

UK Cryptoassets Taskforce Final Report

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The UK Cryptoassets Taskforce has recently published its [final report](#). The Taskforce comprises HM Treasury, the Financial Conduct Authority and the Bank of England and was formed in March 2018.

While the use of cryptoassets for illicit activity remains low in the UK, the Taskforce concludes that these risks are increasing and the use of cryptoassets for money laundering is growing. The UK authorities will bring all relevant firms into anti-money laundering and counter-terrorist financing regulation. This action will go significantly beyond the requirements set out in the European Union Fifth Anti-Money Laundering Directive. The UK government will consult on its proposed actions and will legislate during 2019.

The Taskforce wants to ensure that firms do not issue cryptoassets that have comparable features to specified investments (such as shares or units in a collective investment scheme) but are structured in such a way that they avoid regulation. Consistent application of regulation will be applied. The UK government will issue a consultation in early 2019 to further explore with the industry whether an extension of the regulatory perimeter is required. Subject to the outcomes of this consultation, the government stands ready to legislate to redefine and expand the perimeter if necessary.

The application of distributed ledger technology (**DLT**) might also pose challenges with respect to civil law (for example, on the question of enforceability of smart contracts) and data protection (for example, the General Data Protection Regulation (**GDPR**)). GDPR establishes a right to erasure, which might cause tension with core features of some DLT networks that offer immutable data storage (without the technical possibility of erasure). All organisations that use technologies such as DLT to process personal data must comply with the UK Data Protection Act 2018 and the GDPR.

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