



THE DEPUTY LEADER OF THE HOUSE OF LORDS

3 March 2021

The Baroness Altmann  
House of Lords  
London  
SW1A 0PW

*Dear Lady Altmann,*

Thank you for your contributions during Grand Committee on the Financial Services Bill on Wednesday 24 February.

I made a commitment to write in response to your question about the Government's position on the cryptocurrencies, particularly concerning the environmental impacts of cryptocurrency mining and trading, and any risks that cryptocurrencies could pose to financial stability.

The Government takes seriously the concerns you raised and is closely monitoring developments within the cryptoasset industry, including rising energy usage and the activities this is associated with.

Recognising that financial services are a critical enabler in the drive for net zero, in November the Chancellor set out his ambitious vision for the sector. Greening financial services was a central part of this. He outlined new proposals to support sustainable financial flows and to advance the UK's global leadership in green finance ahead of hosting COP26, including a pledge to make Taskforce on Climate-related Financial Disclosures (TCFD)-aligned financial disclosures mandatory across the economy by 2025, making the UK the first G20 nation to make such a commitment. The Financial Conduct Authority (FCA) recently published a policy statement on its consultation finalising its initial rules, requiring UK premium-listed firms to publish how their disclosures are consistent with TCFD or explain why they are not. Later this year, the FCA will consult on broadening the scope of those requirements and strengthening their compliance basis.

Additionally, the Government has committed to the implementation of a green taxonomy. This will allow us to accelerate our work towards a greener financial sector, by providing a common definition for environmentally sustainable economy activities.

Together, these measures will provide investors, consumers and the Government with vital information needed to take environmental impacts into account when making investment decisions. In addition, they will support informed and efficient capital allocation, which supports the greening of the UK economy and long-term financial stability.

In relation to the Government's position on cryptoassets more broadly, it has convened the Cryptoasset Taskforce, comprising HM Treasury, the Bank of England and the FCA. This Taskforce explores the impact of cryptoassets, the potential benefits and challenges of the application of distributed ledger technology in financial services, and assessing what, if any, regulation is required in response.

HM Treasury and UK authorities have taken a series of actions to mitigate risks to stability and market integrity, and prevent the use of cryptoassets in illicit activity. This includes HM Treasury's ongoing consultation on the regulatory approach to new forms of digital currencies known as stablecoins. HM Treasury also consulted during 2020 on a proposal to bring certain cryptoassets, including Bitcoin, into the scope of financial promotions regulations. This would ensure that relevant cryptoasset promotions are held to the same high standards for fairness, clarity and accuracy that exist in the financial services industry. The consultation is now closed, and the Government will be publishing its response in due course.

Alongside this, the Government launched a new anti-money laundering and counter-terrorist financing regime for cryptoassets in 2020. Cryptoasset firms are now required to register with the FCA, carry out appropriate checks on their customers, and report suspicious activity. The scope of cryptoasset firms captured by this regime goes beyond the requirements of the EU's Fifth Anti-Money Laundering Directive to comply with the latest international Financial Action Taskforce standards.

I can assure you that the Government stands ready to respond to emerging risks or changes in the market and will continue to monitor how cryptoassets are being used in the UK.

I am copying this letter to all those who spoke in the Committee debate on Wednesday, and I am placing a copy in the Library.

Yours sincerely,

*Yours sincerely,  
Frederick Howe*

**EARL HOWE**

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