Crypto Trading Rules in UK; FCA AML & CFT Law

In recent years, institutions like the **HM Treasury** and the **Financial Conduct Authority (FCA)** have established clear standards for digital asset service providers.

These standards, framed in bills such as the **Property Bill**, provide a regulatory framework for crypto trading to combat money laundering (AML) and counter-terrorism financing (CFT).



Is Crypto Trading Allowed in the UK

The Importance of Crypto Trading Regulations in the UK

Regulatory bodies such as **HM Treasury** and the **FCA** aim to create a transparent environment in the FinTech sector through clear standards and frameworks.

What is the FCA? The FCA's Role in Financial Behavior Regulation

The **Financial Conduct Authority (FCA)** is an independent regulatory entity in the UK, operating since 2013 under the supervision of the **HM Treasury** and independent from the **Bank of England**.

The FCA's mission is to regulate and oversee the financial behavior of companies to protect consumers and maintain market integrity.

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The FCA is responsible for registering and supervising **Crypto Asset Service Providers (CASPs)** in digital assets.

Under the **Money Laundering Regulations 2017 (MLR 2017)**, crypto service providers must adhere to standards such as appointing a **Money Laundering Reporting Officer (MLRO)**, performing user verification (KYC), and monitoring financial activities.

Key Crypto Trading Regulations in the UK

Each law covers a specific area of crypto activities, including user identity verification, crypto service advertising, and digital ownership definitions.

Law	Related to	Scope of Application
FSMA 2023	Security Tokens	Regulated financial activities
RAO 2001	Stablecoins, derivatives, lending	Definition of regulated activities
EMRs / PSRs	Wallets and exchange platforms	Payment services/funds custody
Financial Promotions	All service providers to UK users	Crypto marketing and promotions
Property Bill	Digital asset users and companies	Legal ownership of cryptocurrencies

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Money Laundering Regulations 2017 (MLR 2017)

The **MLR 2017** is the UK's primary legal framework to combat money laundering, terrorist financing, and illicit activities in financial markets.

Since 2020, **CASPs** have been obligated to comply with this law.

The law's requirements include:

- Mandatory registration with the FCA;
- Appointment of a Money Laundering Reporting Officer (MLRO);
- Conducting Know Your Customer (KYC) procedures;
- Organizational risk assessment;
- Continuous transaction monitoring;
- Sanctions list and Politically Exposed Persons (PEP) checks;
- Retention of identity and transaction records for at least five years after termination of service;
- Reporting of suspicious activities;
- Mandatory staff training on AML and CFT obligations.

Financial Services and Markets Act (FSMA)

Initially designed for traditional markets in 2000, the **Financial Services and Markets Act (FSMA)** was updated in 2023 to address crypto activities.



Crypto Trading Laws, Financial Services and Markets Act

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Regulated Activities Order 2001 (RAO 2001)

The **Regulated Activities Order (RAO - 2001)**, an annex to the FSMA, details specific financial activities that must be regulated.

Recent updates have expanded its scope to cover crypto-related services.

Highlights regarding crypto companies include:

- Clear definition of regulated activities;
- Coverage of crypto-to-fiat and fiat-to-crypto exchange services;
- Inclusion of backed stablecoins;
- Coverage of crypto derivatives;
- Regulation of crypto lending and borrowing platforms;
- Requirement to obtain FCA authorization.

Property Bill

Introduced to the UK Parliament in 2024 and currently under review by the **House of Lords**, the **Property Bill** aims to legally classify digital assets, including cryptocurrencies, as personal property under English and Welsh law.

The UK would be among the countries officially recognizing cryptocurrency ownership under civil law upon its final approval.

Main provisions of the bill include:



Property Bill Related to Crypto Trading in the UK

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Conclusion

A thorough understanding of the UK's regulatory framework governing cryptocurrencies is essential for crypto trading.

Laws like **MLR 2017**, **FSMA**, and **RAO** each define specific legal responsibilities.

Source:

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