

Cryptocurrency trading in UK should be regulated as form of gambling, say MPs

Publication Date: 2023-05-16

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Section: Technology

Tags: Cryptocurrencies, Gambling, Regulators, Non-fungible tokens (NFTs), Financial Conduct Authority, Bitcoin, news

Article URL: <https://www.theguardian.com/technology/2023/may/17/cryptocurrency-trading-in-uk-should-be-regulated-as-form-of-gambling-say-mps>



UK authorities should regulate cryptocurrency trading as a form of gambling rather than a financial service, parliament's Treasury committee has said after a fresh inquiry into the industry. The government must avoid wasting more taxpayer funds promoting tech innovations such as digital tokens, without demonstrating the clear benefits to the public, MPs said in a report published on Wednesday. Like gambling, cryptocurrency trading and investing can be addictive, MPs concluded. And while the underlying blockchain technology could benefit the wider financial services industry, the process of betting on the volatile price of unbacked assets such as bitcoin could lead consumers to lose life-changing sums of cash. "Effective regulation is clearly needed to protect consumers from harm, as well as to support productive innovation in the UK's financial services industry," the Conservative MP and Treasury committee chair, Harriett Baldwin, said. "However, with no intrinsic value, huge price volatility and no discernible social good, consumer trading of cryptocurrencies like bitcoin more closely resembles gambling than a financial service, and should be regulated as such. "By betting on these unbacked 'tokens', consumers should be aware that all their money could be lost." The recommendations could influence government plans to regulate cryptocurrencies, which are being considered after a consultation earlier this year. It has been widely expected that cryptocurrency trading would eventually fall under the Financial Conduct Authority – which is currently responsible for ensuring firms comply with money-laundering rules, and will soon be tasked with monitoring adverts. However, the Treasury committee said treating cryptocurrency trading or investing like a financial service – and regulating it via the FCA – risked creating a "halo effect" that could lead consumers to believe the industry was "safer than it is" or that they were protected from financial losses, when they are not. The report said that regulating cryptocurrencies as gambling would be consistent with the government's principle of "same risk, same regulatory outcome". The report also hit out at the government's recent attempt to produce a non-fungible token via the Royal Mint. NFTs are unique digital assets stored on a blockchain, the same decentralised ledger of transactions used to buy and sell cryptocurrencies such as bitcoin. However, the project – which Labour had criticised as a "crypto gimmick" – was scrapped in March, just under a year after the project being announced. The Treasury committee said it was calling on the government to take a "balanced approach" to technology and "avoid expending public resources on supporting cryptoasset activities without a clear, beneficial use case", adding that the failed NFT project was "a case in point". It said: "It is not the government's role to promote particular technological innovations for their own sake." A Treasury spokesperson said the risks posed by cryptocurrencies were "typical" of those posed by financial services, "and it is financial services regulation – rather than gambling regulation – that has the track record in

mitigating them". The CryptoUK industry group did not respond to a request for comment before publication.