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The Uk's Legal Framework for Digital Assets and Recommendation for Vietnam

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Abstract. Digital assets, most notably cryptocurrencies and non-fungible tokens (NFTs), pose fundamental legal challenges to traditional legal systems, particularly regarding the determination of asset nature, mechanisms for establishing ownership rights, and state regulatory frameworks. Through reports by the Law Commission, case law from the Courts of England and Wales, the enactment of the Property (Digital Assets etc.) Act 2025, and the regulatory framework for crypto-assets under the Financial Services and Markets Act (FSMA), the United Kingdom has established one of the world's most comprehensive and leading legal models for digital assets. This article analyzes the development, content, and characteristics of the UK's legal framework for digital assets across three dimensions: (i) the legal nature of the asset under civil/property law; (ii) the financial regulatory and anti-money laundering framework; and (iii) mechanisms for consumer protection and dispute resolution. By comparing this with the current legal landscape in Vietnams, pecifically the new regulations on digital assets in the Law on Digital Technology Industry 2025 (effective from January 1, 2026) the article proposes lessons and directions for refining Vietnam's legal framework regarding digital assets.

1. INTRODUCTION

The development of distributed ledger technology has given rise to a new class of assets - digital assets - which lack physical form and are neither issued nor guaranteed by a central authority, yet possess economic value and are traded widely on a global scale. The emergence of Bitcoin in 2009, followed by thousands of cryptocurrencies, utility tokens, security tokens, and non-fungible tokens (NFTs), created a significant legal gap: traditional civil law concepts of "property," "ownership," and "possession" originally formulated for tangible assets and traditional negotiable instruments proved incompatible with the intangible, programmable, and decentralized nature of digital assets.

Faced with this challenge, nations have adopted diverse legal approaches. The United Kingdom stands out as one of the few countries to have undertaken a methodical and systematic legal reform process. This approach relied on in-depth academic research by the Law Commission of England and Wales, combined with the flexible judicial practices of the common law system and a comprehensively redesigned financial regulatory framework overseen by the Financial Conduct Authority (FCA).

Studying the UK experience holds practical significance for Vietnam, particularly as the National Assembly has passed the Law on Digital Technology Industry 2025 (No. 71/2025/QH15) formally recognizing the concept of "digital assets" in the statutory legal system for the first time and the Government is currently piloting a crypto-asset market pursuant to Resolution No. 05/2025/NQ-CP dated September 9, 2025. This article employs methods of legal analysis, comparative law, and literature synthesis to clarify three aspects: (i) the evolution and content of UK legal reforms regarding the nature of digital assets; (ii) the structure of the regulatory framework covering financial regulation, anti-money laundering, and consumer protection for crypto-assets in the UK; and (iii) based on a comparison with the situation in Vietnam, proposals for feasible lessons to inform the drafting and finalization of implementing regulations for the Law on Digital Technology Industry, as well as the long-term direction for developing Vietnam's legal framework for digital assets.

2. LEGAL FRAMEWORK GOVERNING DIGITAL ASSETS IN THE UNITED KINGDOM

2.1. The Legal Nature of Digital Assets

Under the English common law tradition, personal property is classified into only two categories: "things in possession" (or choses in possession) and "things in action" (or choses in action) the latter referring to property rights enforceable only through legal action (e.g., debts, shares, intellectual property rights). Digital assets which are neither tangible objects capable of physical possession nor rights of action against a specific entity do not fit neatly into either of these categories. This creates significant legal risks: if not recognized as "property," holders of digital assets lack access to proprietary remedies such as asset freezing orders, rights to reclaim stolen assets, or priority status in the insolvency proceedings of a custodial intermediary. A significant jurisprudential development occurred in the case of AA v Persons Unknown [2019] EWHC 3556 (Comm), when the English Commercial Court accepted that Bitcoin could be the subject of a proprietary injunction), thereby indirectly acknowledging that cryptocurrency can be considered property. However, the legal reasoning behind such rulings was inconsistent and lacked a solid foundation, prompting the Law Commission, an independent government advisory body to conduct an in-depth study.

In its final report on digital assets published in June 2023, the Law Commission concluded that many types of digital assets, including crypto-tokens and NFTs, can and should be recognized as "property." However, due to their fundamentally different nature compared to both tangible assets and rights-based assets (such as debts or securities), they do not fit into the two traditional

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categories of personal property. The Commission recommended legislative confirmation of the existence of a "third category of personal property" into which crypto-tokens and potentially other future asset types could be classified.

Based on the draft legislation published by the Law Commission in July 2024, the UK Parliament passed the Property (Digital Assets etc.) Act 2025; the Act received Royal Assent and came into force on December 2, 2025. It is a concise piece of legislation comprising a single substantive provision, stipulating that a thing (including one of a digital or electronic nature) is not precluded from being the subject of personal property rights simply because it is neither a "thing in possession" nor a "thing in action." From a legislative drafting perspective, the Act does not itself enumerate the specific digital assets recognized as property, nor does it establish detailed rules regarding the transfer, mortgaging, or priority of claims concerning digital assets. Instead, it provides courts consistent with the incremental nature of the common law tradition with a clear legal basis to continue developing property law rules tailored to the unique characteristics of digital assets on a case-by-case basis. This "open-framework" (enabling, non-prescriptive) approach reflects a characteristic British legislative philosophy: prioritizing the flexibility and adaptability of the common law over attempting to codify in detail a rapidly evolving technological sector. In practice, even before the Act officially entered into force, numerous judgments by the courts of England and Wales cited the bill as a basis for developing property-based protections for digital assets, demonstrating its influence on judicial practice during the legislative process itself.

2.2. Regulatory Framework for Crypto-Asset Business Activities

Alongside defining the nature of these assets under civil law, the UK Government has established a regulatory framework for crypto-asset business activities modeled on traditional financial services regulation. This framework places the sector under the supervision of the Financial Conduct Authority (FCA), with coordination involving the Bank of England regarding systemic stablecoins. The legal basis for this regulatory framework is the Financial Services and Markets Act 2000 and the 2026 Rules (secondary legislation) adopted by Parliament on February 4, 2026 which bring "qualifying crypto-assets" and related activities within the scope of the Financial Services and Markets Act (FSMA 2000). Consequently, carrying out "specified activities" involving qualifying crypto-assets for business purposes in the UK generally requires FCA authorization; these activities include issuing qualifying stablecoins, operating crypto-asset exchanges, dealing as principal or agent, arranging transactions, and providing cryptoasset custody services.

On June 30, 2026, the FCA published the final policy statements for the crypto-asset regulatory regime, covering regulations on: (i) admissions, disclosures, and the market abuse regime for crypto-assets (MARC); (ii) stable-coin issuance; (iii) regulated crypto-asset activities; and (iv) the prudential regime for crypto-asset firms. The authorization application portal will be open from September 30, 2026, to February 28, 2027, to allow firms time to prepare, while the mandatory regulatory regime will officially take effect on October 25, 2027 providing a sufficiently long transitional period to minimize market disruption and enable firms to adapt. This regulatory model features the following key characteristics:

First, the "same risk, same rules" principle. The FCA applies standards used in the traditional financial services sector such as the Consumer Duty, operational resilience requirements, and the Senior Managers and Certification Regime to the crypto-asset sector where risks are comparable, rather than creating a completely standalone set of rules.

Second, a regulatory approach differentiated by economic functions. Activities such as stablecoin issuance, exchange operation, brokerage, and custody are designated as distinct licensed activities with varying minimum capital requirements (e.g., a qualifying stable-coin issuer must meet a minimum capital requirement of £350,000 or a higher amount calculated based on operating costs or the "K-factor" formula).

Third, a dual supervision mechanism for systemic stable-coins. The Bank of England directly supervises stable-coins deemed large enough to impact national financial stability ("systemic stable-coins"), coordinating with the FCA as outlined in a joint supervisory responsibility document published on June 30, 2026w hile also applying temporary issuance limits ("issuance guardrails") to each systemic stable-coin product.

Fourth, flexibility in adjusting the regulatory scope. HM Treasury has published draft amendments to exclude certain payment activities involving UK-issued stable-coins from the scope of crypto-asset regulation, bringing them instead under the payment services regulatory framework currently undergoing parallel reform to avoid regulatory overlap between the two sectors.

2.3. Legal Framework for Anti-Money Laundering

Since 2020, the UK has applied the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (amended to domesticate Financial Action Task Force – FATF standards) to crypto-asset businesses; these regulations require exchanges and custodial wallet providers to register with the FCA and comply with Know Your Customer (KYC) and suspicious transaction reporting obligations before they are permitted to legally provide services in the UK. This crypto-asset AML/CTF registration mechanism operates independently of and predates the FSMA-based business licensing framework, creating two complementary layers of control: one focused on illicit financial risks and the other on market soundness, transparency, and safety.

Separating these two mechanisms allows the UK to implement AML obligations well before the comprehensive FSMA regulatory framework officially takes effect (October 25, 2027), thereby avoiding a supervisory gap regarding illicit financial risks during the lengthy transition period.

2.4. Consumer Protection and Dispute Resolution

Recognizing digital assets as objects of property rights under the 2025 Act holds significant practical importance by enabling aggrieved parties (e.g., victims of fraud, cyberattacks, or exchange errors) to access proprietary remedies protections traditionally reserved for "property" in the legal sense. These include emergency asset-freezing orders; third-party disclosure orders (such as Norwich Pharmacal orders) to trace stolen assets across the blockchain; claims for asset recovery based on the doctrine of constructive trust in cases of misappropriation; and, crucially, priority claims to assets (rather than status as a mere unsecured creditor) in the event of an exchange or custodian's insolvency. In addition to the aforementioned civil law framework, the regulatory regime under the FSMA directly imposes the "Consumer Duty" on licensed crypto-asset firms. This mandates that firms act in the best interests of retail customers, provide clear and understandable information regarding risks, and avoid causing

foreseeable harm to consumers, a standard significantly higher than mere disclosure obligations.

2.5. Assessment of the UK's Legal Model

The UK's legal model for digital assets features three notable characteristics. First, it is sequential and grounded in academic research: reforms originated from a multi-year independent study (2019 - 2023) by the Law Commission before being translated into bills and legislation, thereby mitigating legal risks associated with hasty, market-reactive lawmaking. Second, it employs a layered and complementary approach involving both private law (defining the nature of the asset) and public law (regulating business activities, anti-money laundering, and consumer protection). These two legal pillars, while developed independently, reinforce one another, ensuring that digital assets are simultaneously protected as conventional civil assets and strictly regulated as high-risk financial services. Third, the implementation roadmap is pragmatic, the long transition period between the enactment of regulations and the mandatory compliance deadline combined with guidance documents, webinars, and pre-application support for firms reflects a regulatory approach aimed at establishing an attractive, stable destination for the global digital asset industry, rather than simply tightening controls. However, this model also reveals certain limitations: (i) the period between the Law Committee's release of the report (2023) and the date the FSMA regulatory framework officially becomes mandatory (2027) spans up to four years, creating a complex transition period with multiple layers of regulations taking effect at different times; (ii) the Property (Digital Assets and Other Matters) Act 2025 establishes only a framework of principles, leaving the bulk of specific rule-making to the courts on a case-by-case basis potentially leading to inconsistency during the initial implementation phase before sufficient guiding case law is established; (iii) the demarcation between crypto-asset activities and payment activities (particularly regarding stable-coins) remains subject to continuous adjustment, highlighting the inherent complexity of regulating an asset class that functions as a hybrid between an investment instrument and a means of payment.

3. THE LEGAL LANDSCAPE REGARDING DIGITAL ASSETS IN VIETNAM

Prior to 2025, Vietnamese law lacked specific regulations governing digital assets. The 2015 Civil Code defines property to include objects, money, valuable papers, and property rights (Article 105) a definition that is theoretically broad enough to encompass digital assets, yet the absence of specific implementing regulations has resulted in inconsistent practical application. Meanwhile, although the State Bank of Vietnam has repeatedly affirmed that cryptocurrency is not a legal means of payment in the country, there are no regulations prohibiting the ownership or trading of crypto-assets as investment assets; this has created a persistent legal "gray area," complicating tax administration, anti-money laundering efforts, and investor protection. On June 14, 2025, the National Assembly passed the Law on Digital Technology Industry (No. 71/2025/QH15), effective January 1, 2026. This marked Vietnam as one of the first nations globally to enact specific legislation governing the digital technology industry, notably dedicating Chapter V to the regulation of digital assets. Under this Law, digital assets are defined as assets as recognized by the Civil Code existing in the form of digital data that are created, issued, stored, transferred, and authenticated via digital technology in an electronic environment. Within this category, "crypto-assets" are defined as digital assets utilizing cryptographic technology or functionally similar digital technology for authentication during their creation, issuance, storage, and transfer; meanwhile, "virtual assets" in the electronic environment are digital assets usable for exchange or investment purposes (but not as a means of payment).

In parallel with the Law on Digital Technology Industry, the Government issued Resolution No. 05/2025/NQ-CP on September 9, 2025, regarding the pilot implementation of a crypto-asset market in Vietnam. This paved the way for the establishment of crypto-asset exchanges operating under state supervision within a controlled testing framework (sandbox). Furthermore, the Law on Artificial Intelligence passed on December 10, 2025, and effective March 1, 2026 is closely linked to the digital asset sector; it mandates the identification of AI-generated content and financial products, thereby mitigating the risk of investment fraud involving deepfake technology. Despite significant institutional progress, Vietnam's legal framework for digital assets still contains several gaps: (i) the Law on Digital Technology Industry merely defines and classifies the concept without providing detailed regulations on mechanisms for the establishment, transfer, mortgaging, or inheritance of digital assets, nor on the order of payment priority in the event of the insolvency of a custodial intermediary; (ii) there is no specialized state regulatory body or licensing framework for crypto-asset business operations based on a tiered risk-management model, such as that of the UK's FCA; (iii) the anti-money laundering framework for crypto-assets remains in a pilot or "sandbox" phase, lacking official, long-term regulations; and (iv) mechanisms for investor and consumer protection and dispute resolution regarding digital assets (particularly concerning fraud and cross-border cyberattacks) lack specific regulations, relying instead on general provisions of civil and criminal law.

4. RECOMMENDATIONS

4.1. Defining The Legal Nature of Digital Assets

The UK experience demonstrates that merely defining digital assets within specialized legislation as is the current approach of the Law on Digital Technology Industry is insufficient to comprehensively address practical issues regarding property rights. This is particularly true regarding the rights of parties who lose assets through fraud or blockchain-based theft, priority rights in the event of exchange bankruptcy, and mechanisms for handling digital assets used as collateral. Vietnam should consider amending and supplementing relevant provisions in the Civil Code or issuing a specialized guiding decree to clarify how ownership of digital assets is established and transferred (specifically addressing the role of "possession" of a private key as a form of control equivalent to physical possession); whether digital assets can serve as collateral for secured transactions and under what mechanism; and whether customer digital assets held by an exchange are segregated from the exchange's bankruptcy estate (client asset segregation) a crucial issue for investor protection in the event of an exchange's bankruptcy, which has already causing significant damage worldwide.

4.2. Regarding The Functional Management and Risk-Tiering Model

Vietnam could adopt the FCA's approach of classifying crypto-asset business activities based on economic function (issuance,

trading, brokerage, and custody) rather than regulating crypto-assets as a monolithic category. A functional approach allows for the design of capital, risk management, and disclosure requirements tailored to the risk profile of each activity type, while avoiding the rigid application of blanket regulations to business models with vastly different risk characteristics. Regarding stablecoins digital assets that function similarly to means of payment and could impact financial stability if they reach significant scale the FCA's experience in collaborative supervision with the Bank of England suggests that Vietnam needs to clearly define the coordination roles between the State Bank of Vietnam and the crypto-asset market regulator (if established) right from the policy design stage to prevent regulatory overlap or gaps in supervisory authority.

4.3. Regarding The Transition Roadmap and Controlled Testing Mechanism

The UK's provision of a lengthy transition period (from enactment in 2026 to mandatory compliance in 2027), combined with pre-application support mechanisms and business guidance workshops, offers a valuable reference for transitioning Vietnam's crypto-asset sandbox mechanism established under Resolution No. 05/2025/NQ-CP into a formal, long-term stable legal framework. The regulatory sandbox should be designed with clearly defined entry criteria, evaluation metrics, and a roadmap for successful testing, scaling, and formal adoption. This ensures it serves as a substantive stepping stone toward comprehensive legislation or a decree governing crypto-assets, rather than dragging on as an indefinite pilot program that creates uncertainty for domestic investors and businesses.

4.4. Regarding Anti-Money Laundering (AML) and Consumer Protection

The UK experience demonstrates that AML obligations for crypto-asset businesses should be decoupled and implemented earlier independently of the timeline for finalizing the comprehensive business licensing framework to prevent regulatory gaps regarding illicit financial flows while Vietnam develops its full legal framework. Simultaneously, mandating a high standard of consumer protection (akin to the UK's "Consumer Duty") requiring exchanges to clearly disclose risks and avoid causing foreseeable harm to retail investors is a direction that should be specifically institutionalized in the implementing regulations for the Law on Digital Technology Industry. This is particularly crucial given that the majority of digital asset investors in Vietnam are individuals with varying levels of financial and technological literacy.

4.5. Regarding The Role of Independent Academic Research in Policymaking

Equally important, the UK model highlights the value of tasking an independent, highly specialized research body (such as the Law Commission) with conducting surveys, public consultations, and developing a scientific rationale prior to parliamentary legislation. This approach fosters regulatory stability and ensures broad consensus among both the academic community and industry practitioners. Vietnam could consider establishing a similar mechanism. For instance, the Ministry of Justice could be tasked with collaborating with research institutes and industry associations to prepare an impact assessment report and propose a long-term legal model for digital assets. This would serve as the foundation for issuing a decree guiding the implementation of Chapter V of the Law on Digital Technology Industry, as well as future related legal instruments.

5. CONCLUSION

The UK's experience in legal reform regarding digital assets demonstrates that a comprehensive legal model should be built upon two parallel and mutually reinforcing pillars: defining the asset's nature under civil law classifying it as property to safeguard the rights of holders and establishing a business regulatory framework based on a tiered risk-management approach to protect financial market stability and consumer interests. The fact that the Property (Digital Assets and Other Matters) Act 2025 was developed based on the Law Commission's independent, in-depth, and multi-year research combined with a clear, transitional implementation roadmap for the FSMA regulatory framework offers valuable lessons for Vietnam as it implements the Law on Digital Technology Industry 2025 and drafts relevant guiding documents. Leveraging the "late-mover advantage" Vietnam can significantly shorten the trial-and-error process by selectively adopting legal structures proven effective in developed financial markets, while simultaneously tailoring them to its specific institutional characteristics and the domestic level of digital asset market development.

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