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If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

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## Regulating Cryptoassets: Proposals for Crypto Market Abuse and Admissions & Disclosures Regimes

As part of the UK government's drive to develop legislation for a UK regulatory regime to govern the cryptoassets sector, on 16 December 2024 the UK Financial Conduct Authority (FCA) published [Discussion Paper DP24/4](#), which relates to (i) future market abuse and (ii) admissions and disclosures (A&D) regimes for cryptoassets. The proposal is part of the FCA's wider regulatory road map for cryptoassets, which expands the FCA's regulatory remit beyond the current anti-money laundering and financial promotions regimes.

### Admissions and Disclosures

The discussion paper proposes a new A&D regime with the aim of mitigating a range of risks, including financial crime, inadequate information and issues with market integrity.

The UK Treasury is expected to introduce legislation to prohibit public offers of cryptoassets in the UK unless one of the following exemptions applies:

- Offers of cryptoassets admitted or to be admitted to trading on a cryptoasset trading platform (CATP).
- Cryptoasset offers qualifying for other exemptions and offered off-platform, for example, offers made only to qualified investors.

The A&D regime is designed to complement and align with other regulatory frameworks (such as the UK financial promotions regime and Consumer Duty), without duplicating requirements. Also, nothing in Discussion Paper DP24/4 indicates a departure from the UK Treasury's current proposals regarding requirements for CATPs to be established in the UK.

### Admission and Disclosure Documents

The A&D regime is expected to include a "necessary information test" set out in statute, requiring, at a minimum, disclosures on:

- Features, prospects and risks of the cryptoassets.
- Rights and obligations (if any) attached to the cryptoassets.
- An outline of the underlying technology (including protocol and census mechanisms).
- Where applicable and available, details of the person seeking admission to trading on a CATP (which may be the CATP itself).

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These disclosures will form the content of admission documents, and the FCA is considering introducing more detailed disclosure requirements in the FCA Handbook. In addition, the FCA proposes that CATPs set and implement their own more detailed content requirements for admission documents: The CATP would have the responsibility to review such admission documents to ensure the platform's requirements are met. The FCA would not be involved in this process, and the FCA recognises that this could lead to variations in admission documents across CATPs (even where documents relate to the same cryptoasset).

The discussion paper notes that the UK Treasury proposed to make those persons responsible for the admission documents liable (based on a negligence standard) for the documents' accuracy, which should give confidence to consumers relying on the disclosures. The FCA recognises that this policy could discourage disclosures of "decision-useful" information for fear of liability, such as forward-looking statements. To address this, certain types of forward-looking statements could be "protected," meaning the burden of proof would rest with a consumer to establish an issuer or offeror knew (or was reckless to the fact) that such statement was untrue or misleading (*i.e.*, imposing a lower liability risk to the negligence standard). The FCA proposes that the following forward-looking statements could qualify as protected:

- Projections, *e.g.*, the projected growth in the cryptoasset's user base.
- Intentions such as plans to upgrade the cryptoasset's underlying technology.
- Opinions on future events or circumstances, such as the anticipated impact of planned changes to other cryptoassets or technologies that may affect the cryptoasset in question.

## Due Diligence

The CATP would be required to conduct a "sufficient level of due diligence" on issuers and disclosures to assess (i) whether a cryptoasset should be admitted to trading and (ii) that associated disclosures are accurate and complete. The platform would make this due diligence public through a summary of key due diligence findings. Where there is overlap with the due diligence requirements under the Financial Promotions regime, the CATP will not be required to duplicate due diligence. For further information on the Financial Promotions regime, see our 23 October 2023 client alert "[UK Cryptoasset Financial Promotions: FCA Takes Firm Stance on Enforcing New Rules.](#)"

With respect to disclosing due diligence, Discussion Paper DP24/4 contemplates giving CATPs some discretion to determine what information should be included in the summary of key due diligence findings (*e.g.*, certain details regarding key individuals, or proprietary or commercially sensitive information).

The FCA notes that if a CATP fails to comply with the requirements to conduct an appropriate level of due diligence or if there is evidence of negligence or misconduct, the FCA maintains the option to take supervisory or enforcement action where appropriate, and consumers may also have the right to take private legal action.

## Rejection of Admission to Trading

The FCA is contemplating requiring CATPs to reject admission of cryptoassets if the platform considers there to be "significant risk" that admission could result in consumer detriment. Proposed rules would require a CATP to assess a number of factors in the admission process, which would consequently inform the platform's decision to reject admission of a cryptoasset, for example:

- The background of the issuer, offeror or person seeking admission, including any potential links to fraud or scams.
- The principal risks (*e.g.*, technological or governance) that may affect the price or operation of the cryptoasset.
- The rights and obligations attached to the cryptoasset, including the scope for these to be changed.
- Where the cryptoasset purports to maintain price stability, the structure of its price stabilisation mechanism and the composition of any backing assets.

## Market Abuse

The discussion paper further sets out a regulatory framework and approach for preventing, detecting and disrupting cryptoasset market abuse — known as the Market Abuse Regime for Cryptoassets (MARC). This is based on elements of the UK Market Abuse Regulation (MAR), but tailored for cryptoassets. The FCA observed the specific challenges related to market abuse that cryptoassets present (*e.g.*, a lack of clearly identifiable issuer of assets (such as Bitcoin)), which necessitate a separate market abuse regime than the one used for traditional financial instruments.

New MARC legislation is expected that, regarding cryptoassets traded on a regulated CATP, would:

- Prohibit insider dealing.
- Require the disclosure of inside information.
- Prohibit market manipulation.

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The FCA proposes that MARC should cover:

1. Similar offences and prohibitions as exist for traditional financial instruments under MAR.
2. Requirements for disclosure of inside information by the issuer or other persons seeking admission of cryptoassets to trading, including the potential creation of bespoke crypto-sector primary information providers (PIPs).
3. Safe harbours and exceptions for legitimate behaviours, including some existing ones under MAR that could be adapted and carried over to MARC where applicable to cryptoassets (for example, allowing for delayed disclosure of inside information).
4. Requirements on market participants for prevention, detection and disruption of market abuse, including the use of insider lists to monitor and control access to inside information. Firms will also be required to have on-chain monitoring capabilities proportionate to their business activity, while retaining a degree of flexibility in implementation of this monitoring.
5. Requirements for market abuse-related systems and controls, particularly for CATPs and intermediaries. The FCA would oversee the compliance of CATPs and intermediaries with market abuse rules, as opposed to the more involved role the FCA takes in traditional securities markets.
6. A requirement for trading platforms to engage in information sharing to aid in deterring and disrupting cross-platform market abuse. This includes private-to-private information sharing mechanisms (rather than an FCA-operated mechanism).

## Next Steps

The FCA is seeking feedback from a range of cryptoasset stakeholders, both in the UK and abroad. The FCA also plans to engage stakeholders through a series of forums and meetings in the first quarter of 2025. The deadline for feedback is 14 March 2025, after which we can expect the authority to draft proposed FCA Handbook rules for consultation.