

Bitcoin Policy UK: Response to the Bank of England and FCA's Approach to Joint Regulation of Systemic Stablecoin Issuers

Submitted by: Bitcoin Policy UK (BPUK)

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In response to: Bank of England and Financial Conduct Authority's approach to joint regulation of systemic stablecoin issuers, published 30 June 2026.

Consultation deadline: 30 September 2026

Consultation contact: CP-systemicstablecoin@bankofengland.co.uk

Consent: We consent to the Bank of England / Financial Conduct Authority disclosing and/or publishing our name and/or the name of our organisation as a respondent to this consultation.

Executive Summary

Bitcoin Policy UK (BPUK) welcomes the opportunity to respond to the Bank of England (the Bank) and the Financial Conduct Authority's (FCA) joint approach document on the regulation of systemic stablecoin issuers, published 30 June 2026¹. Systemic stablecoins are a different asset class to Bitcoin, but the coherence and predictability of this framework matters to BPUK because it forms part of the digital asset regulatory environment in which UK Bitcoin businesses also operate.

As set out in BPUK's response to the Bank's Code of Practice consultation (17 September 2026)², our position is that regulation should match the actual risk of an activity, and should not disproportionately favour firms with existing scale or banking relationships over new entrants. This response applies that principle to the transition and onboarding framework in Section 4 of the approach document, rather than repeating our detailed comments on the substantive backing, capital and reserve requirements set out in the Bank's draft Code of Practice, which are addressed in our earlier submission.

BPUK supports a coordinated regime in which the Bank and the FCA divide responsibilities clearly along the lines of their distinct statutory objectives. Our focus in this response is whether the transition into that regime is sufficiently clear, predictable and proportionate for firms as they become systemic.

A. Clear Lead Authority for Overlapping Responsibilities (Q1, Q5, Q6)

Table C of the approach document divides supervisory responsibility into three categories: areas led by the FCA, areas led by the Bank, and areas of overlapping responsibility, where both the FCA's rules and the Bank's Code of Practice apply³. This overlapping category, covering operational resilience, governance, internal and external audit, risk control, outsourcing, record keeping, reporting, and the issuance, legal claim and redemption framework, is substantial. BPUK supports the principle that both

¹ Bank of England and Financial Conduct Authority, "[Bank of England and Financial Conduct Authority's approach to joint regulation of systemic stablecoin issuers](#)", published 30 June 2026

² Bitcoin Policy UK, "[Response to the Bank of England's Consultation on Stablecoins Code of Practice](#)", 17 September 2026.

³ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 2.2, Table C, "Proposed split of responsibility per policy area for jointly regulated systemic stablecoin issuers".

authorities retain their own statutory objectives and decision making powers in these areas. However, the practical risk for firms is that overlapping responsibility could mean two separate supervisory relationships covering the same underlying activity, with two sets of information requests, two review cycles and potentially, expectations that are not fully aligned.

The approach document states that the authorities will identify a lead authority for particular activities or decisions “where appropriate”⁴. BPUK asks that this principle be applied concretely to each item in the overlapping category, so that firms know in advance, which authority they should treat as their primary point of contact for supervisory correspondence and information requests, even where both rulebooks continue to apply. This does not require the authorities to divide up their underlying legal powers, only to commit to coordinating how those powers are exercised in practice.

Recommendation: *for each policy area listed as overlapping responsibility in Table C, the Bank and FCA should confirm which authority will act as the lead point of contact for supervisory correspondence and information requests, and commit to a single, coordinated information request wherever both authorities need the same underlying data (for example, governance documentation, risk registers or audit reports), rather than each authority requesting it separately.*

B. Settle FCA Rule Disapplication Early (Q1, Q5)

The approach document confirms that the FCA has not yet finalised which of its rules⁵ will be disappplied once a firm becomes jointly regulated. The FCA says it will consult on this once both its own requirements and the Bank’s Code of Practice are settled.

Until that process is complete, a firm approaching systemic recognition will not know exactly which FCA rules will continue to apply alongside the Bank’s requirements. This makes it harder for firms to plan their transition, organise their compliance functions and estimate the cost of becoming jointly regulated.

BPUK recognises that the FCA cannot finalise its disapplication decisions before the Bank’s Code of Practice is settled. However, once the Bank’s rules are finalised, firms should not be left waiting unnecessarily for clarity on the FCA rules that will continue to apply.

Recommendation: *The FCA should publish a clear timetable for consulting on and finalising the rules that will be disappplied for jointly regulated issuers once the Bank’s Code of Practice is finalised, so firms approaching systemic recognition have as much notice as possible.*

C. No Cliff Edge at Recognition (Q1, Q5, Q6)

Once an issuer is recognised as systemic by HM Treasury, it becomes jointly regulated by the FCA and the Bank. Without transitional arrangements through a Power of Direction⁶, the Bank’s rules would apply in full from the day of recognition.

The Bank recognises that some firms will need time to meet those requirements. Its approach allows for a transition period, typically expected to last between 12 and 36 months, depending on the firm’s

⁴ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 9, Annex: Regulatory cooperation.

⁵ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 2.2.

⁶ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 3.2; [Banking Act 2009, section 191](#).

circumstances. This may include time to gain access to a settlement account, move backing assets into the required structure, arrange safeguarding and meet capital and reserve requirements.

BPUK supports the use of a Power of Direction where a firm cannot reasonably meet all of the Bank's requirements on day one. The important point is that firms should have as much certainty as possible about when transitional relief will be available and what factors will determine its scope and duration.

A firm should not immediately fall short of the Bank's requirements because a practical step, such as gaining access to the required settlement infrastructure, cannot reasonably be completed by the date it is recognised as systemic.

Recommendation: *The Bank should set out clear criteria for when it will use a Power of Direction under section 191 of the Banking Act 2009 during transition. Where a firm cannot reasonably meet a requirement on day one for practical reasons, the Bank should explain how transitional relief will be applied and how its duration will be determined.*

D. Transition Timeframes: Flexible and Proportionate (Q2, Q3)

BPUK does not hold firm level data on how long a transitioning issuer actually needs to meet the Bank's requirements, and we do not think it would be right to propose specific timeframes without that evidence.

The approach document sets out an indicative transition period of 12 to 36 months⁷. It says an issuer may need up to 12 months to apply for access to a settlement account, complete the backing asset transition and put the required safeguarding arrangements in place. The Bank also expects the issuer to apply for direct payment system access during this first part of the transition. A further period of up to 24 months may then be required to meet the capital and reserve requirements.

BPUK welcomes the Bank publishing an indicative range, as this gives firms a useful benchmark. However, greater clarity would help firms understand how an individual transition timetable will be set in practice.

The Bank says the timetable will be determined case by case, taking into account factors including the issuer's rate of growth, the potential impact of disruption on UK financial stability and the additional time needed to meet particular requirements. BPUK asks the Bank to give more detail on how these factors will be weighed, particularly where a smaller or newer issuer does not yet have established banking relationships, settlement infrastructure or the balance sheet of a large incumbent. BPUK also asks the Bank to confirm that the absence of an established banking relationship or settlement infrastructure may justify additional transition time, rather than placing a smaller or newer issuer at a disadvantage.

As BPUK set out in its 17 September 2026 response to the Bank's consultation on the draft Stablecoins Code of Practice, several costs associated with the systemic regime⁸, including trust administration, custodian arrangements and recovery planning, do not necessarily scale proportionately with issuance size. These costs may therefore fall more heavily on newer issuers.

Recommendation: *The Bank should provide further guidance on the factors it will use to set an individual issuer's transition timetable, including how existing banking relationships, access to settlement infrastructure and balance sheet strength will be taken into account. The approach should remain*

⁷ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 4.2.

⁸ Bitcoin Policy UK, ["Response to the Bank of England's Consultation on Stablecoins Code of Practice"](#), 17 September 2026.

proportionate to each firm's circumstances, rather than applying the same timetable to firms with materially different starting positions.

E. Redemption During Transition (Q4)

The Bank's Code of Practice requires systemic stablecoin issuers to complete redemptions as soon as practicable and, in any event, within 24 hours of receiving a full redemption request. Redemptions should take place in real time wherever possible. A request becomes full once the required AML and KYC checks are complete and the issuer has received the stablecoins being redeemed.

The approach document also makes clear that an issuer needs sufficient liquidity prepositioned before it can instruct a valid payment order. Direct payment system access is intended to support timely and reliable redemption, but the Bank's own example shows that obtaining this access can take more than 12 months⁹ and may not be achievable on the first day an issuer is recognised as systemic.

This creates a practical issue during transition. The 24 hour redemption requirement applies from the day of recognition, even though one of the tools intended to help an issuer meet that requirement reliably may not yet be available.

BPUK therefore asks the Bank to clarify how the redemption requirement will apply during this period, including how a firm relying on intermediated payment access is expected to meet the 24 hour standard before direct access is available. We also ask whether a Power of Direction could be used to modify the relevant requirements temporarily where direct payment system access is not yet available, consistent with the Bank's proposed use of a Power of Direction for other transitional requirements. The Bank has confirmed that section 191 of the Banking Act 2009 allows it to waive or modify Code of Practice requirements during a transition period.

Recommendation: *The Bank should confirm how the 24 hour redemption requirement will apply to a transitioning issuer before it has secured direct payment system access. It should also explain whether a Power of Direction under section 191 of the Banking Act 2009 may be used to provide temporary relief where needed, and what conditions would apply.*

F. Proportionality for Transitioning Firms Too (Q1, Q6)

The mobilisation and scaling stages, and the step up approach for issuers recognised as systemic at launch, are a positive proportionality feature of the onboarding framework. BPUK supports the general principle that new and growing firms should not be regulated as though they already operated at the scale of an established incumbent.

Our concern, consistent with BPUK's established "same risk, same regulation" principle, set out in BPUK's 17 September 2026 response to the Bank's consultation on the draft Stablecoins Code of Practice¹⁰, is that this proportionality should apply equally to a firm transitioning from FCA solo regulation, and not only to a new issuer recognised as systemic at launch.

⁹ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 4.2, Scenario 1

¹⁰ Bitcoin Policy UK, "[Response to the Bank of England's Consultation on Stablecoins Code of Practice](#)", 17 September 2026.

The approach document describes four onboarding paths in Figure 2¹¹: mobilisation, scaling, both, or moving directly to baseline supervision. The onboarding framework applies to both systemic at launch issuers and firms transitioning from FCA solo regulation. The Bank indicates that scaling may be appropriate for a transitioning firm, depending on factors such as the type of entity, the maturity of the firm and its business model.

However, the Coin GBP transition scenario, the document's only worked example of a transitioning firm, moves directly to a negotiated Power of Direction and a transition towards baseline supervision rather than showing how mobilisation or scaling would work in practice.

BPUK therefore asks the Bank to provide an example of how a transitioning firm without Coin GBP's scale, for instance a smaller FCA authorised issuer that grows into systemic recognition more gradually, could make use of the mobilisation or scaling stages. This would help demonstrate that the same proportionality tools are genuinely available to transitioning firms and not only to new systemic at launch entrants.

Recommendation: *The Bank should provide a worked example showing how a smaller or less mature firm transitioning from FCA solo regulation could use the mobilisation or scaling stages in Section 4.1, including the factors that would determine which stage is appropriate and what restrictions or conditions might apply.*

G. Scope: Open Protocols and Non-Custodial Software (Q5)

The Banking Act framework referred to in the approach document is not limited to qualifying stablecoins. It also covers operators of payment systems using digital settlement assets, DSA service providers and providers of essential services to those systems. The definition of a digital settlement asset is not limited to a fiat referenced stablecoin¹².

Bitcoin is not a qualifying stablecoin, but BPUK is concerned that DSA terminology used here should not create uncertainty for open Bitcoin infrastructure. BPUK's concern is that obligations designed for identifiable firms should not be applied to open source protocols, non custodial wallets, node operators or decentralised payment routing where there is no central entity responsible for compliance.

BPUK therefore asks the Bank and FCA to clarify that these categories are intended to apply to identifiable firms or operators that can be subject to regulatory obligations. They should not be interpreted as applying to open source protocols, non custodial wallet software, node operators or decentralised payment routing where there is no central entity exercising control.

This clarification would give firms and developers greater certainty and would fit the structure of the regime set out in the consultation, which is based on identifiable issuers, payment system operators and service providers that can be supervised.

Recommendation: *The Bank and FCA should confirm that the systemic recognition framework described in this consultation is intended to apply to identifiable firms and operators. It should not apply to open source protocols, non custodial wallets, node operators or decentralised payment routing infrastructure, including Lightning routing, where there is no central controlling entity.*

¹¹ Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 4.1 and Figure 2.

¹² Bank of England and Financial Conduct Authority, [Joint Approach Document](#), Section 1 and Section 3.1; Banking Act 2009, section 185A.

H. Equality Act 2010: impact on persons sharing protected characteristics

BPUK has not identified clear evidence that these proposals would affect people with protected characteristics differently from others. However, some indirect effects may only become clear once the regime is operating in practice, particularly where access, identity checks or redemption processes are involved.

These rules mainly govern how issuers operate, rather than how consumers access or use stablecoins. This differs from the individual and business per coin holding limits originally proposed¹³, which the Bank dropped in June 2026 in favour of a temporary issuance guardrail.

BPUK has previously raised privacy and financial inclusion concerns about identity based controls in the context of the digital pound. Those concerns were also reflected in our recent response to the Bank's consultation on the draft Stablecoins Code of Practice, which noted concerns about excessive identity checks, unnecessary collection of personal data and the linking of financial information across systems¹⁴.

As that earlier holding limit approach is not included in this regime, we do not have enough evidence to conclude that the same concerns arise here. We would welcome any equality impact assessment carried out on these proposals.

Summary of recommendations

- For each policy area listed as overlapping responsibility in Table C, the Bank and FCA should confirm which authority will act as the lead point of contact for supervisory correspondence and information requests, and coordinate requests so firms are not asked twice for the same material.
- The FCA should publish a clear timetable for consulting on and finalising the rules that will be disapplied for jointly regulated issuers once the Bank's Code of Practice is finalised, so firms approaching systemic recognition have as much notice as possible.
- The Bank should set out clear criteria for when it will use a Power of Direction under section 191 of the Banking Act 2009 during transition. Where a firm cannot reasonably meet a requirement on day one for practical reasons, the Bank should explain how transitional relief will be applied and how its duration will be determined.
- The Bank should provide further guidance on the factors it will use to set an individual issuer's transition timetable, including how existing banking relationships, access to settlement infrastructure and balance sheet strength will be taken into account. The approach should remain proportionate to each firm's circumstances.
- The Bank should confirm how the 24 hour redemption requirement will apply to a transitioning issuer before it has secured direct payment system access. It should also explain whether a Power of Direction under section 191 of the Banking Act 2009 may be used to provide temporary relief where needed, and what conditions would apply.
- The Bank should provide a worked example showing how a smaller or less mature firm transitioning from FCA solo regulation could use the mobilisation or scaling stages in Section

¹³ Bank of England, "[Sterling-denominated systemic stablecoins](#)", Policy Statement and consultation on draft Code of Practice published 22 June 2026.

¹⁴ Bitcoin Policy UK, "[Response to the Bank of England's Consultation on Stablecoins Code of Practice](#)", 17 September 2026.

- 4.1, including the factors that would determine which stage is appropriate and what restrictions or conditions might apply.
- The Bank and FCA should confirm that the systemic recognition framework described in this consultation is intended to apply to identifiable firms and operators. It should not apply to open source protocols, non custodial wallets, node operators or decentralised payment routing infrastructure, including Lightning routing, where there is no central controlling entity.

Submitted by the Bitcoin Policy UK Team

71-75 Shelton Street, Covent Garden, London, United Kingdom, WC2H 9JQ

Company number 14743706

contact@bitcoinpolicy.uk

<https://www.bitcoinpolicy.uk/>

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