

Democratys.

a) Executive summary

1. We welcome this Review and strongly support its goal of ensuring that the UK's democracy is protected from illicit finance and hostile interference. As a matter of national security and democratic integrity, the UK cannot afford to leave gaps in its political finance regime for malign state and non-state actors to exploit.
 2. Democratys is a charitable, cross-party organisation dedicated to educating the public about how the UK's democracy works and how it is vulnerable to interference. In recent months we have worked with leading experts in security, policy and regulation – including the former Chief Executive of the Electoral Commission and specialists at the Centre for Finance and Security at the Royal United Services Institute (CFS at RUSI) – to understand and develop ideas on how best to strengthen our defences against covert financial influence. Our submission reflects that expert input and is focused on a single, urgent question: how to prevent illicit and foreign money, in particular via crypto, from entering UK politics.
 3. Our central recommendation is that there should be a moratorium on political parties accepting crypto donations until a robust system is in place to verify that such donations comply with existing political finance rules. We propose the principles for such a verification system, together with enhanced powers and resourcing for the Electoral Commission, because the measures will only be as effective as the body tasked with enforcing them.
 4. Our recommendations are compatible with the Government's pro-innovation approach to crypto and digital assets. We have sought to build on existing regulatory frameworks for the safe and transparent use of cryptocurrency in the wider financial system. It is a proportionate measure which projects strength to malign actors and avoids creating a 'pull factor' that encourages illicit funds to flow into our political system before new rules take effect and practices harden.
 5. This approach would press pause on current exposure while the UK builds a regulatory framework capable of managing the specific money-laundering and anonymity risks associated with crypto. We believe it is preferable to a permanent ban, which risks moving the challenge upstream and giving politicians, the public and regulators a false sense of security. Regulation helps us manage risks, but bans just displace them.
 6. We believe that the Representation of the People Bill is the right mechanism to deliver these changes, as it is already framed around strengthening the functioning and resilience of our democracy. Therefore we set out two clauses for inclusion in the Bill which would provide for a moratorium on crypto donations. However, the threat is urgent, and if for any reason these issues cannot be addressed within the Representation of the People Bill, we urge the Government to identify an alternative legislative route. To delay action would be to leave UK democracy unnecessarily and critically exposed to foreign financial interference.
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b) Introduction and context

1. Over the past decade, foreign interference in politics in the UK and among our allies has become a persistent feature, not an abstract risk. As CFS at RUSI have identified, ‘foreign powers have learned that submitting a well-timed donation or funding an effective influence campaign can achieve what tanks and missiles cannot.’¹ Security agencies and official investigations have documented a pattern of covert activity aimed at shaping electoral outcomes, weakening trust, and exploiting financial and technological vulnerabilities. In the UK in the last year alone we have seen prosecuted cases of foreign interference, orchestrated by both Russia and China.
2. Russia has been identified as the most active and capable adversary in this space, employing a combination of cyber operations, information warfare and financial influence. Since the change of administration in the US, Russia increasingly regards the UK as a principal political adversary. Russia is believed to be responsible for a cyber-enabled ‘hack and leak’ attack on France’s En Marche! party ahead of the 2017 elections², interference in the 2016 United States presidential election and subsequent operations targeting European states such as Moldova and Romania³. The UK’s own Intelligence and Security Committee’s 2020 Russia report set out multiple channels of Russian engagement in the UK, including through financial ties to political figures and potential breaches of campaign finance rules.⁴

¹ [Democracy’s Weakest Link: Foreign Money and Political Influence | Royal United Services Institute](#)

² [HC 632 – Intelligence and Security Committee of Parliament – Russia](#)

³ [Russian Interference: Coming Soon to an Election Near You | Carnegie Endowment for International Peace](#)

⁴ [HC 632 – Intelligence and Security Committee of Parliament – Russia](#)

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3. Russia is not acting alone. China, Iran and North Korea are all recognised as active players seeking to influence democratic politics in the UK and among its allies, alongside private actors pursuing political or financial objectives. In 2024, publicly available evidence indicated foreign interference in 21 elections worldwide⁵, and US assessments have highlighted coordinated efforts by Russia, China and Iran to influence recent US electoral cycles, including the 2016 presidential election and the 2022 midterms.⁶
4. The UK itself has been directly targeted. In 2021, the Chinese government hacked into the Electoral Commission's systems, gaining access for over a year to the full open electoral register, including the names and addresses of around 40 million voters⁷. The indictments of parliamentary researchers for alleged spying on behalf of China, together with the Nathan Gill case, show that hostile state efforts are not theoretical but have led to concrete prosecutions in the UK context.
5. Senior security figures have warned that this pattern amounts to a sustained, low-visibility assault on democratic systems. Baroness Manningham-Buller, former Director General of MI5, has suggested that we may already be in 'a different sort of war' with Russia, characterised by cyberattacks, physical operations and extensive intelligence work rather than traditional military confrontation.⁸
6. Taken together, these developments show that foreign interference is an established, evolving threat to democratic integrity, and that the UK cannot assume it is insulated from the tactics already deployed against its closest partners.
7. Indeed, even the United States' own recent National Security Strategy sets out an ambition to 'cultivate resistance' within European nations and to support so-called patriotic parties and movements across the continent, explicitly seeking to reshape Europe's internal politics.⁹
8. There is also a growing number of well-resourced private citizens who seek to influence the politics of democracies including our own. This underlines that the UK must be vigilant to a range of threats, not only against hostile states, but also against well-resourced allies whose strategic priorities may include direct intervention in our democracy.

Public trust in the system

9. Money is a way to deliver covert influence operations and a source of political influence in its own right. The work of Tom Keatinge and Eliza Lockhart at CFS at RUSI has found that 'with a relatively small financial outlay, adversarial states can ensure their talking points are repeated in government chambers from Westminster to Washington, shaping legislation, nudging public opinion, and undermining public trust in democratic institutions'.¹⁰ As the UK Government recognises, our political system is 'threatened by dirty money and digital threats, yet our firewall to protect against their interference has not kept pace.'¹¹

⁵ [The future of democracy: lessons from the US fight against foreign electoral interference in 2024](#)

⁶ [Russia, Iran, and China continue influence campaigns before Election Day 2024 | Security Insider](#)

⁷ [It's taken three years to recover from China hack, election watchdog says](#)

⁸ [Baroness Manningham-Buller: Lord Speaker's Corner | House of Lords | Episode 32](#)

⁹ [Unpacking a Trump Twist of the National Security Strategy | Council on Foreign Relations](#)

¹⁰ [Democracy's Weakest Link: Foreign Money and Political Influence | Royal United Services Institute](#)

¹¹ [Restoring trust in our democracy: Our strategy for modern and secure elections - GOV.UK](#)

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10. According to Transparency International, nearly £1 in every £10 of political donations originates from opaque or questionable sources - £13 million comes from donors who are alleged or proven to be intermediaries for foreign funds and/or a hidden source.¹²
11. We also believe that a secure system is built on the trust of the people it is designed to serve, UK citizens. In this regard, there is evidence that the system is also failing. According to the Electoral Commission, only 18% agree that party spending and funding are open and transparent. Young people, in particular, believe that elections are manipulated or rigged (42%).¹³
12. We believe that these add further weight to the need for reform so that citizens 'can have full faith that the money entering our politics is legitimate.'¹⁴ We do not think that the current package of reforms go far enough, in particular in how well they address the risk from crypto assets (primarily crypto currencies) and the need to strengthen the powers and resourcing of the Electoral Commission to police the system.

Cryptocurrency as a specific risk area

13. As Neil Barnett of CFS at RUSI has warned, 'cryptocurrency is a great leap in money laundering technology and [legislation should] defend against it accordingly. Without such defences, the UK's political system presents an open goal to foreign enemies.'¹⁵
14. Advocates for cryptocurrency often point to blockchain's potential for transparency: in theory, the technology could provide an immutable public record of every transaction, making it easier to trace the source of political donations. If the crypto ecosystem operated within robust regulatory frameworks, this promise might be realised.
15. The reality is starkly different. Cryptocurrencies are becoming embedded in the mainstream financial system, yet they originate in an ecosystem committed to decentralisation, low control and anonymity. This combination creates a regulatory gap that hostile actors are actively exploiting.
16. First, crypto has already become a tool of statecraft for hostile regimes seeking to evade sanctions and move money covertly. North Korea and Iran have used crypto to bypass traditional financial controls, while Russia-linked actors have deployed products such as the A7A5 stablecoin specifically to circumvent sanctions.¹⁶
17. Intelligence shared with us also suggests that Chinese services are exploring the use of crypto to fund operations and pay British sources in ways that appear deniable and difficult to trace, thereby creating new channels through which money can be injected into UK political and civic life.

¹²[New research reveals almost £1 in every £10 of political donations comes from 'unknown or questionable sources' | Transparency International UK](#)

¹³[Public attitudes 2025 | Electoral Commission](#)

¹⁴[Restoring trust in our democracy: Our strategy for modern and secure elections - GOV.UK](#)

¹⁵[UK Election Security is Threatened by Political Money Laundering via Cryptocurrency | Royal United Services Institute](#)

¹⁶[A7A5: Circumventing sanctions with stablecoin cryptocurrency - Centre for Information Resilience](#)

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18. Without mandatory regulation of exchanges, intermediaries and wallet providers, the theoretical transparency of blockchain is meaningless—the paper trail leads nowhere. When considering how to protect UK democracy from foreign financial interference, we must treat crypto as it currently functions: not as a transparency tool, but as a mechanism for covert influence and a specific, growing area of national security risk.
19. We believe better regulation, in the form of a trustworthy system which we set out below, can help manage the following security risks, inherent within the way the technology operates in our political finance system.
 - The speed, scale and global reach of asset transfers.
 - Inconsistent Anti-Money Laundering (AML) procedures across platforms and jurisdictions.
 - The availability of anonymity or ‘privacy’ coins.
 - The ease of fragmentation or ‘smurfing’ of payments into smaller sums (e.g. to circumvent reporting thresholds).
 - The use of tumblers to ‘pre-launder’ cryptocurrencies, leaving only a thin audit trail by the time they arrive at a UK-facing platform or intermediary.
 - The lack of enforcement levers, e.g. the UK Government cannot just ‘switch off’ access to providers in this sector in the way it can with the traditional finance system.
20. Combined, these elements make it harder for parties and regulators to verify the true source and permissibility of funds, in line with *existing* UK rules and make it easier and quicker for hostile states and malign actors to interfere in our political system.
21. Unless political finance rules and enforcement mechanisms are upgraded to match this reality, the UK will remain exposed to foreign financial interference.¹⁷ So while we support crypto being included in any new or existing rules about political finance, the nature of the product means it requires specific safeguards to protect our democracy. Without them, CFS at RUSI has warned that ‘the firewall may end up resembling a sieve...and represent a serious missed opportunity.’¹⁸

Measures proposed in the Representation of the People Bill

22. We understand that the Review team is interested in whether the measures in the Representation of the People Bill will be sufficient to address the issues identified. We have reviewed the draft Bill, published on 12 February 2026, which makes welcome progress in some areas such as tightening company rules and expanding the role of the Electoral Commission. We address the most relevant here in turn.
23. **Know-your-donor procedures:** the Bill strengthens ‘Know Your Donor’ (KYD) checks on donations over £11,180. We believe this is the right starting point but in the context of crypto we must go further. Because of fragmentation or smurfing risks all crypto donations of a much lower reporting threshold should be subject to KYD checks, conducted by independent, third-party providers experienced in conducting KYC (Know Your Customer) and AML procedures.

¹⁷ Politics should not apply cash-era laws to crypto donations | Royal United Services Institute

¹⁸ [UK Election Security is Threatened by Political Money Laundering via Cryptocurrency | Royal United Services Institute](#)

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24. **Restrict company donations to companies and LLPs that have adequate connection to the UK or Ireland:** we support the measures included in the Bill as we see this as a gap in the system that has been exploited by those who would otherwise have no right to make UK political donations.
25. **Introduce stronger requirements for unincorporated associations:** we support the proposal to drastically reduce the reporting threshold for donations made by unincorporated associations. These represent a large single source of political funding (5% of all party donations) and should therefore be held to high standards of transparency. We also support extending this to funding of candidates as well as parties.
26. **Forfeiture:** we welcome the measure to clarify the circumstances in which illegitimate donations are paid to the Consolidated Fund rather than returned. This is a balanced measure to disincentivise bad behaviour.
27. **Declarations on the source of funds:** We support the introduction of sanctions where donors knowingly conceal or misrepresent whether they have received funds from other individuals or entities in connection with a donation. Where intent to conceal is established, appropriate sanctions should include criminal penalties.
28. **Electoral Commission statutory information sharing:** we support giving the Electoral Commission an explicit statutory gateway to share information with certain regulators and enforcement authorities, for the purposes of its enforcement work.
29. While these are welcome steps, there is no specific measure to address the risk from crypto donations. Instead the Bill incorporates it into the existing framework and treats them as just another form of cash. We must pause to address this threat, rather than waiting for it to be an established problem.
30. We now move on to highlighting how we propose the UK does this.

c) Donations and spending by political parties

31. We have discussed the evidence for foreign financial interference and why crypto represents a specific risk. We believe strongly that the Representation of the People Bill must be amended to include specific provisions to address the threat posed by crypto. In relation to political finance specifically, we highlight the following risks:

Hidden donors	Crypto platforms often lack robust KYC checks, making it impossible to confirm if donors are permissible under existing UK law.
Evasion of reporting thresholds	Donations can be easily fragmented into small, untraceable transfers to avoid disclosure thresholds.

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Valuation volatility

Without clear rules, crypto donations can fluctuate wildly in value, inviting manipulation and insider gaming including by politicians themselves.

Anonymity and pseudonymity

Most crypto currencies are specifically designed to be 'pseudonymous', whereby the identity of a wallet is a string of numbers, not a name. This makes it challenging, if not impossible to identify the true source or holder of funds and is not consistent with a system of political finance built on transparency and traceability.

Our proposal

32. Democratys calls on the Government to **introduce a moratorium on crypto donations, implemented through the Representation of the People Bill, until a robust, trustworthy system is established.** This system would validate the permissibility and traceability of donations. This would press pause on our existing exposure while we build a system which is robust enough to effectively regulate crypto and protect our national security and democracy.¹⁹
33. We have commissioned lawyers, including a parliamentary agent at law firm Bates Wells, to draft a clause which could be included in the Representation of the People Bill. They presented two options for how the change could be legislated:
 - **amend PPERA so as to directly prohibit cryptoasset-based donations,** reviewable by Order of the Secretary of State, having consulted the Electoral Commission and subject to Affirmative Resolution by both Houses;
 - **introducing a concept of a prohibited type of donation into PPERA which can be exercised by Order of the Secretary of State** so as to designate a certain type of donation as prohibited, together with an Order to immediately designate cryptoasset donations as such (again which can be lifted subject to conditions).
34. We have appended both clauses and the explanatory notes for your consideration at the end of this response.
35. We believe the two options strike a balance between the measures needed to immediately protect our system and take the time required to establish a proportionate, effective system of oversight. The moratorium would last as long as it took for the system to be established and tested, although as we set out below we think it is possible within 12-24 months. Importantly the moratorium would only be lifted with the support of the Electoral Commission (via a report laid to Parliament) and Parliament (by an affirmative vote).

Principles of a trustworthy system

36. While legislating for a moratorium, we believe the Government should work with the Electoral Commission and other regulators where relevant, for example the FCA, to establish a system for vetting crypto donations that derisks our political finance system and protects our national security. We have undertaken detailed research with experts to consider what the features of a trustworthy system might be.

¹⁹ [Controlling Crypto in UK Politics: Is a Ban What's Really Needed? | Royal United Services Institute](#)

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37. As a general approach we have looked to existing frameworks of financial regulation at both the domestic and international levels for a model for how to manage crypto donations. Relying on existing models rather than seeking to establish a new or standalone regime, means a robust system can be established and operationalised more quickly.
38. We have targeted existing 'on- and off-ramps' within the financial system to make use of existing duties on regulated firms relating to the collection of information on users and transactions. These records can be traced, requested, or audited by authorities and are therefore highly beneficial for regulators and enforcement bodies to ensure the system functions effectively.
39. Without these controls, the blockchain remains largely pseudonymous, making it far more difficult to link crypto transactions to real-world identities or to support investigations. Our consultation identified the following key controls, which must be included to derisk the system:

What?	How?	Why?
Crypto donations must be made via UK- registered Virtual Asset Service Providers (VASPs)	Donors may only use on- and off-ramps that are supervised by the FCA, so every donation passes through a regulated exchange or intermediary rather than peer-to-peer transfers or unregulated providers.	These routes have AML and KYC obligations, creating an auditable trail and excluding high-risk channels such as unregulated exchanges or privacy-enhancing services.
All crypto donations must be subject to independent third-party KYC and AML checks before they are released to parties or campaigners.	A trusted third-party provider operates a quarantine account, screens the donor and the funds (including sanctions, high-risk jurisdictions, use of anonymity coins), and only converts and releases donations into a registered UK wallet once checks are passed.	This ensures consistent, specialist application of AML rules, avoids conflicts of interest if parties or platforms police their own donors, and creates a clear audit trail in the event of suspicious activity
Ban certain types of coins	Types of coins that are deliberately designed to obscure their transaction history should be banned.	Anonymity and privacy coins are inconsistent with a democracy based on transparency.
Quarantine model	The crypto donation is held by the third party until it is approved. Once the KYC checks have been completed, the donation is converted and transferred to the party or campaigner via a UK-registered wallet. If checks fail, funds are paid to the Consolidated Fund and reported to the Electoral Commission.	This ensures that only legitimate and legal money flows into the political system and creates an auditable record in the event of suspicious activity.
Immediate conversion	Once approved, donations must be immediately converted into fiat	This ensures that an accurate value is assigned to the

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	(within 24-48 hours), within the third-party system.	donation and prevents speculative trading or insider gaming.
Low or no reporting threshold and donor aggregation	The reporting threshold for crypto donations should be set between £0-100.	This prevents donors or parties from evading reporting rules, including through the use of microdonations which are easier with digital assets.
Near real-time disclosure	Reporting requirements should apply year-round, with more frequent disclosure.	This would ensure that regulators have proper oversight, aligns reporting with the reality of modern political campaigning, and in doing so helps build public trust in the system.
Enhanced enforcement	Increasing the powers and capacity of the Electoral Commission (see below).	This is necessary to ensure the rules can be effectively enforced.

40. Any new measures adopted in the Representation of the People Bill will only be as effective as the body tasked with enforcing them. Experts we consulted were clear that the Electoral Commission has been systematically weakened at the very moment when the complexity and volume of potential crypto-linked risks are accelerating. We consider how the powers and resources of the Commission should be strengthened in section (e) below.

How this would work - summary steps

- A. *Any political donation in crypto must pass through approved, UK-regulated intermediaries, such as FCA-registered VASPs.*
- B. *The funds are held in a quarantine account run by an independent, trusted third-party while checks are completed.*
- C. *Full KYC and AML checks are carried out on the donor, the funds, and the route they have taken, with screening for sanctions, high-risk jurisdictions, and known red flags.*
- D. *If the flow is high-risk or suspicious, the donation is blocked, reported to the Electoral Commission and the funds are paid into the Consolidated Fund.*
- E. *If the donation passes all checks, it is converted into sterling and transferred to a registered UK wallet, in line with existing rules. Near real-time reporting to the Commission.*

Possible implementation roadmap

41. We believe that a moratorium is necessary to pause our exposure to foreign financial interference, while we build a world-leading, trustworthy system to protect both our national security and democratic integrity. This time is necessary to design, test and implement a robust system which can protect our democracy for the long-term. As it is grounded in existing principles of financial regulation, we believe it can be implemented in time for the next General Election.

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Possible implementation timetable

Immediate (0–3 months)

- **Representation of the People Bill:** introduce moratorium and legislate to ‘pause’ our national security exposure while a system is designed
- **Stakeholder engagement:** consult with the FCA, HMRC, NCA, and political parties
- **Electoral Commission:** begin designing framework rules, including identifying trusted intermediaries.

Short term (3–12 months)

- **Testing:** test processes with political parties and campaigners, real-world issues identified and addressed.
- **Electoral Commission:** draft statutory guidance to support implementation.
- **Secondary legislation:** Draft regulations for lifting the moratorium

Medium-term (12–24 months)

- **Electoral Commission:** report to Parliament on the new system and its effectiveness at protecting the UK political system.
- **Transition:** Political parties and campaigners begin registering with FCA-approved intermediaries
- **Review and lift:** Secretary of State reviews whether statutory criteria for lifting moratorium have been met and Parliament approves/disapproves by Affirmative Resolution.

Why we do not support an outright ban

42. We are aware that some campaigners have called for a permanent ban on crypto donations. While we understand that something so simple might feel attractive, we and the crypto security experts we have consulted do not believe it will solve the underlying problem of foreign financial interference in our political system.²⁰ Rather, we believe that this would give a false sense of security and push activity elsewhere, including upstream.
43. In a recent hearing before the Joint Committee on National Security and Intelligence, Natasha Powell, Chief Compliance Officer at Kraken Digital Asset Exchange said, ‘regulation helps us manage risks, bans displace them.’²¹
44. In the same hearing, Tom Keatinge, Director of CFS at RUSI and expert in foreign financial interference said, ‘a ban risks missing the wood for the trees ... What we need is a moratorium until such time as we are sure that we have the right checks and balances in

²⁰ [Controlling Crypto in UK Politics: Is a Ban What's Really Needed? | Royal United Services Institute](https://www.royalunitedservicesinstitute.org/insights/controlling-crypto-in-uk-politics-is-a-ban-what-s-really-needed/)

²¹ <https://parliamentlive.tv/event/index/5c2468a8-5f28-469e-863e-8d701b904318?in=17:39:43>

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place to deal with the incremental risk that comes from the inclusion of cryptocurrency [in political finance]'.²²

45. A temporary moratorium on crypto donations is a clear national security measure. Experts in how crypto is used to facilitate malign influence operations argue that we urgently need to press pause on our existing security risk exposure, while we build a system which is robust enough to effectively regulate crypto and protect our national security and democracy.²³
46. It closes off a route for foreign financial interference, signals that the UK will not allow hostile states or malign actors to use novel assets to buy influence, and reinforces the firewall the Government has already committed to strengthening against 'dirty money and digital threats'.
47. It also supports the responsible growth of digital assets by making sure that use of crypto in politics is subject to the same basic standards of transparency, traceability, and enforcement that apply elsewhere in the financial system. In doing so, it helps to protect the integrity of our elections, maintain public confidence, and project strength to those who would seek to undermine our democratic institutions.

d) Governance of political parties and the wider political context

48. We recognise that the governance of political parties is an important part of the landscape. Although these are not core areas of Democratys' expertise, our expert conversations underlined that political influence happens year-round, not just at elections, and operates through a wider ecosystem of actors, including non-traditional campaigners and looser, personality-led or movement-led networks that often sit outside familiar party structures.
49. We therefore support a shift towards year-round transparency and more frequent reporting, alongside a broader but carefully defined concept of who counts as a campaigner, so that regulatory attention follows where influence is being exercised without deterring legitimate participation.
50. Our expert roundtables also highlighted that hostile states are already exploiting these changes in political organisation and communication, using personality-led fundraising models and social-media-driven movements to sow division in a regulatory grey zone where money and amplification can be bought with little transparency or oversight.
51. Participants pointed to protests, orchestrated 'noise', and online amplification dynamics as part of the same spectrum of influence operations, raising difficult questions about how to constrain malign activity while respecting free speech.
52. Finally, the expansion of the franchise to more overseas voters was identified in the Rycroft discussions as a possible emerging risk area, particularly where donations may originate from foreign bank accounts or via intermediaries that sit at the edges of the regulated system. We are attracted by the proposition that some experts have suggested: that there should be no

²² <https://parliamentlive.tv/event/index/5c2468a8-5f28-469e-863e-8d701b904318?in=17:40:38>

²³ [Controlling Crypto in UK Politics: Is a Ban What's Really Needed? | Royal United Services Institute](#)

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representation without taxation — that is, that in addition to being on the electoral roll, donors should also be UK taxpayers.

53. We also recognise that many of the measures we support, such as more frequent reporting, broader coverage of campaign actors, and higher expectations around due diligence, will require additional capacity and expertise within parties and other organisations, and we see a potential role for the Electoral Commission in helping smaller actors to comply with any new framework.
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e) Regulation and regulators

54. We welcome the Rycroft Review's consideration of the role of regulators in enforcing any new rules. The experts we spoke to were clear that policy changes must go hand in hand with strengthened powers and increased resources for the Electoral Commission.
55. We note that Part 5 of the Representation of the People Bill makes some welcome changes, for example on higher sanctions and sharing across law enforcement. However, they represent modest improvements tackling yesterday's problems. restore the Commission's power to prosecute, reverse the 2022 changes that weakened its independence or provide the wider powers and resources needed to protect the integrity of our democracy.
56. The Electoral Commission has been systematically under-resourced and, following legislative changes introduced by the previous government in 2022, it now has fewer enforcement powers and its independence has been limited. This creates a serious capacity gap at exactly the moment when cryptocurrency is accelerating the complexity of tracing and verifying the source of political donations.
57. If the UK is serious about protecting its democracy from dark foreign money, these modest changes must be paired with a bolder package to rebuild an independent, properly resourced Electoral Commission, capable of real-time investigation, credible deterrence and, where necessary, prosecution. This implies the recruitment and possible secondment of appropriately qualified investigative and prosecutorial staff, for example from the Police or Crown Prosecution Service.
58. The Commission was and again should be an independent regulatory body. It is accountable to the UK Parliament via the Speaker's Committee on the Electoral Commission, and separately to the Scottish Parliament and Senedd for its devolved functions. However, since the Elections Act 2022, the UK Government may also set a statutory Strategy and Policy Statement to which the Commission must have regard, with the Speaker's Committee overseeing its performance against that duty. This creates an unnecessary exertion of executive power on the function of this independent body.
59. If it were the Government's intent to make it work, we consider that further steps should be taken to reinforce the Commission's institutional independence, for example by strengthening the Speaker's Committee, potentially involving the presiding officers of the devolved legislatures, the Lord Speaker and the President of the Supreme Court, to bolster the seniority of its membership and underline the importance of its responsibilities.

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60. We believe that the Electoral Commission is not appropriately funded to meet the scale of the challenge posed to UK democracy. As we have argued, the threats manifested by the combination of malign actors, technological change and the emergence of cryptocurrencies including their adoption by increasing numbers of ordinary citizens (over 6% already) is unprecedented. The preservation and protection of UK democracy is at least as important as the security of its financial industry and so the Commission should be funded at a level commensurate with the importance of its remit as are the Financial Conduct Authority and the Prudential Regulation Authority.

Our proposals for strengthening the powers and resources of the Electoral Commission

61. Experts, including Bob Posner, former Chief Executive of the Electoral Commission, have told us that four types of reform are needed: enhanced powers, dedicated capacity, credible deterrence, and year-round regulation. These are set out in the table below.

<p>Enhanced powers for the Electoral Commission (EC)</p>	<ul style="list-style-type: none"> ● Support the Government Bill giving the EC a statutory gateway to share information with other regulators and law enforcement agencies. ● Restore the EC's power to prosecute election offences (originally provided for in PPERA but removed in the 2022 Act). ● Restore the EC's independence by returning accountability to Parliament, rather than Ministerial direction (including the introduction of the Strategy and Policy Statement in 2022). ● Grant the EC the authority to apply to the courts for injunctions freezing suspicious donations (similar to AML powers in other regulatory contexts).
<p>Dedicated capacity</p>	<ul style="list-style-type: none"> ● Establish a dedicated Crypto Compliance Unit within the Electoral Commission. ● Recruit investigators with financial crime and Anti Money Laundering backgrounds. ● Put in place formal memoranda of understanding (MOUs) with the FCA, HMRC, and the NCA for intelligence-sharing. ● This will require investment: the EC is likely to need up to a 30% increase in staff (currently around 200).
<p>Credible deterrence</p>	<ul style="list-style-type: none"> ● Create a legal duty on political parties to identify the true donor. ● Clarify that if a party cannot confidently identify the true donor, it must reject the donation. ● Support the Government Bill increasing civil fines for breaches of political finance law from the current £20,000 cap to £500,000 minimum.

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	<ul style="list-style-type: none"> • Consider linking fines to party turnover or spending limits (4–5%), following the ICO model. • Strengthen enforcement against illegal donations made via proxies or intermediaries.
Year-round regulation	<ul style="list-style-type: none"> • Shift from event-based to year-round reporting and regulation. • Apply these requirements to political parties, individual candidates, and registered campaigners (threshold-based)

62. The Government’s proposals are modest in the face of the challenge we face. If the UK is serious about protecting its democracy from dark foreign money, then strengthening the law must go hand in hand with rebuilding an independent, properly resourced Electoral Commission that can provide credible deterrence and robust oversight in real time, not on paper alone. We believe the proposals address this challenge.

Appendix - clauses to introduce a moratorium

ADVICE PROVIDED BY BATES WELLS, 11 Dec 2025

Protecting our democracy: A proposal for a moratorium on political donations using cryptocurrency

Whilst there is growing global and domestic concern as to the use (and misuse) of cryptoassets in political finance, it is recognised that (a) there is significant complexity in defining and regulating cryptoassets, particularly in the context of the existing legislative regime for political finance in the UK, and (b) the government aims to support the use and responsible growth of digital assets in the UK market.

As such, it is proposed that rather than seek to prohibit political donations using cryptoassets entirely, it is appropriate to instead introduce a temporary moratorium on their use pending better understanding of the risks that they present and the extent to which the existing controls in the Political Parties, Elections and Referendums Act 2000 as amended (**PPERA**) (as strengthened by the new Representation of the People Bill) are sufficient, as supplemented by the Electoral Commission (**EC**) guidance, to mitigate those risks.

It is recognised that PPERA does not generally regulate political donations on the basis of the type of donation or asset used and that a variety of different means of providing support or value to a political

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party or other political donee are possible within the existing framework – many of which present their own risks bespoke to the type of asset used (e.g. artwork).

Whilst it is workable for PPERA to be amended so as to directly prohibit cryptoasset based donations (option A below), it is recognised that parliamentary counsel may prefer to provide for asset-based restrictions on donations to fall outside of PPERA. This approach (option B below) has the additional benefit of allowing for the possibility of restraining the use of other specific types of asset where new risks emerge which require examination. This may be helpful as cryptoassets evolve, potentially in such a way as the FSMA definition becomes outdated (although we recognise that the Treasury may amend that definition by regulation). However, we recognise that on the other hand, it may be preferred to apply the temporary ban only to cryptoassets (i.e. option A), rather than to a wider class of unspecified assets, which provides a broader discretion to the Secretary of State to apply the restriction to other forms of asset (albeit under the supervision of Parliament).

In both cases, the restriction on cryptoassets is designed to be alleviable by the Secretary of State under the supervision of Parliament when specified conditions are met (as detailed below).

Footnotes are provided to explain the key features of both options.

Please note that these proposals do not currently address the geographic extent of PPERA and nor does it address the conditions required for a regulated transaction to be permissible. We assume that these issues will need to be more generally addressed under the Bill (as they will apply to various reforms that the Government has said it will include in the Bill).

At this stage, the below options are designed to be ‘proof of concept’ as opposed to fully liftable provisions to the new Bill – it would be necessary to build the provisions into the framework of the new Bill and potentially to vary the provisions to take account of the other provisions of the Bill (and also to meet all parliamentary drafting standards).

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OPTION A: DIRECT MORATORIUM WITHIN PPERA 2000

After s55(1) PPERA 2000, insert: after s55(1):

(1A)

(a) Any donation received by a registered party consisting or made by means of a cryptoasset shall be regarded as a donation received by the party from a person who is not a permissible donor.

(b) In this Act, 'cryptoasset' has the meaning given by section 417 of the Financial Services and Markets Act 2000.

(c) Section 55(1A)(a) applies notwithstanding that the person making the donation would otherwise be a permissible donor within section 54

(d) Controls in this Act for the recording, rejection and forfeiture of donations by donors who are not permissible donors shall apply to donations falling within section 55(1A).

After s55(6) PPERA 2000, insert:

(7) The Secretary of State may by order, after having consulted the Commission, repeal or vary section 55(1A) so as to permit donations made by a permissible donor using cryptoassets or using particular categories of cryptoasset, provided that:

(a) the Commission has issued and brought into force guidance approved by the Secretary of State on the application of this Act to donations consisting or made by means of cryptoassets (in particular as to the steps necessary for a political donee to be satisfied of the identity of the donor of a cryptoasset donation and the valuation of that donation); and

(b) the Secretary of State is satisfied that the combination of the guidance at (a) and any wider implementation of regulatory controls on cryptoasset providers and transactions in the UK means that the risks attaching to cryptoasset donations when s.55(1A) was enacted have been sufficiently mitigated.

After new s55(7), insert new s55(8):

(8) An order under subsection (7) must be made by statutory instrument and is not to be made unless a draft of the instrument has been laid before and approved by a resolution of each House.

CONSEQUENTIAL AMENDMENTS

At s156(3) PPERA 2000, after (b) insert:

(bb) any order under section 55(7).

At s56(1) after 1(b):

Insert before 'the identity of the donor': *'whether section 55(1A) applies to the donation,'*

At s56(3A)(a) after 'permissible donor' insert *'and that section 55(1A) did not apply to the donation'*

At s61(2)(a) omit 'or' from the end of (i)

At 61(2)(a) add 'or' to the end of (ii) and add new (iii): *'the type of donation being made and whether section 55(1A) applies to the donation'*

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At s61(2)(b) substitute '*paragraph a(i), (ii) or (iii)*' for 'paragraph a(i) or (ii).'

APPLYING THE RULES TO OTHER CATEGORIES OF POLITICAL DONEE

Applying the rules to non-party campaigners

At Schedule 11, paragraph 6, before paragraph 6(3), add new paragraph 6(2B):

6(2B) Section 55(1A) shall apply for the purposes of this Schedule in relation to a recognised third party and any relevant donation received by a recognised third party as it applies in relation to a registered party and any donation received by a registered party, such that where section 55(1A) is in force a relevant donation consisting or made by means of a cryptoasset shall be regarded as a relevant donation received by the recognised third party from a person who is not a permissible donor.

Applying the rules to other categories of regulated donee

At Schedule 7, paragraph 7, before paragraph 7(2), add new paragraph 7(1B):

(1B) Any donation consisting or made by means of a cryptoasset under section 55(1A) shall be regarded as a donation received by the regulated donee from a person who is not a permissible donor, where section 55(1A) is in force.

Applying the rules to candidate donations under the RPA

In the 1983 Act at Schedule 2A paragraph 6, before sub-paragraph 2 add new paragraph 6(2A):

(2A) Any relevant donation received by a candidate or his election agent consisting or made by means of a cryptoasset under section 55(1A) of the 2000 Act shall be regarded as a relevant donation received by the candidate or his election agent from a person who is not a permissible donor, where section 55(1A) is in force.

Applying the rules to permitted participants in referendums

At Schedule 15, paragraph 6, before paragraph 6(3), add new paragraph 6(2A):

6(2A) Section 55(1A) shall apply for the purposes of this Schedule in relation to a permitted participant and any relevant donation received by a permitted participant as it applies in relation to a registered party and any donation received by a registered party, such that a relevant donation consisting or made by means of a prohibited asset shall be regarded as a relevant donation received by the permitted participant from a person who is not a permissible donor, where section 55(1A) is in force.

OPTION B: MORATORIUM BY ORDER UNDER ENABLING POWER WITHIN PPERA 2000

After s55(1) PPERA 2000, insert between s55(1) and s55(2):

(1A) Any donation consisting or made by means of a prohibited asset under section 55A shall be regarded as a donation received by the party from a person who is not a permissible donor.

After s55 PPERA 2000, insert new section 55A:

55A Prohibited assets

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1. *The Secretary of State may by order by statutory instrument designate an asset as a prohibited asset for the purposes of section 55(1A).*
2. *Such an order may only be made where:*
 - a. *the Secretary of State considers it expedient for or in connection with securing the objectives of this Part to restrain the receipt of donations of a particular type; and*
 - b. *the Secretary of State first consults the Commission before making the Order.*
3. *An order under this section 55A must specify:*
 - a. *the type of asset that is restricted;*
 - b. *the date from which the asset is a prohibited asset; and*
 - c. *the conditions under which the Order may be lifted under s55A(4)*
4. *The Secretary of State may by order made by statutory instrument vary or revoke an Order under section 55A(1), except that an order may only be revoked where the conditions under section 55A(3) have been met in the view of the Secretary of State, having consulted the Commission.*
5. *An Order under section 55A(1) or (4) may not be made unless a draft of them has been laid before and approved by a resolution of each House of Parliament.*

CONSEQUENTIAL AMENDMENTS

At s156(3) PPERA 2000, after (b) insert:

(bb) any order under section 55A.

At s56(1) after 1(b):

Insert before 'the identity of the donor': *'whether the donation consists of a prohibited asset,'*

At s56(3A)(a) after 'permissible donor' insert *'and that section 55(1A) did not apply to the donation'*

At s61(2)(a) omit 'or' from the end of (i)

At s61(2)(a) add 'or' to the end of (ii) and add new (iii): *'the type of donation being made and whether it consists of a prohibited asset'*

At s61(2)(b) substitute *'paragraph a(i), (ii) or (iii)'* for 'paragraph a(i) or (ii).'

APPLYING THE RULES TO OTHER CATEGORIES OF POLITICAL DONEE

Applying the rules to non-party campaigners

At Schedule 11, paragraph 6, before paragraph 6(3), add new paragraph 6(2B):

6(2B) Section 55(1A) shall apply for the purposes of this Schedule in relation to a recognised third party and any relevant donation received by a recognised third party as it applies in relation to a registered party and any donation received by a registered party, such that a relevant donation consisting or made by means of a prohibited asset shall be regarded as a relevant donation received by the recognised third party from a person who is not a permissible donor.

Applying the rules to other categories of regulated donee

At Schedule 7, paragraph 7, before paragraph 7(2), add new paragraph 7(1B):

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(1B) Any donation consisting or made by means of a prohibited asset under section 55(1A) shall be regarded as a donation received by the regulated donee from a person who is not a permissible donor.

Applying the rules to candidate donations under the RPA

In the 1983 Act at Schedule 2A paragraph 6, before sub-paragraph 2 add new paragraph 6(2A):

(2A) Any relevant donation received by a candidate or his election agent consisting or made by means of a prohibited asset under section 55(1A) of the 2000 Act shall be regarded as a relevant donation received by the candidate or his election agent from a person who is not a permissible donor.

Applying the rules to permitted participants in referendums

At Schedule 15, paragraph 6, before paragraph 6(3), add new paragraph 6(2A):

6(2A) Section 55(1A) shall apply for the purposes of this Schedule in relation to a permitted participant and any relevant donation received by a permitted participant as it applies in relation to a registered party and any donation received by a registered party, such that a relevant donation consisting or made by means of a prohibited asset shall be regarded as a relevant donation received by the permitted participant from a person who is not a permissible donor.

FORM OF ORDER UNDER SECTION 55A TO RESTRAIN CRYPTOASSET DONATIONS:

The Political Parties, Elections and Referendums Act 2000 (Prohibition on Donations by Cryptoasset) Order 2026

[Made

Coming into force]

Whereas a draft of this Order has been approved by resolution of each House of Parliament;

The Secretary of State makes the following Order in exercise of the powers conferred by section 55A(1) of the Political Parties, Elections and Referendums Act 2000:

Citation, commencement and interpretation

1.-(1) This Order may be cited as the Political Parties, Elections and Referendums Act 2000 (Prohibition on Donations by Cryptoasset) Order 2026.

(2) This Order shall come into force on [2026].

(3) In this Order –

“the 2000 Act” means the Political Parties, Elections and Referendums Act 2000

“cryptoasset” has the meaning given at section 417 of the Financial Services and Markets Act 2000

“political donee” means a category of donee donations to which are regulated by the 2000 Act

(4) Expressions used in this Order have the same meaning as in the 2000 Act

Prohibition on the acceptance of cryptoasset donations

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2. – (1) During such time as this Order is in force, a donation which falls to be regulated by the 2000 Act consisting or made by means of a cryptoasset shall be deemed under section 55(1A) of the 2000 Act as made by an impermissible donor.

(2) This Article applies notwithstanding that the person making the donation would otherwise be a permissible donor within section 54 of the 2000 Act.

(3) Controls in the 2000 Act for the recording, rejection and forfeiture of donations by donors who are not permissible donors shall apply to donations falling within Article 2(1).

Conditions for removal of the prohibition

3. – (1) The Secretary of State may by order, having first consulted the Commission, provide that Article 2 shall cease to have effect if both the Secretary of State and the Commission are satisfied that the following conditions are met –

(a) the Commission has issued and brought into force guidance approved by the Secretary of State on the application of the 2000 Act to donations using cryptoassets (in particular as to the steps necessary for a political donee to be satisfied of the identity of the donor of a cryptoasset donation and the valuation of that donation);

(b) the Secretary of State is satisfied that the combination of the guidance at (a) and any wider implementation of regulatory controls on cryptoasset providers and transactions in the UK means that the risks attaching to cryptoasset donations which led to the making of this Order have been sufficiently mitigated.

(2) An order under paragraph (1) must be made by statutory instrument and is not to be made unless a draft of the instrument has been laid before and approved by a resolution of each House.

Transitional provision

4.-(1) Article 2 does not apply to a donation received before the coming into force of this Order.