

Title: THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) (AMENDMENT) ORDER 2023 SI (Statutory Instrument) No: Other departments or agencies: N/A Contact for enquiries: Tal.Renouf@hmtreasury.gov.uk	De minimis assessment
	Date: 15/02/2023
	Type of regulation: Domestic
	Date measure comes into force: Expected in Q4 2023
Cost of Preferred (or more likely) Option Transition costs: £6.11m Steady state costs per annum: £1.87m Steady state benefits per annum (to consumers): £12.85m	Equivalent Annual Net Direct Cost to Business per year (EANDCB in 2023 prices) £2.58m (EANDCB in 2019 prices) £2.11m

1. What is the problem under consideration? Why is Government intervention necessary?

The Cryptoasset Taskforce, consisting of HM Treasury, the Financial Conduct Authority (FCA) and the Bank of England (the Bank), reviewed the UK's cryptoasset landscape and identified several risks to consumer protection, market integrity, and anti-money laundering efforts. The final report of the Cryptoasset Taskforce in 2018 identified that 'Insufficient consumer understanding stems from the complexity of these products and a lack of available information and appropriate warnings regarding the risks.'¹ Subsequent FCA research has demonstrated that 'adverts are important components of the consumer journey'. HM Treasury considers that a regulatory measure is required given the seriousness of risks to consumers, and that other action would be insufficiently robust.

2. What are the policy objectives and the intended effects?

HM Treasury wishes to subject the promotion of certain unregulated cryptoassets to the same standards of promotion regulation that currently apply to regulated financial services activities, ensuring consumers have access to relevant, accurate information when buying. HM Treasury's overarching policy objective is to mitigate those risks relating to consumers suffering unexpected or large losses as a result of buying cryptoasset products while being unaware of the associated risks. HM Treasury aims to achieve this increased protection with a proportionate regulatory intervention as part of a first phase of legislative changes.

There are specific challenges in designing an objective that is measurable with regard to cryptoassets. As a largely unregulated sector, HM Treasury and regulator, the FCA, have very little reliable data on firm conduct, sales, investment outcomes and more. Furthermore, in spite of polling and research in this area by the regulator, HM Treasury and others such as firms and trade associations, it is difficult to measure the extent of consumer risks arising independently of cryptoasset market performance. For instance, the extent to which a consumer's expectations have been set too high (too optimistically) may only become apparent after sustaining market losses.

Nonetheless, it will be possible to assess certain outcomes short of harms to consumers themselves. On the basis of the policy option selected (see below), HM Treasury would expect to see:

- **improvement in the quality of firm promotions**, specifically ensuring that cryptoasset promotions are held to the same high standards as for broader financial services.
- **increased consumer understanding of risks**, particularly demonstrated through FCA-commissioned research showing consumers who have a strong technical understanding of the products they own, and who understand the relevant regulatory protections

¹ Available at:
https://assets.publishing.service.gov.uk/Government/uploads/system/uploads/attachment_data/file/752070/cryptoassets_taskforce_final_report_final_web.pdf

3. What policy options have been considered, including any alternatives to regulation? Please justify preferred option

The Government has considered multiple options, including those set out below. All options were considered with regard to the better regulation principles. These principles state that regulation should be proportionate, accountable, consistent, transparent, and targeted.

OPTION 1:

Retaining the status quo (i.e. no regulation of financial promotions). This would not address the problem of misleading advertisements.

OPTION 2:

Introducing industry self-regulation. This was evaluated as being insufficiently robust; this level of regulation would fall significantly short of the level required of other regulated financial promotions, despite the risks being analogous. As noted in relation to Option 1 (status quo), this response would not address the problem of misleading advertisements.

OPTION 3 – preferred option:

Expanding the scope of the financial promotions regime. The Government has decided to proceed with the preferred legislative option to ensure that cryptoasset promotions are subject to Financial Conduct Authority (FCA) rules in the same way as promotions of other financial services products with similar levels of risk.

Having carefully considered feedback from industry, including smaller firms, the Government is also introducing key modifications including an implementation period and a bespoke exemption. The implementation period will give businesses four months after the SI is made in Parliament to understand how the regime will be practically implemented, with the aim of ensuring compliance across the industry. The bespoke exemption will ensure a pool of cryptoasset businesses that can communicate their own promotions – thereby significantly reducing cost to businesses compared to original proposals.

This approach will incentivise cryptoasset businesses to be based in the UK and to be compliant with the AML regime, and, crucially, fulfil the objective of the planned regulatory regime to promote innovation, enhance consumer protection and ensure that cryptoasset promotions can be held to equivalent standards as promotions of financial services products with similar risk profiles.

Policy option 3, extending the scope of the financial promotions regime: further details

Under this option, HM Treasury will expand the perimeter of the financial promotions regime to include certain cryptoassets, in order to enhance consumer protection. In order to do this, the Government will include certain currently unregulated cryptoassets in the list of controlled investments in Schedule 1 of the Financial Promotions Order (FPO) within the Financial Services and Markets Act 2000 (FSMA) and amend a number of the current controlled activities in the same schedule. Using a tightly constructed definition of the relevant cryptoassets in the list of controlled investments, HM Treasury will capture cryptoassets with relevant characteristics. The Government intends to define the scope of 'qualifying cryptoasset' as any cryptographically secured digital representation of value or contractual rights which is fungible and transferable.

The effect of this approach will be that the FCA will become the regulator and supervisor of the qualifying cryptoasset promotions. Among other requirements, promotions would be required to be fair, clear and not misleading. However, it is the FCA's prerogative to take a different approach on the basis of evidence and in consultation with interested firms, including imposing specific requirements on how promotions (including on firm websites) should be presented and how consumers can be engaged.

Typically, and under the original proposals, the practical consequence of this regime is that an unauthorised person (i.e. unauthorised firm) in the cryptoasset space must have its financial promotions approved by an FCA authorised person (i.e. an authorised firm) before they are communicated (unless an exemption applies). The FCA expect authorised persons will provide this service for a fee, and the average fee per unauthorised firm is currently £5,000 – £15,000, depending on the complexity of the review process.²

² FCA estimate, available on p.81 at: <https://www.fca.org.uk/publication/consultation/cp22-2.pdf>

In the intervening period since HM Treasury issued its consultation response and the FCA consulted on its planned detailed rules, HM Treasury received further feedback on potential unintended consequences. As most cryptoasset firms are not authorised by the FCA, they would not be able to communicate or approve their own financial promotions. In the absence of suitable third party authorised persons willing and able to authorise cryptoasset firms' promotions, cryptoasset firms and other stakeholders highlighted that the measures as originally proposed would significantly restrict, or amount to an effective marketing ban on, cryptoasset promotions.

After carefully considering this feedback and a range of mitigating options, the Government is introducing a limited, temporary exemption from the financial promotion restriction for cryptoasset businesses registered with the FCA under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (AML/CTF regulations), who are not otherwise authorised persons.

The exemption will enable cryptoasset firms on the FCA's register of firms complying with AML/CTF regulations to approve their own financial promotions in relation to qualifying cryptoassets without any further FCA registration or requiring them to pay for review and approval from a third party authorised firm, provided they are complying with the existing MLR regime. This would mean the estimated £5,000 – £15,000 fee paid by unauthorised firms per promotion to a section 21 FCA Authorised approver would be eliminated or significantly reduced reflecting the efficiencies that come from managing approvals in-house and that a third-party approver would operate with a profit margin.

The Government intends that this exemption will be temporary, and it will be removed at a time when a wider range of cryptoassets have been brought within the scope of regulation. This will mean those firms benefiting from the exemption can instead become authorised, at which point the third-party section 21 approvals process would continue to be unnecessary. **The assumed reduction in annualised costs to firms is difficult to determine with precision, so the calculations below do not incorporate this element. Therefore, the costs set out are likely to be far lower in real terms.**

By expanding the scope of the financial promotions regime, the Government aims to improve the quality of cryptoasset promotions, known to be an important element of many consumer journeys. We expect that this would improve the quality of information available to consumers regarding risks, potential gains, and relevant regulatory protections they would benefit from when purchasing cryptoassets or cryptoasset services. We anticipate that this should reduce the key risks to consumers, particularly of consumers suffering unexpected or large losses without regulatory protection as a result of buying cryptoasset products while being unaware of the associated risks.

The full detail of the Government's approach has been set out in HM Treasury's response to the consultation in January 2022, and in the policy statement published in February 2023 on the Government website³.

Giving effect to the policy: HM Treasury intends to give effect to the policy through secondary legislation under FSMA. The proposal would require the passage of a statutory instrument (SI) via the affirmative procedure involving debate in both houses of Parliament. There will be an intended transition period of four months introduced, from the finalisation and publication of the proposed FPO regime and the complementary FCA rules, giving businesses suitable time to ensure proper compliance with the regime. The policy would therefore come into effect four months after the SI is made in Parliament.

4. Please justify why the net impacts (i.e., net costs or benefits) to business will be less than £5 million a year.

Option 3: Expanding the scope of the financial promotions regime

What will businesses have to do differently?

- The effect of this instrument, and relevant FCA rules, will provide for the regulation of in-scope cryptoasset financial promotions (any cryptographically secured digital representation of value or contractual rights which is fungible and transferable). Typically, the practical consequence of this is that an unauthorised person (i.e. unauthorised firm) in the cryptoasset space must have its financial promotions approved by an authorised person (i.e. an authorised firm) before they are communicated (unless an exemption applies). Where a cryptoasset firm is registered with the FCA under the

³ Available at: <https://www.gov.uk/government/consultations/cryptoasset-promotions>

AML/CTF regulations, the bespoke exemption will apply and the firm will be able to approve its own financial promotions.

- The FCA will have the powers to take action if deemed necessary on the basis of evidence and in consultation with interested firms, including imposing specific requirements on how promotions (including on firm websites) should be presented and how consumers can be engaged.

How many businesses will this impact per year?

- The Government's estimate is that this measure will impact **39 businesses per year**.
- To be operating lawfully in the UK currently, a cryptoasset firm based in the UK is required to be registered with the FCA under the AML/CTF regulations. There are 41 firms captured in the FCA's register of firms complying with the AML/CTF regulations and two of these are now bankrupt and non-operational. This means there are 39 cryptoasset firms based and operating lawfully in the UK and we therefore consider 39 to be the estimated true population of firms this measure will impact.
- Other figures: Business data platform Beauhurst estimated in 2021 that the UK is home to c. 221 companies working in the blockchain space, but only a subset of these will be cryptoasset firms in scope of this proposed measure.
- We take the above figure of 221 as the upper bound estimate of the potential affected firm population and the 39 active firms on the MLR register as the estimated true population.

What is the direct cost/benefit per business per year?

- All calculations below were made with figures rebased to reflect 2022 prices.

Quantitative analysis

- This option would entail costs in transition, and costs and benefits in the steady state once set up.
- We estimate the following headline costs and benefits:
 - Transition costs: £6.11m
 - Steady state costs per annum: £1.87m
 - Steady state benefits per annum (to consumers): £12.85m
- For further details about these calculations, please refer to the additional information below.
- Using the RPC Impact Assessment Calculator⁴, these figures lead to a headline (2023) equivalent annual net direct cost to business (EANDCB) figure of £2.58m, and a headline (2019) EANDCB figure of £2.11m.

Transition costs

In transition, firms would need to familiarise themselves with the new legal regime and FCA rules. This entails compliance costs, legal costs, web and IT update costs, the cost of training new staff, and governance and change costs.

We have used the FCA's standard cost benefit analysis (CBA) assumptions for similar regulatory measures to this one to generate proxies for likely costs – specifically, we have used the FCA's 2022 *consultation on Strengthening our financial promotion rules for high-risk investments, including cryptoassets*, and the FCA's 2020 *consultation on High-risk investments: Marketing speculative illiquid securities (including speculative mini-bonds) to retail investors*.^{5 6}

Key figures taken as proxies from that analysis are as follows (rebased to 2022 prices):

- **Compliance familiarisation costs**⁷: £76.17/hour for compliance staff costs per head including 30% overheads, with 5 compliance staff each reading 40 pages of FCA policy guidance at 300 words per page at 100 words per minute.

⁴ Available at <https://www.gov.uk/government/publications/impact-assessment-calculator--3>

⁵ Available at <https://www.fca.org.uk/publication/consultation/cp22-2.pdf>

⁶ Available at <https://www.fca.org.uk/publication/consultation/cp20-8.pdf>

⁷ As per FCA CBA assumptions, this was based on the Willis Towers Watson 2016 Financial Services Report and rebased to 2022 prices.

- **Legal familiarisation costs⁸:** £83.42/hour for legal staff costs per head including 30% overheads, with two lawyers reading 14 pages of legal text at 300 words per page at 100 words per minute.
- **IT / website redesign costs:** estimated at £84,500 per firm.
- **Governance and change costs, and cost of training new staff: estimated at** £50,900 per firm.

The above figures sum to provide an estimated transition cost of £136,278.49 per firm in the following way:

- **Compliance familiarisation costs of £761.70 per firm** (= 40 pages * 300 words / 100wpm * 5 readers / 60 minutes in the hour * £76.17/hr).
- **Legal familiarisation costs of £116.79 per firm** (= 14 pages * 300 words / 100wpm * 2 readers / 60 minutes in the hour * £83.42/hr).
- **IT / website redesign costs of £84,500 per firm** (taken as a direct proxy from FCA CBA in 2022 Consultation Paper).
- **Governance and change costs of £50,900 per firm** (taken as a direct proxy from FCA CBA in 2022 Consultation Paper).

Across the market, HM Treasury has received divergent estimates of the size of the affected population of UK firms, as described above. We provide an estimate of transition costs on the basis of both the true estimate of the population and the upper bound (which we do not accept is a reasonable estimate of the population of firms that will be affected). However, we consider the true estimate of the population of affected firms is 39 as per the rationale outlined above.

Due to uncertainty in the above calculations, a margin of error of 15% is assumed and added to the below calculations. We therefore make the following estimates for transition costs:

- Lower bound (based on the true estimate of the population of firms): £6,112,090.19**
(=£136,278.49 + 15% margin of error * 39 firms)
- Upper bound: £34,635,177.73** (=£136,278.49 + 15% margin of error * 221 firms)

The estimated firm population derived from the number of firms registered with the FCA under the AML/CTF regulations is preferred as this is likely to be more accurate for the reasons stated above (see rationale on page 3).

To note: this calculated estimate of initial costs to firms is relatively high because this measure will apply financial promotion rules to cryptoassets for the first time. As a result, many cryptoasset firms impacted are likely to face higher initial costs for IT and governance and change than other firms with more experience in regulatory compliance. For instance, some cryptoasset firms will need to invest additional time and resources to ensure they understand the requirements imposed on them and the implications for their staff; in some cases, firms may need to create brand new, internal processes and procedures to comply with the new requirements for communicating a cryptoasset promotion; and some firms may require large-scale IT changes, as existing infrastructure may need to be adapted significantly.

Steady state costs per annum

As set out above, in a steady state, most firms would need to bear ongoing costs for review and approval of their promotions by a third party authorised firm. The FCA has provided HM Treasury with estimates for the costs firms might face when seeking to have their promotions approved by a third party authorised firm. **The FCA estimates that such approvals might range in price from £5,000 to £15,000** depending on the volume and complexity of materials.

We understand from engagements with the FCA and industry that to remain compliant with the financial promotions regime, unauthorised firms would need to have their promotions – including advertisements and their own promotional materials whether online or in other form (e.g., printed materials) – approved not just in a one-off assessment, but on an ongoing basis. Promotions would need to meet standards set out in detailed FCA rules, including with regard to their presentation, content and consumer journey to purchase.

⁸ As per FCA CBA assumptions, this was based on the Willis Towers Watson 2016 Financial Services Report and rebased to 2022 prices.

However, as set out above, the Government has decided to introduce a bespoke exemption from the financial promotion restriction in section 21 of FSMA for certain financial promotions relating to qualifying cryptoassets. The bespoke exemption for firms registered with the FCA under the AML/CTF regulations will enable those 39 registered cryptoasset firms to communicate their own financial promotions in relation to qualifying cryptoassets without any further FCA registration or to pay for approval by a third party authorised firm. **This would mean the estimated £5,000 – £15,000 fee paid by unauthorised firms per promotion review to a section 21 approver would be eliminated or significantly reduced reflecting the efficiencies that come from managing approvals in-house and that a third-party approver would operate with a profit margin.**

The Government intends that this exemption will be temporary, and it will be removed at a time when a wider range of cryptoassets have been brought within the scope of regulation. **This will mean those firms benefiting from the exemption can instead become authorised and approve their own promotions, at which point the process of issuing a promotion would continue to be significantly cheaper.**

The below figures are therefore likely to significantly overestimate the likely impacts on firms' steady state cost per annum by an unknown amount, as they are based on the costs that an unauthorised firm would likely face without allowing for mitigations which are in fact likely to be in place.

We have therefore modelled our expectations in the following way, **summing to a total of £36,000 per firm per annum when averaged over a 10-year period:**

- i. We anticipate that every firm would need to review its full array of promotions at the outset and have these approved by an authorised firm – entailing **1x £15,000 full review of promotional materials at the outset. This process might be repeated every c.2.5 years.**
- ii. We anticipate that firms would then seek ongoing approvals periodically through the year, clearing new promotional materials in tranches of varying sizes and therefore expenses – **we estimate two further expenses of £5,000 and two further expenses of £10,000 per firm per annum.**

Further, to model the ongoing cost of firms' internal compliance in production of promotions (outside the cost of approval by a third party authorised firm), **we estimate these ongoing costs at c.50% of the transition costs borne at the introduction of the regime for typical firms promoting high-risk investments.** This is because, as set out above, the transition cost of £136,278.49 per cryptoasset firm calculated in the previous section reflects expensive one-off investments which we would not expect to continue on an annual basis.

We have therefore calculated this in the same way as in the previous section, with the exception of the following two figures, taken as a direct proxy from the FCA CBA in a previous consultation paper with reference to the 2020 FCA paper on high-risk investments noted above. In this instance, we have drawn directly from the FCA 2020 CBA as it provides a more appropriate assumption for firms which have made the IT and governance changes to adapt to regulation.

- i. **IT / website redesign costs of £3,238 per firm** (taken as a direct proxy from FCA 2020 CBA, rebased to 2022 prices).
- ii. **Governance and change costs of £7,423.64 per firm** (taken as a direct proxy from FCA 2020 CBA, rebased to 2022 prices).

For the purposes of modelling the anticipated ongoing cost of internal compliance, 50% of the above calculations for an estimated transition figure per firm is c. £5,770.07. This is the estimated annualised internal compliance cost to firms in the production of promotions.

Due to uncertainty in the above calculations, a margin of error of 15% is assumed and added to the below calculations.

Therefore, as noted above, using the divergent figures for the affected firm population as 39 and 221 for lower and upper bounds respectively, we can estimate the following figures for annual cost to firms of compliance:

- i. **Lower bound (based on the true estimate of the population of firms): £1,873,388** (=39 firms * (£36,000 cost of approvals + £5,770.07 ongoing compliance cost)) + 15% margin of error.
- ii. **Upper bound: £10,615,864.31** (=221 firms * (£36,000 cost of approvals + £5,770.07 ongoing compliance cost)) + 15% margin of error.

As noted above, the estimated firm population derived from the number of firms registered with the FCA under the AML/CTF regulations is preferred as this is likely to be more accurate for the reasons stated above.

Steady state benefits per annum

We anticipate that this option would provide no quantifiable direct benefits to firms in transition or steady state. However, the exemption which significantly reduces costs for firms was introduced in response to industry feedback.

We expect that cryptoasset users would benefit from increased accuracy of promotions. Drawing on FCA consumer research 2021, the FCA has provided the following figures:

- i. Of the national representative sample, approximately 5.7% have owned or currently own cryptoassets, equivalent to c. 3m people
- ii. Of those, 49% have seen a cryptoasset promotion, c. 1.5m people
- iii. Of those, 42% said the promotion influenced them to buy cryptoassets, c. 630,000 people
- iv. **Of those, 30% said they regret purchasing cryptoassets, c. 189,000 people**

We can combine these with other figures from the 2021 research:

- i. The median holding is £300, (£340.06 rebased to 2022 prices)

Using these figures, we estimate the potential value invested by consumers who subsequently regretted their purchase:

- i. **Lower bound: £10,283,414.40** (reached by allowing for a downward 20% margin of error on both inputs i.e. 151,200 users * £340.06 median holding * 0.2)
- ii. **Upper bound: £15,425,121.60** (reached by allowing for an upward 20% margin of error on both inputs i.e. 226,800 users * £340.06 median holding * 0.2)
- iii. **Best estimate: £12,854,268** (=189,000 users * £300 median holding * 0.2)

The best potential margin of error of 20% used above was selected in the absence of figures that could be used for lower or upper bound figures in the FCA analysis.

Note that this figure does not represent an annualised figure, but an estimate of the total figure for potential benefit had this measure been introduced prior to the totality of cryptoasset purchases captured in FCA research. As the FCA research does not seek to estimate the total number of annual new owners accurately (e.g. not separating between returning and new owners), we cannot generate an annualised figure with any accuracy. Given that the totality of this cryptoasset adoption has taken place during the last c. 10 years, with a greater amount of adoption taking place in recent years, we have assumed that c. 20% of the total figure should accrue on an annual basis in the coming years.

Although the above figure does not necessarily represent a concrete loss, it may do so in adverse market conditions, and moreover does represent the value of funds that cryptoasset users regret placing into cryptoassets. This can be assumed to be money they would rather have saved, invested elsewhere or spent instead of purchasing cryptoassets. For this reason, we consider this figure to be an appropriate proxy for the benefit to consumers a result of this measure.

Given that this research was carried out in January 2021, and the increasing trend in cryptoasset ownership that we have seen, we believe this ownership figure is likely to have increased further since then.

5. Please confirm whether your measure could be subject to call-in by BRE (Better Regulation Executive) under the following criteria. If yes, please provide a justification of why a full impact assessment is not appropriate:

a) Significant distributional impacts (such as significant transfers between different businesses or sectors)

- **No:** the measure will not have significant distributional impacts between different businesses or sectors.

b) Disproportionate burdens on micro, small, and medium businesses (below 500 employees).

- **No:** In absolute terms, the measure will affect small businesses and the impact on small businesses will be in line with the impact on larger businesses.
- However, while the impact of the measure on small and micro businesses is expected to be in line with the impact on larger businesses in absolute terms, the measure may have a greater impact on small and micro businesses relative to larger businesses. This is because the costs of becoming authorised, AML/CTF registered or finding an FCA authorised approver are likely to be relatively constant regardless of the size of the business.
- The Government has considered possible mitigating options that could be introduced to support this category of firms, such as exempting smaller firms. In particular, the Government has considered the following, but opted against them on the basis of the reasons given below:
 - **Exemptions or tiered requirements for small or micro businesses:** this option was rejected because the risks to consumers from substandard promotions arise equally from firms regardless of size.
 - **Tailored support to small firms to assist them in understanding the requirements of the regime:** this option was rejected on the basis that information about the impact of the regulatory change will be available to all market participants equally. The FCA will in due course consult on its detailed rules, a process that small and larger firms will be able to contribute to equally; and when these rules are published, these and guidance relating to them will be available to market participants equally.
- The Government has therefore decided to proceed with the measure as described, without mitigations in place to manage the impacts on small businesses, with the key modifications the Government made having taken on board feedback from industry (including smaller firms):
 - **A four-month implementation period:** In consultation, firms strongly recommended that a period of implementation be introduced to allow industry further time to understand how the regime will be practically implemented, with the aim of ensuring compliance across the industry. HM Treasury had initially recommended rejection of this option because of the urgency of the risks, as identified in the Cryptoasset Taskforce final report of 2018 and borne out in **subsequent** research referred to above. However, given the challenges of adaptation, including for small firms, HM Treasury has introduced a 4-month implementation period from the day after the SI is made in Parliament.
 - **A Bespoke AML Exemption:** In the intervening period since HM Treasury issued its consultation response, and the FCA consulted on its proposed detailed rules for high-risk investments, the Treasury has received feedback regarding the implementation of the measure for qualifying **cryptoassets** and potential unintended consequences for industry. Specifically, that a limited number of authorised persons willing to approve the promotions of unauthorised firms would emerge. This was not the intended outcome of the legislation, and recognising growing industry concern about this risk, the Government introduced a bespoke exemption which will significantly widen the pool of cryptoasset businesses that can communicate their own promotions – thereby significantly reducing cost to businesses, including smaller businesses, of paying FSMA authorised persons for approval of promotions.

c) Significant gross effects despite small net impacts

- **No:** there are not significant gross effects.

d) Significant wider social, environmental, financial or economic impacts

- **No:** wider impacts will not be significant, though we expect the benefit to consumers resulting from this measure will be important.
- e) Significant novel or contentious elements**
- **No:** Whilst the measure involves the regulation of novel assets (cryptoassets), i) cryptoassets have been regulated for anti-money laundering purposes already, ii) the measure extends an existing, longstanding regulatory regime, iii) the bespoke exemption for firms registered with the FCA under the AML/CTF regulations is temporary, limited, and in response to industry feedback.

Sign-off for de minimis assessment: SCS

I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

SCS of Payments and Fintech

Signed: **Laura Mountford**

Date: 14/03/2023

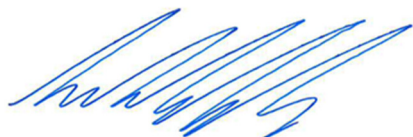
SCS of Better Regulation Unit

Signed: **Linda Timson**

Date: 20/03/2023

Sign-off for de minimis assessment: Minister

I have read the de minimis assessment and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.



(Andrew Griffith MP, Economic Secretary to the Treasury)

Signed: **Andrew Griffith**

Date: 21/03/2023