



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr Freddie New
Bitcoin Policy UK
71-75 Shelton Street
London
WC2H 9JQ

5 February 2024

Dear Freddie,

FCA treatment of ETFs referencing cryptoassets

Thank you for your letter dated 3 January regarding the FCA's prohibition on retail access to exchange traded funds (ETFs) that reference specific cryptoassets.

The government understands the FCA considers these products to be ill-suited for retail consumers due to risk of harm arising from the nature of the underlying assets and markets. Ultimately, the question of whether to list these assets is for the FCA as the independent regulator, working within its statutory objectives.

The government is committed to creating a regulatory environment in which firms can innovate, while crucially maintaining financial stability and clear regulatory standards so that people can use new technologies both reliably and safely. As you noted in your correspondence, we recently published our response to the consultation and call for evidence on the future financial services regulatory regime for cryptoassets. The Government is progressing work on secondary legislation giving effect to these proposals.

The FCA's prohibition is subject to on-going review. While it would not be appropriate for the government to intervene in a decision taken by the independent regulator at this time, the government considers that the introduction of its forthcoming comprehensive financial services regulatory regime for cryptoassets – and in particular the proposed market abuse regime discussed in our recent consultation response - has the potential in future to assist with many of the FCA's concerns. We are working at pace to deliver these proposals as soon as reasonably possible.

I appreciate your time and effort in sharing your concerns and I look forward to continuing to engage on the opportunities and challenges faced by industry in this sector.

A stylized, handwritten signature in black ink, featuring a large, sweeping 'B' and 'A' followed by a long, horizontal stroke.

BIM AFOLAMI MP