

Government to strengthen rules on misleading cryptocurrency adverts

- The government plans to legislate to address misleading cryptoasset promotions
- Adverts will be brought into line with other financial advertising, ensuring they are fair and clear
- New rules will increase consumer protection while encouraging innovation

Around 2.3 million people in the UK are now thought to own a cryptoasset with their popularity rising – but research suggests that understanding of what crypto actually is is declining, suggesting that some users may not fully understand what they are buying. This poses a risk that these products could be mis-sold.

The consultation response, published today, sets out the government's plan to bring the promotion of cryptoassets within the scope of financial promotions legislation. This means the promotion of qualifying cryptoassets will be subject to FCA rules in line with the same high standards that other financial promotions such as stocks, shares, and insurance products are held to.

This will balance the desire to encourage innovation with the need to ensure that cryptoasset advertisements are fair, clear, and not misleading.

Chancellor of the Exchequer, Rishi Sunak said:

Cryptoassets can provide exciting new opportunities, offering people new ways to transact and invest – but it's important that consumers are not being sold products with misleading claims.

We are ensuring consumers are protected, while also supporting innovation of the cryptoasset market.

The government is eager to support innovation in cryptoassets and recognises the potential benefits of certain products like stablecoins, such as providing a more efficient means of payment, and in 2018 the government launched the the Cryptoasset Taskforce, which continues to steer the UK's regulatory response to the cryptoasset market.

However, research undertaken by the FCA highlighted the potential for misleading advertising of crypto products to cause consumer harm.

The Government's decision to bring these types of advertisements into the scope of regulation will mitigate the risks of consumer harm, ensuring people have the appropriate information to make informed investment decisions.

This will be done via secondary legislation to amend the Financial Promotion Order, which sets out the investments and activities to which the financial promotion regime applies. Under the Financial Services and Markets act 2000, a business cannot promote a financial product unless they are authorised by the FCA or the PRA, or the content of the promotion is approved by a firm which is. Firms that wish to promote such investments and activities must comply with binding rules that financial promotions must be fair, clear, and not misleading.

This will provide the Financial Conduct Authority with the appropriate powers to regulate the market more effectively. The FCA will shortly be consulting on their proposed financial promotions rules that will apply to cryptoassets.

Further information

- The government intends to put in place a suitable transitional period (approximately six months) from both the finalisation and publication of the proposed Financial Promotion Order regime and the complementary FCA rules
- The legislation will be brought forward once parliamentary time allows
- Consultation response available [here](#)
- [FCA Cryptoasset consumer research 2021](#)
- Today's announcement complements broader proposals on cryptoassets and stablecoins set out via the government's [consultation](#) on a regulatory framework for stablecoins last year, with next steps due to be announced in due course