US Transatlantic Taskforce for Markets of the Future (TTMF) published ten joint recommendations endorsed by HM Treasury and the US Treasury.[25] Two of those commitments are directly transformative for Bitcoin policy. Under Recommendation 2, UK and US authorities—including the Bank of England, FCA, SEC, and CFTC—committed to seek common approaches to the regulatory treatment of digital assets and to consider 'increased use of flexible regulatory mechanisms' to deliver timely cross-border clarity. Even more significantly, under Recommendation 5, the UK and United States jointly committed to support a targeted review of the Basel Committee on Banking Supervision's cryptoasset standards so that prudential rules are 'future-proofed, technology-neutral, and evidence-based'.

**Where Friction Remains:** While London's commercial law and foreign-exchange infrastructure give it a natural advantage in institutional Bitcoin custody, collateralised lending, and prime brokerage, UK banks remain effectively priced out of the market by interim prudential rules.

In its May 2026 letter, the PRA maintained its interim expectation of a 100 per cent capital requirement for unbacked cryptoassets under the market-risk framework and indicated that a formal consultation on a permanent UK regime is not anticipated until 2028 at the earliest.[26] Similarly, the international Basel standard (SCO60) assigns Group 2b cryptoasset exposures—which include unhedged Bitcoin—effectively the same 100 per cent capital requirement (via a punitive 1,250 per cent risk weight alongside tight concentration caps of 1 to 2 per cent of Tier 1 capital).[27] As Bitcoin Policy Institute research has demonstrated in *Basel's 1,250% Mistake*, applying a 1,250 per cent risk weight (which requires banks to hold pound-for-pound capital at the 8 per cent minimum ratio before buffers) to a transparent, liquid, non-issued bearer commodity with zero issuer-default risk is economically indefensible.[28] It makes regulated bank intermediation—such as market-making, hedged client facilitation, and Bitcoin-collateralised lending—uneconomic, pushing institutional activity out of supervised banks and into unregulated offshore balance sheets.

**Practical Implementation Priorities:** Rather than waiting until 2028 for a domestic PRA consultation, HM Treasury and the PRA can take three immediate, practical steps using existing supervisory discretion and the July 2026 TTMF mandate.

First, the PRA should publish supervisory guidance clarifying that segregated agency custody and client execution—where customer assets are held on trust and off the bank's balance sheet—do not attract Group 2 balance-sheet capital charges, and are instead governed by operational-risk standards.

Second, HM Treasury and the PRA should actively execute TTMF Recommendation 5 in international negotiations and domestic interim guidance, replacing the 1,250 per cent default and rigid concentration caps for Bitcoin with risk-sensitive market-risk treatment that recognises net hedging, physical liquidity, and enforceable collateral haircuts.

Third, under TTMF Recommendation 2, HM Treasury and the FCA should anchor a shared UK–US supervisory recognition of Bitcoin as a non-issued digital commodity (aligning with the March 2026 SEC/CFTC joint interpretation) and pursue mutual recognition of qualifying US- and UK-listed Bitcoin investment products. Alongside banking reform, the Financial Reporting Council (FRC) and the UK Endorsement Board should promote fair-value accounting clarity for corporate Bitcoin holdings (moving beyond restrictive IAS 38 intangible-asset treatment),[29] while the Department for Work and Pensions (DWP) and The Pensions Regulator provide neutral, worked governance examples for institutional trustees evaluating small, diversified allocations.[30]

## 2.3 Tax Alignment for Everyday Use and Institutional Financing

**What the UK Gets Right:** HM Treasury and HMRC have already shown commendable pragmatism in addressing one of the most significant tax distortions in digital asset markets: the 'phantom disposal' problem in lending and collateral arrangements. Because UK tax law historically treated any transfer of beneficial ownership of a token—such as posting Bitcoin into a lending or collateral arrangement—as an immediate chargeable disposal for Capital Gains Tax (CGT) purposes even where the lender retained full economic exposure and a right to the return of identical tokens, institutional financing faced dry tax charges. In July 2026, HMRC published draft legislation establishing 'no gain, no loss' treatment for specified cryptoasset lending and liquidity-pool transactions involving individuals and trustees, intended to take effect from 6 April 2027.[31] This demonstrates that the Government understands why economic substance, rather than technical title movement, should govern the taxation of digital commodity financing.

**Where Friction Remains:** Two tax obstacles continue to hold back lawful Bitcoin usage in Britain. First, HMRC's July 2026 draft lending legislation focuses primarily on individuals, trustees, and specific liquidity structures, leaving gaps for corporate treasuries, financial institutions, and bilateral Bitcoin repo and title-transfer collateral arrangements that would otherwise mirror the established securities-financing neutrality of Sections 263A and 263B of the Taxation of Chargeable Gains Act 1992,[32] and for the in-kind creation and redemption mechanics on which spot Bitcoin exchange-traded products depend (see section 2.1). Second, under current CGT rules (CRYPTO22100), every personal expenditure of Bitcoin—down to buying a £4 coffee or paying for an online subscription—triggers a chargeable capital gains disposal requiring Section 104 share-pooling cost-basis calculations, particularly acute now that the annual CGT exempt amount stands at £3,000.[33] In practice, this rule collects negligible

revenue for the Exchequer, creating a disproportionate burden on the state and the user: consumers either refrain from using Bitcoin as a medium of exchange altogether because of the administrative burden, or fail to calculate micro-disposals on everyday purchases.

**Practical Implementation Priorities:** HM Treasury and HMRC should advance two targeted alignment measures, each of which extends to Bitcoin a treatment the UK tax system already gives equivalent transactions elsewhere. Securities lending and repo for financing, and the existing exemption for foreign currency acquired for personal expenditure for small everyday payments. First, as HMRC finalises the April 2027 cryptoasset lending rules, HM Treasury should extend comprehensive repo and stock-lending-style no-gain, no-loss tax neutrality across institutional and corporate Bitcoin lending and collateral arrangements and to the in-kind creation and redemption of units or shares in Bitcoin exchange-traded products by authorised participants — ensuring that posting Bitcoin as collateral or entering a qualifying financing transaction does not crystallise a tax charge unless and until the collateral is liquidated or defaulted upon. The United States comparison is helpful and instructive. Essentially, the ability to create and redeem fund shares in kind, without the transfer itself being a taxable sale, is a large part of why the US ETF structure is so tax-efficient, and a UK-listed spot product that lacks equivalent treatment would start at a structural disadvantage.

Second, HM Treasury should use the Finance Bill process to evaluate and introduce a **de minimis Capital Gains Tax exemption** for personal purchases of goods and services using Bitcoin, set at approximately £500 per transaction and subject to an annual aggregate expenditure cap. Defining the threshold by the sterling value of the purchase (rather than the calculated gain) allows a consumer to know immediately at the point of sale whether the transaction is exempt. This applies a principle HMRC has itself been prepared to accept elsewhere. In its 2026 work on the taxation of stablecoins, HMRC called for evidence on, and has since proposed, exempting eligible stablecoins from Capital Gains Tax for individuals on the footing that economic substance, not technical form, should drive the tax result. Spending Bitcoin on goods and services is not trading or investing, and exempting small everyday payments is consistent with that logic rather than a novelty. Far from representing a static revenue loss, behavioural fiscal modelling—such as the 2026 Cornell Tech Policy Institute study of an analogous US de minimis exemption—indicates that removing tax friction on small digital-commodity payments unlocks compliant commercial activity and generates net positive tax revenues over a ten-year horizon.[34]

## 2.4 Public Balance Sheet Strategy: The Seized Bitcoin Holdings

**What the UK Gets Right:** Through effective law-enforcement action, the United Kingdom is currently one of the largest state holders of Bitcoin in the world, with approximately 61,000 BTC—seized by the Metropolitan Police in 2018 in connection with the Tianjin Lantian Gerui (Qian) investment fraud—held under the supervision of the English courts. Britain's statutory proceeds-of-crime architecture and Home Office guidance (Circular 005/2024) rightly draw a strict legal distinction between seizure, detention, and forfeiture, establishing clear court-supervised processes to ensure that victims and qualifying proprietary claimants are compensated first.[35] Respecting property rights and prioritizing victim restitution under the rule of law is an unqualified strength of the British system. The courts are now actively testing those claims. In October 2026 the High Court ruled in Director of Public Prosecutions v Qian ([2026] EWHC 2509 (KB)) that Chinese law governs whether the victims hold

proprietary rights in the seized Bitcoin. That judgment decides only the applicable law. Victims' claims under section 281 of the Proceeds of Crime Act 2002 remain to be determined on expert evidence of Chinese law, and an appeal has been signalled.

**Where Friction Remains:** The unresolved policy question concerns what happens to any net surplus of Bitcoin that lawfully accrues to the Crown after all victim restitution claims, confiscation orders, and legal obligations have been fully satisfied. The October 2026 ruling makes it more likely that Chinese law will shape which victims can establish a proprietary interest, so the size of any surplus remains genuinely uncertain. The retention principle set out below does not depend on the answer. It applies to whatever net surplus remains, however large or small, once victims have been dealt with first. HM Treasury has previously stated that purchasing Bitcoin on the open market to build a strategic reserve is not its policy, and this assessment takes that fiscal posture as given. However, automatically liquidating already-forfeited Crown Bitcoin for short-term budgetary cash—as press reporting has periodically suggested HM Treasury might do—would repeat one of the most expensive fiscal miscalculations in modern British history. Between 1999 and 2002, HM Treasury auctioned 395 tonnes of the United Kingdom's gold reserves at the bottom of the market (the 'Brown Bottom'), forgoing tens of billions of pounds in long-term national wealth. In mid-2024, the German state of Saxony provided a contemporary cautionary tale when it hurriedly liquidated roughly 50,000 seized BTC, foregoing billions of dollars in appreciation within months. By contrast, as BPI economist Matthew Ferranti has shown, retaining a modest sovereign allocation to a non-sovereign, scarce digital commodity provides asymmetric long-term diversification at zero acquisition cost[36]—the exact logic adopted by the United States in March 2025 when it directed that forfeited federal Bitcoin be retained rather than sold.

**Practical Implementation Priorities:** HM Treasury and the Home Office should establish a two-phase **Sovereign Digital Asset Custody and Retention Framework** that respects ongoing court proceedings and requires no taxpayer expenditure to acquire assets:

- **Phase One (Immediate Custody and Governance Standards):** While the courts resolve proprietary claims in the Qian litigation and other forfeiture cases, HM Treasury and the Home Office should establish uniform, institutional-grade custody, multi-signature key governance, independent audit, and recovery standards for all digital assets detained or held by public authorities, prohibiting any rehypothecation or lending of detained assets.
- **Phase Two (Presumption of Retention for Net Crown Recoveries):** Once victims have been compensated and all statutory and court-ordered obligations are settled, HM Treasury should establish a published policy presumption—subject to existing statutory powers and court orders, with any technical statutory adjustments identified alongside the Home Office—that net Bitcoin recoveries lawfully accruing to the Crown are retained on the public balance sheet rather than liquidated by default. Any discretionary disposal should require an explicit ministerial decision measured against published value-for-money and strategic criteria, accompanied by transparent reporting to Parliament. Retention should not be mistaken for forgone revenue. It defers a decision rather than foreclosing it: the Government keeps the option to sell later at a time of its choosing, whereas a forced early sale crystallises a price that cannot be undone, as the 1999–2002 gold sales example has shown.

# 3. Technology, Regulation, and Individual Access

Evaluating Bitcoin as an open, peer-to-peer software network requires examining how the United Kingdom's incoming FSMA regime—and its surrounding anti-money-laundering, tax-reporting, and banking practices—affect four groups: trading venues and firms seeking to offer Bitcoin to the public; individuals exercising their right to self-custody; open-source developers and network participants building non-custodial infrastructure; and lawful customers and businesses interacting with the UK banking sector.

## 3.1 Calibrating Disclosures and Promotions: Inherent Structural Disclosure

**What the UK Gets Right:** The legislative architecture of the Cryptoassets Regulations 2026 (SI 2026/102)[37] and the FCA's June 2026 Admissions and Disclosures rules (PS26/9) already contain the legal flexibility needed to regulate Bitcoin sensibly without creating a new statutory asset class. Specifically, Regulation 13(1) of the Cryptoassets Regulations establishes an outcomes-based disclosure requirement keyed to the specific features and risks of each qualifying cryptoasset, and PS26/9 explicitly recognises that where an asset has no identifiable issuer, the trading venue or admission applicant prepares the admission document.[38] Similarly, in finalising its conduct and promotions handbook rules in PS26/13, the FCA committed to ongoing monitoring of how the Restricted Mass Market Investment (RMMI) rules operate in practice.

**Where Friction Remains:** Despite that outcomes-based statutory foundation, practical implementation risks treating Bitcoin as if it were a corporate token issuance. Because most admission disclosure templates are designed to interrogate a promoter's business plan, use of proceeds, insider token allocations, and governance keys, applying issuer-oriented expectations to Bitcoin creates unnecessary compliance uncertainty for UK venues when there is literally no offeror, foundation, or management team behind the protocol. At the same time, Chapter 10 of PS26/13 declined immediate asset-level differentiation in the financial promotions regime, keeping Bitcoin and newly minted, insider-controlled tokens in a single undifferentiated RMMI bucket[39] under COBS 4.12A. Requiring identical risk warnings and appropriateness declarations for an unleveraged purchase of Bitcoin and for an illiquid, centrally controlled token obscures the single most important risk distinction a consumer needs to understand: whether the asset's supply and rules are governed by open, immutable consensus or by an identifiable promoter who can dilute holders, alter the code, or abandon the project.

Keeping Bitcoin in the RMMI category also sits uneasily with the FCA's own original rationale for that classification. In PS23/6, the FCA explained that the categorisation reflects a holistic judgement of the risks cryptoassets pose to consumers, citing volatility, firm failure, commingling of funds, cyber-attacks and financial crime. Every element of that 2023 judgement except volatility is now addressed directly by the incoming regime itself. Firm failure and commingling by trust-based segregation under CASS 17, and cyber and financial-crime risk by FSMA authorisation and the Money Laundering Regulations. What remains is volatility, and volatility alone has never been the basis on which the FCA restricts the promotion of mainstream listed investments.[40]

While Bitcoin experiences real price drawdowns—trading between roughly US$58,000 and US$126,000 over the past year—its realised annualised volatility has declined steadily as institutional liquidity has deepened, falling from roughly 66 per cent over a ten-year horizon to 52 per cent over five years, 47 per

cent over three years, and 44 per cent over the past year.[41] That places Bitcoin's five-year volatility squarely in the range of major listed technology shares such as NVIDIA and below that of Tesla—both of which qualify as RRS and can therefore be freely promoted to UK retail investors under ordinary COBS 4 rules without cooling-off periods or appropriateness tests.

Moreover, BlackRock Investment Institute analysis (December 2024) found that a 1–2 per cent Bitcoin allocation in a traditional 60/40 portfolio contributes a share of portfolio risk comparable to holding individual large-cap technology stocks, illustrating why mandatory 24-hour cooling-off periods and repeated appropriateness assessments are disproportionate for small or repeat spot purchases. The question is whether Bitcoin should be treated like a readily realisable security for promotions and accessibility purposes.

**Practical Implementation Priorities:** Neither of these friction points requires amending SI 2026/102 or reopening primary legislation. First, under Regulation 13(1) of the Cryptoassets Regulations, the FCA should publish supervisory guidance and a worked example establishing **inherent structural disclosure** for Bitcoin. That worked example should confirm that a UK trading venue admitting native Bitcoin can meet its outcomes-based admission disclosure duties by setting out Bitcoin's verifiable, durable protocol facts—its January 2009 open launch without fundraising or a pre-mine, its algorithmic 21 million supply schedule, its proof-of-work consensus and independent full-node validation, the absence of any issuer or administrative upgrade keys, and the material risks that actually apply to holders (market volatility, transaction finality, and custody or key-loss risk)— and by showing what replaces issuer-specific fields that have no subject. How changes to the consensus rules are proposed and adopted, and the relevant uncertainties, including the concentration of block production among a small number of large mining pools and the long-term shift in miners' revenue from new issuance to transaction fees.

To operationalise this at market scale, the FCA should permit UK trading venues to incorporate by reference a **verified common commodity profile** for Bitcoin—a reusable, versioned document with an identified publisher responsible for its content and date of verification—into their admission documents alongside venue-specific disclosures on custody, fees, and execution. Developed within the conditional reliance and reasonable-enquiry defences of Schedule 2 to the Cryptoassets Regulations (while preserving venue responsibility for admission decisions and full investor recourse for materially misleading statements or omissions), this mechanism allows multiple UK firms to rely on the same verified account of durable protocol facts rather than duplicating boilerplate compliance, enabling venues to compete directly on service quality, custody standards, and price. The profile should be independently reviewed, with a published process for correcting errors and for notifying venues and investors of material changes (such as a change to the consensus rules). It should be clearly separated from the information that remains each venue's own responsibility. Custody arrangements, fees, execution and conflicts of interest.

By contrast, where a token involves venture fundraising, insider allocations, or retained control over protocol rules, Regulation 13(1) guidance should require full disclosure of those promoter obligations and powers. Second, the FCA can directly answer the classification concern it raised in Chapter 10 of PS26/13, where it found that the evidence provided 'did not support a consistent classification' between

qualifying cryptoassets, by adopting a **binary, verifiable structural test** rather than subjective market-quality forecasts. Whether an asset has (i) no issuer, sponsor, or person with a continuing contractual undertaking, (ii) no public token sale, pre-mine, or founder allocation, (iii) open, permissionless distribution through protocol validation, (iv) no person or coordinated group capable of altering supply or consensus rules, and (v) at least ten years of continuous multi-venue trading history and over US$1 trillion in market capitalisation are objective facts on the public record—mirroring how peer frameworks in the European Union (MiCA Article 4(3)(b), exempting assets created as mining or validation rewards), Hong Kong (the SFC's eligible large-cap virtual asset criteria), Canada (CSA Specified Crypto Assets), and the United States (March 2026 SEC/CFTC digital-commodity interpretation) already distinguish Bitcoin or mining-rewarded assets.[42] Each criterion does a distinct job. Criteria (i) to (iv) establish that there is no issuer or controlling party, which is why issuer-style disclosure has no subject. Criterion (v) addresses the separate promotions question: whether an asset has the depth of liquidity, price discovery and track record that make the RMMI restrictions disproportionate. The case for tailored disclosure therefore stands on its own, even if the FCA is not yet persuaded on reclassification. On that verifiable structural test, the FCA should remove Bitcoin from the RMMI classification on the basis that its depth of liquidity, price discovery and trading history justify its treatment as the equivalent of an RRS for promotions purposes—leaving promotions governed by COBS 4 (fair, clear, and not misleading), the Consumer Duty, the PS26/9 market abuse regime, and a tailored Bitcoin risk warning explaining price volatility, custody choice, and the absence of FSCS protection—or, as an immediate fallback ahead of the 25 October 2027 commencement, adopt a lighter Bitcoin-specific RMMI tier that disapplies the 24-hour cooling-off period, client categorisation, and incentives ban while applying a single, streamlined once-per-client appropriateness check.

## 3.2 Application-Layer Regulation, Self-Custody, and Open Development

**What the UK Gets Right:** When assessing how the United Kingdom regulates custody, self-custody, and the technical perimeter, the overall verdict is strongly positive: UK policymakers have largely avoided the mistakes made by other jurisdictions and drawn the regulatory boundary in the right place. Three achievements stand out:

- **Trust-Based Custodial Safeguarding (CASS 17):** Every major digital asset platform failure of 2022—from Celsius to FTX—was a failure of custodial commingling and unauthorised rehypothecation, while the Bitcoin network itself functioned without interruption. The FCA's finalised CASS 17 rules, taking effect on 25 October 2027, directly target those failure modes by requiring regulated custodians to hold client cryptoassets on trust, segregate them from firm assets, safeguard private keys, and perform regular reconciliations—backed by the statutory property foundation of the Property (Digital Assets etc) Act 2025.[43]
- **Statutory Protection for Self-Custody and Non-Custodial Wallets (Article 9N and PERG 18.6):** Just as internet regulation governs websites and commercial service providers rather than the underlying TCP/IP protocol, custody regulation appropriately focuses the application layer—where an intermediary takes custody or exercises control over customer assets. The UK's statutory Article 9N control test and the FCA's September 2026 perimeter guidance (PERG 18.6) explicitly codify this principle: where a wallet or software tool leaves exclusive control of private keys with the customer and the provider cannot unilaterally move or freeze the asset, the provider is not safeguarding

assets and falls outside CASS 17.[44] Preserving lawful self-custody is not merely a concession to technical users; it is a vital structural consumer-protection mechanism. Because any customer of a regulated UK custodian retains the option to withdraw Bitcoin to their own personally controlled keys, custodians are forced to compete on trust, fee transparency, and solvency.

- **Proportionate, Risk-Based AML Rules for Self-Hosted Wallets:** In stark contrast to the European Union's rigid, zero-threshold verification mandates on transfers involving self-hosted wallets, in the context of the travel rule HM Treasury implemented a proportionate, risk-based approach under Regulation 64G of the Money Laundering Regulations (where the statutory term is 'unhosted wallets') effectively firms are required to assess risk when determining what information to verify on transfers to or from personal wallets, rather than treating the ordinary exercise of personal property ownership as inherently suspicious.[45]

**Where Friction Remains:** Two areas of implementation ambiguity require attention to ensure Britain's strong perimeter principles hold in practice. First, the UK's protection for genuine self-custody within the safeguarding perimeter is welcome, but it does not resolve the broader regulatory position of non-custodial software and network infrastructure. The FCA expressly recognises that arranging deals need not involve custody or control of assets. Open-source developers, repository maintainers, full-node operators, miners, and non-custodial Lightning routing operators therefore need equally explicit protection across each relevant regulated activity. Guidance should distinguish broadcasting, validating, or routing a Bitcoin transfer from arranging a purchase or sale: performing those network functions should not, by itself, make a participant a financial intermediary, including where the transfer settles a trade.

Second, as the OECD Cryptoasset Reporting Framework (CARF) takes effect in the UK (covering calendar year 2026 with first reports to HMRC due by 31 May 2027),[46] there is a risk that service providers over-collect unrelated personal wallet histories or refuse lawful withdrawals to personal wallets out of compliance caution, creating serious data-security and physical-safety exposures if centralized tax or exchange databases are breached.

The United States offers a useful caution. Treasury's December 2024 "DeFi broker" rule would have extended tax reporting to certain non-custodial trading-front-end providers, requiring them to collect identifying information they did not ordinarily hold.[47] Congress prudently used the Congressional Review Act to disapprove that extension, with the repeal becoming law on 10 April 2025.[48] Supporters of repeal expressly cited user privacy; unnecessary collection also creates security risks by establishing additional databases linking identities to financial holdings.[49] UK implementation should heed that experience.

**Practical Implementation Priorities:** First, HM Treasury and the FCA have an immediate, live vehicle to cement developer and network-participant clarity: the draft Cryptoassets Miscellaneous Amendments Regulations 2026 (laid on 15 September 2026) and the further perimeter-guidance consultation on technical services and decentralised arrangements in CP26/36 on 21 October 2026. CP26/36 indicates that developing software is not, of itself, a regulated activity, but it does not address node operators, miners or Lightning routing, so responding to it is the most direct route for the clarifications below. HM Treasury should use this final amending package and accompanying perimeter guidance to confirm explicitly—consistent with the control indicators in the FATF's July 2026

DeFi report[50]—that publishing or maintaining open-source software, operating a Bitcoin node, mining, and non-custodial Lightning routing do not constitute regulated financial services where the actor neither holds customer assets nor exercises unilateral control over their transfer. This protection should be express across each relevant regulated activity, including dealing and arranging, since exclusion from safeguarding alone does not resolve the wider perimeter. Worked examples should distinguish broadcasting, validating, or routing a Bitcoin transfer—including a transfer between a person's own wallets—from arranging a purchase or sale; performing these network functions should not, by itself, constitute arranging a trade.[51]

Second, to keep the self-custody exit usable in practice, FCA supervisory guidance should confirm that regulated custodians must disclose withdrawal terms upfront and may not refuse a customer's withdrawal solely because the destination is a self-hosted wallet, publishing practical examples of proportionate checks for repeat withdrawals to an established personal wallet under Regulation 64G. Third, in implementing CARF, HMRC should work with the Information Commissioner's Office (ICO) to publish clear data-minimisation, security, and use-limitation guidance under Article 5(1)(c) of the UK GDPR,[52] ensuring that CARF reporting is strictly limited to statutory fields and gives taxpayers a straightforward route to correct misattributed wallet transactions.

## 3.3 Banking Friction, Sector De-Risking, and Institutional Education

**What the UK Gets Right:** At the political and legislative level, UK policymakers have recognised that a regulated digital asset sector cannot function if lawful businesses and consumers are cut off from the payment rails. In March 2026, the Economic Secretary to the Treasury stated to Parliament that the Government 'would not expect' FCA-licensed cryptoasset firms to face banking restrictions 'simply because of the sector they belong to'.[53] Furthermore, the Payment Services and Payment Accounts (Contract Termination) (Amendment) Regulations 2025 (SI 2025/688), which entered into force on 28 April 2026, strengthened notice, explanation, and complaint-information requirements when banks terminate payment account contracts.[54]

Parliament is also examining the problem directly. The Crypto and Digital Assets All-Party Parliamentary Group opened an inquiry into banking access for UK cryptoasset firms in July 2026, and its report is expected in the first quarter of 2027.

**Where Friction Remains—and Why It Persists:** Despite ministerial statements and contract-termination rules, banking access remains one of the single most severe day-to-day difficulties in the United Kingdom's Bitcoin landscape. Clarity here requires recognising that the single word 'debanking' actually conflates two distinct operational problems with different causes and remedies: **(i) corporate account provision**—where commercial banks refuse or withdraw business current accounts, safeguarding accounts, and payment-rail access for digital-asset firms—and **(ii) customer transaction restrictions**—where retail and commercial banks block, delay, or cap lawful customer payments to and from crypto-related counterparties, regardless of that counterparty's regulatory status. Empirical research published by the UK Cryptoasset Business Council (UKCBC) in January 2026 (Locked Out: Debanking the UK's Digital Asset Economy'), a survey of ten large UK exchanges, found that roughly 40 per cent of retail transfers to cryptoasset exchanges are blocked or delayed by UK banks, that a single major platform recorded nearly £1 billion in rejected UK transactions during 2025, that 80 per cent of

firms saw a noticeable increase in blocked or limited customer transfers over the prior year, and that 100 per cent reported banks providing no clear explanation when payments are blocked or accounts restricted.[55] Major retail banks routinely impose blanket caps on lawful customer transfers—NatWest, for instance, restricts Faster Payments and debit-card transfers to cryptocurrency exchanges to £1,000 a day and £5,000 over 30 days[56]—while domestic Bitcoin firms struggle to secure or retain basic corporate operating accounts.

Further to the above, the Crypto and Digital Assets All-Party Parliamentary Group (APPG) has launched a Parliamentary Inquiry into Access to Banking Services for the UK Crypto and Digital Assets Sector. The Inquiry will examine whether crypto and digital asset businesses and consumers are able to access appropriate banking services. It focuses on two primary issues: access to bank accounts and banking services (including associated professional services such as insurance etc) for crypto and digital asset businesses, and restrictions placed by banks on crypto-related transactions. The Inquiry is ongoing and expected to report with findings in Q1 2027.[57]

A realistic assessment must be candid about *why* this happens and the limits of purely regulatory mandates. Neither HM Treasury nor the FCA is going to micromanage commercial banks' internal credit and risk appetites or order banks to onboard specific customers. In practice, much of the UK debanking problem stems from the fact that **the banks themselves simply do not want to deal with the sector**. Faced with the Payment Systems Regulator's (PSR) mandatory Authorised Push Payment (APP) fraud reimbursement regime—which since October 2024 has required payment service providers to reimburse victims up to £85,000 per claim, split equally between sending and receiving institutions[58]—alongside general compliance overhead, UK banks have taken the path of least resistance: lumping every transaction and business touching Bitcoin into a single undifferentiated 'crypto' risk bucket alongside the long tail of thousands of speculative tokens, unbacked schemes, and investment scams. Inside most large UK banks, the internal governance economics reinforce that blanket approach: carving out an exception to a sector-wide restriction for even a single well-regulated counterparty typically requires escalating a bespoke business case through multiple risk committees up to executive risk committee level. Because the internal bureaucratic cost of escalating one counterparty exception is high and the immediate commercial upside to a compliance team is modest, refusal is the path of least resistance. Rather than doing the institutional work to understand the technology, and the industry, banks find it simpler to apply blanket de-risking across the entire category.

That blanket treatment is both analytically flawed and counterproductive for financial-crime prevention. Bitcoin is a seventeen-year-old, $1.68 trillion open monetary commodity whose transparent public ledger has repeatedly proven an asset to UK law enforcement and forensic compliance—as demonstrated by the Metropolitan Police's successful tracing and seizure of the 61,000 BTC in the Qian investigation.[59] Moreover, blanket de-risking does not make customer demand disappear; it pushes British consumers and payment flows away from supervised, transparent institutions—which enforce full KYC/KYB onboarding, sanctions screening, FATF Travel Rule compliance, and real-time on-chain forensic analytics—and toward less-supervised or offshore channels, perversely increasing fraud and financial-crime exposure. The perversity is sharpest at the off-ramp: when a UK customer sells Bitcoin at a regulated exchange or digital-asset bank and transfers sterling back to their UK high-street bank account, that customer is *reducing* their market risk and bringing funds back inside the domestic banking perimeter, yet blanket bank rules routinely flag and

block that inbound transfer as a generic 'crypto' risk event. Treating an FCA-authorised firm offering regulated Bitcoin custody or a retail saver buying or selling Bitcoin through a verified institution identically to an unregistered offshore token promotion or derivatives platform does not represent sophisticated risk management; it represents institutional inertia rather than considered risk management.

**Practical Priorities for Improvement:** Overcoming Britain's banking friction requires action on two fronts: clearer regulatory delineation and a shift in institutional responsibility within the banking sector itself:

- **Delineating Regulated Counterparties from the Long Tail in Supervisory Guidance to Banks:** As HM Treasury and the FCA implement the new FSMA regime—and review evidence submitted to the Crypto and Digital Assets APPG banking inquiry—supervisory guidance from the FCA, the PRA, and the Joint Money Laundering Steering Group (JMLSG) on financial crime and APP-fraud controls should explicitly distinguish FCA-authorised or prudentially supervised counterparties from the long tail of unvetted tokens and unregistered offshore schemes. Supervisory guidance should make clear that banks are expected to assess counterparties on their actual regulatory status and financial-crime controls rather than a generic 'crypto' label, recognise that flows through supervised KYC-compliant institutions sit at the lower end of the APP-fraud risk distribution, and—following the 2025–2026 precedent of US federal banking regulators (the OCC, FDIC, and Federal Reserve)[60]—confirm that standalone 'reputational risk' is not a valid supervisory basis for restricting lawful digital-asset banking. Giving bank compliance functions clear regulatory cover to differentiate Bitcoin and supervised counterparties from unregistered schemes removes the excuse that 'all crypto is treated the same by the regulator'.
- **Institutional Responsibility, Counterparty Whitelisting, and Self-Education by UK Banks:** Ultimately, the burden must also sit with UK banks themselves to modernise their understanding of the technology. Once Parliament has legislated to bring Bitcoin custody, trading, and brokerage inside the full FSMA perimeter, UK banks should no longer treat lawful Bitcoin participation as a pariah activity. Banks need to invest in educating their risk, compliance, and executive teams on the fundamental technical and risk differences between Bitcoin, fiat-backed stablecoins, and the long tail of speculative tokens and scams. Alongside that education, UK banks can adopt two immediate, low-cost operational practices: **(i) sort-code and BIC whitelisting** for FCA-authorised or registered firms and prudentially supervised bank counterparties so that legitimate customer transfers (including off-ramp returns of funds) are not caught by blanket retail 'crypto' blocks, and **(ii) structured bank-to-bank operational knowledge-sharing** between regulated digital-asset institutions and high-street bank compliance, custody, and fraud teams on custody architecture and on-chain forensic analytics—replacing blunt, unappealable payment bans with proportionate verification pathways that allow informed British adults and FSMA-authorised businesses to use their own money lawfully.

## 3.4 Independent Public Education on Ownership, Custody, and Risk

**What the UK Gets Right—and What Is Missing:** The FCA's consumer protection efforts have rightly emphasised that digital assets can experience sharp price volatility (historical Bitcoin drawdowns of 50 to 80 per cent have occurred across market cycles) and that consumers must be alert to investment scams. However, generic risk warning banners and cooling-off periods are a blunt substitute for genuine financial and technical literacy. Protecting the right to self-custody while expanding access to regulated investment wrappers requires being candid with the British public about the operational realities of both choices. The current promotions regime can even work against education itself. Educational material on self-custody published by at least one major hardware-wallet manufacturer is, at the time of writing, reportedly not accessible to UK visitors without a VPN, apparently because of financial promotions restrictions. See the endnote by way of example.[61]

Self-custody eliminates counterparty and insolvency risk by transferring operational responsibility directly to the individual owner.[62] Recent industry events illustrate that those operational responsibilities are real even for experienced holders: in July 2026, for example, a disclosed firmware entropy defect in an earlier hardware wallet model required urgent firmware updates and key migrations after independent security researchers identified active exploitation, while earlier data breaches of hardware-wallet e-commerce records (such as the 2020 Ledger marketing database breach) demonstrated how exposed physical address records can make holders targets for extortion or theft.[63] Just as residential burglaries justify public education on home security rather than restricting home ownership, these operational realities underscore why British consumers need practical, objective education rather than restrictions on lawful ownership.

**Practical Implementation Priorities:** HM Treasury should partner with independent technical specialists, consumer advocates, and industry bodies to launch a broad, openly reusable **Public Education Initiative on Bitcoin Ownership and Custody**. Rather than measuring success by warning-banner clicks, the initiative should measure success by participants' demonstrated understanding of both the opportunities and the responsibilities involved. The curriculum should equip UK adults with three practical competencies:

- **Understanding Private Keys and Operational Security:** Teaching that a private key is both the source of personal financial sovereignty and an operational responsibility—covering secure key generation, offline recovery phrases, firmware verification, multi-signature arrangements, inheritance planning for families, and protecting personal identity data when purchasing security hardware.
- **Comparing Direct Ownership and Regulated Wrappers:** Helping savers evaluate when personal self-custody suits their needs and when a CASS 17-regulated custodian or a London-listed Bitcoin exchange-traded product inside an ISA or brokerage account is the safer, more convenient choice—explaining clearly how direct property ownership differs from a custodial trust entitlement, a debt note (cETN), or equity in a Bitcoin treasury company.
- **Distinguishing Bitcoin from Scams and Unbacked Yield Schemes:** Teaching the foundational rules of financial hygiene in digital markets: that Bitcoin itself pays no native yield, that any platform promising a return on deposited Bitcoin is taking credit and counterparty risk with the user's asset, and how to recognise phishing, impersonation, and fraudulent token promotions.

# 4. Energy, Mining, and Physical Infrastructure

The third dimension of Bitcoin—its proof-of-work consensus mechanism—anchors the digital monetary network in physical energy and computing infrastructure. Assessing the United Kingdom's posture toward Bitcoin mining and high-density computation highlights a striking opportunity: while high industrial retail electricity prices have historically limited Britain to roughly 0.1 per cent of global hashrate and mining activity, the structural bottlenecks of Britain's renewable-heavy transmission grid and its push into artificial intelligence data centres make flexible computation directly relevant to UK energy policy.

## 4.1 Grid Constraints and Turning Curtailed Wind into National Value

**What the UK Gets Right:** Britain's energy institutions have already begun moving in the right direction. The National Energy System Operator (NESO), through its *Constraints Collaboration Project*, and its Demand for Constraints service, which procures additional, flexible demand in constrained areas of Scotland, is actively examining how flexible, turn-up demand sited behind transmission bottlenecks can absorb excess renewable generation and reduce system balancing costs, operating on an explicitly technology-neutral basis.[64] This provides an ideal institutional foundation for evaluating interruptible computation without needing new primary legislation.

**Where Friction Remains:** The United Kingdom currently suffers from a massive, structural transmission bottleneck—most acutely across the B6 Scotland–England transmission boundary. Because abundant wind generation in Scotland has grown far faster than high-voltage north–south transmission capacity, NESO is routinely forced to pay Scottish wind farms to switch off while simultaneously paying gas-fired power stations in England to turn on. These grid constraint payments now exceed £1 billion a year—a direct cost borne by British households and businesses on their electricity bills—and are projected to rise further before major grid reinforcements complete in the 2030s. The size of that bill is not the same as the saving any single project could deliver, absorbing more wind north of a constraint does not automatically remove an equivalent amount of gas generation south of it. That is why the feasibility work proposed below should model dispatch and report net consumer savings after any service payments and network costs.

Conventional industrial loads and traditional data centres can contribute (NESO already counts data centres among candidate demand behind constraints), but most require firm, uninterrupted power near metropolitan fibre hubs and cannot profitably shut down whenever the wind stops blowing. Bitcoin mining is different: its advantage is comparative rather than unique: it is modular, quick to deploy and relocatable (requiring only a power source and an internet connection, including satellite connectivity), able to curtail fully and for long periods without disrupting any customer's workload, and economically viable at partial utilisation when consuming low-cost or otherwise curtailed power. Empirical research published by the Bitcoin Policy Institute (Margot Paez and Troy Cross) analysing operational data across ten mining companies documented facilities curtailing consumption between 5 and 31 per cent of the time in response to grid conditions.[65] The prize is material: NESO has estimated that an additional 5 GW of flexible demand behind Scottish transmission bottlenecks could save consumers up to £5 billion. While Britain's market architecture differs from Texas's nodal ERCOT market, the physical principle is identical: co-locating modular, interruptible Bitcoin mining behind

the Scotland–England constraint boundary can monetise wasted wind energy, improve project economics for renewable generators, and reduce the constraint bill paid by UK consumers.

**Practical Implementation Priorities:** The Department for Energy Security and Net Zero (DESNZ) and NESO should formally incorporate flexible Bitcoin mining load into the *Constraints Collaboration Project* and commission a dedicated feasibility assessment of siting interruptible mining behind the UK's most congested transmission boundaries—above all Scotland–England—as well as prospective co-location with baseload nuclear generation. Those empirical findings should feed directly into Ofgem's network-charging and constraint-management reviews, ensuring that verified, sub-minute demand flexibility and turn-up load behind transmission bottlenecks are priced for the grid relief they actually deliver. This should proceed in stages: first, establish eligibility and model the business case; then, only if the modelling supports it, run a limited, independently evaluated demonstration. The assessment should compare alternative solutions and report separately on curtailed energy absorbed, net consumer savings, project economics and net emissions, using explicit counterfactuals and adverse scenarios.

## 4.2 Technology-Neutral Compute Policy and AI Growth Zones

**What the UK Gets Right:** The UK Government has rightly identified advanced computing infrastructure as a national strategic priority, launching AI Growth Zones with expedited planning pathways and dedicated grid-connection support to attract hyperscale data centres.

**Where Friction Remains:** Public policy discussions frequently fall into a false dichotomy that portrays AI computation as 'productive' and Bitcoin mining computation as 'wasteful'. From the perspective of the electricity grid, however, both are high-density computational loads but their flexibility differs. Availability-critical cloud and inference services face tight interruption constraints, while some training and batch workloads can also provide demand flexibility. Bitcoin mining can be curtailed more simply, more fully and for longer than most computing loads, ramping down to zero in seconds when the grid is stressed or when co-located AI workloads spike, and ramp back up during off-peak hours or periods of renewable oversupply. Treating Bitcoin mining as a disfavoured category in planning or grid-connection queues forfeits a natural 'shock absorber' that can help underwrite substation upgrades and buffer the grid as AI capacity scales.

**Practical Implementation Priorities:** DESNZ, Ofgem, NESO, and local planning authorities should establish a standing commitment to **technology-neutral treatment of all computational loads**. Planning criteria, connection-queue management, and network tariffs should assess facilities on their physical grid characteristics (location, capacity, power quality and verified interruptibility) alongside the usual planning considerations of noise, land use, water and local emissions, without sector-specific moratoria or surcharges on Bitcoin mining. Technology-neutral treatment in connections and network charging is distinct from eligibility for wider industrial-policy support, such as AI Growth Zone incentives, where employment and other strategic considerations legitimately apply. The practical ask is for published, consistent eligibility criteria and a route for projects to demonstrate flexibility and net public value. Furthermore, DESNZ should evaluate co-locating flexible Bitcoin mining alongside less flexible AI workloads within AI Growth Zones as a load-balancing complement that improves overall infrastructure utilisation.

## 4.3 Methane Mitigation at Landfill and Agricultural Sites

**What the UK Gets Right—and the Untapped Opportunity:** The United Kingdom has strong statutory commitments to reducing methane emissions under its net-zero strategy and Global Methane Pledge obligations. While the UK does not have the vast onshore oil-field flare gas of West Texas or North Dakota, it has a substantial distributed methane challenge across closed and active landfills, wastewater facilities, and agricultural anaerobic digestion sites[66]. At many smaller or remote sites, methane-rich biogas is vented or flared—or abatement equipment goes unbuilt—because pipeline grid injection or high-voltage electricity grid connection is uneconomic at small scale.

**Practical Implementation Priorities:** Because containerised Bitcoin mining generators require no pipeline or local demand customer, they can be deployed directly at stranded landfill and agricultural biogas sites—monetising the waste gas on-site to fund capture infrastructure while combusting methane (which has more than 25 times the 100-year warming potential of carbon dioxide) far more completely than open flaring. DESNZ—together with the relevant devolved authorities, including Northern Ireland's Department for the Economy, Utility Regulator, and system operator SONI[67]—should conduct a technical review of landfill and agricultural methane sources suitable for modular mining mitigation, and recognise projects that demonstrate verified net emissions reductions as eligible abatement infrastructure under existing permitting and environmental frameworks.

# 5. Conclusion: From Analytical Leadership to Practical Coherence

When we step back and ask whether the United Kingdom is a jurisdiction ready to embrace Bitcoin and benefit from the rise of open monetary networks, the evidence points to a clear conclusion: **Britain has already built the legal and intellectual foundations of a world leader, and the remaining obstacles are almost entirely self-inflicted friction points that can be resolved through pragmatic implementation.**

No other major financial centre combines the global reach of English commercial law, the statutory property clarity of the Property (Digital Assets etc) Act 2025 and Digital Assets (Scotland) Act 2026, a 37.8 per cent share of global foreign-exchange turnover, and a comprehensive FSMA rulebook that rightly protects client assets on trust (CASS 17), keeps non-custodial software and self-custody outside the safeguarding perimeter (PERG 18.6), and preserves a risk-based approach to personal wallets under the Money Laundering Regulations. Those are major, durable achievements for which HM Treasury, the Law Commission, and the FCA deserve credit.

To turn that foundation into genuine international leadership before the new regime commences on 25 October 2027, UK policymakers do not need new primary legislation or an overhaul of financial services and tax legislation. They need only apply a single, coherent principle across every department and regulator: *treat Bitcoin according to what it actually is*—a seventeen-year-old, non-issued digital commodity and an open peer-to-peer network. That means restoring Stocks and Shares ISA access for regulated Bitcoin products; executing the July 2026 UK–US Transatlantic Taskforce commitments on commodity alignment and risk-sensitive bank capital; modernising tax treatment for institutional collateral and small everyday payments; establishing a prudent custody and retention presumption for net Crown Bitcoin recoveries; using Regulation 13(1) worked examples for inherent structural disclosure; cementing developer safe harbours in the live Miscellaneous Amendments package; calling on UK banks to educate themselves and separate Bitcoin from the long tail of speculative tokens and scams; empowering citizens through independent public education; and putting wasted wind and landfill methane to productive computational use.

The country that wrote the property law of the digital age should not let the future pass it by.

# Notes

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