Response to HMRC Call for Evidence: Taxation of stablecoins

About This Response

Aave Labs is a software development company that contributes to the Aave Protocol, the largest decentralised lending protocol on public blockchains. The Aave Protocol currently holds approximately $30bn in user-deposited assets across its markets. The majority of supply and borrow activity on the protocol is denominated in USD-referenced stablecoins, principally USDC and USDT, making stablecoin tax treatment a day-to-day operational reality for the protocol's users rather than a theoretical concern.

We are responding to this Call for Evidence because we believe we can offer HMRC direct, practical visibility into how stablecoins function in on-chain lending markets at scale. The questions this consultation addresses: how stablecoins are held, lent, borrowed, and redeemed; how receipt tokens interact with the underlying asset; and how returns are generated and characterised.

The government's Financial Services Growth and Competitiveness Strategy identifies digital assets and tokenised payment infrastructures as priorities for UK financial services. The tax framework for stablecoins is a material input to whether that ambition is realised. In our experience, UK individuals and institutions face administrative burdens under the current rules that are disproportionate to the underlying economic activity and that do not arise in equivalent fiat positions or, in some cases, for users in comparable jurisdictions. This response sets out our views on how those issues can be addressed.

In addition, CARF, in effect from 1 January 2026, provides HMRC with reporting visibility into cryptoasset activity through UK Reporting Cryptoasset Service Providers (RCASPs). Where users access decentralised protocols through UK RCASPs, CARF captures the relevant data on taxable activity, including stablecoin lending returns. Where users access protocols directly, taxable income is reported through ordinary self-assessment. The reform options we set out below assume CARF and self-assessment as the existing reporting baseline rather than treating it as something to be supplemented by additional transaction-level obligations on activity that should not generate a tax charge in the first place.

Summary

- **Reduce disproportionate administrative burdens.** The current treatment gives rise to multiple taxable events on transactions that may not involve a substantive change in the user's underlying economic position, including where users retain a fully redeemable claim on the same asset (for example through receipt tokens). For individuals, qualifying stablecoins should be treated as exempt assets for CGT purposes, and for companies brought within (or deemed to fall within) the loan relationship rules.
- **Extend scope beyond GBP-denominated coins, and apply the definition on a substance basis.** A sterling-only regime would have limited practical effect, and a definition that turns on issuer structure rather than economic substance would exclude decentralised stablecoins from a regime they are well within the policy intent of.
- **Ensure coherence with existing DeFi tax frameworks.** The treatment of stablecoins should operate alongside NGNL principles for cryptoasset loans and liquidity pools, which address different aspects of the same underlying activity.
- **Align the treatment of returns with their economic character.** Interest-like returns from stablecoin lending should be treated consistently with interest for tax purposes. Reporting should rely on CARF and self-assessment, rather than extending withholding obligations into decentralised contexts where they cannot operate in practice.
- **Avoid unnecessary transaction-level reporting.** Routine stablecoin payments should not give rise to comprehensive reporting obligations. Existing frameworks, including CARF and self-assessment, provide proportionate visibility without requiring tracking of every disposal.

Responses to Consultation Questions

Question 1:

Are there any further points of background in relation to stablecoins and the stablecoin market which would be relevant to this Call for Evidence?

- Stablecoins serve multiple use cases. Globally, stablecoins are used for cross-border payments and remittances, on-chain lending and settlement, crypto trading, and increasingly as a store of value in high-inflation

economies. Currently, the UK user base engages predominantly with on-chain financial activity (collateralised lending, market-making, and settlement) rather than retail payments. Tax reform framed primarily around retail payment frictions will not address the administrative burdens most relevant to UK on-chain finance participants today, especially as retail use cases grow over time.

- The market is overwhelmingly USD-denominated. USDC and USDT together account for the significant majority of stablecoin TVL across DeFi. Sterling-denominated stablecoins represent a very small share of current activity. Any reformed tax treatment limited to GBP-referenced coins would have limited practical effect for UK participants in the near term.
- Receipt tokens are integral to how DeFi lending works and must be within scope. When a stablecoin is supplied to a lending protocol such as Aave, the protocol issues receipt tokens, in Aave's case, an aToken, representing the depositor's claim on the underlying asset plus accrued yield. The receipt token and the underlying stablecoin are economically the same position, namely a fully redeemable claim on the underlying asset plus accrued return. A tax treatment that treats the underlying stablecoins as qualifying but leaves the receipt token as a general cryptoasset would create a disposal event at the point of deposit and again at redemption, defeating much of the practical benefit of reform.
- The definition should be durable. The stablecoin market is evolving. Overcollateralised decentralised stablecoins, such as GHO minted within the Aave Protocol, maintain stability through on-chain crypto collateral rather than fiat reserves. They are economically analogous to fiat-reserved coins for the purposes this consultation addresses. A substance-based definition, rather than one tied to issuer structure or regulatory registration, would ensure the framework remains fit for purpose as the market develops.

Question 2:

To what extent does the current CGT treatment: cause administrative or other difficulties for individuals, and/or deter the use of stablecoins, for example in retail payments?

The burden is significant and disproportionate to the underlying economic activity.

A UK individual who supplies USDC to a lending protocol, holds for six months, redeems, and uses the proceeds to make a further on-chain transaction generates at least three CGT events on a sterling computation: deposit (stablecoin to aToken),

redemption (aToken to stablecoin), and onward disposal, each requiring a sterling computation of acquisition cost and disposal proceeds. In typical holding periods, these events are unlikely to give rise to material gains or losses, with differences primarily arising from minor FX movements against sterling.

The deterrent effect is material. UK individuals who would otherwise participate in DeFi lending face a choice between incurring disproportionate compliance costs, relying on specialist tax software that many users are unfamiliar with, or simply not participating. In our experience, DeFi users are from a wide range of backgrounds, and the industry is actively working to make protocols more accessible to less sophisticated and less crypto-experienced individuals, for example through building user interfaces to DeFi requiring no specialist knowledge. As that user base broadens, the compliance burden will affect a broader population than it does today; any new rules should be futureproofed for that trajectory. The practical result is that the current rules disadvantage UK residents relative to users in jurisdictions where stablecoin disposals are either exempt or not treated as taxable events, without generating meaningful Exchequer revenue in return.

As stablecoin use in retail payments grows, this problem will become more visible. Every purchase made with a stablecoin would constitute a disposal requiring tracking. But the burden is already acute for the UK individuals most actively using stablecoins today.

Question 3:
Are there any difficulties caused by the current Income Tax treatment of stablecoins, and to what extent do those difficulties deter their usage?

Yes. Returns on stablecoin lending are currently taxed as miscellaneous income rather than savings income, even though the economic substance is closely analogous to interest on a deposit. In practice, this means UK individuals supplying stablecoins to lending protocols cannot access the Personal Savings Allowance, and are instead subject to the Trading and Miscellaneous Income Allowance, a less favourable treatment than they would receive on an economically equivalent fiat deposit. There is also an asymmetry in the application of withholding tax between stablecoin and fiat lending that creates further distortion. We address both points, and our preferred approach to reform, at Q16.

Question 4:
Currently, how do companies typically account for stablecoins in practice? Please specifically include references to USDT and USDC, 2 of the major stablecoins in the

current market, as well as other common stablecoins used by companies.

There is currently no dedicated accounting standard under IFRS or UK GAAP for crypto assets, including stablecoins. In practice, the treatment depends on the purpose for which the stablecoin is held and the judgment of the preparer applying existing standards by analogy.

Aave Labs accounts for stablecoins, including USDC and USDT, within crypto inventory at fair value, with changes recognised in profit or loss, reflecting the operational nature of our holdings.

The absence of a dedicated standard creates inconsistency across preparers and makes it difficult to give a definitive answer to this question. We would note that this accounting uncertainty is itself an argument for a tax definition grounded in economic substance rather than accounting classification.

Question 5:
How are stablecoins typically treated in practice for Corporation Tax purposes, including where the stablecoin is itself lent or borrowed by a company?

The Corporation Tax treatment of stablecoins in practice depends on the particular features of the stablecoin and how it is used, and requires companies to work through a multi-regime analysis with limited guidance.

For a company holding USDC or USDT for treasury or operational purposes, the starting question is whether the stablecoin gives rise to a money debt, typically where the holder has a direct redemption right with the issuer. Where it does, the holding may fall within the loan relationship rules, with profits and losses taxed as income based on the accounts. Where it does not, or where that analysis is uncertain, the default is chargeable gains treatment, requiring separate disposal calculations. Given the current regime, the conservative position is chargeable gains treatment, even where a loan relationship analysis might be available.

The position becomes materially more complex where a stablecoin is itself lent or borrowed. Where a company lends USDC to a lending pool, the lending transaction is unlikely to be treated as a loan relationship in its own right, because stablecoins are not generally treated as money for UK tax purposes under current law, and so there is no transaction for the lending of money. Returns on that lending are therefore not treated as interest and are instead expected to be miscellaneous income under Part 10 CTA 2009. Exchange gains and losses and impairment would fall under the non-lending relationship rules in Part 6 CTA 2009. A single economic position (lending a stablecoin and receiving a return) can therefore generate

multiple taxable events under different regimes.

Where a company borrows a stablecoin, similar complexity arises on the liability side. The borrowed stablecoin may or may not create a money debt depending on the terms of the arrangement, with corresponding uncertainty about whether the loan relationship rules apply to the obligation.

This multi-regime exposure on what is economically a straightforward lending transaction is the principal area where reform, specifically bringing qualifying stablecoins fully within the loan relationship rules, would produce meaningful simplification. We address our preferred approach at Q14.

Question 6:
To what extent is it possible in practice for a stablecoin: to be a loan relationship, but not be accounted for as a financial asset under IFRS 9 (or equivalent) and/or to not be a loan relationship, but to be accounted for as a financial asset under IFRS 9 (or equivalent)?

Both mismatches are possible in practice, and each arises from a different source of divergence between the tax and accounting analyses.

Loan relationship without IFRS 9 financial asset treatment. Where a stablecoin carries a direct redemption right with the issuer, a money debt may arise for tax purposes, bringing the holding within the loan relationship rules. However, the same stablecoin may be accounted for as an intangible asset under IAS 38 rather than a financial asset under IFRS 9, if the preparer judges that the contractual cash flow characteristics required for IFRS 9 classification are not met. In that case, the stablecoin would be a loan relationship for tax purposes but would not appear as a financial asset in the accounts.

IFRS 9 financial assets without loan relationship treatment. For users of decentralised protocols: a company acquiring USDC on a decentralised exchange has the same economic exposure as one minting directly with the issuer and may account for it as a financial asset under IFRS 9 on that basis. However, because the acquisition was on a secondary market, no direct legal relationship with the issuer arises, and therefore no money debt exists. The loan relationship rules would not apply, and the holding would default to chargeable gains treatment, which is a different tax outcome for the same economic position depending solely on the acquisition route. We consider this best addressed through the OCI/scoping rules discussed at Q15, rather than by anchoring tax outcomes to accounting classification.

Question 7:
Are there any difficulties caused by the current Corporation Tax treatment of stablecoins, and to what extent do difficulties deter companies from using them?

No comment beyond the points raised at Q5 and Q14.

Question 8:
For both individuals and companies, what problems could be caused by contrasting treatment of interest-like returns generated from stablecoins and actual interest on fiat currency debt?

Three problems arise from the contrasting treatment:

(i) **Distortion of investment decisions**. A UK taxpayer choosing between placing funds in a sterling deposit account and supplying USDC to a lending protocol faces different tax outcomes on what is economically similar income. The deposit interest is taxed as savings income, with the benefit of the Personal Savings Allowance. The stablecoin lending return is taxed as miscellaneous income, without that allowance. The after-tax return on the stablecoin position is therefore lower than the pre-tax economics would suggest, creating a bias toward fiat deposits that is a function of tax characterisation rather than underlying risk or return.

(ii) **Asymmetry between borrower deductibility and lender taxation**. In a fiat lending transaction, the system is internally consistent: the borrower deducts interest payments and the lender is taxed on interest received. In a stablecoin lending transaction, the position on both sides is uncertain. Where a company borrows stablecoins, it is unclear whether the cost of borrowing is deductible as a loan relationship debit or falls under a different regime. Where the same company lends stablecoins, the return is miscellaneous income rather than interest. This asymmetry creates structural uncertainty for institutional participants considering stablecoin lending arrangements, including in the context of tokenised asset markets where stablecoins are increasingly used as the lending currency.

(iii) **Inconsistent application of withholding tax across stablecoin and fiat lending**. Withholding tax applies to interest payments on fiat lending, creating a compliance and information reporting infrastructure that gives HMRC visibility into lending income. Stablecoin lending returns fall outside this framework. The result is an uneven playing field between fiat and stablecoin lending, and a reporting gap that is better addressed through alignment of characterisation rules and CARF reporting than through extending withholding into contexts where it cannot practically operate.

Question 9:
Do you consider there to be any potential difficulties with the treatment of stablecoins in respect of taxes other than CGT, Income Tax and Corporation Tax?

No comment.

Question 10:
Does the regulatory definition of qualifying stablecoin provide a suitable starting point for the scope of any potential tax changes?

The regulatory definition provides a useful starting point but would, if adopted without modification, exclude two categories of stablecoin that are central to current market activity and to the policy rationale for reform. We would encourage HMRC to adopt a broader, substance-based definition for tax purposes.

The tax definition should be broad enough to capture the whole stablecoin market and include:

a) **Issuer location should not be determinative.** The dominant stablecoins in use — USDC and USDT — are issued outside the UK and would not qualify under a definition limited to UK-issued coins. A regime that excluded them would have limited practical effect for UK participants for the foreseeable future. A substance-based definition, equivalence findings, or a list-based mechanism would each be workable alternatives that focus on what the stablecoin does rather than where it is issued.

b) **Overcollateralised decentralised stablecoins should be within scope.** GHO, the stablecoin minted within the Aave Protocol, is a USD-referenced stablecoin that maintains stability through transparently held, on-chain crypto collateral rather than fiat reserves held by a centralised issuer. This is structurally different from algorithmic stablecoins, which rely on economic incentives rather than verifiable collateral. GHO maintains stability through three mechanical features: collateral exceeds liabilities at all times and is verifiable on-chain; under-collateralised positions are automatically liquidated; and interest rates adjust in response to peg deviations. Overcollateralised stablecoins are held by protocol users to make payments, settle positions, and denominate lending activity, in the same way as fiat-backed stablecoins. Excluding them from a reformed regime solely because their backing assets are on-chain rather than held by a centralised custodian would be arbitrary from a policy perspective.

For tax purposes, we would encourage a substance-based test that treats as a qualifying stablecoin any cryptoasset that:

(i) references a fiat currency,

(ii) maintains stability through verifiable, segregated backing assets, whether fiat reserves or overcollateralised crypto assets, and

(iii) is designed and operated to maintain par value.

We would also encourage forward-compatibility with multi-currency or basket-referenced stablecoins as that market develops.

Question 11:
What would be the preferred option(s) for reforming the tax treatment of stablecoins in respect of CGT for individuals, and why?

Treat qualifying stablecoins as exempt assets, without a threshold or de minimis cap. This is the only option that fully resolves the administrative burden and is the position most consistent with how qualifying stablecoins are economically used.

The case for unconditional exemption rests on the economic substance of qualifying stablecoins and the practical reality of how they are used. Qualifying stablecoins, as we propose to define them at Q10, are not held for capital appreciation. They are held to make payments, to settle on-chain positions, and as a temporary store of value. The gains and losses that arise on disposal are largely a function of FX movement against sterling rather than of any economic decision by the holder, and the compliance burden of tracking them is disproportionate to the revenue at stake. A threshold or de minimis approach does not solve this, because individuals would still need to track every transaction in case the threshold were breached. Unconditional exemption removes the tracking obligation entirely, both for taxpayers and for HMRC, which would otherwise face an enforcement burden disproportionate to the revenue at stake.

Additionally, any regime that requires individuals to track and report stablecoin disposals at transaction level (whether through self-assessment, third-party reporting, or platform-level data sharing) would, given the volumes involved, amount to comprehensive transaction-level reporting of routine payment activity. This is a significant departure from how analogous fiat payments are treated and one that should not be adopted by default. CARF and self-assessment, as described

in the introduction, already provide HMRC with proportionate visibility into cryptoasset activity. An exemption-based design for qualifying stablecoins achieves the policy objective without extending transactional reporting into ordinary payment flows.

The principal value of this reform for UK individuals using DeFi is that converting a volatile cryptoasset into a stablecoin remains a taxable event (correctly), but holding the stablecoin proceeds is not itself a separate exposure to be tracked. Interaction with the NGNL proposals, and the boundary rule needed to prevent unintended consequences in DeFi, is addressed at Q18.

Question 12:
Should the scope of any changes to the CGT treatment be extended to include non-sterling denominated stablecoins? Why or why not?

Yes, and we consider this essential for the reform to have meaningful practical effect.

A sterling-only reform would have limited practical effect. UK persons engaging with DeFi, holding stablecoins for cross-border payments, or using stablecoins on centralised venues will almost invariably be using USDC, USDT or another USD-referenced coin. A reform covering only GBP-denominated stablecoins would help few of these use cases and would leave the administrative burden that motivates this consultation largely intact.

Exempting only sterling-denominated coins would mean almost no stablecoins fell within the exemption at all. Sterling-denominated stablecoins are a very small share of current activity, and the dominant coins used by UK persons (USDC, USDT) are USD-referenced. A regime that excluded only sterling-denominated coins would deliver the policy objective of administrative simplification only in theory, while leaving the practical burden on UK users substantially unchanged.

A measured way to address the divergence concern would be to limit the non-sterling exemption to qualifying stablecoins referencing major fiat currencies (G10, or a comparable list), with HMRC retaining a regulation-making power to adjust the list. This preserves the practical benefit of the reform while keeping the exemption tightly scoped to currencies where the underlying FX exposure is well-understood and economically minor for retail and ordinary commercial use.

Question 13:
Are there any changes to the Income Tax treatment of stablecoins that you believe the government should be considering?

The current Income Tax treatment of stablecoins does not generally create disproportionate administrative complexity, with one material exception: the characterisation of stablecoin lending returns as miscellaneous income rather than interest. We address this, and our preferred approach to reform, at Q16.

Question 14:
If you consider that reform is needed for the taxation of stablecoins by companies, what would be the preferred option, and why?

Bring qualifying stablecoins, and the lending and borrowing of qualifying stablecoins, fully within the loan relationship rules.

This can be achieved either by treating qualifying stablecoins as money for the purposes of those rules or by a deeming rule that treats holdings and lending transactions as if they were loan relationships, similar to Part 6, CTA 2009. A deeming approach offers HMRC additional design flexibility: stablecoin returns can be brought into account as loan relationship credits and debits without necessarily being characterised as interest. This would preserve consistency with our position at Q16 on withholding tax in decentralised lending contexts.

Either approach delivers: tax following accounts (with FX rules available); returns on lending brought into account on an income basis; and the multiplicity of taxable events on a single economic position collapsed into a single ongoing measurement.

Question 15:
Should there be an additional accountancy-based limitation on what stablecoins are included in any reforms, or specific rules to address amounts recognised in OCI? Why or why not?

No comment

Question 16:
For both individuals and companies, would it be preferable for interest-like returns to be treated in the same way as actual interest? Why or why not?

Yes for the substantive treatment (characterisation, allowances, deductibility). We are aware that some individual-taxpayer practitioners take a different view, on the

basis that the existing £1,000 trading and miscellaneous income allowance is well-understood and works in practice. We acknowledge the practical point but consider the principled alignment with interest treatment to be the correct long-term answer, particularly as stablecoin lending volumes grow and the disparity with fiat deposit treatment becomes increasingly difficult to justify.

Withholding tax in the context of decentralised lending protocols is a different question, and we would encourage HMRC to treat it separately:

- **Withholding cannot be operated by a decentralised protocol.** In traditional finance and banking, the platform has both legal capacity and operational rails to identify recipient tax residency and remit to HMRC. Neither precondition exists for a protocol like Aave: there is no party in the position of "the borrower" who can withhold, no agent with sight of recipient identity, and yield accrues through re-pricing of the receipt token rather than as a periodic counterparty payment. There is no technical or practical mechanism by which a withholding obligation could be discharged.
- **A withholding obligation on decentralised protocols would therefore be difficult to enforce.** The likely outcome is non-compliance rather than additional revenue, with UK users moving to pseudonymous front-ends or non-UK aggregators (reducing rather than increasing HMRC's visibility into stablecoin lending income).
- **CARF and self-assessment provide the appropriate reporting infrastructure.** As described in the introduction, CARF captures stablecoin lending activity for users accessing protocols through UK RCASPs, and direct users report their lending income through ordinary self-assessment. Together these two channels cover the relevant compliance touchpoints without imposing an obligation that cannot technically be met by decentralised infrastructure.

In summary: align interest-like returns with interest for characterisation. Do not extend withholding into decentralised protocols where it cannot operate. Use CARF and self-assessment as the reporting infrastructure instead.

Question 17:
To what extent are stablecoins used in liquidity pool arrangements? Please provide any estimates of the market share of lending and liquidity pool arrangements that involve stablecoins, including figures to support where possible.

Stablecoin participation across DeFi lending and liquidity pool arrangements is very high.

The Aave Protocol holds approximately $30 billion in total user deposits, of which $10 billion are stablecoins. USD-referenced stablecoins (principally, USDC, USDT, and GHO) account for a large share of supply and borrow volume, reflecting the core DeFi use case of depositing volatile assets as collateral to borrow stablecoins. Across DeFi lending protocols more broadly, stablecoins consistently represent the majority of total value locked and an even higher share of borrow activity.

In AMM liquidity pools, stablecoin pairs (both stable-to-stable and stable-to-volatile) account for a significant share of total value locked across major protocols including Uniswap and Curve. Stable-to-stable pools in particular form the backbone of on-chain stablecoin redemption and FX infrastructure. Curve, which specialises in stablecoin liquidity, has historically held billions of dollars in stablecoin pool deposits, though figures fluctuate with market conditions.

Looking ahead, Citi projected in 2025 that the stablecoin market could reach $4 trillion by 2030. If that trajectory materialises, DeFi lending and liquidity provision are likely to account for a substantial share of that volume, given their role as one of the primary on-chain use cases for stablecoins today.

Question 18:
How should the treatment of cryptoasset loans and liquidity pools interact with the treatment of stablecoins? Would the proposed options in sections above create opportunities for tax avoidance involving lending and liquidity pools?

(a) "No Gain No Loss" (NGNL) should be retained

NGNL treatment would provide the best reflection for the underlying economics. Supplying a token to a lending pool and receiving a receipt token (such as an aToken) is not an economic disposal: the user retains beneficial economic exposure to the underlying asset and a contractual or protocol-based right to its redemption. Treating these events as disposals at fair value creates gains and losses unrelated to the user's actual position. The NGNL approach correctly defers the tax point to the economic disposal at the end of the chain. Current uncertainty is itself a deterrent to UK participation in DeFi, and legislative confirmation should be a priority.

(b) Stablecoin rules are welcome but should not displace NGNL.

- **NGNL is essential for borrowing-against-collateral structures.** A UK individual who deposits ETH into Aave as collateral and borrows USDC retains economic exposure to the ETH (it is collateral, not consideration). Without NGNL, that

deposit could be treated as a disposal of ETH for the receipt token (aETH). The stablecoin exemption only addresses legs denominated in qualifying stablecoins. NGNL is required for the volatile-asset legs.

- **NGNL continues to matter for non-qualifying stablecoins and for companies.** Algorithmic and partially-backed coins remain general cryptoassets, and lending these still raises NGNL-relevant transactions. For companies, the loan relationship route does not address the chargeable gains issues on the volatile-asset side of borrowing arrangements.

(c) Avoidance risk is contained.

The principal theoretical risk is that gains on volatile cryptoassets are crystallised into a stablecoin under NGNL and then permanently exempted. HMRC has already identified the right answer: NGNL should not roll a non-exempt asset into an exempt asset (or vice versa). Working through the relevant scenarios:

- Supplying ETH and receiving aETH: NGNL applies. The economic exposure and asset character are unchanged — the receipt token represents the same underlying position.
- Supplying ETH as collateral and borrowing USDC: Not a disposal of ETH. The ETH remains as collateral and the user retains full economic exposure to it. The USDC received is a liability, not proceeds. No avoidance risk.
- Supplying USDC and receiving aUSDC: NGNL applies only if both assets are within the qualifying stablecoin perimeter. Receipt tokens like aUSDC are economically a stablecoin with an interest accrual and should be expressly in scope; if they are, both legs are exempt under the stablecoin rules and NGNL is not needed. If aUSDC is outside the perimeter, NGNL should apply to preserve the base cost of the underlying position.
- Selling ETH for USDC on a DEX: an economic disposal of ETH at fair value, taxed in the ordinary way. The CGT-exempt status of the USDC proceeds does not affect the gain on the ETH leg. No avoidance.

For disposal of a volatile cryptoasset for a qualifying stablecoin (or for a receipt token treated as a qualifying stablecoin), we agree that NGNL should not apply across the exempt/non-exempt boundary. The disposal of the volatile asset must be at fair value, with any gain crystallising at the point of conversion.

Subject to that boundary rule, the proposed reforms do not create material avoidance risk, and they create the conditions for more efficient and more compliant UK participation in DeFi.