FINANCIAL CONDUCT AUTHORITY

Consultation Paper

CP25/40***

Regulating Cryptoasset Activities

December 2025

How to respond

We are asking for comments on this Consultation Paper (CP) by **12 February 2026**.

You can send them to us using the form on our website.

Or in writing to:

Crypto Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Email:
cp25-40@fca.org.uk

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Disclaimer

When we make rules, we are required to publish:

- a list of the names of respondents who made representations where those respondents consented to the publication of their names
- an account of the representations we receive, and
- an account of how we have responded to the representations.

In your response, please indicate:

- if you consent to the publication of your name. If you are replying from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name).
- if you wish your response to be treated as confidential. We will have regard to this indication, but may not be able to maintain confidentiality where we are subject to a legal duty to publish or disclose the information in question.

We may be required to publish or disclose information, including confidential information, such as your name and the contents of your response if required to do so by law, for example under the Freedom of Information Act 2000, or in the discharge of our functions. Please note that we will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Irrespective of whether you indicate that your response should be treated as confidential, we are obliged to publish an account of all the representations we receive when we make the rules.

Further information about the FCA's use of personal data can be found on the FCA website at: https://www.fca.org.uk/privacy.

Contents

Chapter 1

Summary

1.1 In December 2025, the Treasury laid the draft Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 ('the Cryptoasset Regulations'), for approval by Parliament, which will bring new cryptoasset activities within our regulatory remit. This expands our role beyond our remit which is limited to how cryptoassets are promoted and making sure firms meet expected anti-money laundering, counter terrorist financing, and proliferation financing standards.

1.2 This consultation paper (CP) sets out our proposed rules and guidance for some of the "new cryptoasset activities", introduced through the change in the legislation, which were not covered in CP25/14 and CP25/15. In some cases, these activities are described in the legislation in different terms to how we have summarised them in this consultation. Where this is the case, we have explained the difference in terms at the start of the relevant chapters. This consultation includes:

- Operating a trading platform – Chapters 2 & 4
- Intermediaries – Chapters 3 & 4
- Lending and Borrowing – Chapter 5
- Staking – Chapter 6
- Approach for decentralised finance (DeFi) – Chapter 7

1.3 In future, firms and individuals will need to apply for authorisation before carrying out any of these new cryptoasset activities by way of business in the UK. They also need to follow FCA Handbook requirements (CP25/25) published as part of the Crypto Roadmap, as well as other relevant consultation papers.

1.4 This CP is published alongside CP25/41 and CP25/42, which respectively set out our proposals for a future market abuse and admissions & disclosures regime for cryptoassets and a prudential regime for cryptoassets. Over recent months we have consulted on different aspects of the future regulatory regime for cryptoassets, for example, stablecoins issuance and custody of cryptoassets, as set out in our Crypto Roadmap (CP25/14, CP25/15). This CP should be considered alongside these consultations.

What we want to achieve

1.5 Our proposals take account of the novelty of the cryptoasset market and the business models of the firms within it. Regulation will not be able to limit all the risks in the sector. Anyone who buys cryptoassets should be aware of the risks involved – including that they might lose all the money they invest and the significant volatility of cryptoassets' value. We know there are trade-offs in designing a regulatory regime for cryptoassets, and we are open to feedback on our proposals.

1.6 To help shape our proposals, we have engaged widely, speaking with a range of market participants and others with an interest in this area. We also received 92 responses to our discussion paper on regulating cryptoasset activities (DP25/1). Many of these responses echo our aims and overall approaches. Benefitting from rich feedback on our DP, we have adjusted some of our proposals to make our draft rules respond better to different business models and to provide space for future innovation. Throughout this paper, we have explained how we are responding to DP feedback.

1.7 We have also engaged with statutory panels when building our proposals. These include the Financial Services Consumer Panel, Practitioner Panel, Smaller Business Practitioner Panel, Markets Practitioner Panel, and Listing Authority Advisory Panel. We consulted the Cost Benefit Analysis (CBA) Panel and have summarised its main recommendations and our subsequent changes in our CBA (Annex 2).

1.8 Our recently published consultation papers CP25/14, CP25/15, and CP25/25 explain how our proposals align with our 25-30 Strategy and statutory objectives. Our proposals in this CP are aligned with our primary strategic and operational objectives – consumer protection, market integrity, and effective competition – and advance our secondary international competitiveness and growth objective, as far as reasonably possible.

1.9 We want to create a market that works well for consumers, encourages effective competition and enhances market integrity, including that:

- Effective competition delivers high quality products and services, drives innovation in the UK cryptoasset sector, and levels the playing field with authorised firms conducting similar activities. CATP operators act to enhance market integrity.
- UK clients served by authorised firms for newly regulated cryptoasset activities receive an appropriate level of protection.
- UK consumers are able to make informed choices about investing in cryptoassets or using crypto-based services.
- The international competitiveness of the economy of the UK is supported, as well as its growth in the medium to long term, and firms are encouraged to set up in the UK to offer cryptoasset products and services.
- Firms are well-run with appropriate standards and sufficient resources that we can supervise effectively.
- Fair value products and services are accessible, meet consumer needs and are sold fairly.
- Cryptoassets used within our regime are not attractive for fraud, money laundering, terrorist and proliferation financing or any other criminal activities.
- UK investors and market participants can participate in fair, transparent, orderly, and resilient markets.

Measuring success

1.10 Our proposals follow the 'same risk, same regulatory outcome' principle, where appropriate, to achieve consistency between our approach to firms engaged in new cryptoasset activities and our existing approach to Financial Services and Markets Act 2000 (FSMA)-authorised firms with similar risks.

1.11 We will evaluate our success based on:

- **Effective competition** that delivers high quality offerings and drives innovation in the UK cryptoasset sector. We will use data on firm entry and exit rates, consumer switching behaviour and prices to monitor success.
- **A reduction in fraud, money laundering, terrorist and proliferation financing or any other criminal activities** to make the cryptoasset environment safer. We will monitor ongoing crime rates involving cryptoassets.
- **The UK being a location in which cryptoasset firms choose to establish and operate from.** We will measure this through the number of cryptoasset firms, including the proportion of major global cryptoasset firms, authorised under our regime with a UK physical presence.
- **Increased confidence and trust in cryptoasset firms and consumers accessing products and services meeting their needs.** We will monitor this through conducting research covering attitudes to cryptoassets post-implementation.

1.12 We will also monitor how firms adapt to the new regime and the outcomes for consumers.

International engagement

1.13 We engage internationally and have had regard to relevant international standards. This includes the Financial Action Task Force standards (FATF), the International Organization of Securities Commissions' (IOSCO) Crypto and Digital Assets (CDA) recommendations, and the Financial Stability Board's (FSB) recommendations covering cryptoassets.

Equality and diversity considerations

1.14 We do not consider that our proposals should materially or differently affect any of the groups with protected characteristics under the Equality Act 2010 (the Equality Act for the most part does not extend to Northern Ireland law, but other antidiscrimination legislation applies). Based on analysis from our Financial Lives Survey (2024), cryptoasset owners are more likely to be male, younger, with a higher-than-average income or from an ethnic minority.

1.15 While these groups are currently overrepresented in their ownership of cryptoassets, we expect all consumers who interact with cryptoassets will benefit from a regulatory regime for cryptoasset firms.

Digitally excluded customers

1.16 Our proposals are unlikely to have an impact on digitally excluded consumers, as they do not interact with the digital services needed to buy cryptoassets. Our proposals are also unlikely to have an impact on levels of cash use.

Next steps

1.17 We welcome feedback on our questions, proposed rules, and guidance in this consultation by 12 February 2026. Responses may be submitted via the form on our website or by email to cp25-40@fca.org.uk. If responding by email, please indicate whether you wish your response to be treated as confidential and, separately, if you are content to be named as a respondent.

1.18 As well as requirements covered in this CP and previous CPs, firms will also be subject to FCA Handbook requirements covered in a forthcoming consultation, including on the Consumer Duty, Conduct of Business Sourcebook (COBS) and access to the Financial Ombudsman Service, expected to be published in Q1 2026. Requirements consulted on in the forthcoming CP will supplement but not change those requirements covered in this CP.

1.19 Following consideration of responses to all the consultations as part of the Crypto Roadmap, as well as other related consultations, our final rules and guidance will then be set out in Policy Statements.

Chapter 2

Cryptoasset Trading Platforms

2.1 Firms operating a cryptoasset trading platform[1] (CATP) and deemed to be doing so in the UK by way of business will require FCA authorisation. CATPs provide a marketplace for retail and institutional buyers and sellers to interact and so play an important role in price formation. Price formation is the general process of information gathering about a traded asset to help market participants decide at which price to buy or sell that asset. The interaction between buyers and sellers in a marketplace such as a CATP is an important element in this information gathering process.

2.2 CATPs also play a key role in our wider regulatory regime because:

- Operators of UK-authorised CATPs (UK CATP operators) will be responsible for implementing our cryptoasset Admissions and Disclosures (A&D) regime and Market Abuse Regime for Cryptoassets (MARC); and
- UK CATP operators and intermediaries serving UK retail clients will generally only be able to do so for cryptoassets that are admitted to trading on a UK-authorised CATP (UK CATP) with an A&D-compliant qualifying cryptoasset disclosure document (QCDD).

2.3 This chapter covers:

- Our high-level expectations for location, incorporation, and authorisation of UK CATPs, with further detail to come in proposed guidance.
- Our proposed rules for:
  - Access and operation of a UK CATP.
  - Mitigating the risks from direct retail access to UK CATPs.
  - Managing CATP-specific conflicts of interest.
  - Transparency and reporting requirements for UK CATPs.
- We also signpost our high-level expectations for settlement.

2.4 Where relevant to these rules, we include summary references to:

- Key obligations on UK CATP operators under A&D and MARC proposals detailed in CP25/41.
- Certain proposals which apply not only to the operation of a UK CATP but also to other cryptoasset activities and which are detailed in chapter 4 of this CP.
- Certain proposals in CP25/25 and CP25/36.
- Prudential requirements which are set out in CP25/15 and further detail to be provided in CP25/42.

1 The Cryptoasset Regulations define a qualifying cryptoasset trading platform (CATP) as 'a system in which multiple third-party buying and selling interests in qualifying cryptoassets are able to interact within the system and which brings together multiple third-party buying and selling interests in qualifying cryptoassets in a way that results in a contract for the exchange of qualifying cryptoassets for (a) money, including electronic money, or (b) other qualifying cryptoassets.'

Summary of proposals

2.5 We have considered the feedback received from DP25/1. In response, we have modified some of our original proposals and proceeded with others. In doing so, we have sought to advance our objectives of enhancing market integrity and consumer protection and promoting competition. At the same time, we recognise that certain features of cryptoasset markets (such as their globalised and fragmented nature) and the still nascent state of the sector mean that our proposals may not always achieve the same regulatory outcomes as in traditional finance. We have provided further detail on certain proposals and indicated where we intend to produce additional guidance. Table 1 gives an overview.

Table 1: Comparison of proposals in this CP to original proposals in DP25/1 and, where applicable, CP25/25

Original proposals	Corresponding or new proposals in this CP
Location, incorporation, and authorisation	
We proposed that a UK CATP could be authorised as a subsidiary or in certain cases a subsidiary plus a branch (where the branch is needed to enable seamless access to a global liquidity pool). (DP25/1, 2.12)	We are progressing with this proposal. We plan to consult on additional location policy guidance for all international cryptoasset firms in Q1 2026.
Platform access and operation requirements	
We proposed that UK CATPs must ensure fair access to non-discriminatory trading and orderly markets. (DP25/1, 2.32)	We are progressing with this proposal.
We considered requiring UK CATP operators to document contractual agreements with market makers. (DP25/1, 2.36)	We are progressing with and clarifying this proposal.
We discussed requiring algorithmic traders to comply with MiFID (Markets in Financial Instruments Directive) RTS 6 and MAR (Market Abuse Regulation) 7A or be subject to more tailored rules for the use of algorithmic/automated trading systems on a UK CATP. (DP25/1, 2.29)	We propose more tailored rules for UK CATP operators that incorporate only certain elements of MAR 7A.
Retail customer focused requirements	
We noted that intermediaries will only be allowed to deal or arrange deals with UK retail customers for cryptoassets admitted to trading on a UK CATP. (DP25/1, 3.18)	We are progressing with these proposals for intermediaries (as detailed in Chapter 3) and set out certain related requirements for UK CATPs serving UK retail customers. Further details on the A&D regime are discussed in CP25/41.
We discussed whether UK CATP operators should have other responsibilities to mitigate harm from direct retail access. (DP25/1, 2.25).	We are progressing with this proposal but will provide further details on the Consumer Duty in a further CP.

Original proposals	Corresponding or new proposals in this CP
Rules to manage specific conflicts of interest and related risks	
We proposed prohibiting legal entities operating a UK CATP from trading (i) as principal on that CATP, (ii) as principal off-platform, and (iii) having group affiliates trade on the group's CATP. (DP25/1, 2.49)	We propose rules which permit some principal dealing activities by legal entities operating a UK CATP, and to allow group affiliates to trade on the CATP (subject to certain rules to mitigate the conflicts of interest and financial risks which arise).
We proposed UK CATPs should be neutral trading venues, so legal entities housing a CATP must not be exposed to client or counterparty credit risk. (DP25/1, 2.60)	Noting our updated position on principal dealing activities by a legal entity operating a UK CATP above, we are progressing with this proposal.
We discussed whether to prohibit UK CATPs from admitting tokens to trading in which they have an interest. (DP25/1, 2.58)	We will not move forward with this proposal. We propose to allow admission of own tokens, provided A&D, MARC and conflicts of interest rules set out in Principle 8 of the Principles for Businesses and SYSC (Senior Management Arrangements, Systems and Controls) 10 are abided by.
The circumstances in which most COBS (Conduct of Business Sourcebook) rules will, or will not, apply to UK CATPs are discussed in CP25/25. Consultation on COBS 11, including personal account dealing, has been included in this CP due to the relevance of much of COBS 11 for Intermediaries.	We propose to replicate the substance of COBS 11.7 (personal account dealing rules) in a rule in the CRYPTO source book and apply it to firms operating a UK CATP (and also firms carrying out most other newly regulated cryptoasset activities).
Transparency and reporting requirements	
We proposed that all UK CATPs should provide pre- and post-trade transparency to the wider market. (DP25/1, 2.71)	We are proposing to apply pre-trade transparency only to firms above a certain size and also propose certain transaction specific waivers/deferrals for pre-/post-trade transparency.
We proposed not to require transaction data reporting to the FCA but to require UK CATP operators to maintain transaction records for 5 years and make them available on request. (DP25/1, 2.73)	We are progressing with this proposal and clarify responsibilities where a transaction involves both a UK CATP and an intermediary. MARC may impose certain additional obligations.
We proposed in CP25/25 to apply certain client reporting requirements under COBS 16 for activities other than operating a UK CATP.	We set out in chapter 4 of this CP more tailored client reporting requirements for UK CATP operators.

Original proposals	Corresponding or new proposals in this CP
Settlement requirements	
We proposed UK CATP operators should have arrangements to ensure trades finalised on their platform are settled in a timely and effective manner and customers are clear on their own and the firm's obligations. (DP25/1, 2.65).	We are progressing with this proposal. In due course, we will consult on more detailed proposals for settlement-related requirements for CATP operators and on related guidance.

Location, incorporation, and authorisation of UK CATPs

Background

2.6 Cryptoasset markets are global, with many firms operating across geographic boundaries. International firms are an established part of the UK's financial services landscape and help to maintain open and competitive markets, including for cryptoassets.

2.7 In line with the perimeter set out in the then-draft Cryptoasset Regulations update to section 418 of FSMA, and in the accompanying Policy Note (published April 2025), we said in DP25/1 that firms will need to be authorised as CATP operators in the UK if they operate a cryptoasset trading platform in the UK. They also will need to be authorised if they operate such a trading platform overseas and this is serving UK consumers.

2.8 For international firms seeking authorisation in accordance with our approach to international firms generally, we acknowledged that they have some flexibility in the legal form of their UK presence.

2.9 Our discussion paper set out the benefits and challenges of firms operating through a UK-branch of an offshore legal entity versus a UK incorporated entity. We said UK retail customers who are served by a UK CATP operator should have a relationship with a UK legal entity to ensure that they can benefit from the higher level of supervision and oversight of a UK entity. We proposed that this UK legal entity could in some cases operate alongside a UK authorised branch of an offshore entity where such a branch is necessary to facilitate access to the UK CATP's global liquidity pool.

2.10 We noted that structures involving a branch would need to be considered on a case-by-case basis at the authorisation gateway. This is to make sure that firms using such structures strike an appropriate balance between providing oversight and regulatory control while maintaining competitiveness and market access and so can meet the fundamental threshold conditions.

DP Responses

2.11 On location, incorporation and authorisation, respondents generally welcomed the proposal to allow combinations of UK legal entities and branches as pragmatic and flexible. Some respondents acknowledged that requiring a UK CATP operator to have a UK legal entity would increase the protection for UK retail customers.

2.12 We asked respondents to identify potential challenges of structures involving both a UK legal entity and a branch of an offshore entity to operate a UK CATP serving UK retail customers. The main challenges were:

- A potential increase in operational complexity from operating both a UK branch and legal entity, including possible challenges in delineating responsibilities.
- Challenges in supervising and enforcing against branches of international firms.
- Potentially conflicting home and host jurisdiction rules, because authorisation of a UK branch extends application of certain UK rules to the entire offshore entity that is responsible for the branch.

Proposals

DP proposals that have been retained

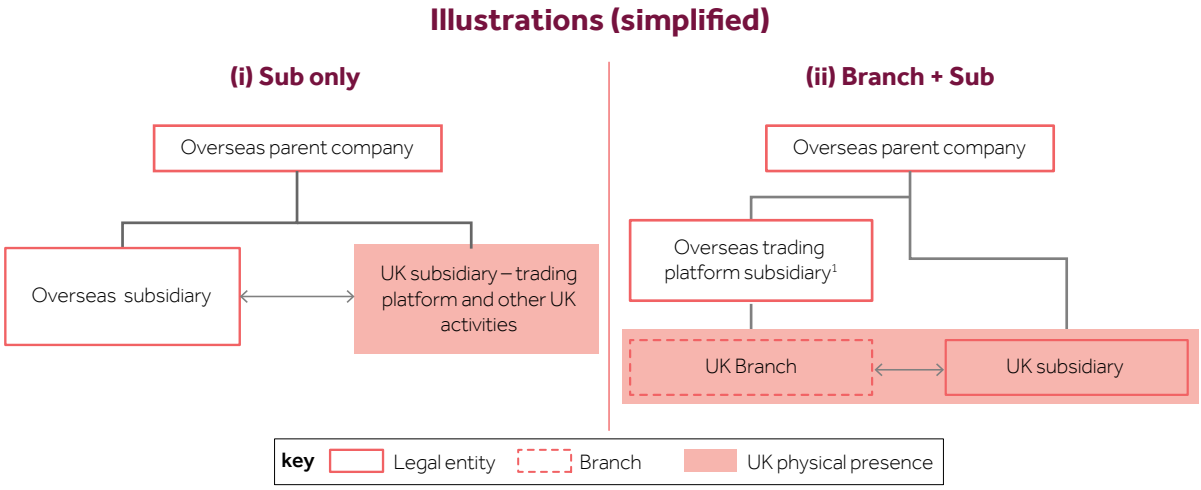
2.13 Amendments to FSMA section 418 (carrying on regulated activities in the United Kingdom) set out in the Cryptoasset Regulations confirm that firms operating a cryptoasset trading platform in the UK or serving UK consumers – that is individuals acting for purposes outside those of any trade, business or profession they carry on – must be FCA authorised. This means firms who only serve UK persons who are not consumers – for example firms that only serve UK institutional clients – can potentially do so from an overseas cryptoasset trading platform without needing FCA authorisation.

2.14 We would continue to require firms seeking UK authorisation to have a UK presence, in line with our general approach to international firms.

2.15 We propose to assess cryptoasset firms' intended legal form on a case-by-case basis at the FCA authorisation gateway and thereafter in supervision. This approach means we can make sure firms meet our fundamental threshold conditions and general requirements including on an ongoing basis. While firms have a degree of choice on the form of their UK presence, we remain of the view that UK retail customers should always have a relationship with a UK legal entity. This ensures they benefit from the more direct level of recourse and oversight that a UK entity affords.

2.16 We maintain our proposal that, in certain circumstances, UK CATP operators can combine a UK legal entity presence with UK authorisation of an overseas CATP via a UK branch. Figure 1 illustrates two examples of possible legal structures for overseas firms under this proposal.

Figure 1: Simplified illustration of potential legal forms for UK-authorised overseas CATPs (also a UK CATP)



1 We expect this to be authorised as a UK QCATP via the UK branch.

2.17 To assist international cryptoasset firms seeking UK authorisation, we propose to issue separate guidance clarifying our expectations.

2.18 In the proposed guidance, we will set out considerations relating to effective supervision, suitability, and business model, as we do in our existing approach to international firms. We will also clarify our expectations on the role of an offshore parent entity's home state regulator and the role of the FCA as a branch's host state regulator.

2.19 We intend to consult on this guidance in Q1 2026.

Question

Question 1: **Do you agree with our proposals on location, incorporation and authorisation of UK CATPs? If not, please explain why not?**

Platform access and operation requirements

Background

2.20 CATPs will have a significant impact on the functioning and performance of the overall market for cryptoassets. Unfair platform access, preferential matching of buying and selling interests, and disorderly market conditions can undermine market integrity, weaken investor confidence and protection, and harm consumer interests.

2.21 In traditional finance, the closest analogy to CATPs are multilateral trading facilities (MTFs). Retail investors generally do not access MTFs or other exchanges directly without the use of an intermediary. Still, MTFs must provide fair access and operate in accordance with non-discretionary rules.

2.22 In cryptoasset markets, retail investors have direct access to CATPs, making fair access, non-discretionary platform operation, and efficient settlement particularly important to protect consumers from harm.

2.23 The roles of market makers and algorithmic trading also differ between traditional finance and cryptoasset markets.

2.24 In developing the proposals in DP25/1 and below, we have considered the precedents from traditional finance, and particularly MTFs, while also reflecting the differences in the nature and maturity of cryptoasset markets.

DP Responses

2.25 We received mixed feedback regarding whether UK CATPs should be restricted to offering non-discretionary trading protocols whereby the CATP operator treats all orders according to the same rules and does not use judgement to match trades. Some respondents (31%) argued that discretion by a UK CATP operator is appropriate in less liquid markets or for large block trades or both. They suggested that associated risks can be mitigated through functional separation, customer disclosures, and strict conflict of interest monitoring.

2.26 On contractual arrangements between UK CATPs and market-makers, a majority (79%) of written DP responses supported them. DP respondents opposing them still felt that UK CATPs should disclose and monitor the terms of formal market-making schemes where they exist.

2.27 On algorithmic trading, respondents were generally supportive of a principles-based regime. This could include monitoring and certain specific requirements such as 'kill switches', which allow a UK operator to halt trading instantly in an emergency, usually cancelling all open orders. Most respondents opposed a full application of MiFID technical standards for algorithmic trading with only 1 respondent supporting rules that 'mirror' MiFID II.

Proposals

DP Proposals that have been retained

Fair access to non-discriminatory trading for users and orderly markets

2.28 In line with DP25/1 and MTF rules in MAR 5.3.1, we propose to require UK CATP operators to define and implement non-discriminatory rules and procedures for platform access and operation. The rules must include objective criteria for platform access and non-discretionary rules for order execution. We do not propose to permit exceptions from these rules for particular types of transactions, because we believe

such exceptions risk undermining the neutrality of CATPs. This could harm investor confidence and market integrity. Our proposed rules also include provisions to ensure it is always possible to identify the person or entity responsible for placing an order on a UK CATP.

2.29 We also propose requiring UK CATP operators to ensure that the systems and controls used in the operation of the CATP are adequate, effective and appropriate for the scale and nature of the business transacted on the platform. This includes ensuring operational resilience. In line with our approach to MTFs, the requirements we set out are intended to complement the general requirements in SYSC which have been discussed in CP25/25. Similarly, the CATP specific requirements in the "CRYPTO 6" chapter of our proposed rules focus on those platforms subject to UK regulation and CATP operators meeting our systems and controls standard for these platforms, including where such UK-regulated platforms may be located overseas.

2.30 We propose requiring UK CATP operators to publish and communicate their platform access and operation rules in a clear and transparent manner to anyone who does or could potentially use the platform.

2.31 UK CATP operators will be required to monitor compliance with their rules by platform users. They must also have in place appropriate policies, systems, and controls to intervene effectively if platform rules are broken and to mitigate the potential harm this could cause. This includes policies showing that the CATP operator has in place mechanisms to halt trading and considering the circumstances in which it may do so.

2.32 Since non-discretionary rules remove judgement from the process of matching orders on a UK CATP, we propose to disapply best-execution rules for transactions that are executed on the platform. However, where intermediaries use a CATP to execute orders for their clients, they may still owe best execution to these clients under the general best execution requirements set out in chapter 3. They would have to consider these requirements when choosing a CATP to execute their clients' orders.

UK CATP responsibilities and obligations for market-making arrangements

2.33 Following the discussion in DP25/1 and the responses we received, we are setting out more detail on our proposed rules for UK CATPs' arrangements with market makers.

2.34 We propose requiring UK CATP operators to identify and monitor users who carry out market-making strategies on that CATP.

2.35 We do not propose to require UK CATP operators to put in place formal contracts with all market makers. In our view it is not necessary to support liquidity on cryptoasset markets at their current stage of development by compelling firms to enter into market-making agreements rather than being incentivised to do so.

2.36 Where a UK CATP offers incentive schemes or has any other legal, contractual, or commercial arrangement with market makers or other liquidity providers, the UK CATP operator must document and disclose such schemes and relationships, including their terms. Schemes and arrangements should be designed to promote fair, orderly, and efficient trading on the CATP, and should be in line with policies and procedures to manage conflicts of interest.

2.37 Where an incentive scheme or other relationship described in paragraph 2.36 is in place, UK CATP operators will be required to monitor compliance with its terms. They will also be required to keep records to evidence this monitoring and to make them available for review by the FCA on request.

Other Proposals

UK CATP responsibilities and obligations for algorithmic and automated trading

2.38 We have considered the feedback on our proposed algorithmic trading rules in DP25/1. Reflecting respondents' preferences and the widespread use of retail-operated, small-scale algorithms in cryptoasset markets (unlike most traditional finance markets), we will not proceed with the proposal of imposing detailed, prescriptive requirements for the use of algorithms on UK CATPs.

2.39 Instead, we propose a principles-based approach to ensure that UK CATP operators mitigate appropriately against the risks of disorderly markets that can arise from poor use of trading algorithms.

2.40 We propose to require UK CATP operators to:

- Set out rules for the types and uses of algorithms on the CATP. These rules should include algorithmic trading thresholds and limits commensurate to the nature of the platform's business and its capacity. The rules should be publicly disclosed along with the CATP operator's approach to managing and mitigating potential harms.
- Monitor algorithmic trading activity to ensure compliance with the CATP's rules on algorithmic trading and against market abuse as set out in CP25/41, and disclose the overall importance and nature of algorithmic trading on the platform.
- Disclose information about algorithmic trading on the platform, including whether and what is allowed, the overall importance and nature of algorithmic trading on the platform, and its approach to managing and mitigating potential harms.

Key obligations for UK CATP operation under MARC

2.41 The effective functioning of the MARC regime depends on UK CATPs acting as strong gatekeepers. The MARC regime, and the obligations it imposes on UK CATP operators, are set out in full in CP25/41. For ease of reference, the key obligations are:

- **Systems and controls:** All UK CATP operators should establish and maintain effective systems and controls to prevent, detect, and disrupt market abuse on their platform. These should enable effective monitoring of orders and transactions, including generating and analysing alerts.
- **Requirements for 'large' UK CATP operators:** 'large' CATPs operators (firms with ≥£10 million annual average revenue over the previous 3 reporting years) will be required to monitor on-chain activity relevant to their operations for market abuse and to share information about suspected market abuse across platforms.
- **Information barriers and insider lists:** All UK CATP operators should maintain appropriate information barriers and maintain insider lists of individuals with access to inside information. This complements the wider conflicts of interest requirements set out below and in CP25/25.

Question

Question 2: **Do you agree with our proposals on UK CATP access and operation requirements? If not, please explain why not?**

Retail customer focused requirements

Background

2.42 As summarised above and in more detail in CP25/41, we propose for 'large' UK CATP operators to share information across platforms where they suspect market abuse. Recipients of shared information need to be able to identify the person or entity placing suspicious orders across platforms.

2.43 For UK CATP users that are regulated legal entities, such as intermediaries, cross-platform identification is helped by using legal entity identifiers which are likely consistent across platforms.

2.44 By contrast, consistent identification of UK CATPs' direct retail customers across platforms appears more difficult. So, UK CATP operators may have to take on certain additional responsibilities to help cross-platform identification.

2.45 Retail users may also be less well-placed to understand key risks or have lower capacity to absorb losses than institutional users and so may require added protection.

DP Responses

2.46 In DP25/1 we requested feedback on potential additional requirements for UK CATPs serving retail customers directly. Responses did not align on a single best approach. The most popular among the wide range of suggestions were mentioned by less than 20% of respondents and included introducing consumer profiling, requiring UK CATP operators to provide educational materials to cover asset risks and the disclosure of fees.

DP Proposals that have been retained

Recap of relevant context under A&D

2.47 CP25/41 sets out the rules for admitting qualifying cryptoassets to trading on UK CATPs and the related disclosure requirements.

2.48 Where a qualifying cryptoasset (other than a qualifying stablecoin that is issued by a UK authorised issuer – that is a UK-issued qualifying stablecoin) is offered to UK retail investors, the offered asset (or an asset with which it is fungible) must be admitted to trading on a UK CATP with and supported by an A&D-compliant QCDD. The QCDD must be lodged on an FCA central repository, such as the National Storage Mechanism (NSM) and published on the CATP operator's website. An asset can also be offered to UK retail customers conditional on admission to trading on a UK CATP provided the

QCDD is available. These requirements do not apply where trading is limited to qualified investors or investors based overseas. We are also considering introducing transitional arrangements as part of the wider regime. We intend to discuss these in due course in a future consultation.

2.49 UK-issued qualifying stablecoins do not need to be admitted to trading on a UK CATP to be accessible to the public. UK-issued stablecoins will have a separate QCDD that is aligned to the disclosure requirements set out in CP25/14. The UK-issued stablecoin QCDD will be prepared by the stablecoin issuer and lodged on an FCA central repository, for example the NSM. CATP operators will be allowed to admit UK qualifying stablecoins to trading based on this QCDD and will provide prospective coinholders with a link to the most recent QCDD lodged with the repository.

Proposed additional requirements on UK CATP operators

2.50 We propose the UK CATP operator must ensure UK retail investors can only access products on the CATP which have been admitted with a QCDD. Where a UK CATP operator admits to trading products for qualified/overseas investors who are allowed to access products admitted without a QCDD, the CATP operator must ensure that these products are not accessible to UK retail investors.

2.51 We also propose that UK CATP operators must direct all users of the platform to the relevant QCDD (for any asset where a QCDD exists) if the user signals an intention to deal in that asset. This should be done in a clear and prominent way before the user places an order.

2.52 For each asset admitted to trading on a CATP, the operator must set out on their website the nature of the admitted assets, including the supported blockchain(s). This must be done by publishing a list of QCDDs and the asset(s) each QCDD supports.

2.53 Where a CATP operator admits to trading an asset which is potentially fungible with one already admitted to trading on the CATP, it should determine whether the asset is fungible with the existing admitted asset and whether therefore the existing QCDD can support the asset. Depending on this decision, the CATP operator must then either:

- Add another QCDD to the list on its website and lodge it on the central repository; or
- Add the fungible asset to the list of asset(s) supported by an existing QCDD.

2.54 Where a CATP operator does not admit to trading other assets that are or could be fungible, then these tokens cannot be considered 'admitted'.

2.55 If, for any reason, a UK CATP operator decides to withdraw admission to trading for a cryptoasset that had previously been admitted with an A&D-compliant QCDD, we propose that the operator must:

- Announce to the market the intended withdrawal of admission to trading in advance of its implementation in a clear and prominent manner, unless immediate action is necessary to protect market integrity or consumers.

- Notify users who purchased the asset on the UK CATP of the intended withdrawal through appropriate direct channels and in advance, unless immediate action is necessary to protect market integrity or consumers. This notification should explain the potential consequences of the withdrawal. For UK-issued qualifying stablecoins, the UK CATP operator must also notify the coin's issuer and the FCA.
- Communicate the implementation of the withdrawal to the wider market in the same way as prescribed in CP25/41 for the communication of 'inside information' and lodge a notice of withdrawal on the central repository and on the CATP's website. This notice should include the date of withdrawal, token identifier, venue identifier, name of the person responsible for the offer, and reason for the withdrawal.
- Remove the withdrawn cryptoasset from the CATP's list of admitted cryptoassets and/or any other client interface.

2.56 We propose that CATP operators must have a policy setting out the platform's criteria for withdrawing admission to trading from a previously admitted cryptoasset. This policy should be disclosed.

Other obligations to protect direct retail customers

2.57 Subject to the current discussion in CP25/25 and further consultation about applying the Consumer Duty to all cryptoasset activities, we expect that CATP operators should ensure direct retail users are informed in a timely and appropriate manner of the terms and nature of the service being provided to them.

2.58 For example, we consider that retail users should have a clear understanding of:

- The commercial terms for using the platform including fees.
- The platform's trading and matching rules, including rules for algorithmic trading.
- Transaction limits set for retail customers and the potential consequences of breaching these.
- The firm's settlement arrangements and the risks these entail.
- Any conflict of interest arising from tokens issued by the UK CATP itself.

Question

Question 3: **Do you agree with our proposals on additional rules to protect UK retail customers? If not, please explain why not?**

Rules to manage specific conflicts of interest and related risks

Background

2.59 When left unmitigated, conflicts of interest in financial markets can undermine market integrity and lead to poor customer outcomes.

2.60 Cryptoasset firms often engage in multiple activities which can give rise to conflicts of interest. For example, if a CATP operator also deals on its own account and for its own profit, it could use information gained from its platform operation to trade against the platform's clients. Or a CATP operator might issue its own tokens. Since the operator would have an interest in the success of these tokens, it could be incentivised to admit them to trading on the platform even if they don't meet the necessary standard or engage in price manipulation thereafter. A CATP could also use its responsibility for market abuse systems and controls to engage in insider trading and market manipulation, turning a blind eye to its own activities. All this could harm clients, especially retail clients.

2.61 CP25/25 discusses general rules on conflicts of interest which apply to all firms, including Principle 8 of the Principles for Businesses and SYSC 10. Further discussion of SYSC 10, including the final proposed rules, can be found in CP25/36.

2.62 Below we discuss additional proposals to address certain specific conflicts of interest.

DP Responses

2.63 In DP25/1, we asked about conflicts of interest that could arise if a firm operating a CATP was also permitted to carry out some form of principal dealing. The majority (63%) of respondents were in favour of permitting firms to carry out both Matched Principal Trading (MPT) – where equal and offsetting trades are carried out simultaneously "back-to-back", removing market risk – and the activity of operating a CATP. They felt that explicit client consent, transparency and prudential requirements would be sufficient to address the conflicts of interest and financial risks that could arise. As a result, these respondents did not consider that a separate legal entity to segregate these activities would be necessary to undertake them.

2.64 We also discussed whether a firm operating a UK CATP should be allowed to deal as a principal dealer for its own account off-platform and whether an affiliate entity should be allowed to trade on the CATP. Respondents thought that we had correctly identified the risks from allowing these practices, but also identified some potential benefits, such as enhanced liquidity. Again, respondents did not view legal separation as the only (or necessarily best) way to address the risks and cited functional separation, disclosure, and oversight as possible alternatives.

2.65 Respondents had mixed views on whether we should allow firms operating UK CATPs to take on credit risk of platform users. Those who were against cited the importance of CATPs being risk-neutral trading systems and the benefits of pre-funding. Those who favoured allowing CATP operators to take on credit risk suggested that the ability to offer leverage would improve trading efficiency and liquidity on the CATP. Some suggested that the risk could be managed through prudential rules.

2.66 Respondents generally favoured allowing firms operating a UK CATP to issue and admit their own tokens or tokens in which the firm has an interest, provided the associated conflicts of interest are adequately addressed. The majority (81%) of respondents did not suggest that this would require legal separation between the issuer and the CATP.

Proposals

DP Proposals that have been retained

Operation of a UK CATP and ability to deal as principal or give access to affiliates

2.67 We have considered the feedback we received to DP25/1 alongside the feedback to CP25/20 that proposed lifting the prohibition on matched principal trading by MTF operators on their own trading venue. As set out in PS25/17, most respondents to CP25/20 supported the proposed lifting of the restriction for MTFs, although a small number expressed concern about whether the conflicts that might arise could be adequately managed. We have decided to lift the prohibition on matched principal trading by MTF operators on their own trading venue.

2.68 As a result of the feedback received to DP25/1, and in line with the approach we are taking with MTFs, we propose to allow firms operating a UK CATP to also obtain a principal dealer permission for the same legal entity.

2.69 We propose that they can use this principal dealer permission to either trade as matched principal dealer or to run a principal dealing desk for the firm's own account.

2.70 Where such a firm acts as a matched principal dealer, we propose that it can trade on its own UK CATP in the same legal entity provided that:

- It complies with all the rules associated with the principal dealer permission that supports this activity, including prudential rules.
- Matched principal trades are matched according to the platform's non-discretionary operating/matching rules.
- Both legs of the matched principal transaction are executed simultaneously and without any time delay to eliminate market risk.
- The firm cannot charge a spread on the matched principal transaction. It can only be compensated by way of a fee or commission disclosed upfront.
- Policies and procedures are in place to adequately mitigate and manage any conflicts of interest. We do not consider disclosure of conflicts of interest to be sufficient where retail customers are concerned and propose to require a more substantial method of mitigation.

2.71 Also reflecting the feedback on DP25/1, we are not moving forward with the option of prohibiting principal dealing desks from operating in the same legal entity as a CATP. So, in line with existing rules on MTFs, we propose to allow such a principal dealing desk to operate in the same legal entity as the CATP, carry market risk and trade with the firm's clients off-platform, provided that:

- The firm also complies with all the rules associated with the principal dealer permission for the activity, including prudential rules.
- When interacting with clients, the principal dealing desk makes clear to them that they are dealing with the firm's principal dealing desk and are not accessing the CATP. This disclosure should be provided before any agreement is entered into and anytime when that position changes.

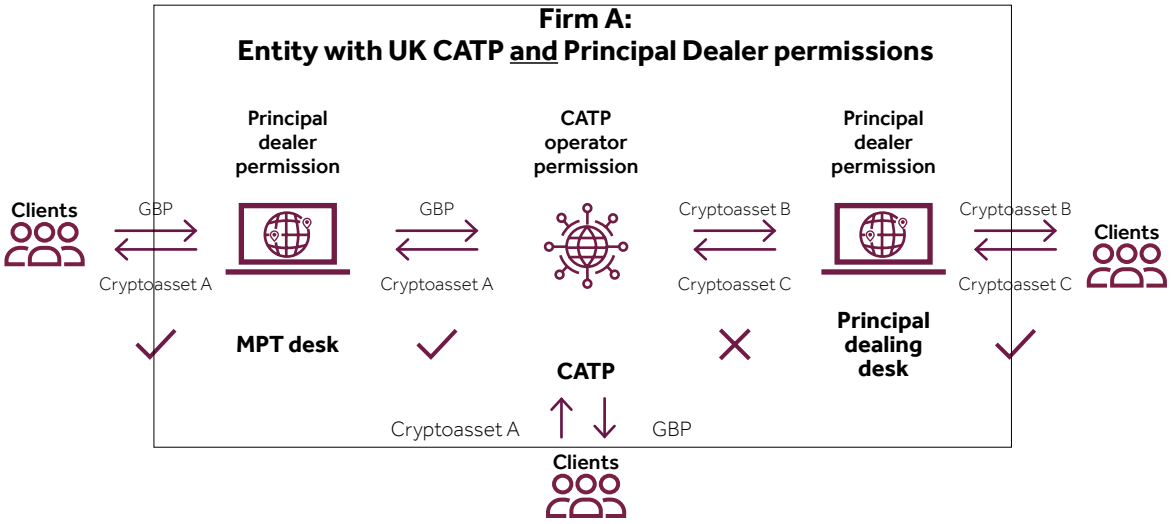
- The principal dealing desk does not access the CATP in the same entity to execute trades.
- The principal dealing desk does not extend leverage to clients.
- The firm has in place policies and procedures (including information barriers) to adequately mitigate and manage any conflicts of interest.

2.72 We also propose to allow affiliates of the firm operating the UK CATP to access and trade on the CATP, provided that:

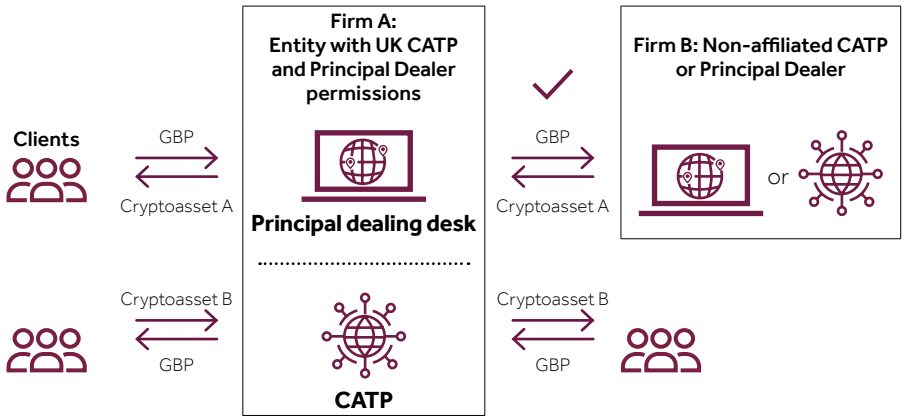
- The affiliate has the necessary permissions and complies with the associated rules and requirements, including prudential requirements.
- Policies and procedures (including information barriers) are in place to adequately mitigate and manage any conflicts of interest.

2.73 If a principal dealing desk operates from an affiliate of a UK CATP operator rather than in the same entity as the CATP, we propose to allow the principal dealing desk to extend leverage by offering credit for the purchase of cryptoassets. In these circumstances, the firm must also comply with applicable prudential requirements and any additional rules that may apply to the provision of such credit. Figure 2 illustrates some possible scenarios.

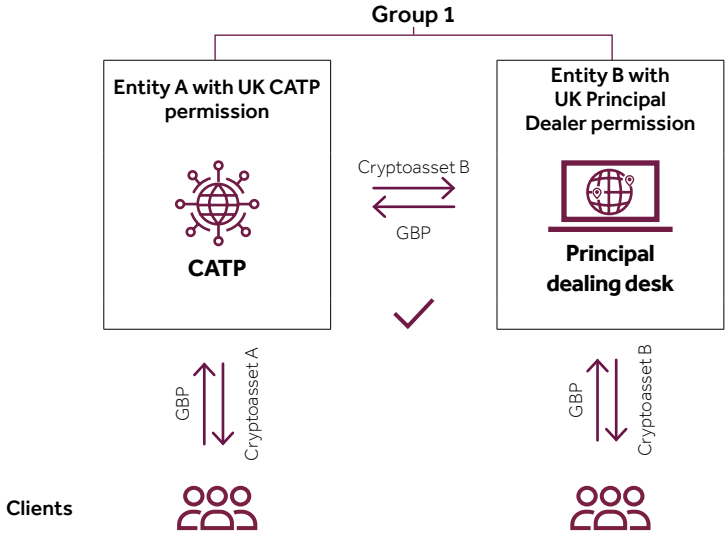
Figure 2: Simplified illustrations to show possible scenarios involving UK CATP operators and operation of MPT and principal dealing desks.



1) Entity with UK CATP and principal dealer permissions: MPT desk can access its own CATP while Principal dealing desk cannot.



2) Entity with UK CATP and principal dealer permissions: Principal dealing desk can access a third-party CATP or principal dealer.



3) Entity with UK CATP permission and affiliated entity with principal dealer permission: Principal dealing desk can access affiliated CATP.

Credit risk exposure

2.74 We believe UK CATPs should be risk-neutral trading systems because credit risk exposure could undermine platform stability and operation.

2.75 For example, if a CATP operator comes to be seen as heavily exposed to a client's potential insolvency, other users could become less inclined to engage with the platform, resulting in less liquidity on the platform itself. This creates a potential conflict of interest for the CATP operator that is difficult to address by functional separation alone.

2.76 We therefore propose to require legal separation of activities which lead to credit exposure (beyond that which arises from settlement) from the activity of operating a UK CATP.

2.77 However, firms holding permissions as a UK CATP operator and as a principal dealer may assume settlement risk arising from both types of activity.

2.78 We also propose to allow entities affiliated with a UK CATP operator to offer leverage, provided no other rules would prohibit it, the affiliate has the appropriate permissions to do so and complies with the associated rules including meeting the associated prudential requirements. This is in line with traditional finance requirements for MTFs.

Other proposals

Issuance of cryptoassets

2.79 We have considered the feedback to DP25/1 and will not proceed with the proposal to prohibit UK CATP operators from issuing their own tokens or admitting to trading tokens in which they have a financial interest as we believe that the conflicts of interest can be managed and mitigated by other means.

2.80 We propose to require UK CATP operators who wish to issue or admit such tokens to disclose the inherent conflict of interest to users of the CATP in the disclosure document or (if it arises after admission) on their website, as set out in more detail in the A&D chapter of CP25/41.

2.81 We also expect UK CATP operators in this scenario to have in place policies and procedures to mitigate the conflict as far as possible through means other than legal separation. For instance, we would expect functional separation, including independent committees – i.e., committees comprising members without any financial interest in the token – to evaluate whether the token should be admitted to trading. More detail on managing conflicts of interest relating to admissions can be found in the A&D chapter of CP25/41. Subsequent trading will be subject to general MARC rules.

2.82 Further, general rules on conflicts of interest as set out in Principle 8 of the Principles of Business and SYSC 10 and discussed in CP25/25 and CP25/36 will apply.

Personal account dealing

2.83 Personal account dealing by employees or individuals connected to a firm carries risks of conflict of interest between the individual and the firm or the firm's clients. Such conflicts can extend to market abuse through misuse of confidential or inside information.

2.84 COBS 11.7 sets out rules on personal account dealing to mitigate these risks in traditional finance markets.

2.85 In the new CRYPTO Sourcebook, we intend to replicate the core requirements of the COBS 11.7 rules with certain amendments to ensure they are appropriate for cryptoasset activities. We propose that these rules will apply to UK CATP operators. This will mean they must establish, implement, and maintain adequate arrangements to manage conflicts of interest in relation to personal account dealing. It also aligns with the obligation on UK CATP operators to maintain a personal account dealing register as set out in CP25/41.

2.86 We intend for this requirement to apply to most new cryptoasset activities, except for issuing UK-issued qualifying stablecoins. This is referenced in the relevant chapters of this CP.

Question

Question 4: **Do you agree with our proposals to manage conflicts of interest and related risks? If not, please explain why not?**

Transparency, record keeping and reporting requirements

Proposals

DP proposals that have been changed

2.87 As we discussed in DP25/1, we propose to impose pre- and post-trade transparency requirements on UK CATPs.

2.88 Taking into account the feedback on DP25/1, we have amended our pre- and post-trade transparency proposals since the DP to make them more proportionate and allow for certain exceptions.

2.89 Since the revised proposals are in substance the same for UK CATP operators and principal dealers, we have set them out in full in chapter 4 of this CP. This captures rules that apply to more than one of the newly regulated activities.

2.90 Chapter 4 also contains our proposed rules on individual transaction recording and reporting for UK CATP operators (as well as intermediaries).

2.91 Firms are not expected to report detailed order or transaction data to us as a matter of course on an on-going basis but will need to report to clients.

2.92 CATP operators will also be required to submit other types of regulatory reporting to us. We plan to publish those requirements and templates in due course.

Settlement arrangements

Background

2.93 Settlement in cryptoasset markets does not currently have a specific statutory definition. For the purposes of this CP, we consider settlement to mean the unconditional transfer of a cryptoasset from one market participant to another, either on the blockchain or in an authorised firm's internal ledger, in accordance with the terms of the underlying contract.

2.94 Efficient and effective settlement of executed transactions is important to give participants in cryptoasset markets certainty of their position. This allows more effective hedging and reduces credit risk exposure for participants. It also helps to promote market confidence and integrity. This is especially important given that crypto markets currently lack the settlement support that Central Securities Depositories and other regulated Financial Market Infrastructures provide in traditional finance.

DP Responses

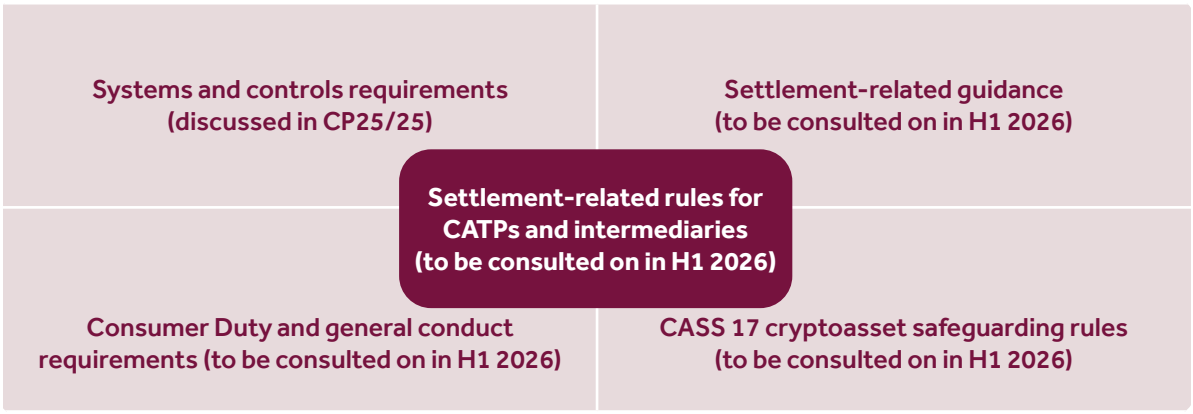
2.95 On settlement, we asked in DP25/1 when a transaction should be considered 'settled' for the purposes of operating a CATP and potentially other cryptoasset activities. Responses were mixed. Suggestions ranged from updates on CATP internal ledgers being sufficient to requiring on-chain transfers.

Proposals

2.96 We propose for firms to have flexibility over whether they internalise settlement or arrange it externally. In either case we propose that they must ensure their clients understand the firm's settlement responsibilities.

2.97 There are several areas of our regime which will combine with respect to settlement. Figure 3 provides an overview of these areas.

Figure 3: Areas and activities of our cryptoasset regime linked to settlement rules



2.98 We intend to consult on a fuller set of proposed requirements for settlement in due course. We intend for these proposals to be accompanied by proposed guidance in relation to settlement arrangements.

Question

Question 5: **Do you agree with our high-level proposals on settlement? If not, please explain why not?**

Chapter 3

Cryptoasset Intermediaries

3.1 'Cryptoasset intermediaries' refers to persons performing any of the following activities defined by the Treasury in the Cryptoasset Regulations:

- Dealing in qualifying cryptoassets as principal
- Dealing in qualifying cryptoassets as agent
- Arranging deals in qualifying cryptoassets

3.2 Intermediaries play an important role in cryptoasset markets. They enable markets to operate efficiently and cater for diverse consumer needs. They also pose risks to consumer protection and market integrity, if not adequately regulated.

3.3 The 'dealing as principal' activity also includes cryptoasset lending and borrowing services. The 'arranging deals' activity also includes the operation of a cryptoasset lending platform. We therefore intend for the rules and guidance proposed in this chapter to apply to cryptoasset lending and borrowing services. Additional rules that are specific to lending and borrowing services are consulted on in chapter 5.

3.4 We propose to assess cryptoasset firms' intended legal form on a case-by-case basis at the FCA authorisation gateway and thereafter in supervision. This approach means we can make sure firms meet our fundamental threshold conditions and general requirements including on an ongoing basis.

3.5 For intermediaries applying to be authorised in the UK and serving retail clients directly, we expect them to have a UK legal entity.

3.6 To assist international cryptoasset firms seeking UK authorisation, we intend to issue separate guidance clarifying our expectations in due course.

3.7 We also intend to consult next year on the application of client categorisation rules, including the definition of eligible counterparty (ECP), in a cryptoasset context.

3.8 Our proposals in this chapter:

- Specify our proposed general execution requirements and other dealing rules and how they should be applied to cryptoasset firms.
- Discuss our proposed specific eligibility and execution requirements for retail client orders.
- Discuss our proposed requirements to address specific conflicts of interest (beyond those in CP25/25).
- Propose pre- and post-trade transparency as well as record keeping and client reporting requirements for cryptoasset intermediaries.
- Sign-post high level expectations for settlement arrangements.

Summary of proposals

3.9 Following consultation and further consideration, we have proposed to modify/proceed with the proposals described in Table 2 below. In developing these proposals, we have considered the feedback we received to DP25/1 and, where appropriate, rules that apply in traditional finance. At the same time, we recognise that cryptoasset markets pose particular challenges that may mean the same regulatory outcomes as in traditional finance may not always be achievable. For instance, the fragmentation of liquidity pools in crypto can make the assessment of best execution particularly challenging. We therefore have provided specific guidance to complement our proposed rules relating to best execution obligations.

3.10 As set out in our Crypto Roadmap, in this CP we are not consulting on all rules that will apply to cryptoasset intermediaries. The rules set out in this chapter will be in addition to our broader proposals including the Consumer Duty, Conduct and Firm Standards (in particular COBS) rules that have been set out in CP25/25 (and will be consulted on next year) and prudential requirements set out in CP25/15.

Table 2: Comparison of proposals in this CP to original proposals in DP25/1 and, where applicable, CP25/25

Original proposals	Corresponding or new proposals in this CP
General execution and dealing rules	
The scope of application of best execution requirements should be aligned with the existing approach in traditional finance. (DP25/1, 3.22-3.26)	We are progressing with this proposal.
We discussed the role of client instructions. (DP25/1, 3.35)	We propose to continue to allow clients to give specific instructions.
Where a firm executes an order on behalf of a retail client, the best possible result must be determined in terms of total consideration. (DP25/1, 3.21)	We are progressing with this proposal.
We discussed proposed requirements around disclosure and reporting to clients. (DP25/1, 3.32-3.33)	We are progressing with this proposal, and have expanded it to introduce rules for intermediaries dealing as principal with respect to the prices they quote.
Firms should implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders. (DP25/1, 3.19)	We are progressing with this proposal.
We considered providing additional guidance to firms that to meet best execution requirements they need to check the prices for an order across at least 3 UK-authorised trading platforms. (DP25/1, 3.27)	We have modified this proposed guidance to provide more clarity and flexibility.

Original proposals	Corresponding or new proposals in this CP
Specific eligibility and execution requirements for retail orders	
We proposed requiring any firm executing orders for UK consumers to ensure these orders are ultimately executed only on UK-authorised execution venues. (DP25/1, 3.30-3.31)	We are progressing with this proposal.
We said that any cryptoasset needs to be admitted to trading on at least 1 UK-authorised CATP and have an A&D compliant qualifying cryptoasset disclosure document (QCDD) available before any intermediary can provide service to UK retail customers in relation to this cryptoasset. (DP25/1, 3.17-3.18)	We are progressing with this proposal. We also propose limited exemptions for tokens that have subsequently been withdrawn from admission and for UK-issued qualifying stablecoins.
Rules to manage specific conflicts of interest (beyond those in CP25/25)	
We expect that at a minimum functional separation, including separate governance structures, should be in place between firms' proprietary trading and client order execution operations. (DP25/1, 3.42-3.45)	We are progressing with this proposal.
We proposed to restrict Payment for Order Flow (PFOF) for cryptoasset intermediaries. (DP25/1, 3.46-3.50)	We are progressing with this proposal.
Most COBS rules and their application are discussed in CP25/25. However, consultation on COBS 11, including personal account dealing rules, is contained within this CP.	We propose to replicate the substance of COBS 11.7 (personal account dealing rules) in a rule in the CRYPTO Sourcebook and apply it to firms operating as an intermediary.
Transparency, record keeping and reporting requirements	
We considered whether to introduce some form of pre-trade transparency requirements. (DP25/1, 3.59)	For intermediaries dealing as principal, we propose to introduce pre-trade transparency requirements for firms above a certain size (subject to certain exemptions).
For intermediaries dealing as principal, we proposed to introduce post-trade transparency requirements for all firms. (DP25/1, 3.58)	We are progressing with this proposal (subject to certain exemptions).
We said intermediaries should record and store the details of their clients' transactions for a certain period and make them available to us when requested. (DP25/1, 3.34)	We are progressing with this proposal and have provided more details on the requirement in chapter 4.
We proposed in CP25/25 to apply certain client reporting requirements under COBS 16 for activities other than acting as an intermediary.	We set out in chapter 4 of this CP more tailored client reporting requirements for intermediaries.

Original proposals	Corresponding or new proposals in this CP
Settlement requirements	
N/A – Proposal not included in DP25/1.	We propose that where applicable, intermediaries should have arrangements to ensure trades are settled in a timely and effective manner. In Q1 2026, we will consult on more detailed proposals for settlement-related requirements for intermediaries and on guidance about the scope of the temporary settlement exclusion from the regulated activity of 'safeguarding'.

3.11 As outlined in CP25/14, UK qualifying stablecoin issuers may rely on third parties to carry out redemption on their behalf. Issuers in this case would not be limited to using authorised firms as third parties. However, depending on the activities third parties carry out on behalf of an issuer, they may be in scope of other regulated activities that require FCA authorisation. Where a firm carries out redemption on behalf of a UK qualifying stablecoin issuer, the issuer would remain responsible for compliance with all redemption requirements and a contractual arrangement should be in place. However, to facilitate third party redemption, we intend to exempt these narrow business models from all requirements proposed in this chapter (except for settlement requirements on which we will consult separately). Certain general requirements applicable to authorised firms may still apply, as discussed in our other relevant publications.

General execution and dealing rules

Background

3.12 How orders are executed can have a significant impact on consumer outcomes. Delays in the execution of orders, slippage of the price in the meantime, and inconsistent pricing can harm consumer interests and consumer confidence in the services provided by intermediaries.

3.13 Since many factors impact the final execution outcome, less sophisticated clients may not be able to adequately assess whether an order has been executed in their best interests. They may find it challenging to compare the services offered by different firms, and effective market competition could be hindered as a result.

3.14 In traditional finance, there are existing rules and FCA publications that specify how firms should handle and execute orders in clients' best interest. In particular, COBS 11.2A sets out best execution rules that firms need to follow when executing client orders in relation to financial instruments.

3.15 Cryptoasset markets are often highly volatile. Prices and depths of liquidity vary across platforms. The risk of client harm is more significant if an intermediary firm relies on a single or very few liquidity sources, or on trading platforms lacking market abuse protections.

DP Responses

3.16 In DP25/1 and subsequent industry engagement, we discussed our proposals to promote good execution outcomes for consumers (as summarised in Table 2).

3.17 Some respondents proposed carve-outs from best execution requirements. Suggestions included exempting all principal dealers and business models offering fixed prices for set periods to reduce price uncertainty. Others called for exclusions for professional and ECP clients (the latter already proposed). Except for ECPs, these carve-outs would not align with our current stance in traditional finance.

3.18 Views were mixed on assessing best execution based on total consideration for retail clients. Some argued that factors like speed and certainty of execution are equally important, particularly in volatile markets.

3.19 We received 39 responses on our additional guidance. The guidance requires firms to check pricing across at least 3 UK-authorised trading platforms, where available. Feedback indicated the proposal was unclear, with many assuming a per-transaction benchmark test, which was not intended. Respondents also found the guidance overly prescriptive, especially its focus on UK-authorised trading platforms.

Proposals

DP proposals that have been retained

3.20 We are proposing rules based on the existing COBS 11.2A requirements. Under these, firms must take all sufficient steps to obtain the best possible results for its clients, when executing orders for them in cryptoassets, subject to the specific eligibility and execution requirements for retail orders discussed in this chapter. Firms must consider execution factors including price, costs, speed, likelihood of execution and settlement, size, nature of an order and any other consideration relevant to the execution of an order. When determining the relative importance of these factors for an order, firms shall think about the specific characteristics of that cryptoasset transaction. For in-scope transactions, firms should be able to demonstrate to us on request how they are achieving best execution.

Scope

3.21 We have considered best execution carve-outs suggested by respondents, but we do not see a convincing case to deviate from the established traditional finance approach here. The business models described by respondents resemble existing models in traditional finance and exhibit similar risk profiles. So, we do not propose to provide explicit carve-outs, e.g., for cryptoasset firms dealing as principal.

3.22 We therefore propose for the best execution obligation to apply where a firm owes contractual or agency obligations to the client when executing orders. We expect best execution to be owed by default when a firm serves retail clients.

3.23 We acknowledge that cases exist where it is not immediately clear whether a firm is executing an order on behalf of a professional client. For example, a firm may be dealing on risk in a quote-driven market where the client can shop around for alternative quotes.

3.24 Firms should consult existing FCA publications on best execution that clarify such issues. The FCA has previously noted, including in TR14/13, that the European Commission's 'four-fold test' can be a useful reference when assessing whether a client places legitimate reliance on a firm in quote-driven contexts. We may also consider publishing crypto-specific guidance or supervisory statements as needed if specific cases justify their publication.

Client instructions

3.25 A firm will meet its obligation to take all sufficient steps to obtain the best possible result for a client when it executes an order or a specific aspect of an order following specific instructions from the client about the order or the specific aspect of it.

3.26 A firm should not induce a client to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client, when the firm ought reasonably to know that such an instruction is likely to prevent it from obtaining the best possible result for that client.

3.27 Specific instructions from a client may prevent the firm from taking the steps in its execution policy to obtain the best possible result for the execution of that order. The firm must provide a clear and prominent warning in good time.

Total consideration

3.28 For orders of retail clients, we still consider the focus on total consideration to be appropriate after reviewing the relevant feedback. This requirement helps to better protect retail clients, who may have little understanding of the different execution factors, or potential hidden fees or spreads.

3.29 So, we are proposing that where a firm executes an order on behalf of a retail client, the best possible result must be determined in terms of the total consideration. Total consideration includes the price of the cryptoasset, and the costs involved in execution.

3.30 The costs must include all expenses incurred by the client which are directly linked to the execution of the order, such as execution venue fees, gas fees, settlement fees, and any other fees paid to third parties involved in executing the order.

3.31 The firm should still take into consideration all factors that will enable it to deliver the best possible result in terms of the total consideration.

Disclosure and reporting to clients

3.32 We propose introducing the disclosure requirements discussed in DP25/1. We propose that firms must clearly and prominently disclose their role(s) to retail or professional clients before executing client orders, including whether they will act as a principal or agent for each order. This proposal also aligns with Recommendation 3 of the IOSCO CDA.

3.33 For retail and professional clients, if a firm's order execution policy provides for the possibility that their orders may be executed outside a UK-authorised trading platform, we propose firms disclose this in advance. For example, for some professional clients, it could be an unauthorised overseas venue, while for retail clients it could be a UK principal dealer. We propose that firms should explain any additional risks associated with execution on such venues before executing orders for a retail or professional client.

Pre-trade disclosures to clients by principal dealers

3.34 Intermediaries dealing as principal and serving retail or professional clients should make appropriate pre-trade disclosures to them. A firm shall provide a client with:

- A firm price at which the client's order can be executed.
- The duration for which the firm price is valid.
- Any fees or charges either included or in addition to the displayed price.

3.35 If a client accepts the price displayed within the time period granted, the firm shall execute the order at this price or a better price if available, subject to best execution obligations if applicable. Firms may be allowed to execute the order at a different price in exceptional scenarios, for example during a period of extreme market volatility, subject to explicit consent of the client with respect to that order.

Client order handling

3.36 Firms should implement procedures and arrangements which provide for the prompt, fair and expeditious execution of client orders, relative to other orders or the trading interests of the firm.

3.37 We provide more details on the proposed best execution and client order handling requirements in Appendix 1, including expectations around setting out a firm's execution policies.

Other proposals

Additional guidance

3.38 We have noted respondents' comments on the proposed guidance to check prices across 3 platforms.

3.39 We consider the principle that firms should not overly rely on a single or small set of platforms to execute client orders without surveying the wider market remains sound. So, we have modified the proposed guidance to provide more clarity and flexibility for how firms can comply with this principle.

3.40 We propose that where firms need to comply with best execution obligations, they need to check at least 3 reliable price sources from UK-authorised execution venues (if available). If there are UK-authorised trading platforms, which are making prices publicly available, we expect firms to prioritise checking these on-platform prices. If fewer than 3 execution venues in the UK can execute the order, firms should check the available UK ones.

3.41 This guidance is intended to allow firms to create a well-formulated order execution policy that can be assessed over time, not a per-transaction mechanical test against prescribed benchmarks. This guidance would not replace the general best execution expectations.

3.42 In some circumstances, we think this guidance is not relevant given the specific business model concerned. For the following, this guidance is not relevant as, in these cases, prices are determined as part of the overall staking, lending and/or borrowing, or the general stablecoin operation.

- The issuance and redemption of liquid staking tokens and wrapped tokens, as well as other cryptoassets that may perform a similar function.
- The exchange of UK-issued qualifying stablecoins for fiat or other UK-issued qualifying stablecoins.
- Dealing or arranging deals in cryptoassets solely for the purpose of providing lending and/or borrowing services.

Questions

Question 6: **Is any further guidance on best execution required? If so, what additional guidance can we provide to clarify the scope of and expectations around best execution?**

Question 7: **Do you agree with our proposed guidance (including the exemptions proposed) to check at least 3 reliable price sources from UK-authorised execution venues, such as a CATP or principal dealer (if available)? If not, please explain why not?**

Question 8: **Regarding the general disclosure requirements when firms serve retail or professional clients, what changes or additions may help client understanding?**

Question 9: **Do you agree with the proposed specific pre-trade disclosures to clients by principal dealers? If not, please explain why not? Do you have any suggestions that can make these disclosures more effective?**

Question 10: **Do you agree with the proposed client order handling rules? If not, please explain why not?**

Specific eligibility and execution requirements for retail orders

Background

3.43 In designing policy proposals, we have considered differences between retail-facing businesses and wholesale-only businesses. We think retail customers should have additional protections against unfair or abusive practices and benefit from better transparency. So, we have proposed the execution venue and admission to trading requirement below, applicable when a firm serves UK retail clients.

DP Responses

3.44 Responses generally acknowledged the rationale for the proposed admission to trading requirement to protect UK retail customers, but many (83%) identified potential problems with this proposal. They warned of potential, unintended consequences. Respondents cautioned against a 'cliff edge' effect, where consumers who previously invested in an asset may struggle to add to or sell their holdings after this requirement comes into effect. Respondents also asked for clarification with respect to stablecoins. In response, we have provided targeted exemptions, and are considering introducing transitional arrangements as part of the wider regime.

Proposals

DP proposals that have been retained

Execution venue requirement

3.45 In line with the location policy being introduced by the Cryptoasset Regulations' amendments to section 418 of FSMA, we propose to require any person executing, or receiving and transmitting orders for UK retail or elective professional clients to ensure these orders are ultimately executed only on UK-authorised execution venues such as UK-authorised CATPs. This aligns our expectations with the effects of the Cryptoasset Regulations. The Cryptoasset Regulations define scenarios under which unauthorised overseas firms cannot provide services to UK consumers without being deemed to be 'in the UK' and thus needing to be authorised.

3.46 For example, the following transaction flows are generally permitted, as they fulfil the proposed requirement above:

Figure 4: Generally permitted flows of transaction (scenario 1)

Figure 5: Generally permitted flows of transaction (scenario 2)

3.47 On the other hand, the following transaction flows are generally not permitted, as UK consumer orders would be executed on non-UK-authorised execution venues:

Figure 6: Flows of transaction generally not permitted (scenario 1)

Figure 7: Flows of transaction generally not permitted (scenario 2)

3.48 In addition, when a firm executes orders for UK retail or elective professional clients as a principal, it should not systematically or predominantly source liquidity from an affiliated entity operating a cryptoasset trading platform which does not hold UK authorisation. Therefore, the following business model is generally not permitted:

Figure 8: Business model generally not permitted

Other proposals

Admission to trading requirement for qualifying cryptoassets (other than UK-issued qualifying stablecoins)

3.49 We have considered the feedback regarding the admission to trading requirement. Respondents acknowledged that the A&D and MARC rules are foundational to the new cryptoasset regime and afford important protections to market participants and particularly retail clients. Not having the 'admission to trading' requirement would significantly undermine the effectiveness of these protections.

3.50 We propose to require that, before a dealer or broker can buy or sell a cryptoasset (other than UK-issued qualifying stablecoins) from/to a UK retail client:

- that cryptoasset must be admitted to trading on at least 1 UK-authorised CATP, and
- the relevant A&D-compliant Qualifying Cryptoasset Disclosure Document (QCDD) must already be available.

3.51 Similarly, an arranger can only arrange for others to deal with retail clients in a cryptoasset (other than UK-issued qualifying stablecoins) that is either already admitted to trading, or (if it isn't) offered on the condition that it will be admitted to trading on a UK-authorised CATP. In both cases a QCDD is also required.

3.52 By way of reference, the proposed A&D rules in CP25/41 require that intermediaries should inform clients that in some circumstances a supplementary disclosure document may be published with respect to tokens being offered to them (and which will also detail applicable withdrawal arrangements). CP25/41 also says that intermediaries should inform clients that they will assist them in withdrawal processes initiated under the relevant A&D rules.

3.53 These requirements apply to any cryptoasset (other than UK-issued qualifying stablecoins) made available to retail clients, even if that cryptoasset was first offered under an exemption from the prohibition on public offers set out in Schedule 1 of the Cryptoasset Regulations which may have meant it was initially offered without being admitted to a UK CATP and without a QCDD.

3.54 An intermediary can deal for or arrange deals for UK retail clients in relation to a trading pair of cryptoassets, if each asset in that pair meets the above requirement.

3.55 Intermediaries should make available the QCDDs, and any supplementary disclosure documents (if available), for all cryptoassets (other than UK-issued qualifying stablecoins) they make available to UK retail clients. As a safeguard, we propose that intermediaries should only point retail clients to A&D-compliant QCDDs and any supplementary disclosure documents that have been published by a UK-authorised CATP. Intermediaries should direct consumers to the documents:

- As published on a FCA central repository, e.g. the NSM (preferred),
- As published on the CATP's website, or
- Both.

3.56 Intermediaries therefore retain responsibility for ensuring they reference valid, A&D-compliant QCDDs when providing services to retail clients.

3.57 We are considering introducing transitional arrangements as part of the wider regime, which we intend to discuss in a future consultation.

3.58 When admission to trading for a cryptoasset is subsequently withdrawn by all UK-authorised CATPs that had previously admitted it, an intermediary can continue to buy the asset from retail clients but can no longer sell it to them. This provides some support for retail clients, especially less sophisticated ones, by making it less likely that they would be left holding assets that cannot easily be sold following the withdrawal of admission decisions by CATPs. This position also aligns with our long-standing approach in traditional finance with respect to de-listing.

3.59 We are not intending to apply additional rules regarding preparing and providing product information to clients, similar to COBS 13 and 14. We propose instead to rely on the proposed A&D rules and the application of the Consumer Duty (subject to further consultation, as discussed in chapter 1).

Specific rules for UK-issued qualifying stablecoins

3.60 As UK-issued qualifying stablecoins can be offered directly to the public, we propose to exempt UK-issued qualifying stablecoins from the requirement to be admitted to a UK CATP, and related requirements in this section, when intermediaries deal or arrange deals for retail clients. If an intermediary deals in or arranges deals for a UK-issued qualifying stablecoin for retail clients, it must provide a link to the relevant UK-issued qualifying stablecoin QCDD on a FCA central repository, e.g. the NSM.

Questions

Question 11: **Given the overall location policy established by the amendments to section 418 of FSMA set out in the Cryptoasset Regulations, do you agree with our proposed execution venue requirement? If not, please explain why not? What changes do you propose?**

Question 12: **Do you agree with our proposed restrictions on the cryptoassets in which an intermediary can deal or arrange deals for a UK retail client? If not, please explain why not?**

Rules to manage specific conflicts of interest

Background

3.61 We want to ensure that cryptoasset intermediaries have effective controls to mitigate and manage conflicts of interest.

3.62 Conflicts of interest can arise from the different activities and services that firms, or their affiliated entities, provide. For example, cryptoasset intermediaries may engage in proprietary trading. This could lead a firm to prioritise its own interests over those of its clients, potentially to the detriment of the client(s). Another example is PFOF which creates conflicts between client interests and a firm's own interests and may harm competition in the long run.

3.63 Conflicts of interest may also arise when a person affiliated with a firm is involved in activities that create conflicts between the interests of the individual and the firm or its clients, for example when the individual has access to inside information.

3.64 In CP25/25, we proposed applying the high-level standards and expectations contained in Principle 8 of the FCA's Principles for Businesses and SYSC 10 on how firms ought to manage conflicts of interest to cryptoasset firms. We also consulted on changes to SYSC 10 in CP25/36 and firms should consider this CP alongside other consultations and policy statements relevant to cryptoasset firms.

3.65 Intermediaries face certain types of conflict that may require more specific rules. These are set out below and, where relevant, in CP25/41. In CP25/41, we also propose requirements around the systems and controls of cryptoasset intermediaries to help prevent, detect, and disrupt market abuse.

DP responses

3.66 Views were fairly balanced. Some respondents (46%) agreed that there are circumstances under which legal separation should be required, while others (38%) disagreed.

3.67 Only a limited number of respondents (11) answered the question on other activities that may create potential conflicts.

Proposals

DP proposals that have been retained

3.68 We have considered the scenarios discussed by respondents. We expect that at a minimum, functional separation, including separate governance structures, should be required between firms' proprietary trading and client order execution operations.

3.69 We believe this principle-based approach gives firms flexibility to structure their governance and controls in a way that is most suited for their own business models. Where conflicts cannot be mitigated or managed by functional separation alone, we would still expect firms to take additional measures to mitigate, manage and disclose such conflicts.

3.70 As discussed in DP25/1, we expect that cryptoasset intermediaries engaging in PFOF are unlikely to meet our requirements such as best execution, conflicts of interest, and restriction on inducements, when they provide services to retail or professional clients.

This is consistent with our established approach towards PFOF for other regulated investments, and with the "same risk, same regulatory outcome" principle.

Other proposals

Personal account dealing

3.71 Personal account dealing by employees or individuals connected to a firm carries risks of conflict of interest between the individual and the firm or the firm's clients. Such conflicts can extend to market abuse through misuse of confidential or inside information.

3.72 COBS 11.7 sets out rules on personal account dealing to mitigate these risks in traditional finance markets.

3.73 In the new CRYPTO Sourcebook, we intend to replicate the core requirements of the COBS 11.7 rules with certain amendments to ensure they are appropriate for cryptoasset activities. We propose that these rules will apply to UK cryptoasset intermediaries. This will mean they must establish, implement, and maintain adequate arrangements to manage conflicts of interest in relation to personal account dealing.

Questions

Question 13: **Do you agree with our proposed approach to addressing conflicts of interest during order execution when a firm is engaged in proprietary trading? If not, please explain why not?**

Question 14: **Do you agree with our proposed approach to PFOF? If not, what carve outs do you consider necessary and why?**

Question 15: **Do you agree with the proposal to apply personal account dealing rules to cryptoasset intermediaries? If not, please explain why not?**

Transparency, record keeping and reporting requirements for intermediaries

Proposals

3.74 As discussed in DP25/1, we considered pre- and post-trade transparency requirements for intermediaries.

3.75 We have amended our pre- and post-trade transparency proposals since DP25/1 to make them more proportionate and provide certain exemptions.

3.76 Since the revised proposals are in substance similar for CATP operators and principal dealers, we have set them out in full in chapter 4 of this CP.

3.77 Chapter 4 also contains our proposed rules on transaction-related recording and client reporting for intermediaries. Firms are not expected to report detailed order or transaction data to us as a matter of course on an on-going basis but will need to report to clients.

3.78 Intermediary firms will also be required to submit other types of regulatory reporting to us. We plan to publish those detailed requirements in due course.

Settlement

Proposals

3.79 We propose for firms to have flexibility over whether they internalise settlement or arrange it externally. In either case we propose that they must ensure their clients understand the firm's settlement responsibilities.

3.80 Where an intermediary firm is responsible for overseeing or arranging the settlement of an executed order, we propose that they must put in place adequate and robust arrangements to appropriately mitigate against settlement risks. These arrangements must be documented and published.

3.81 The 'temporary settlement' exclusion set out in the Cryptoasset Regulations is a separate consideration to the above proposals. It provides an exclusion from the regulated activity of safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets (SICs) where these are 'held temporarily to facilitate the settlement of a transaction'. We intend to consult on how we interpret the scope of this exclusion in H1 2026 together with further rules on settlement more broadly.

Question

Question 16: **Do you agree with our proposed requirements on intermediaries around settlement arrangements, where applicable? If not, please explain why not?**

Chapter 4

Proposals applying to Cryptoasset Trading Platforms and Intermediaries

4.1 Certain similar issues and risks arise in both UK CATPs and intermediaries, including the need to:

- Increase transparency to aid price formation.
- Ensure appropriate record keeping and reporting to clients.

4.2 To limit repetition, we have only made brief reference to our proposals for these issues in the activity specific chapters of this CP. The full proposals are set out below.

Pre- and post-trade transparency

Background

4.3 Trade transparency, if appropriately designed, can increase the efficiency of price discovery. Cryptoasset markets are more fragmented than many traditional finance markets and there is not a 'main market' for most cryptoassets. Pre- and post-trade transparency obligations aim to enable participants to construct a more complete view of liquidity and pricing across the different available sources. This helps to ensure that markets remain efficient. That means firms can offer prices with greater confidence and narrower spreads, and consumers may be able to benefit from more competitively priced quotes and lower transaction costs due to more competition.

4.4 There is currently limited transparency for cryptoasset transactions outside of trading platforms. A 2024 industry report noted significant growth in transactions outside of multilateral trading platforms. If proprietary liquidity pools continue to grow in significance, overall market transparency could continue to decline. This is due to the potential for these firms to make quotes available on a selective basis or not at all, making it more difficult to assess overall market liquidity.

DP responses

4.5 Respondents highlighted the need to be proportionate and balance cost and benefit considerations of any transparency obligations. They suggested various exemptions for:

- Certain types of cryptoasset, such as illiquid or rarely traded tokens.
- Particular types of transaction, such as large-in-scale or block trades.
- Certain firm-types, e.g., small firms.

4.6 92% of respondents to the intermediaries' section of DP25/1 provided suggestions on what they considered to be the most appropriate exemption threshold to ensure requirements remain proportionate to the size of a firm.

Proposals

4.7 We have considered these suggestions for both intermediaries and CATPs. We also assessed the potential operational complexities that would arise from introducing traditional finance-style deferrals or waivers.

Minimum size threshold for application of pre-trade transparency

4.8 For UK CATP operators and intermediaries dealing as principal we propose to introduce pre-trade transparency obligations to the market only for firms above a certain size.

4.9 Having considered different types of thresholds for firm size, we propose a simple revenue threshold of £10 million per annum, measured using a three-year rolling average. This threshold would apply to the entire revenue of the authorised entity carrying out the dealing or arranging activities or operating the UK CATP. Some firms may not have all the data required to definitively evidence three prior years' revenues at the start of the regime. We expect such firms to make best efforts to evidence an approximation of three years' revenues.

4.10 We believe the £10 million revenue threshold would be relatively simple for firms and the FCA to measure, and would:

- Not apply pre-trade transparency obligations to the smallest firms for whom the costs and complexity of pre-trade transparency may be difficult to accommodate.
- Include the 'large' firms which collectively account for most of the overall transaction volume, and therefore most of the data relevant for price discovery and transparency.
- Align with the threshold for UK CATPs being subject to on-chain monitoring and cross-platform information sharing under our MARC regime.

4.11 We recognise that other methodologies and measures could be used including:

- A threshold based on transaction volume.
- A threshold based on number of users (noting the challenges around inactive/dormant users).
- A composite threshold combining several of the above measures.
- A temporary version of any of the above thresholds, with a 'sunset clause'.

Business models to which pre-trade transparency does not apply

4.12 We do not consider pre-trade transparency obligations to be necessary or proportionate for certain specific business models and activities, for example if the business model or activity does not significantly contribute to price formation. We therefore propose to not apply pre-trade transparency requirements to the following:

- The issuance and redemption of liquid staking tokens and wrapped tokens, as well as other cryptoassets that may perform a similar function.
- The exchange of UK-issued qualifying stablecoins for fiat or other UK-issued qualifying stablecoins.

- Dealing or arranging deals in cryptoassets solely for the purpose of providing lending and/or borrowing services.

4.13 In these cases, prices are determined as part of the overall staking, lending and/or borrowing, wrapping, or stablecoin operations.

4.14 However, firms are not prohibited from publishing pre-trade transparency data on those transactions to which the requirements do not apply. If they deem certain data beneficial to clients or the wider market, our proposed transparency rules do not prevent firms from publishing such data.

Pre-trade transparency obligations for firms to which they apply

4.15 We propose UK CATP operators and firms dealing as principal that are above the £10 million revenue threshold should make public, for example on their own websites, certain pre-trade information in a manner which is accessible to other market participants. We propose that UK CATP operators and firms dealing as principal that also have business lines which follow the models described in paragraph 4.12 above are required to apply pre-trade transparency only to the activities of operating a UK CATP and dealing as principal that fall outside the models in paragraph 4.12.

4.16 The pre-trade information to be made public includes:

- For UK CATPs operating a continuous auction marketplace, the best 5 bids and best 5 offers for each cryptoasset pair, along with the volume at each of these prices. For other UK CATPs, equivalent information should be published.
- For firms dealing as principal, the firm quotes to clients – that is the quotes at which the firm is willing to buy and sell specific cryptoassets.

4.17 The information should be published as it arises during normal trading hours, for free or on a reasonable commercial basis. Firms, when selling data, should do so in a non-discriminatory manner and on transparent terms.

4.18 Where firms charge for access to real-time pre-trade data, we propose they should then publish the information for free in a machine-readable format 15 minutes after the initial publication.

4.19 Where pre-trade information for a particular trade is made publicly available by a UK CATP operator, for example when the intermediary is making markets on the CATP, the intermediary firm is deemed compliant with this requirement.

4.20 We propose to allow pre-trade transparency waivers for transactions that are likely to have a significant effect on the market and so their real-time disclosure risks harming clients' interests.

4.21 We propose that firms should establish their own waiver policy and make this policy public. The policy should include the criteria (or the formulas and methodologies to calculate such criteria) that the firm uses for determining which transactions can benefit from pre-trade transparency waivers.

4.22 These criteria or formulas should be objective and based on observable market data to the extent possible. In defining waiver criteria or formulas, firms should consider key factors that determine a transaction's effect on the market, such as size of the transaction relative to the market and liquidity. We expect waiver criteria to be calibrated so that in normal times waivers will be rarely used for the most liquid cryptoassets. Waivers should also only be used where publication of the information is detrimental to the interests of customers.

4.23 Firms should retain records of all transparency waived trades in line with record retention rules and make them available to us on request.

Post-trade transparency obligations for firms to which they apply

4.24 We propose to introduce post-trade transparency obligations for all UK CATP operators and for intermediaries dealing as principal.

4.25 We propose that UK CATP operators and principal dealers should make available, as close to real time as is technically possible, and in any case within 1 minute of execution, information about the transactions concluded by them.

4.26 Details that the firms should publish should at least include:

- Date and time of transaction.
- Venue ID.
- Cryptoasset ID, which must be unique and unambiguous.
- Instrument price and reference currency or reference cryptoasset for that price.
- Quantity of cryptoassets.
- Date and time of publication of the transaction.

4.27 This information can be published for free or on a reasonable commercial basis. Firms, when selling the data, should do so in a non-discriminatory manner and on transparent terms.

4.28 If firms sell the real-time data, we propose that they should then publish the information for free in a machine-readable format 15 minutes after the initial publication.

4.29 Where post-trade information for a transaction has been made publicly available by a UK CATP operator, for example when the intermediary firm is making markets on the CATP, the intermediary firm is deemed compliant with these post-trade transparency requirements.

4.30 We are mindful of the potential negative impact on liquidity provision if all transactions need to be made public immediately. So, we propose to allow deferrals for transactions that are likely to have a significant effect on the market. (Note that this is not intended to affect any obligations under MARC).

4.31 Post-trade transparency deferrals can be for a period of up to 3 months although firms could choose to publish earlier than that. We intend for this proposal to allow firms time to hedge a large position without it being front run.

4.32 We propose that firms establish their own deferral policy and make this policy public. As with pre-trade transparency waivers, the policy should include the criteria (or the formulas and methodologies it uses to calculate such criteria) that the firm uses for determining which transactions can benefit from post-trade transparency deferrals.

4.33 Firms' deferral criteria or formulas should be objective and based on observable market data to the extent possible. In defining deferral criteria or formulas, firms should consider key factors that determine a transaction's effect on the market, such as size of the transaction relative to the market and liquidity, and harm to clients' interests. For consistency, we propose that these factors are the same as for waivers in pre-trade transparency. We expect deferral criteria to be calibrated so that in normal times deferrals will be rarely used for the most liquid cryptoassets.

Questions

Question 17: **Do you agree with our proposed pre-and post-trade transparency requirements for UK CATP operators and principal dealers? If not, please explain why not?**

Question 18: **Do you agree with our proposed methodology for determining the pre-trade transparency threshold? If not, please explain why not? What other methodology do you suggest?**

Transaction recording and client reporting

Background

4.34 CP25/25 details our proposals for applying general record keeping requirements set out in SYSC 9 to newly regulated cryptoasset activities.

4.35 This chapter complements that with transaction recording considerations specific to UK CATP operators and intermediaries and with proposals on reporting to clients.

DP Responses

4.36 No respondents argued against separate record keeping requirements for CATPs, and intermediaries and most respondents (72%) stressed privacy risks, particularly in relation to data transfers.

4.37 Several respondents supported standardisation of transaction data, with ISO 20022 being the most cited example (44% of respondents). Some proposed pseudonymisation of retail customer data to protect against hacking and other risks.

Proposals

DP proposals that have been retained

Transaction records and client identification

4.38 In line with our approach in CP25/41, the FCA will not systematically receive or assess Suspicious Transaction and Order Reports (STORs), or other individual cryptoasset transaction records. This does not affect reporting required by formal regulatory returns or other firm reporting. Instead, we propose that UK CATP operators and intermediaries – including principal dealers, agency brokers and arrangers – should maintain records of their clients' orders and (where applicable) transactions for 5 years in line with existing rules in COBS 11.5A. They must be able to provide these records to the FCA upon request.

4.39 We do not at this stage propose to impose a particular standard, but we propose to require that at least the following be recorded for each order and transaction (as applicable):

- Cryptoasset ID(s), which must be unique and unambiguous.
- Order/transaction type.
- Whether the order is buy/sell.
- The traded unit price of the instrument and the reference currency or reference cryptoasset for that price.
- The overall transaction amount and the order/transaction size in unit terms.
- The total sum of costs and charges and the total consideration.
- Date and time stamp of order placement, order cancellation (where applicable), and transaction execution (where applicable) – including the time zone where it is not Co-ordinated Universal Time (UTC).
- Unique identifier(s) of buyer/seller and decision maker.

4.40 We expect firms to assess whether they need to record/retain additional information to comply with other obligations, such as under MARC (e.g., for the purpose of cross-platform information sharing), under the MLRs (including the Travel Rule) as set out in CP25/25, or under the incoming Cryptoasset Reporting Framework (CARF).

4.41 We propose that firms must record a valid, unique legal entity identifier as well as the identifier for the decision maker within a given entity. For natural persons, they should record a consistent and recognised unique personal identifier such as a national insurance number where available or else an alternative such as a combination of country code, date of birth, first 5 letters of first name and first 5 letters of surname known as 'CONCAT'.

4.42 Together with other information that platform operators will need to collect and verify before they onboard retail customers, we believe this will help operators to identify individuals that may be engaging in market abuse or manipulation, including through cross-platform information sharing required under our MARC regime.

Additional Proposals

4.43 We propose to require that UK CATP operators and intermediaries should report to their immediate clients on the execution of their orders promptly and at the latest at the end of the day (T+0) when the order was executed or the information received. For example, if a broker places an order on a CATP on behalf of a client, the CATP would need to report to the broker and the broker in turn would need to report to the end client.

4.44 We propose that firms need not report to clients on the execution of their order if the client has opted out of receiving such reporting.

4.45 Where a firm reports to clients on the execution of their orders the report should:

- Be provided in a durable medium which will enable the recipient to store the information in a way that it is accessible for future reference.
- Include essential information about that execution.

4.46 Essential information should at least include:

- The reporting firm's identifier.
- The client's name or other identifier.
- The cryptoasset ID.
- The buy/sell indicator.
- The execution date and time (expressed in UTC).
- The execution unit price, quantity and total order price.
- The total sum of costs and charges (including gas fees where they apply) and the total consideration.
- Details of any specific instructions given by the client to ensure clarity about whether Best Ex was owed on the transaction.

4.47 If any of the above information is easily available on-chain the firm need not include it in the report to the client, provided it has ensured that the client is able to access the on-chain information.

4.48 If an order has been cancelled, we also expect firms to confirm the cancellation on T+0. If the cancellation was for reasons outside of the client's control, we expect firms to include the reason for the cancellation in the cancellation confirmation.

4.49 We also propose that UK CATP operators and intermediaries must make a history of their transactions over at least the past 3 years available to clients on request.

Question

Question 19: **Do you agree with our proposals for transaction recording and client reporting requirements for UK CATP operators and intermediaries? If not, please explain why not?**

Chapter 5

Cryptoasset Lending and Cryptoasset Borrowing

5.1 As set out in the explanatory memorandum to the Cryptoasset Regulations, firms offering cryptoasset lending and cryptoasset borrowing services by way of business in the UK may be carrying on the new regulated activities of 'dealing in qualifying cryptoassets as principal', 'dealing in qualifying cryptoassets as agent', and/or 'arranging deals in qualifying cryptoassets', in which case they will need to seek authorisation. The structure of firms' lending and borrowing services will determine if they need permission for one or more of these services. Cryptoasset lending and cryptoasset borrowing refer to two distinct services.

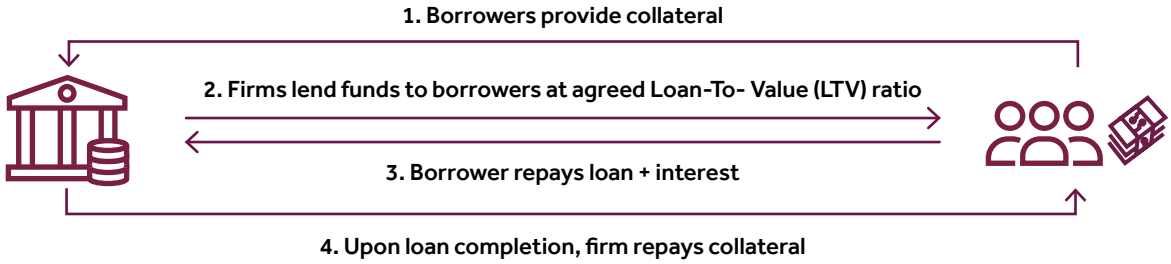
5.2 Cryptoasset lending is the disposal of a qualifying cryptoasset from a person to or via a qualifying cryptoasset firm subject to an obligation or right to reacquire the same or equivalent qualifying cryptoasset from the qualifying cryptoasset firm, typically with compensation paid to that person by the qualifying cryptoasset firm in the form of yield.

Figure 9: Simple Cryptoasset Lending Model

5.3 Clients use cryptoasset lending services to earn a return on their cryptoassets without permanently trading or selling them. When a client transfers cryptoassets to a firm as part of a cryptoasset lending service, the assets typically become the property of the firm under the terms of the agreement. Firms generate revenue from service fees and may also deploy the assets using various strategies. Common approaches include lending the assets onward to institutions or other retail clients, staking them, or placing them into DeFi protocols to earn yield (see chapters 6 and 7 for further detail on staking and DeFi).

5.4 Cryptoasset borrowing is the disposal of a qualifying cryptoasset from or via a qualifying cryptoasset firm to a person subject to an obligation or right to reacquire the same or equivalent qualifying cryptoasset from the person, which may include the provision of qualifying cryptoasset borrowing collateral and/or payment of interest from the person to the qualifying cryptoasset firm.

Figure 10: Simple Cryptoasset Borrowing Model



5.5 Retail clients provide their cryptoassets (or other assets or currency) to the firms offering this service as collateral to borrow other cryptoassets without selling the cryptoassets they own. Clients are generally required to return the borrowed cryptoassets under the terms of the agreement, however some firms allow for clients to opt for voluntary collateral liquidation instead of repayment. Firms generally make money by charging interest and fees on the loan and, in some cases, by re-using collateral for trading or lending to other clients.

5.6 This chapter sets out our proposed requirements for firms offering cryptoasset lending and cryptoasset borrowing. When doing so, we refer to both cryptoasset lending and cryptoasset borrowing as 'L&B'. Our proposals seek to mitigate risks and strengthen protections for retail clients.

Summary of proposals

5.7 We published proposals for discussion in DP25/1, following which we have considered the written feedback we received from firms and consumers. We have also engaged with industry through a series of roundtables and have observed developments within the UK and global L&B markets.

5.8 This has changed some of our proposals set out in DP25/1 in light of the feedback and developments in the markets. Table 3 gives an overview of our CP proposals.

Table 3: Comparison of proposals in this CP to original proposals in DP25/1

Original proposals	Corresponding or new proposals in this CP
Retail access to L&B	
Proposing to restrict firms from offering retail clients access to L&B services. (DP25/1, 4.10)	We are now proposing to allow retail access to L&B services subject to applying the mitigants proposed in this chapter.
Consumer Understanding	
A key features style document outlining features and risks of the service. (DP25/1, 4.22)	Firms to provide retail clients with information about the firm and the L&B service.

Original proposals	Corresponding or new proposals in this CP
Requiring firms to obtain express consent from clients before the contractual arrangement commences, stating they understand the risks and agree to transferring ownership of their assets to the firm. (DP25/1, 4.23)	Firms will be required to provide retail clients with the key terms of agreement relating to the L&B service and obtain the retail clients' express prior consent in relation to the key terms.
Use of proprietary tokens ('*platform tokens*' in DP25/1) for L&B	
Placing restrictions on firms' use of own proprietary tokens for L&B services where there is a conflict of interest. Specifically, for offering interest or yield payouts, offering fee reductions or other more favourable terms, being used as collateral and being used as the loaned asset. (DP25/1, 4.25)	Firms must not use their proprietary tokens in connection with their L&B services.
Liquidity and counterparty risk	
Restricting certain aspects of L&B services to only allow the use of qualifying stablecoins. (DP25/1, 4.28)	We are not proceeding with this proposal as we do not consider it to be proportionate to the level of risk it aims to address.
Prudential regime for cryptoasset firms.	Prudential requirements will apply to cryptoasset firms including L&B firms. Please see CP25/42.
Record-keeping requirements	
N/A – Proposal not included in DP25/1.	We are proposing specific new record keeping requirements for firms that offer L&B services.

Retail access to L&B services

Background

5.9 In DP25/1, we outlined the business-model specific risks we considered that L&B services posed to retail clients. We asked whether access to these services should be limited to professional clients and eligible counterparties only. We acknowledged the L&B markets are developing rapidly, and we discussed whether specific mitigants could reduce the risk profile of L&B services so that retail access might be appropriate.

DP Responses

5.10 We asked whether firms should be restricted from offering retail consumers L&B services. Over half of respondents disagreed. The written feedback and industry engagement considered that a retail ban would:

- Have adverse or unintended consequences. For example, pushing retail clients to seek access to unregulated L&B platforms.

- Diverge from international regulatory approaches.
- Be inconsistent with the treatment of similar high-risk products available to retail clients.

5.11 However, a minority of respondents agreed with the proposal to restrict retail access, setting out that:

- These services carry inherent, excessive risk for retail clients.
- The risk profile of these services cannot be suitably reduced through the proposed mitigants.
- Most retail clients would be unable to sufficiently understand the service features and risks, even if the risks were reduced.

Proposals

5.12 We have considered the mitigants we discussed in DP25/1 and have revised our proposals so that the mitigants we are proposing provide further consumer protection and support understanding of the risks and features of L&B services. Our position on access for non-retail clients remains unchanged.

5.13 We recognise there are risks associated with L&B and even with mitigants in place, there would still be risks to retail clients. However, we consider that our proposals balance the need for consumer protection and the provision of information to then allow clients to determine the right amount of risk in their individual circumstances. Our internal analysis of the latest 2025 Consumer Research data found that L&B users tend to have larger portfolios, are more likely to conduct their own research, and are more aware of our risk warnings. They are also more comfortable with risk compared to other cryptoasset users and the wider population.

5.14 Our proposed mitigants seek to ensure that retail clients are suitably informed of the service and the service-specific risks, and have given their express prior consent in relation to the key terms of agreement relating to the L&B service. Our proposed service specific rules are also complemented by other rules aimed at improving firm and market standards, such as prudential requirements set out in CP25/42.

5.15 We have also observed that some firms have sought to improve risk management practices following the collapse of Celsius and BlockFi in 2022. For example, not rehypothecating clients' collateral, which helps limit counterparty and liquidity risks.

5.16 In line with feedback received, we consider that allowing retail access to regulated L&B services would be more consistent with:

- Regulation of high-risk traditional finance services where retail clients can lend assets to a firm for a return. For example, securities lending and borrowing for trading purposes, such as Contracts for Difference (CfDs) and margin lending.
- Other jurisdictions which allow retail access to regulated L&B products, where we have seen indicators of firms adopting more conservative models by, for example, offering lower Loan-to-Value (LTV) ratios.

5.17 Based on these considerations, we propose allowing retail access to L&B services subject to applying the mitigants proposed in this chapter. Our position to allow non-retail access remains unchanged. Non-retail clients, such as institutional investors and professional counterparties, are generally considered to have a higher level of knowledge, experience and resources to assess and manage the risks associated with cryptoasset lending and borrowing. For these reasons, we consider that the risks posed to non-retail clients are materially lower than those for retail consumers, and therefore do not require the same level of intervention.

5.18 We recognise that the market is evolving and L&B services have become more mainstream and understood. We want to ensure that protections are in place for retail clients that choose to access these services. Subject to these protections, and where retail clients have the necessary knowledge and experience to understand these services (and the risks they may pose), we think it is right for retail clients to have the choice of accessing L&B services if it is in line with their own risk appetite. This approach is in line with our approach to other high-risk investments.

5.19 Some firms offer retail clients services where the borrowed cryptoassets are used by retail clients only for trading. These trades are often made using leverage, meaning the client is taking a position that is larger than the amount they have provided as collateral. This increases both potential gains and potential losses. These services are commonly referred to as 'crypto margin trading' or 'crypto leveraged trading' and can increase returns but also magnify losses. Although leveraged cryptoasset borrowing services can have similar features to CfDs and margin lending, the risks can be higher due to the price volatility of the underlying cryptoassets. These services require significant knowledge and experience of the service's features and risks, so may not be appropriate for all retail clients. As such, we remind firms offering these services of their obligations under COBS 10.2.1R to ask the client to prove their knowledge and experience of the specific type of service, so the firm can assess whether the service is appropriate for the client.

Consumer Understanding

Background

5.20 In DP25/1, we emphasised that retail clients must be fully informed about and understand the risks of L&B before engaging with these services. To achieve this, we discussed measures such as obtaining express consent, conducting appropriateness assessments, and providing consumers with key information.

DP Responses

5.21 A majority (68%) of responses agreed that our proposals to enhance consumer understanding would be proportionate and effective. Some of them disagreed, adding they do not believe these rules alone would be sufficient in managing the risks these services present.

Proposals

Proposals that have been retained

5.22 We are proposing that L&B firms must comply with specific information requirements, and key terms and express prior consent requirements.

Strengthening retail clients' understanding

5.23 In CP25/25, we proposed applying COBS 6 to require cryptoasset firms to disclose information about the firm and its services. Given the complexity and additional risks associated with L&B services, we consider that further rules are necessary to ensure retail clients receive clear information about these services, so they can appreciate the specific risks they present.

5.24 We propose that firms must provide retail clients with this information each time retail clients wish to engage in L&B services and before retail clients are bound by any agreements relating to L&B services or before the provision of those services, whichever is earlier.

5.25 The information firms will be required to provide includes the following (with further detail set out in Appendix 1):

- Information about the service to be provided to the retail client.
- Information about the cryptoassets that will be provided pursuant to the L&B service.
- Information about the transfer and return of cryptoassets provided or received as part of the service and any yield earned or collateral provided.
- Information about the retail client's access to their cryptoassets and yield earned.
- Information about any restrictions, minimum thresholds and eligibility requirements for the L&B service.
- Information about risks.
- Any other information material to a retail client's understanding of the L&B service.

Express Prior Consent

5.26 We are proposing that firms are required to provide retail clients with the key terms of agreement relating to their L&B services and obtain express prior consent in relation to those key terms each time a retail client wishes to enter into an agreement with a firm relating to L&B and before the retail client is bound by the terms of any such agreement or before the provision of those services, whichever is earlier. As part of this step in the client journey, we are proposing Handbook rules which require firms to provide the key terms. These terms are detailed fully in Appendix 1, but include things such as:

- The type and quantity of the cryptoassets the firm will provide or receive as part of the L&B service for the retail client.
- How long the cryptoassets will be engaged in the L&B service.
- The value of the cryptoassets the firm will provide or receive as part of the L&B service.

- The total and component parts of one-off and ongoing charges, fees and commission, including exit fees, to be paid by the retail client to the firm for the L&B service.
- Whether ownership of the retail client's cryptoassets transfers from the retail client to the firm or any other person.
- Whether any collateral provided by the retail client is being held on trust by the firm or any other person on behalf of the retail client.

5.27 Our upcoming consultation paper early next year on cryptoasset safeguarding will outline proposed rules for how cryptoassets, including collateral used for borrowing, may be held on trust.

Appropriateness Testing

5.28 In CP25/25 we outlined proposals on how various COBS requirements would apply to cryptoasset firms. In complying with COBS 10 obligations, once applicable, firms would be required to assess the appropriateness of L&B services for the relevant client. Further details on how we propose COBS should apply to L&B will be provided in our upcoming consultation paper early next year.

Question

Question 20: **Do you agree with our proposals on strengthening retail clients' understanding and express prior consent? If not, please explain why not?**

Use of proprietary tokens for L&B

Background

5.29 In DP25/1 we noted previous firm failures involving the use of proprietary tokens ('*platform tokens*' in DP25/1) in L&B services. We also identified risks with the use of proprietary tokens which include risks of conflicts of interest and price manipulation. We proposed banning the use of proprietary tokens for any aspect of L&B services, such as collateral, loaned assets or yield payments, to reduce these risks and strengthen consumer protection.

DP Responses

5.30 Only a quarter of DP respondents responded to our question on the benefits of proprietary tokens. Some noted that firms allowing the use of proprietary tokens in L&B can make it harder to assess the value of L&B services and create conflicts of interest. Others noted that some proprietary tokens can be used for governance or have other practical use cases.

Proposals

DP proposals that have been retained

5.31 We believe the risks of consumer harm in relation to use of proprietary tokens in L&B services outweigh the potential benefits. So, we propose that firms cannot use their own proprietary tokens in connection with their L&B services. To avoid capturing tokens other than those where we think conflicts of interest can lead to client detriment, we propose defining proprietary token in the Handbook as follows:

- A qualifying cryptoasset that is not a UK-issued qualifying stablecoin, that is either:
  - A qualifying cryptoasset issued by the qualifying cryptoasset firm or a member of its group; or
  - A qualifying cryptoasset over which the qualifying cryptoasset firm or member of its group has material control or holdings of its supply.

5.32 The ban on the use of proprietary tokens in L&B services would include, for example, the use of proprietary tokens:

- In cryptoasset lending transactions as the cryptoasset lent by retail clients to the firm.
- In cryptoasset borrowing transactions as the cryptoasset borrowed by retail clients from the firm.
- As collateral provided by retail clients for cryptoasset borrowing.
- To pay yield to retail clients.
- Offering more favourable yield or interest rates to retail clients who hold or own proprietary tokens.

5.33 In paragraph 2.79, we explain that we propose to allow CATPs to issue their own tokens or admit to trading tokens in which they have a financial interest, subject to requirements to mitigate conflicts of interest. Where proprietary tokens are used in L&B services, however, we think that the risks of conflicts of interest and price manipulation are relatively higher and cannot be adequately mitigated. This is because L&B firms may use proprietary tokens to attract more customers, for example through more favourable yield or interest rates.

Question

Question 21: **Do you agree with our proposal to prohibit the use of proprietary tokens for L&B as outlined above? If not, please explain why not?**

Liquidity and Counterparty Risk

Use of Qualifying Stablecoins

Background

5.34 In DP25/1 we noted there are liquidity management and counterparty risks associated with current L&B services. We found that firms often hold high proportions of illiquid assets, which they often lend onwards and reinvest with unregulated counterparties.

5.35 We discussed whether the use of qualifying stablecoins could reduce price volatility and risk for retail clients in lending and borrowing models. We noted that using a qualifying stablecoin as collateral would significantly lower the likelihood of margin calls in cryptoasset borrowing. In cryptoasset lending, we noted that receiving yield in qualifying stablecoins could stabilise interest rates and increase market confidence. DP25/1 sought views on whether an exemption to any retail access restrictions should apply where models only permit lending qualifying stablecoins or borrowing where the collateral consists of qualifying stablecoins.

DP Responses

5.36 Some respondents agreed that allowing retail access to L&B services using qualifying stablecoins could mitigate price volatility and margin call risk, provided robust safeguards and clear disclosures are in place. However, others questioned whether such an exemption would address all relevant risks, highlighting concerns around issuer risk, operational risk, and the potential for regulatory arbitrage. Several respondents highlighted that restricting access to stablecoin-based services may not be proportionate.

Proposals

5.37 After further consideration and having reviewed feedback, we are not proceeding with this proposal. Having weighed the evidence received from firms, and considered the future viability of the services, we consider that this proposal would be disproportionate to the level of risk it seeks to address.

Additional proposals

5.38 We are consulting on prudential requirements set out in CP25/42 which will help mitigate liquidity and counterparty credit risks associated with L&B services. Under these proposals firms offering L&B services will be required to hold a minimum amount of capital based on the loan value, counterparty type and collateral quality. Firms will have additional capital requirements based on how the asset is re-used. Together, these measures should reduce counterparty risk. However, there remains a risk of firms failing and making subsequent losses.

5.39 The proposals set out in the prudential requirement for firms to conduct an Overall Risk Assessment should further mitigate these risks. This will require firms to assess and hold sufficient financial resources beyond the minimum requirements to manage potential risks and support an orderly wind-down.

Recordkeeping Requirements

Background

5.40 We consider it essential that cryptoasset lending and borrowing firms maintain accurate and comprehensive records. This supports operational integrity, enables effective oversight, and helps prevent poor outcomes for clients, such as errors in calculating yield, fees, charges or commissions.

Proposals

5.41 We are proposing additional record keeping requirements for firms that offer L&B services. These proposals as detailed in Appendix 1 are intended to supplement the existing record keeping framework (for example, COBS and Client Asset Sourcebook (CASS) requirements, where applicable) and ensures there is alignment in the data being recorded across all L&B services.

5.42 Firms must maintain records of the information summarised below for all clients who are not overseas clients, including both retail clients and professional investors. These records should be retained for five years from the point at which they are created.

- The amount of cryptoassets provided or received for each client and on which blockchain.
- Whether the cryptoassets are safeguarded by or on behalf of the firm and if so, by whom.
- The total amount of yield earned for each retail client per day.
- A list of the type, quantity and relevant virtual address of cryptoassets provided by each client in a cryptoasset lending arrangement.
- Total fees, charges, interest or commission charged to each client per day.
- A record of the key terms of agreement provided to each retail client and a record of retail client's express prior consent in relation to those key terms, where applicable.
- A record of any requests from clients to terminate the L&B service.
- The total amount of cryptoassets lost per day due to operational disruptions.

Question

Question 22: **Do you agree with our proposed record-keeping requirements on regulated L&B firms? If not, please explain why not?**

Summary of proposals for cryptoasset borrowing

5.43 In DP25/1 we also outlined proposals specific to cryptoasset borrowing aimed at reducing the risk profile of these services. In light of feedback we have considered these proposals, and set out an overview of our proposals for cryptoasset borrowing in Table 4.

Table 4: Comparison of proposals in this CP to original proposals in DP25/1

Original proposals	Corresponding or new proposals in this CP
Creditworthiness	
Requiring firms offering cryptoasset borrowing to retail clients to comply with elements of the Consumer Credit (CONC) Sourcebook, such as the requirement to conduct creditworthiness assessments and provide appropriate forbearance to clients in or approaching arrears or default. (DP25/1, 4.13)	Having considered industry feedback on the effectiveness and practicality of applying CONC to cryptoasset borrowing, we are no longer proceeding with the proposal.
Margin calls and liquidation	
Requiring firms to seek express consent from retail clients before topping up their collateral on their behalf. (DP25/1, 4.18)	Firms must obtain the retail client's consent prior to supplementing the collateral on the retail client's behalf.
Limiting how much a cryptoasset borrowing firm can automatically top up a client's collateral over the duration of the loan. (DP25/1, 4.18)	The maximum additional amount that firms may apply to supplement the collateral must not exceed 50% of the market value of the initial collateral.
N/A – Proposal not included in DP25/1.	Firms must only provide over-collateralised cryptoasset borrowing services to retail clients. This means the value of collateral provided by the client must exceed the value of the cryptoassets the client borrows.
N/A – Proposal not included in DP25/1.	Firms must model and set appropriate and reasonable LTV, margin call and liquidation levels. For these purposes, the 'liquidation level' refers to the LTV ratio at which the firm is entitled to realise some or all of the retail clients' collateral to cover debt owed by the retail client plus any fees and charges.
N/A – Proposal not included in DP25/1.	Negative balance protection to ensure that the retail client cannot lose more than the collateral specifically dedicated for the purposes of the cryptoasset borrowing.

Creditworthiness

Consumer credit regulation

Background

5.44 In DP25/1 we noted that firms carrying out credit-related activities in traditional finance must comply with the Consumer Credit sourcebook (CONC). In line with the principle of 'same risk, same regulatory outcome', we discussed applying key CONC requirements such as creditworthiness assessments and rules on arrears and forbearance, including timely communication and fair treatment of customers in financial difficulty.

DP responses

5.45 Over two-thirds (67%) of respondents disagreed with the proposal to align cryptoasset borrowing with consumer credit regulation. Respondents highlighted that cryptoasset borrowing differs from unsecured credit in traditional finance because loans are typically over-collateralised and do not follow a fixed repayment structure. They also noted that the CONC sourcebook was designed for traditional consumer credit products. As cryptoasset borrowing involves loans in cryptoassets, respondents argued it does not constitute consumer credit and that adapting CONC requirements would be complex and burdensome.

Proposal

5.46 Following feedback from industry and further development of the wider requirements for cryptoasset borrowing services, we do not propose to proceed with this proposal. We are proposing a new requirement in this CP that ensures all cryptoasset borrowing is over-collateralised (paragraph 5.25).

5.47 As a reminder, those carrying on regulated activities are responsible for ensuring they have the correct permissions. Depending on the product arrangements, L&B may in some cases also fall within the existing consumer credit perimeter. Persons who are undertaking both regulated credit and/or debt activities and providing regulated cryptoasset lending or cryptoasset borrowing services must ensure they are appropriately authorised and comply with the Consumer Credit Act 1974 as well as FCA rules applying to consumer credit-related regulated activities, in particular those set out in the CONC sourcebook.

Margin calls and liquidation

Background

5.48 In DP25/1, we highlighted the need for controls on collateral top-ups to protect retail clients in L&B arrangements. We proposed that firms should seek express consent before the first use of automatic top-ups, with clear explanations of terms

and renewed consent for any contractual changes. It should also limit the amount a cryptoasset borrowing firm can automatically top up a retail client's collateral over the loan's duration.

DP responses

5.49 Overall, 45% of respondents agreed with our proposed measures, including requiring firms to seek express consent from clients before the first use of automatic top-ups and limiting how much a cryptoasset borrowing firm can automatically top up a client's collateral over the loan's duration. Many respondents noted that automatic top-ups can be in the interest of both the client and the firm, to be able to 'dynamically manage' the collateral when needed. For example, when the client is unable to manually manage their loan overnight or at short notice. That said, we note that top-ups increase the client's investment beyond their initial collateral, increasing potential losses.

Proposals

DP proposals that have been retained

Express prior consent

5.50 We are proposing that firms must obtain the retail client's express prior consent in order to supplement the collateral held with additional assets (which may include cryptoassets) or currency.

Limiting how much additional collateral a cryptoasset borrowing firm can take to supplement the initial collateral

5.51 Where a retail client has provided express prior consent, we propose that the maximum additional assets or currency that the firm may apply to the retail client's initial collateral must not exceed 50% of the market value of the collateral at the beginning of the contractual arrangement. Where additional collateral is provided, any fees, charges or interest payable by the retail client must be deducted from the maximum additional collateral amount.

Additional proposals

5.52 Following DP feedback and industry engagement, we believe the mitigants discussed did not address all risks to an adequate level for retail client participation in cryptoasset borrowing. So, we are proposing the following additional mitigants for addressing risks relating to cryptoasset borrowing set out in the paragraphs below.

Mandatory over-collateralisation of retail clients' loans

5.53 It is currently standard industry practice for firms to require retail clients to over-collateralise their loans. In practice, this means the value of the collateral provided by the retail client to the firm must exceed the value of the cryptoassets the client borrows from the firm. In the absence of affordability testing, we think it is important

to require over-collateralisation of loans to address the credit risk to the firm. This is to make sure the retail client has provided sufficient cryptoasset holdings to the firm to act as security against the initial loan.

Managing the limits/ levels of the loan

5.54 We propose that prior to offering a cryptoasset borrowing service to a retail client, a firm must model and set appropriate and reasonable limits for:

- the LTV ratio of the loan,
- the margin call level, and
- the liquidation level.

5.55 This modelling will be based on previous collateral and loaned cryptoasset price performance and volatility. The limits listed above should be set such that on the basis of the modelling conducted, margin calls and liquidation would not be expected to occur in the short term (short-term meaning within the first 6 months following the commencement of the cryptoasset borrowing service).

5.56 These limits are without factoring in any additional collateral that may supplement the initial collateral (which would reduce the risk of liquidation by virtue of bringing the LTV down).

5.57 Retail clients should have the option to either accept the levels proposed by the firm, or choose their own limits provided those limits are not higher than those modelled and set by the firm.

Negative balance protection

5.58 We are proposing firms do not have any recourse to the retail client beyond the collateral specifically dedicated for the purposes of engaging in cryptoasset borrowing. This includes the collateral they initially provided to secure the loan, and any additional assets or currency the retail client holds and has expressly consented to allowing the firm to apply to the collateral in order to supplement it.

5.59 This rule intends to make sure that if the retail client's collateral depreciates in value and the firm does not react quickly enough to supplement or realise the collateral to satisfy the debt obligation owed by the retail client, the retail client cannot lose more than the collateral they have specifically dedicated for the purpose of cryptoasset borrowing. The proposals on mandatory over-collateralisation of retail clients' loans (paragraph 5.53) and on requiring firms to model and manage the loan (paragraph 5.54) are intended to make this outcome less likely.

5.60 However, we recognise there are fluctuations in the cryptoasset market and firms may have inadequate collateral management practices in place. In the event that firms fail to manage the loan appropriately, the negative balance protection that we are proposing will provide a further protection for retail clients.

5.61 Our proposal requires that where firms do not recoup the loaned cryptoassets plus fees and charges through eligible collateral, the firm would have to absorb these losses. This rule intends to achieve a similar outcome as our negative balance protection rule applicable to CfD trading under COBS 22.5.17R.

Questions

Question 23: **Do you agree with our proposals on additional collateral, mandatory over-collateralisation of retail clients' loans, and managing the limits/ levels of the loan? If not, please explain why not?**

Question 24: **Do you agree with our proposals on negative balance protection? If not, please explain why not?**

Chapter 6

Staking

6.1 This chapter sets out our proposed requirements for firms engaged in arranging qualifying cryptoasset staking (regulated staking firms) as defined in the Cryptoasset Regulations. Following the amendments to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001, which came into force on 31 January 2025, staking arrangements do not amount to collective investment schemes.

6.2 Staking is where cryptoassets are used and locked for proof-of-stake blockchain validation. Participants typically 'stake' a given amount of their cryptoassets for a period of time in exchange for financial rewards.

Risks

6.3 The risks posed by staking are outlined in DP25/1 and arise mainly from:

- **A lack of consumer understanding:** Staking is sometimes marketed to retail clients as a way to earn rewards without firms explaining the underlying technological process of blockchain validation, its corresponding risks, and how long it takes. As with other cryptoasset activities, information on fees, charges, commissions and rewards, and any transfer of cryptoasset ownership, may not be clearly disclosed.
- **A heavy reliance on third-party providers:** Firms often rely on third parties to run validator nodes (which validate blockchain transactions and secure the blockchain network) or other aspects of the staking journey. On rare occasions, such as slashing incidents – that is, when a validator fails to meet certain pre-defined requirements or acts in a way that negatively impacts the blockchain – a penalty could be applied which results in the loss of the staked cryptoassets.

6.4 As with other cryptoasset activities, there are also wider technological risks, issues with safeguarding, and poor record keeping.

Summary of proposals

6.5 We propose that regulated staking firms will be required to give retail clients information about the firm and its staking service (see Table 5). We also propose that firms will be required to provide the key terms of agreement relating to their staking service to retail clients and obtain the retail clients' express prior consent in relation to those terms. These proposals are largely based on the approach outlined in DP25/1 and incorporated feedback from stakeholders.

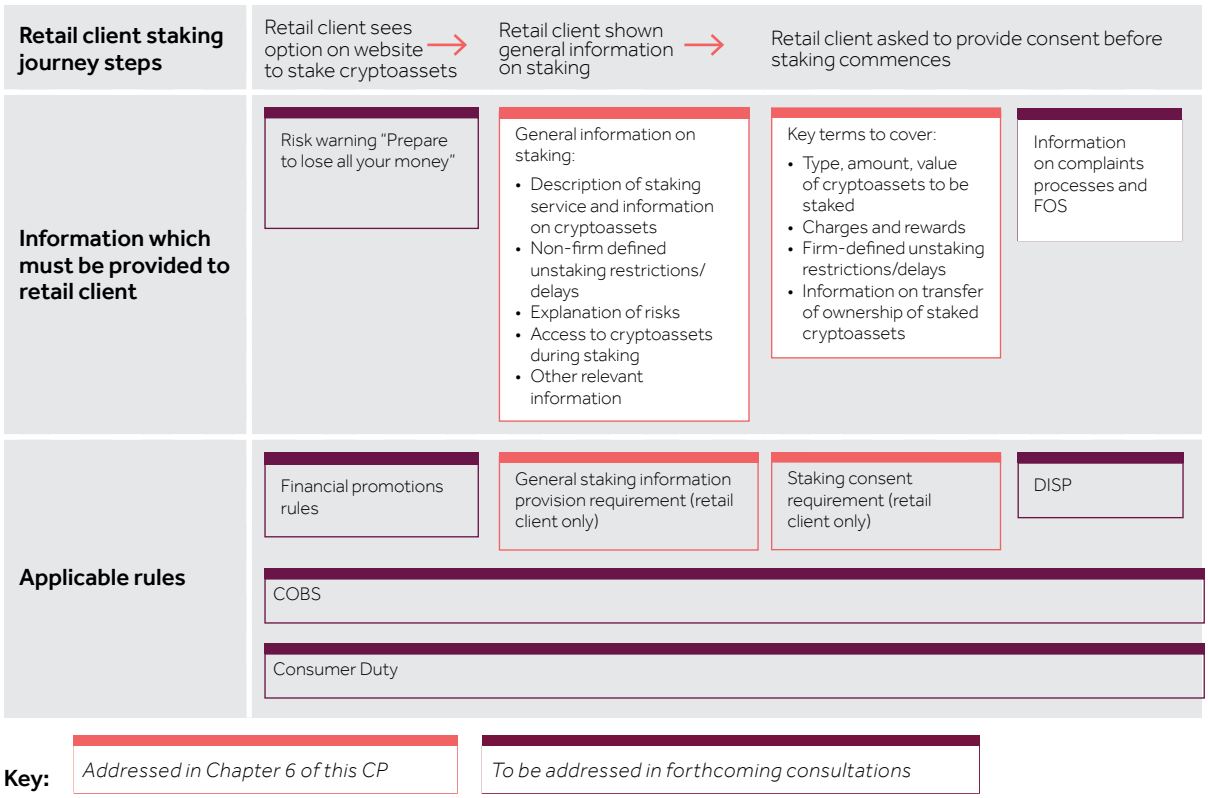
6.6 We also propose that regulated staking firms must maintain appropriate records to ensure the provided staking services are in line with the agreed terms for each client and are duly recorded.

Table 5: Comparison of proposals in this CP to original proposals in DP25/1

Original proposals	Corresponding or new proposals in this CP
Consumer understanding requirements	
Regulated staking firms must provide retail clients information on staking services and associated risks.	We provide clarity on what information should be provided under our draft rules.
Regulated staking firms must get retail clients' express consent to stake their cryptoassets.	We provide clarity on the key terms firms must provide and in respect of which retail clients' express prior consent must be obtained.
Regulated staking firms must compensate retail clients' losses from preventable operational and technological failures.	We will no longer proceed with this proposal, taking into account DP feedback and further research.
Other requirements	
N/A – Proposal not included in DP25/1.	We will require regulated staking firms to maintain records of key information relating to their staking service.
Regulated staking firms will be subject to horizontal regulatory requirements applicable to all cryptoasset firms, including operational resilience and prudential requirements.	We are progressing with this proposal – horizontal regulatory requirements outlined in CP25/25 (for operational resilience) and CP25/42 (for prudential).
Regulated staking firms subject to safeguarding requirements.	We are progressing with this approach and will outline proposals in a forthcoming CP.

6.7 Regulated staking firms will also have to comply with FCA Handbook requirements applicable to all cryptoasset firms outlined in CP25/25 such as SYSC, COBS, the Consumer Duty and other relevant requirements to be consulted on in future CPs, including on complaints, redress-related issues and application of the Financial Ombudsman Service. We propose that other regulatory requirements such as financial promotion and prudential rules will apply as well. Figure 11 below sets out the expected regulatory requirements on regulated staking firms with relevance to consumer understanding.

Figure 11: Expected regulatory requirements on regulated staking firms with relevance to consumer understanding



6.8 In some staking business models, a regulated staking firm will also be safeguarding staked cryptoassets. The proposed application of CASS safeguarding requirements to staking, including segregation of assets, record keeping and reconciliation, will be outlined in a future CP.

6.9 Similar to CATPs and intermediaries, we propose to replicate existing requirements in COBS 11 on personal account dealing, with certain amendments, to regulated staking firms. This seeks to mitigate the risks of conflict of interest between the individual and the firm or the firm's clients (paragraphs 2.83-2.86, 3.71-3.73).

6.10 Firms providing liquid staking services, where clients receive another cryptoasset representing a claim on the value of the underlying staked cryptoassets, will need to comply with all other relevant rules in relation to liquid staking tokens (see for example chapters 3 and 4 on Intermediaries), in addition to the proposed requirements outlined in this chapter.

6.11 For staking firms applying to be authorised in the UK and serving UK clients, we will generally expect them to have a UK legal entity and plan to consult on more detailed location policy guidance in Q1 2026. We propose to assess cryptoasset firms' intended legal form individually at the FCA authorisation gateway and during supervision to ensure they meet our fundamental threshold conditions and general requirements.

Strengthening Retail Clients' Understanding

DP Responses

6.12 In DP25/1 we proposed firms make retail clients aware of the nature and risks of staking before seeking their express consent to stake their cryptoassets.

6.13 The majority of respondents supported both proposals, with 89% agreeing with the provision of information to retail clients and 78% agreeing with the importance of firms obtaining express consent prior to staking retail clients' cryptoassets. Responses indicated that the type and value of cryptoassets to be staked should be specified in the arrangements that a retail client is consenting to. Some respondents suggested that firms should have the flexibility when presenting information so that information does not become overly long and inaccessible.

Proposals

DP proposals that have been retained

6.14 We propose that, each time a retail client wishes to stake their cryptoassets, firms must (a) provide retail clients with information about the firm and its staking service, and (b) provide retail clients with the key terms of agreement relating to their staking service and obtain the retail clients' express prior consent in relation to those terms. This must occur before retail clients are bound by any agreement relating to the firm's staking services or before the provision of those services, whichever is earlier.

6.15 Having considered feedback to DP25/1, we have refined our approach. Our proposed rules distinguish between information to be provided for understanding to the retail client, and key terms governing the agreement with retail clients. We are not proposing to require that information or key terms are provided in a specific format. This approach aims to give regulated staking firms the flexibility to present information to retail clients in an engaging way and avoid providing retail clients with multiple documents containing duplicative information.

6.16 As outlined in DP25/1, we are not proposing to extend information provision and express prior consent requirements on regulated staking firms to non-retail clients. Responses to DP25/1 and wider research indicated that retail clients may have a low understanding of staking and other cryptoasset services. However, we believe non-retail clients (e.g. qualified investors) are more likely to have a stronger understanding of staking and can rely on existing requirements around contractual arrangements when using staking services.

6.17 Table 6 outlines (a) information which must be provided about the firm and its staking service in a durable medium, such as via the firm's website, before the retail client is bound by any agreement or before the provision of a staking service; and (b) the key terms of agreement that must be provided to retail clients, in respect of which their express prior consent must be obtained.

Table 6: Information and key terms that must be provided to retail clients

a) Information that must be provided to retail clients about the firm and its staking service
• Information about the staking service. • Information about the cryptoassets used in the staking service (including liquid staking tokens, where applicable). • Information about the transfer and return of cryptoassets and any rewards. • Information about retail clients' access to cryptoassets and rewards during staking, including the implications of any transfer of ownership of the cryptoassets and implications in the event of firm failure. • Information about risks, including the risk of loss of cryptoassets due to operational disruption and the identity of third parties engaged by the firm to perform blockchain validation. • Any other information material to a retail client's understanding of the staking service. • When the information was last updated.

b) Key terms of agreement in respect of which express prior consent must be obtained
• The type and quantity of the cryptoassets used in the staking service and on what blockchain network. • How long the cryptoassets will be used in the staking service. • The value of the cryptoassets used. • The one-off and ongoing charges, fees and commission to be paid by the retail client. • The rewards that may be earned, including how rewards are determined, in what cryptoasset or currency they will be paid, and the frequency with which they are earned and whether the value or frequency is variable. • Any firm restrictions on access to the staked cryptoassets. • Whether ownership of the staked cryptoassets transfers. • Whether the staked cryptoassets and/or rewards are held on trust.

6.18 Requiring regulated staking firms to provide key terms of agreement in relation to the staking service and obtain express prior consent in relation to those terms from retail clients each time cryptoassets are staked should help to support greater retail understanding. This way, retail clients are more frequently provided with information on the nature and risks of staking, including where these factors may vary between different cryptoassets.

6.19 We also propose that regulated staking firms must notify retail clients in good time of material changes to any of the information and/or key terms that firms must provide to retail clients (Table 5). This is to make sure that retail clients are made aware of changes which may impact their understanding, the appeal of a staking service, or the nature of the service, in advance of those changes coming into effect and can consider whether they wish to continue using the staking service.

Questions

Question 25: **Do you agree with our proposal that regulated staking firms must provide retail clients with information on the firm and its staking service, and provide the key terms of agreement in relation to those services and obtain retail clients' express prior consent in relation to those terms each time cryptoassets are staked, as outlined in paragraphs 6.14-6.19? If not, please explain why not?**

Question 26: **Do you agree that our proposed information provision, key terms and express prior consent requirements should only apply to retail clients and not to non-retail clients? If not, please explain why not?**

Strengthening technological resilience

DP Responses

6.20 In DP25/1, we proposed applying the FCA's existing operational resilience framework (e.g., SYSC 15A) to manage technological risks. Most respondents (90%) agreed that regulated staking firms should be required to implement the FCA's operational resilience framework.

6.21 We also proposed that to mitigate certain technological risks specific to staking (e.g., slashing), regulated staking firms should compensate retail client's losses from preventable operational and technological failures. Close to half of the respondents (43%) did not agree with our compensation proposal and around a third (35%) of respondents did not indicate any views of agreement. Those who disagreed with our approach considered that it would not be proportionate to the low risk of such failures. Some respondents noted that firms already take steps to improve resilience and mitigate slashing risks, such as using slashing insurance. Others suggested that industry practices or existing FCA powers achieve the same objective of risk mitigation. A minority supported this type of compensation, viewing it as fair given retail clients' lack of control over failures.

Proposals

6.22 We proposed applying our operational resilience framework to all regulated cryptoasset firms in CP25/25 (chapter 3). That proposal also covers regulated staking firms and includes the following requirements and standards: SYSC 4 (General Risk Management Requirements), SYSC 7 (Risk Control), SYSC 8 (Outsourcing), and SYSC 15A (Operational Resilience). Firms should also consider the non-Handbook guidance on operational resilience set out in CP25/25 (chapter 4).

6.23 Having considered the feedback, we are not proposing to require regulated staking firms to automatically compensate retail clients for losses resulting from operational and technological failures when staking. We consider the probability, frequency, and impact of technological risks in staking to be too low to justify a standard compensation mechanism in relation to staking specifically. Subject to consultation responses, regulated staking firms will be subject to existing FCA rules, including the operational resilience framework outlined in CP25/25, which helps firms mitigate against such risks. Retail clients can also raise complaints if harmed by breaches of regulatory requirements, and the FCA has tools to monitor and enforce compliance. Requirements for complaints handling, including application of the Financial Ombudsman Service, will be consulted on in a forthcoming publication.

Record-keeping requirements

Proposals

6.24 It is essential for regulated staking firms to maintain appropriate records particularly to make sure they are conducting their staking services appropriately for each client under the agreed terms. This also reduces the likelihood of errors, such as in staking reward allocation.

6.25 We propose that all regulated staking firms must maintain records of the following for 5 years from the point at which the record is created, in addition to any records required under other parts of our Handbook:

- Amount of cryptoassets staked for each client and on which blockchain, per day.
- Whether staked cryptoassets are also safeguarded by or on behalf of the regulated staking firm.
- Total rewards earned on each client's staked cryptoassets per day.
- Total rewards allocated to each client per day.
- Total fees, charges, or commissions charged to each client per day.
- Record of the key terms of agreement provided to each client and a record of each client's express prior consent provided, if applicable, including date, time and amount of cryptoassets staked.
- Record of any requests to terminate the staking service, including date, time and amount of cryptoassets requested to be returned.
- Record of staking activation, including date, time, and amount of cryptoassets staked.
- Record of staking completion, including date, time, and amount of cryptoassets that are capable of being returned.
- Total amount of staked cryptoassets lost per day due to operational disruption (e.g., slashing).

6.26 We propose that firms must maintain these records for all clients, including both retail clients and non-retail clients. Where a client who was issued a liquid staking token transfers the token to another person, a firm should maintain the proposed records with respect to this other person.

Question

Question 27: **Do you agree with our proposed record-keeping requirements on regulated staking firms? If not, please explain why not?**

Chapter 7

Decentralised Finance

7.1 This chapter sets out our proposals to apply the requirements in chapters 2-6 in this CP and the wider cryptoasset regime to firms engaging in 'decentralised finance' (DeFi). DeFi often engages in similar activities provided by 'centralised finance' (CeFi), but with a high degree of automation or decentralisation.

7.2 The Treasury's Policy Note (published April 2025), states that where activities are being undertaken on a 'truly decentralised basis, i.e. where there is no person that could be seen to be undertaking the activity by way of business' then they would not fall in scope of the regulated activities.

Risks

7.3 DeFi shares many of the key risks and harms as CeFi, but can present specific increased risks, including risks relating to:

- **Operational resilience:** DeFi relies heavily on smart contracts. Any flaws or vulnerabilities in the code of the smart contract present increased risks of cyberattacks, thereby leading to the loss or theft of cryptoassets governed by a smart contract. Vulnerabilities of a flawed smart contract can also spread to other applications in the cryptoasset ecosystem, magnifying the risks of an attack. Between 2021 and 2024, according to blockchain analytics (Chainalysis), DeFi platforms were primary targets of cryptoasset hacks. In addition, the absence of a contact point in DeFi could present increased risks and impacts in the event of service disruption.
- **Financial crime and sanctions evasion:** DeFi can be vulnerable to financial crime and sanctions evasion as users interacting with DeFi protocols might not have gone through customer due diligence. This is because these protocols generally do not have a traditional intermediary to conduct and verify consumer and transfer information, for implementing any financial crime control. In cases where self-custody and unhosted wallets are involved, the absence of traditional intermediaries and the consequential lack of financial crime control introduce amplified financial crime risks. The 2025 UK National Risk Assessment on Money Laundering and Terrorist Financing published by the Treasury and the Home Office has found that criminals appear to be shifting to services such as decentralised exchanges to launder funds.

Summary of proposals

7.4 In line with DP25/1, we propose to apply rules and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities. This is in line with the Treasury's legislative intent and our principle of 'same risk, same regulatory outcome' (as explained in paragraph 7.7 below). We propose to separately consult on DeFi Guidance. This would cover how the degrees of decentralisation and control will be considered in cases where the new cryptoasset activities have an identifiable controlling entity. It would also cover examples of good practice to support firms mitigating key risks and harms of financial crime and operational resilience.

DP responses

7.5 We received 38 responses to our DeFi proposals in DP25/1. Overall, there was broad support for our proposals. About 65% of them agreed with the approach to follow the principle of 'same risk, same regulatory outcome' for DeFi and for the FCA to publish guidance on DeFi. Over a quarter of responses (26%) emphasised the need for clear guidance to support the understanding of the degree of (de)centralisation. Several respondents (24%) noted that any future regulatory framework should account for DeFi's unique characteristics.

7.6 Respondents suggested that auditing smart contracts, transparent reporting, and on-chain monitoring could help reduce DeFi risks noted in paragraph 7.3. These views align with feedback from our industry engagement after DP25/1.

Proposals

DP proposals that have been retained

7.7 We want to create an equitable regulatory environment that provides an appropriate level of consumer protection in the UK's evolving cryptoasset market. This means that DeFi cryptoasset activities which pose the same risks as centralised services should have the same regulatory outcomes, regardless of their underlying technology, infrastructure, or governance, where appropriate and where possible.

7.8 In line with DP25/1, the requirements and guidance as outlined in previous chapters 2-6 will apply to DeFi firms where there is an identifiable controlling entity, and we will not introduce any bespoke requirements for DeFi firms. This approach will minimise the risk of regulatory arbitrage and ensure an appropriate and consistent level of protection when accessing regulated cryptoasset services.

7.9 We recognise that the degree of automation or (de)centralisation varies across DeFi firms, and in line with responses to DP25/1, we propose to set out relevant guidance and consult separately, focusing on the following two areas:

- **Indicators of control/(de)centralisation and interaction with CeFi:** We will set out various factors that support the understanding of the degrees of (de)centralisation and elements of control. We will also explain how proposed requirements and guidance in chapters 2-6 would interact with DeFi firms.
- **Additional guidance for FSMA-authorised firms (including new cryptoasset firms) when interacting with firms with a high degree of automation/ decentralisation:** While authorised firms will need to comply with all relevant FCA Handbook requirements covered in CP25/25, we will provide guidance on how to better mitigate operational resilience and financial crime risks posed by DeFi.

Question

Question 28: **Do you agree with our proposal to apply rules and guidance in chapters 2-6 and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities? If not, please explain why not?**

Chapter 8

Next Steps

8.1 We welcome feedback on the impact of our policy proposals on business models, domestic and international market participants, and the market. We also welcome suggestions on any other relevant market developments we have not considered or unintended consequences of our proposals.

8.2 We will arrange a series of engagements to help firms and stakeholders understand our proposals. We will also organise focused engagement to support firms on the application process, ahead of opening the authorisation gateway.

8.3 We will consider the feedback and build those into our final rules. Our finalised rules will be set out in Policy Statements, which we intend to publish in 2026 as per our Crypto Roadmap.

Annex 1

Questions in this paper

Question 1: Do you agree with our proposals on location, incorporation and authorisation of UK CATPs? If not, please explain why not?

Question 2: Do you agree with our proposals on UK CATP access and operation requirements? If not, please explain why not?

Question 3: Do you agree with our proposals on additional rules to protect UK retail customers? If not, please explain why not?

Question 4: Do you agree with our proposals to manage conflicts of interest and related risks? If not, please explain why not?

Question 5: Do you agree with our high-level proposals on settlement? If not, please explain why not?

Question 6: Is any further guidance on best execution required? If so, what additional guidance can we provide to clarify the scope of and expectations around best execution?

Question 7: Do you agree with our proposed guidance (including the exemptions proposed) to check at least 3 reliable price sources from UK-authorised execution venues, such as a CATP or principal dealer (if available)? If not, please explain why not?

Question 8: Regarding the general disclosure requirements when firms serve retail or professional clients, what changes or additions may help client understanding?

Question 9: Do you agree with the proposed specific pre-trade disclosures to clients by principal dealers? If not, please explain why not? Do you have any suggestions that can make these disclosures more effective?

Question 10: Do you agree with the proposed client order handling rules? If not, please explain why not?

Question 11: Given the overall location policy established by the amendments to section 418 of FSMA set out in the Cryptoasset Regulations, do you agree with our proposed execution venue requirement? If not, please explain why not? What changes do you propose?

Question 12: Do you agree with our proposed restrictions on the cryptoassets in which an intermediary can deal or arrange deals for a UK retail client? If not, please explain why not?

Question 13: Do you agree with our proposed approach to addressing conflicts of interest during order execution when a firm is engaged in proprietary trading? If not, please explain why not?

Question 14: Do you agree with our proposed approach to PFOF? If not, what carve outs do you consider necessary and why?

Question 15: Do you agree with the proposal to apply personal account dealing rules to cryptoasset intermediaries? If not, please explain why not?

Question 16: Do you agree with our proposed requirements on intermediaries around settlement arrangements, where applicable? If not, please explain why not?

Question 17: Do you agree with our proposed pre-and post-trade transparency requirements for UK CATP operators and principal dealers? If not, please explain why not?

Question 18: Do you agree with our proposed methodology for determining the pre-trade transparency threshold? If not, please explain why not? What other methodology do you suggest?

Question 19: Do you agree with our proposals for transaction recording and client reporting requirements for UK CATP operators and intermediaries? If not, please explain why not?

Question 20: Do you agree with our proposals on strengthening retail clients' understanding and express prior consent? If not, please explain why not?

Question 21: Do you agree with our proposal to prohibit the use of proprietary tokens for L&B as outlined above? If not, please explain why not?

Question 22: Do you agree with our proposed record-keeping requirements on regulated L&B firms? If not, please explain why not?

Question 23: Do you agree with our proposals on additional collateral, mandatory over-collateralisation of retail clients' loans, and managing the limits/ levels of the loan? If not, please explain why not?

Question 24: Do you agree with our proposals on negative balance protection? If not, please explain why not?

Question 25: Do you agree with our proposal that regulated staking firms must provide retail clients with information on the firm and its staking service, and provide the key terms of agreement in relation to those services and obtain retail clients' express prior consent in relation to those terms each time cryptoassets are staked, as outlined in paragraphs 6.14-6.19? If not, please explain why not?

Question 26: Do you agree that our proposed information provision, key terms and express prior consent requirements should only apply to retail clients and not to non-retail clients? If not, please explain why not?

Question 27: Do you agree with our proposed record-keeping requirements on regulated staking firms? If not, please explain why not?

Question 28: Do you agree with our proposal to apply rules and guidance in chapters 2-6 and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities? If not, please explain why not?

Question 29: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons.

Question 30: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

Annex 2

Regulating Cryptoasset Activities Cost Benefit Analysis

Summary

1. Cryptoassets are increasingly popular with UK consumers. Our Cryptoasset Consumer Research series indicates demand among UK adults doubled between 2020 and 2025 (from 4% to 8%), with consumers primarily motivated by large asset price rises and the potential opportunity to make money quickly. UK consumers typically either access cryptoassets through cryptoasset-specific trading platforms or via brokerages and payment firms that are registered under the MLRs.

2. Despite growth in retail participation, cryptoasset markets are characterised by information asymmetries, misaligned incentives and behavioural biases, impacting both firms and consumers. These factors have resulted in widespread harm in cryptoasset markets, with many retail consumers experiencing financial losses from being sold unsuitable products and discriminatory trading practices.

3. Firms have weak incentives to address these risks, given limited regulatory oversight (due to limited FCA powers over cryptoasset activities at present), and the potential impact on their profitability. Our assessment is that, in the absence of regulatory intervention, the harms we currently observe would likely continue indefinitely in UK cryptoasset markets.

4. The FCA's current regulatory remit for cryptoassets is limited to the Money Laundering, Terrorist Financing, and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs), the financial promotions regime, and consumer protection legislation (including the Consumer Rights Act 2015 and Consumer Protection from Unfair Trading Regulations 2008).

5. The Government has recently introduced legislation to bring new cryptoasset activities within our regulatory remit (the Cryptoasset Regulations). Our proposed intervention will introduce requirements for:

   - Operating a Cryptoasset Trading Platform
   - Cryptoasset Intermediation
   - Cryptoasset Lending and Borrowing
   - Cryptoasset Staking

   In order to maximise readability we have not used precise legal or regulatory terminology in this CBA. Please refer to draft rules for clarity on proper terminology.

6. This consultation paper sets out our proposed rules and guidance for firms which will be authorised to conduct these activities. Introducing these new regulated activities

for cryptoasset markets, which adapt elements of rules in traditional financial markets, will establish common minimum standards that build consumer confidence and enable firms to compete on a level playing field.

7. This CBA assesses the impact of our proposed rules and guidance for these new activities within UK cryptoasset markets. In this CBA, quantified benefits accrue to consumers through increased regulatory protections, which our research and analysis suggest most consumers would welcome. Qualitatively assessed benefits include improved regulatory clarity, better-informed investment decisions, and increased trust in the UK as a jurisdiction that combines high regulatory standards with support for innovation.

8. Costs are primarily driven by compliance, familiarisation and business model changes that our regulation will introduce for firms. Firms will need to become familiar with our rules and guidance, implement business model changes and update their internal processes to become compliant, which will result in costs to them. Firms may pass on these higher operating costs to consumers in the form of higher prices or reduced quality of product offerings.

9. Our quantification indicates a net benefit of £287m over a 10-year appraisal period, primarily driven by the value consumers associated with increased regulatory protections, as outlined below. Benefits to firms include increased regulatory clarity and higher demand from UK consumers.

Group Affected	Item Description	PV Benefits	PV Costs
Firms	*Trading Platforms*	-	£79m
	Intermediaries	-	£239m
	Lending and Borrowing[2]	-	£78m
	Staking		£60m
Consumers	*Benefit from increased regulation*	£745m	
Total impacts		£745m	£458m
Net Impact		+£287m	

10. Our rules may impact competition in cryptoasset markets, through raising barriers to entry for firms or reducing the variety of services offered to UK customers. We consider the potential adverse impacts of our intervention on market competition to be proportionate in order to reduce harms.

11. Overall, we anticipate our proposed rules for regulated cryptoasset activities will deliver net benefits to consumers while also being proportionate to firms. The proposed rules and guidance will introduce higher standards and improved protections for consumers who choose to engage in cryptoasset markets. Our analysis indicates these benefits will be more substantial than the higher compliance costs to firms our rules will create.

2 Note that "Lending and Borrowing" refers to a business model rather than activity. Firms providing these services in our regime will require authorisation for "Dealing as a Principal" or "Dealing as an Agent".

Introduction

12. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

13. Cryptoassets are becoming more popular among UK consumers, with the most stated reason for owning being as an investment product. As cryptoasset markets have expanded globally, they have developed many parallels to existing financial market infrastructure and instruments. This can mean in practice, for many consumers, the user journey and customer experience (typically via mobile apps) can be identical when purchasing cryptoassets as it is when investing in other financial products.

14. However, cryptoasset markets differ significantly from other investment products popular with UK consumers. Firms currently providing cryptoasset products and services face lower regulatory requirements than equivalent products provided by FSMA-regulated firms. This creates a risk of harm for consumers who purchase cryptoassets, who our research suggests may not be aware they have lower regulatory protections than when accessing other financial products.

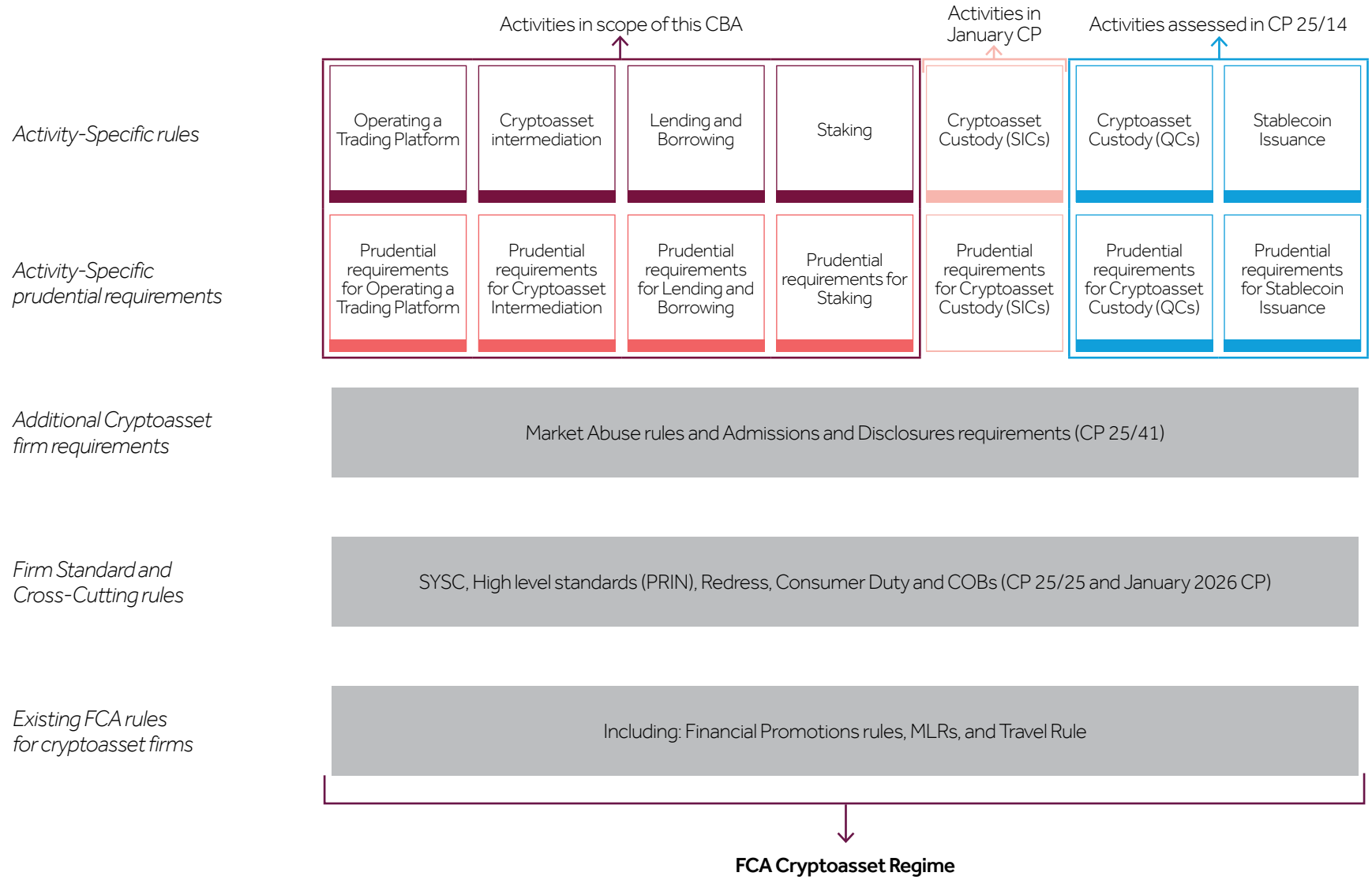
15. To address these regulatory gaps, the legislation Treasury has laid in Parliament will establish additional regulated activities associated with cryptoasset markets. This will bring the following cryptoasset services within our regulatory remit:

- **Operating a Cryptoasset Trading Platform:** Firms running systems which bring together multiple third parties buying and selling interests in qualifying cryptoassets.
- **Cryptoasset Intermediation:** This involves firms dealing in qualifying cryptoassets as principal; dealing in qualifying cryptoassets as agent or arranging deals in qualifying cryptoassets.
- **Cryptoasset Lending and Borrowing:** A particular type of dealing (or arranging) activity where a cryptoasset holder transfers ownership of their assets to a third-party in exchange for a return on the value of the assets (Lending). Alternatively, a loan may be provided from a firm to a cryptoasset holder, where the firm receives cryptoassets as collateral (Borrowing).
- **Cryptoasset Staking:** A process where cryptoassets are used and locked for blockchain validation, in exchange for a financial reward. Staking supports the underlying infrastructure of cryptoassets.

16. In addition to activity-specific rules, cryptoasset firms will also face prudential requirements through new FCA sourcebooks 'CRYPTOPRU' and 'COREPRU'. These will set out minimum capital and liquidity levels for firms carrying out the above activities, in addition to monitoring and reporting rules. These requirements support market stability and minimise harms from disorderly firm failure and are set out in CP 25/15 and CP25/42.

17. Firms authorised to conduct these new regulated cryptoasset activities will also need to comply with additional rules we are introducing (including firm standards and a market abuse regime), as outlined below.

Figure 1 – How the Regulated Activities Order interacts with our wider cryptoasset regime



18. This analysis estimates the impact of our proposals for regulating the above cryptoasset activities. We provide monetary values where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.

19. This CBA has the following structure:

- The Market
- Drivers of Harm and Rationale for Intervention
- Our proposed intervention
- Options assessment
- Baseline and key assumptions
- Summary of impacts
- Benefits
- Costs
- Competition assessment and wider economic impacts
- Monitoring and Evaluation

The Market

20. The term 'qualifying cryptoasset' is defined in legislation. We have previously described global and UK cryptoasset markets within CP25/14 and CP25/25. In this CBA, we focus on market aspects relevant to activities we have proposed regulating in this CP, in addition to recent changes we have observed in UK cryptoasset markets as outlined in our Consumer Research Wave 6.

21. Cryptoasset markets have a variety of interrelated functions, including:

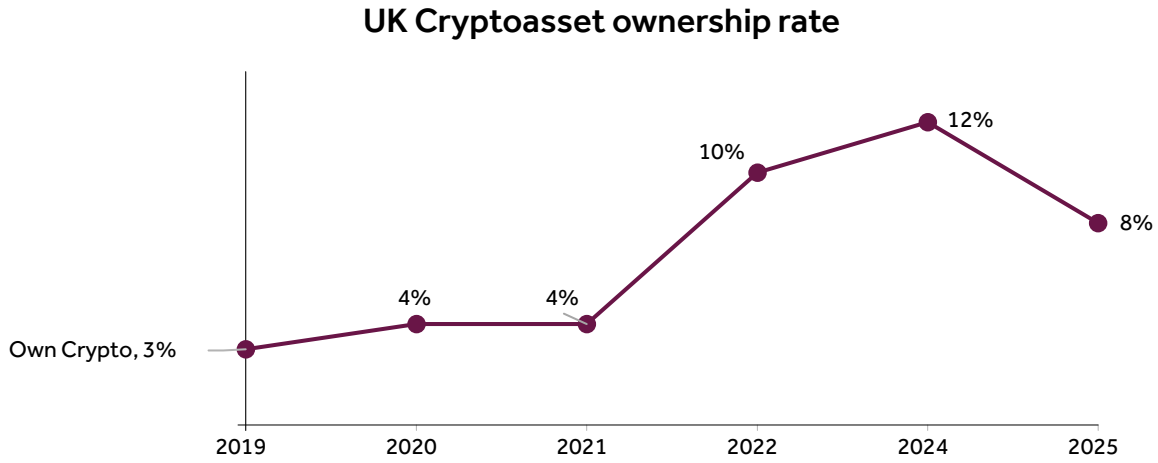
- **Access:** How consumers purchase cryptoasset products and services. This is typically via Trading Platforms or Intermediaries
- **Products:** The different types of cryptoassets available to the market, such as Bitcoin, Ethereum, stablecoins, etc
- **Services:** Key cryptoasset market functions, such as ways for consumers to store their assets (Custody) or opportunities to earn additional revenue (Lending, Staking) while supporting wider market functionality

The UK Cryptoasset market

22. Survey data indicates that ownership rates among UK adults have more than doubled since 2020, with our Consumer Research series estimating 4.5 million cryptoasset owners across the UK as of August 2025 (8% of adult population). Ownership has declined slightly in recent years (potentially due to the introduction of our financial promotions regime in 2023[3]).

3 Our survey data has a +/- 2% margin of error, with estimated Ownership rates between 2022 and 2025 all within this error range of each other

Figure 2 – Consumer demand for cryptoassets as a percentage of the adult population (Cryptoasset Consumer Research Series)

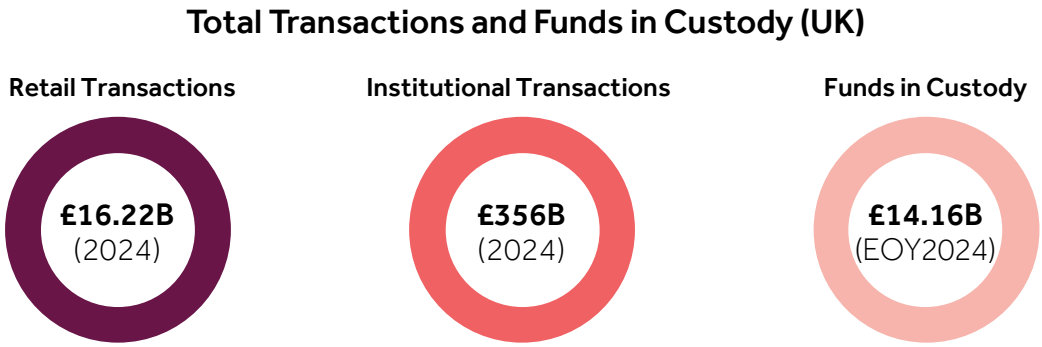


23. Our Cryptoasset Consumer Research indicates that, as of August 2025, UK cryptoasset consumers held a mean average of £2,250 worth of cryptoassets. Consumers holding smaller portfolios (less than £1,000) are more likely to consider cryptoassets a "gamble which could make or lose money", while those who hold larger volumes are more likely to view it as an important element of their investment portfolio.

24. Cryptoasset consumers tend to be younger, male, less risk averse and earn above average incomes. Research we have conducted suggests when purchasing cryptoassets, UK consumers are most likely to substitute spending away from other financial investments (as opposed to cash savings).

25. In terms of institutional investors, reports by analytics firm Chainalysis suggests the UK has the third largest market globally for cryptoasset transaction volumes (behind U.S. and India)[4]. Based on a recent survey of firms by the FCA, whilst institutions only account for less than 1% of total investors, they account for around 95% of transaction value, as outlined below.

Figure 3 – UK Cryptoasset transactions (Source Survey of registered firms, 2025)



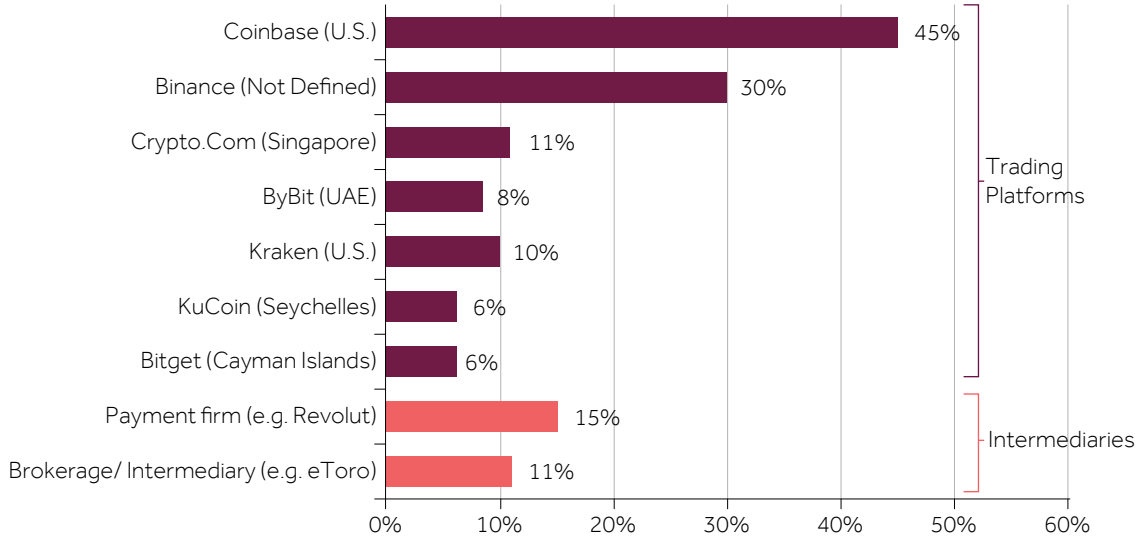
4 https://www.cityam.com/uk-remains-worlds-third-largest-crypto-economy-and-biggest-in-europe/

Cryptoasset Trading Platforms

26. Most UK consumers rely on a small number of popular trading platforms for purchasing cryptoassets as demonstrated below (consumers may purchase from multiple sources and so figures below sum to greater than 100%). Our consumer research indicates cryptoasset holders have a high degree of trust towards these firms, driven by their longevity operating in cryptoasset markets. The most popular trading platforms with UK consumers are domiciled overseas, with our research indicating US-based firms being the most widely used.

27. Trading platforms use a variety of practices and strategies to manage market and counterparty credit risk. These include requiring prefunding of trades[5], while some may currently offer credit lines to counterparties. Our engagement with firms suggests these practices are mainly implemented by trading platforms due to the lack of an established financial market infrastructure that can manage risks of trading.

Figure 4 – Where UK consumers purchase cryptoassets

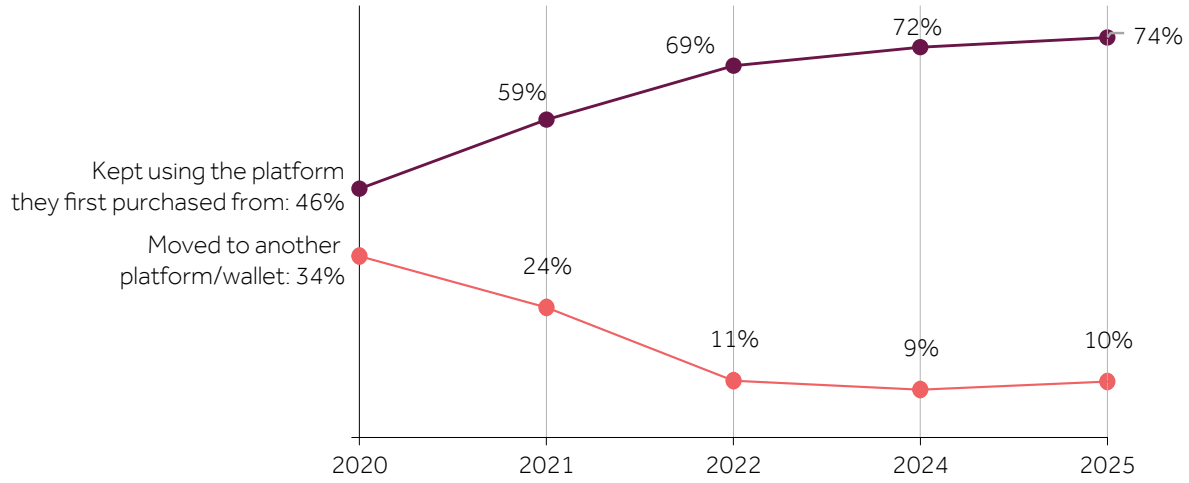


Source: Cryptoasset Consumer Research (YouGov) Wave 6

28. Our consumer research also indicates UK consumers are reluctant to change platform once they have selected a provider and prioritise ease of use and platform reputation over transaction costs when accessing markets. Consumers largely treat asset prices as quoted through their chosen trading platform, with few comparing prices across platforms. This indicates trading platforms primarily compete for attracting new customers, as once a consumer has selected a platform, they tend to continue using it.

5 Where a platform may require cryptoassets to be first transferred to wallets under their direct control before they execute trades

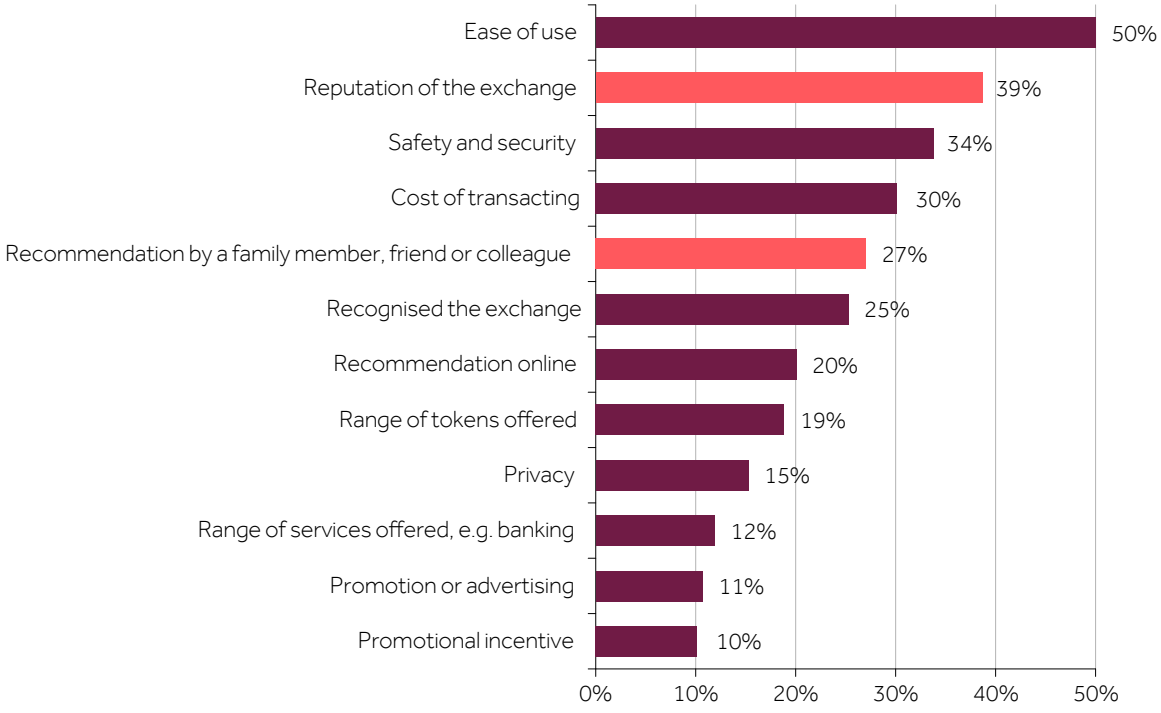
Figure 5 – Percentage of consumers who keep using the platform they first purchased from and those that moved to another platform



Source: YouGov Data, 2019 - 2025

29. Trading platforms offer their customers a variety of cryptoasset products and services. Our consumer research suggests ease of use, platform reputation and recommendations by friends or family are among the most important factors considered by consumers when identifying a trading platform to use.

Figure 6 – Important factors for consumers when choosing a Cryptoasset platform (% share saying it was a consideration in their decision)



Source: Cryptoasset Consumer Research (YouGov) Wave 6

30. Trading platforms can earn revenue in multiple ways, with the most common involving charging fees to customers for spot cryptoasset transactions. They can also offer subscriptions or other service-based activities that earn them revenue (e.g. offering more advanced trading or lending functionality on their platforms).

Cryptoasset Intermediaries

31. Intermediaries are the second most common way for UK consumers to access cryptoasset markets. FCA Consumer Research indicates 22% of UK cryptoasset consumers used an intermediary as of 2025 (around 1.1m individuals). Most firms who operate as intermediaries in the UK market have existing customer bases and permissions (e.g. Revolut, eToro).

32. A broad range of intermediary business models have emerged as cryptoasset ownership has become more common among retail customers[6]. We have identified three types of intermediaries operating in UK cryptoasset markets:

1. **Retail Intermediaries.** Retail intermediaries provide an alternative way for retail customers to buy and sell cryptoassets, where they can receive more support.
2. **Institutional Intermediaries**. Institutional intermediaries serve wholesale clients such as banks, asset managers and hedge funds. They can provide increased connectivity and broader liquidity access to wholesale market participants and allow clients to connect to a range of CATPs, OTC desks and other service providers.
3. **Principal Trading Firms.** Principal trading firms (PTFs) act as direct counterparties to client/counterparty transactions. PTFs deal using own capital and profit from the transactions directly, for example through the spreads between buy and sell prices.

33. Survey data suggests consumers who use intermediaries to access cryptoasset markets tend to invest smaller amounts, are older and more risk averse relative to those who use trading platforms. Qualitative research we have previously conducted suggests these consumers are typically already a customer of the platform and value its trusted brand name for engaging in cryptoasset markets.

Firm	Access	Price paid for £2,250 Cryptoassets	Effective fee (£)
Trading Platform	Direct	£2,257	£7
Intermediary	Indirect	£2,266	£16

34. Our analysis suggests cryptoasset intermediaries typically charge higher fees to retail clients when purchasing relative to trading platforms, as outlined in the table above. This was estimated through examining prices on the 3 most popular trading platforms and intermediaries with UK consumers for purchasing cryptoassets, averaging across access type.

6 "In some cases, these activities are described in the legislation in different terms to how we have summarised them in this consultation. Where this is the case, we have explained the difference in terms at the start of the relevant chapters

Lending and Borrowing in Cryptoasset markets

35. Cryptoasset lending involves depositing cryptoassets with a firm in return for regular interest payments. Payments are typically made in cryptoassets and compounded on a daily, weekly, or monthly basis. An example of this business model is a platform connecting lenders, who have cryptoassets, with borrowers seeking capital.

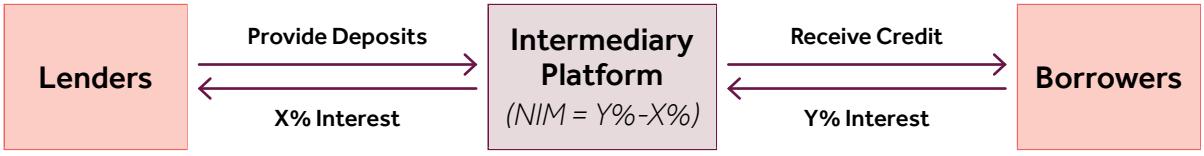
36. Cryptoasset borrowing refers to an arrangement in which a borrower receives a loan in cryptoassets from a firm (the 'cryptoasset lender') with an obligation for the borrower to pay back the loan and any associated fees.

37. Lenders are typically retail consumers, and can be offered relatively high interest rates by platforms (e.g. up to 20% APY). Platforms look to achieve these rates through employing the capital provided to them by lenders and achieving a positive rate of return to account for their lending rates and operating costs.

38. Borrowers can be institutions or retail consumers. Retail borrowers are typically required to over-collateralise loans, wherein the amount borrowed must be lower than the value of the collateral. For example, an individual wishing to borrow £6,000 may be asked to provide £10,000 worth of cryptoasset collateral to obtain the loan (a 60% Loan To Value (LTV) ratio). The over-collateralised nature of loans reduces risks to lenders, but limits use cases to borrowers who have existing portfolios of cryptoassets in excess of the amount of credit they are seeking. Evidence from failed platforms suggests lending to institutional firms is the major use case. For example, lending firm BlockFi stated in June 2022 they had $1.8bn of loans outstanding, of which $1.5bn was to institutional firms.

39. The business model utilised by Cryptoasset lending platforms relies on the difference between returns received and those paid out. Lenders are offered a rate of return while the platform looks to achieve a higher rate through its use of client funds. The platform captures the difference between these two rates as its operating profit. Firms look to achieve a positive Net Interest Margin (NIM) between the rate of return on investments and the rates provided to lenders[7].

Figure 7 – Mechanism showing how cryptoasset lending and borrowing works



40. Cryptoasset lending and borrowing offers potential efficiencies relative to traditional financial products through the use of DLT. By utilising smart contracts to automate payments and collateral management, cryptoasset lending and borrowing can reduce default risk. However, the way in which cryptoasset borrowing achieves this (through over-collateralised loans) limits use cases for retail consumers looking for credit to those who already have cryptoasset portfolios.

7 For reference, Celsius, a failed cryptoasset lending platform targeted a 3% NIM, although was only able to achieve a 0.65% rate.

41. Most cryptoasset lending platforms appear to make returns through providing funds to institutional borrowers within the cryptoasset sector. Alternative approaches to generating returns for depositors which lending firms also utilise include running a trading desk or incentivising its users to accept its own native token as a top-up to the interest payments.

42. Our consumer research suggests only a small share of cryptoasset consumers currently take part in cryptoasset lending and borrowing services (9% of current cryptoasset users take part in lending, with 2% taking part in borrowing). These consumers tend to be more comfortable with risk than other cryptoasset users and have larger portfolios.

43. Cryptoasset lending and borrowing experienced a significant market crash in 2022, when the two most prominent cryptoasset L&B platforms (BlockFi and Celsius) collapsed, leaving many consumers experiencing losses.

- **BlockFi:** A popular L&B platform, in 2020 it faced increased competition for customers from rival lending firm Celsius. Both firms viewed being the largest firm in the lending sector as providing a significant advantage. To continue to attract depositors, BlockFi increased the rates of return they provided, resulting in higher risk taking within BlockFi. The firm was particularly exposed to cryptoasset hedge fund Three Arrows Capital (TAC), the collapse of which resulted in BlockFi facing insolvency.
- **Celsius:** Another popular L&B platform, it experienced significant growth in its user base and AUM between 2019-2021. However, Celsius was unable to consistently generate the necessary yield to cover the reward rates it offered to its customers, due to risky, loss-making investments. To cover losses, Celsius targeted new customers to cover payments to existing customers and increasingly relied on its native token CEL to issue rewards. Following a decline in cryptoasset markets in May 2022, Celsius experienced a liquidity crisis and entered bankruptcy in September 2022.

44. The failure of both of these platforms and subsequent consumer losses resulted in reduced demand from retail consumers for L&B services. Our analysis of markets suggests L&B demand has largely shifted to decentralised finance (DeFi) lending protocols, which are less accessible for everyday consumers but can provide greater transparency and control over assets.

Cryptoasset Staking

45. Staking is a process in which cryptoassets are locked-up and used to support blockchain validation. In return, participants earn rewards, usually in the form of additional cryptoassets.

46. Cryptoasset Staking can be done in a variety of ways, including:

- **Staking-as-a-Service (delegated staking):** Users who have the minimum deposit requirements but do not want to manage the necessary hardware, can delegate node operation to a third-party provider, for a regular fee.

- **Dedicated (Single) Staking** – A custodian will both safeguard a person's cryptoassets and operate a validator(s) node on their behalf. A custodian in this model may outsource the operation of validators to a third-party. There is no mixing of client assets, pooling or other consolidation.
- **Pooled Custodial Staking:** Customers can delegate their cryptoassets to be staked via a service, which pools multiple client assets. This reduces the technical skill barrier and can offer more flexibility on minimum deposits and lock up periods. This is the most common form of staking.
- **Liquid Staking:** Users stake their assets and receive a liquid staking token (LST) which represents the value of their staked assets. This allows users to maintain flexibility to use their staked assets for other purposes.

47. Rewards which consumers can earn from staking vary by platform, asset, network, and market conditions. Some platforms provide flexible staking with lower returns, while others, may have higher yields but require lock up of staked cryptoassets for a minimum period. Some ranges for staking in August 2025 are outlined below:

- Ethereum (ETH): ~1.5-4% APY
- Solana (SOL): ~3-6% APY
- Cardano (ADA): ~2-5% APY

48. Staking offers a way for consumers to benefit from supporting the consensus mechanism used to secure popular DLTs. In this way, it offers welfare-increasing efficiencies relative to "Proof-of-Work" consensus mechanisms, where rewards for validation are mostly captured by mining firms in a highly energy intensive process. While staking can offer consumers returns on their cryptoasset holdings, the risks and mechanisms involved are distinct from those found in traditional financial products.

49. Interest in staking increased significantly in 2023 when Ethereum moved to being a proof-of-stake network. Our consumer research indicates as of August 2025, 22% of UK cryptoasset consumers had engaged with cryptoasset staking. The total value of cryptoassets staked was estimated at $246 billion in November 2025.

Current regulatory requirements

50. Cryptoasset firms who carry out business within the UK must register with the FCA and comply with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Firms must register with the FCA and comply with AML/CTF/CPF rules, including the Travel rule, i.e. collecting and transmitting information about both the originator (sender) and beneficiary (recipient) of a cryptoasset transfer.

51. Firms must register with the FCA and comply with AML/CTF information about both the originator (sender) and beneficiary (recipient) of a cryptoasset transfer. Furthermore, since October 2023, cryptoasset firms promoting cryptoassets to UK consumers must also comply with our financial promotions regime.

Drivers of Harm and Rationale for Intervention

Description of the harm

52. Currently, a small share of UK consumers (around 1 in 12 adults) engage with cryptoasset markets, with those who do typically considering cryptoassets an investment which can earn them high returns quickly. Cryptoasset consumers tend to be much less risk averse than the wider UK population. As outlined through our consumer research, while some consumers are content with the current market, most (72%) would welcome additional regulatory protections.

53. The limited regulatory oversight cryptoasset firms currently face has resulted in lower standards among firms, with fraud and scams being more common in cryptoasset markets compared to other financial markets. This has resulted in consumer harm through unfair trading practices and loss of money, in addition to negatively impacting market integrity.

54. The harms we currently observe primarily impact individuals and firms who choose to engage in cryptoasset markets, and so their impact on the wider UK economy is limited. However, as cryptoassets have grown in popularity, the risk of harmful behaviour from firms spilling over and adversely impacting wider UK financial services has increased. This is driven by several trends including:

- Increasing cryptoasset ownership and the amount of cryptoassets owned by UK consumers, which could mean a sudden downturn in cryptoasset prices could adversely impact a substantial share of the UK public. Our consumer research indicates 10% of current cryptoasset owners can be considered financially vulnerable (due to struggling to keep up with bills).
- Greater interconnectedness between the existing financial sector and cryptoasset firms, caused partly by higher retail demand and the fast-evolving market. This may mean banks and other financial institutions could be negatively impacted by a downturn in cryptoasset markets.
- Use of strategic cryptoasset reserves by several publicly listed companies, which may increase their exposure to cryptoasset price shocks.

55. Due to these trends, UK consumers (including those who do not own cryptoassets) are more exposed to negative shocks in cryptoasset markets than previously. This creates risk of harmful side-effects to wider financial markets and the UK economy as a result of lack of regulation in cryptoasset markets.

Harms associated with Cryptoasset Trading Platforms

56. When using a trading platform to directly access cryptoasset markets, the primary risks to consumers are purchasing unsuitable products, illiquid markets and being exposed to discriminatory trading practices. Harms include:

- **Illiquid markets:** Research by Mahanov (2019) suggests that during extreme price movements, cryptoasset market liquidity can deteriorate sharply, with bid-ask spreads widening and strong evidence of herding behaviour. This can result in risks of losses to consumers, restrictions on consumer withdrawals and disorderly markets.

- **Discriminatory trading practices:** Trading platforms may implement policies on their platform which bias against retail clients. This can result in harm with consumers operating in unfair markets. Practices can include firms engaging in proprietary trading using their own platform, which can create conflicts of interest due to the trading platform having more information than available to retail customers. This can result in delayed execution and front-running and create higher prices for consumers.

Harms associated with Cryptoasset intermediation

57. Accessing cryptoassets via an intermediary is a less common approach for UK consumers, and our research suggests most UK consumers are not aware of differences across trading platforms and intermediaries. Harms can include:

- **Poor execution quality:** Firms executing orders for retail clients in UK cryptoassets markets are not currently under any obligation to deliver good client outcomes. Clients may unknowingly accept worse prices or unduly high costs when trading cryptoassets. Research by Angerer (2025) suggests that even for small trades, this is a non-negligible cost and primarily explained by poor market liquidity.

Harms associated with Cryptoasset Lending and Borrowing

58. As noted in the market section above, demand for cryptoasset lending and borrowing services declined sharply following a market crash in 2022, during which many firms providing these services failed or were revealed to be fraudulent. This market crash highlighted many risks consumers are exposed to when engaging in cryptoasset lending and borrowing, including:

- **Loss of ownership of cryptoassets:** To engage in cryptoasset lending or borrowing activities, consumers may be required to transfer both legal and beneficial ownership of their cryptoassets to the service provider. High rates of returns offered to entice consumers can result in high levels of risk taking and unsustainable business models. The BlockFi and Celsius bankruptcies in 2022 resulted in them owing funds to over 100,000 and 600,000 creditors respectively.
- **High-cost consumer borrowing:** Cryptoasset borrowing allows holders of cryptoassets to gain quick access to credit using their cryptoassets as collateral. While this can facilitate certain trading strategies, consumers can face margin calls, which can result in harm if they do not fully understand how margin calls work or the potential for loss, particularly in this volatile market. They may also result in excessive borrowing as firms typically do not assess the consumer's creditworthiness due to the over-collateralised nature of the loan.

Harms associated with Cryptoasset Staking

59. Staking has recently become more widely available to retail clients, following Ethereum's shift from Proof-of-Work to a Proof-of-Stake consensus mechanism. As such, harms we have identified are primarily theoretical in nature, rather than harms we have widely observed. These harms could include:

- **Loss of assets:** Staking is typically marketed to retail clients as a low-risk way to generate returns on cryptoassets. However, consumers may not understand the nature of proof-of-stake validation processes, and the risks of their assets being lost. This can result from "slashing", a financial penalty applied when a validator fails to meet certain pre-defined requirements or acts in a way that negatively affects the blockchain. There may also be third-party risks which retail clients are not made aware of when engaging in staking.
- **Improper segregation of client assets (where staked cryptoassets are also safeguarded):** When clients provide their cryptoassets to a firm to take part in staking, the firm has effective control over those assets. This can result in harm if the firm does not take appropriate steps to properly safeguard client assets. For example, if the consumer's staked cryptoassets are not properly ringfenced, they may lose their assets in the case of insolvency or hacking. Poor record management of staked cryptoassets can also result in risks of shortfalls, delayed recovery of cryptoassets and inaccuracies in calculating rewards or penalties.

Harms common across cryptoasset activities

60. Many harms we observe are not unique to specific activities and are instead common across cryptoasset markets. These harms interact with and exacerbate activity specific harms, and include:

- **Limited consumer understanding of risks:** Our consumer research has highlighted many consumers do not undertake research prior to their purchase of cryptoassets and have poor awareness of financial protections that apply when engaging in cryptoasset markets. This limited understanding can result in excessive risk taking on behalf of consumers, such as occurred in the cryptoasset lending market in 2022, with many unaware of the risks associated with high returns being offered by firms.
- **Unsuitable products available to UK customers:** Firms may offer products which are not appropriate for ordinary retail investors. Examples we have observed include consumers being offered Cryptoasset Derivatives and CFDs (prior to an FCA ban) or credit lines by platforms. These are complex products and can result in consumers being exposed to high levels of risk, which may not be in their best interests. Furthermore, a review of compliance with our financial promotion rules found examples of firms guiding consumers through the purchasing process in order to be categorised as a professional investor (and so have fewer protections and be exposed to higher risk products).
- **Disorderly firm failure:** This can materialise when firms do not adequately set aside funds to mitigate their risks, and their failure resulting in wider impacts, disrupting market stability and functioning. Disorderly failure can cause harm through consumers suffering financial losses or loss of confidence in the financial system. Our consumer research and FLS data suggests a decline in UK retail cryptoasset market participation following the 2022 market crash.
- **Conflicts of interest:** Many trading platforms and intermediaries carry out multiple activities, which creates risks of conflicts of interest between the firm and its clients. Firms may provide limited information on these conflicts, which can result in consumers being exposed to unintended risks. Conflicts can also occur

if a firm receives payment from third parties in relation to the execution of client orders. Research published by the SEC found that when Robinhood, a popular crypto broker, introduced Payment for Order Flow, trading volume decreased, and spreads increased. The research estimates a $4.8m daily additional costs to market participants due to PFOF arrangements at Robinhood Crypto.

61. Some of these harms may be mitigated by existing FCA regulation, such as our financial promotion requirements. However, we anticipate most of the harms above would continue to materialise in the absence of regulation addressing them, due to the drivers of harm, which are market failures, as discussed below.

Drivers of Harms

62. We believe the above harms related to activities within cryptoasset markets materialise due to negative incentives and feedback loops. The drivers of harm are market failures which include information imbalances, regulatory failures, optimism bias and other behavioural distortions:

- **Asymmetric information:** Many of the above harms materialise due to unknown, inaccurate or false market information which can lead to consumers engaging in cryptoasset markets in a way they would not have done if they had full information. Cryptoasset firms will have better information on their business models and policies than consumers (such as their safeguarding of staked assets, or order handling flow). These forms of asymmetric information can disadvantage consumers to the benefit of firms. While some communication is already captured under our financial promotions' rules, these rules were not designed to prevent the types of harms we observe in cryptoasset markets.
- **Misaligned incentives:** Firms may face misaligned incentives in relation to governance, due to limited market competition and regulatory requirements. Acting in the best interests of consumers may be challenging to firms, who face limited pressure from customers to do so, with our research indicating consumers consider many frauds and scams as accepted features of cryptoasset products. Other governance failures, such as an inadequate or inappropriate risk appetite framework and compliance function, can result in harmful products being offered to consumers. Platforms may have poor governance and oversight leading to further harms resulting from unidentified or unmitigated conflicts of interest.
- **Behavioural biases:** Cryptoasset prices have risen significantly in recent years, and this appreciation has led to a "fear of missing out (FOMO)" within the sector. FCA research published in May 2024 based on interviews with UK consumers highlighted a strong culture of optimism in the sector, with recent asset price rises resulting in many consumers concluding that prices will continue to rise. Consumers also demonstrated herding behaviour, often relying on the activities of their peers to support their decision making. Consumers may underestimate the likelihood of harm for cryptoassets and engage in unintended or inappropriate levels of risk-taking. Our consumer research indicates 22% of UK cryptoasset consumers consider themselves "risk averse", despite owning cryptoassets which are a high-risk investment.

63. While global regulation of cryptoassets is increasing and may partially mitigate some of these failures, these are likely to continue to materialise and negatively impact UK consumers. This harm may increase further if UK demand for cryptoassets or interconnectedness with traditional finance continues to rise, as observed in recent years. The FCA, through its experience regulating cryptoassets for AML/CTF and financial promotions, is best placed to deliver a new regime for cryptoassets which can mitigate harms to consumers, while being proportionate to firms and encouraging future financial innovation.

Proposed Intervention

64. We are designing a regime based on our operational and strategic objectives, with a view to mitigate the risks cryptoasset firms may present. These are:

a. Protecting Consumers
b. Enhancing Market Integrity
c. Promoting Competition

65. Our rules will look to achieve these objectives through reducing risk factors which drive harm, while encouraging innovation in UK financial services markets.

66. Our rules also advance our Secondary International Competitiveness and Growth Objective, through creating a well-functioning cryptoasset market. Our intervention is not seeking to encourage UK consumers to purchase cryptoassets and instead aims to ensure that those engaging with the sector can do so with appropriate regulatory protections in place.

Rationale for regulating cryptoasset activities

67. As noted above, cryptoassets have significantly increased in popularity in recent years, initially among retail consumers but increasingly with institutional firms. This increase in demand for cryptoasset services has been accompanied by an increase in harm, which arises due to market failures and limited regulatory oversight of cryptoasset markets.

68. IOSCO, the International Organization of Securities Commissions, has noted that exposure of retail investors has grown, as have retail investor losses amid regulatory non-compliance, and other illegal cryptoasset market activity. Given the similar economic functions and activities of the cryptoasset market and the traditional financial markets, IOSCO has determined that many existing international policies, standards and jurisdictional regulatory frameworks are applicable to cryptoasset activities.

69. To address the harms currently observed in cryptoasset market, IOSCO has issued a number of recommendations to its members on how cryptoasset markets should be regulated. The UK led the development of these standards, as well as the initiative to monitor the early implementation of the IOSCO standards, thereby allowing consistency of our regulatory approach with international peers. There is a clear rationale for the UK to align to these international standards by introducing regulation for cryptoasset

markets. Failing to do so would risk continued consumer harm (which has an economic cost) and regulatory divergence from international peers.

70. In regulating cryptoasset markets, we are utilising the design principle of "same risk, same regulatory outcome". While we do not think we can necessarily achieve the same outcomes as in traditional finance for the unbacked cryptoassets market, we anticipate we will be able to achieve a higher level of consumer protection relative to current standards. This overall approach aligns with recommendations from IOSCO and the Financial Stability Board (FSB) to regulate cryptoassets the same as traditional financial products which share similar characteristics.

71. By utilising this design principle, we create a level playing field and allow firms to compete on the basis of their business model rather than regulatory differences. Adopting a different approach, such as applying less restrictive rules to cryptoasset firms, could incentivise FSMA-authorised firms to shift their business model to cryptoasset markets to benefit from lower regulatory standards. This could create market integrity or systemic risks. Alternatively, applying stricter rules for cryptoasset firms relative to other FSMA-authorised firms could limit DLT adoption and usage, and potentially inhibit financial innovation in UK markets. Our approach, which applies consistent standards to firms, balances between these extremes, and encourages competition and innovation which benefits consumers.

72. From an economic perspective, we anticipate regulating cryptoasset activities will be welfare-enhancing. The market failures we have identified as present within UK cryptoasset markets currently result in sub-optimal outcomes and inefficient allocation of resources. By correcting for these market failures, regulating cryptoassets can lead to increased efficiency and improve consumer welfare and outcomes.

Intended outcomes

73. The outcomes we are seeking to achieve include:

- **UK clients to be served by authorised firms** for regulated cryptoasset activities and appropriate protection and support for users of the services.
- **Effective competition** that delivers high quality offerings, drives innovation in the UK cryptoasset sector, and levels the playing field for similarly authorised firms.
- **Consumers being appropriately informed** of risks before investing in cryptoassets and using services.
- **Products which offer fair value**, are accessible, meet consumer needs and are sold fairly.
- **Cryptoassets used within our regime are not attractive for fraud**, money laundering, terrorist and proliferation financing or any other criminal activities.
- **Fair and transparent conditions for trades** executed for, or on behalf of, a client. Orders are executed in a way that serves the best interest of clients and adequately recorded.
- **The international competitiveness of the economy** of the UK is supported, as well as its growth in the medium to long term, and firms are encouraged to set up in the UK to offer cryptoasset products and services.

- **Well-run firms with appropriate standards** and sufficient resources, subject to clear and proportionate standards we can supervise effectively.

Proposed rules

74. Our intervention is based on legislative amendments to the Regulated Activity Order (RAO) expanding the scope of the FCA's perimeter to include additional regulated activities. This will bring the following activities within our regulatory remit:

1. **Operating a Cryptoasset Trading Platform.** Trading platforms providing access to cryptoasset products to UK customers will require FCA authorisation, and comply with the requirements set out in the CP.
2. **Cryptoasset Intermediation.** Firms dealing in qualifying cryptoassets as principal, dealing in qualifying cryptoassets as agent and/ or arranging deals in qualifying cryptoassets in the UK will require authorisation.
3. **Cryptoasset Lending and Borrowing:** Firms will be required to be authorised in order to provide cryptoasset lending and borrowing services to UK customers. Firms offering cryptoasset lending and cryptoasset borrowing services by way of business in the UK may be carrying on the new regulated activities of 'dealing in qualifying cryptoassets as principal' and/or 'arranging deals in qualifying cryptoassets', in which case they will need to seek authorisation.
4. **Staking:** Firms providing staking services to UK consumers will require authorisation and comply with the requirements we set out.

75. Firms will also need to comply with our prudential requirements, as specified through our new sourcebooks, CRYPTOPRU and COREPRU. This will include an "Own Funds" requirement and a basic liquidity requirement on authorised cryptoasset firms. These are intended to minimise the harms associated with disorderly firm failure.

76. Our proposed rules are intended to not disproportionately burden firms and instead provide appropriate levels of consumer protection we believe necessary to reduce harm and encourage innovation and UK competitiveness. Our rules will create a broadly equivalent regime along the design principles of "same risk, same regulatory outcome" for cryptoasset activities and traditional financial products, but with variations to reflect unique aspects of cryptoasset markets.

77. As outlined in previous CPs, firms authorised for the above activities will face additional requirements, including cross-cutting and firm standards (CP25/25), in addition to market abuse and admission and disclosure rules. Within this CBA, we assess only the incremental impact of the activity specific rules and prudential requirements. We will assess the aggregate impact of our entire cryptoasset regime in a future CBA published alongside our policy statements.

Rebalancing risk through our proposed intervention

78. In identifying how our rules can support both FCA strategic and operational objectives, we consider our approach from a perspective of "**rebalancing risk**". This approach recognises the important role risk-taking plays in driving innovation and delivering benefits for consumers in financial services markets, whilst also reducing harm where

needed. In "rebalancing risk" we look to assess the relationship between the benefits being sought and the potential harm that could be caused in pursuing these benefits. This approach is not about accepting harm, but rather about ensuring we make balanced, risk-informed decisions that reflect the real-world complexity of dynamic markets, and allow us to be a smarter, more adaptive regulator.

79. While we expect applying our proposed approach will significantly reduce the harms, we anticipate some harms will continue to occur, but that such harms will not be widespread or create systemic risk. In addition, we believe accepting that some harms will continue is necessary to ensuring our regulation is proportionate to firms and providing opportunities for growth which benefit consumers. This has informed our overall policy interventions and consideration of a range of regulatory approaches.

Addressing market failures through the proposed intervention

80. Our proposed intervention is intended to address the market failures present or which could materialise in the future in UK cryptoasset markets. These market failures, which drive the harms we observe can be substantially mitigated through creating clear standards authorised firms must follow when operating within UK markets.

81. How we anticipate this specific intervention will address the identified market failures is outlined in the table below.

Market Failure	Addressed by our proposed rules
Asymmetric Information	• Disclosure of relationships • Appropriate communications • Publication of post-trade data • Non-discretionary matching rules for trading platforms
Misaligned Incentives	• Mandatory segregation of client assets • Best execution policies • Restrictions on Payment for Order Flow
Behavioural Biases	• Improved regulatory clarity • Better access to information

82. Some of the harms identified also arise or are aggravated by volatility of cryptoasset prices, which operates continuously (i.e. 24/7) within a highly interconnected global market. For example, consumers may purchase unsuitable products which do not fit their risk appetite due to behavioural heuristics (e.g. optimism bias, herding behaviour), which can result in harm if asset prices change suddenly. Our regulation will not prevent volatility within cryptoasset prices and instead look to ensure that consumers are well informed of risks, and firms act with high levels of conduct and accountability.

Alternative regulatory approaches considered

83. In identifying our proposed intervention, we considered alternative approaches within the framework set by the government which sought to achieve similar outcomes. Options were assessed in terms of how well they would support the FCA's Strategy and Objectives, primarily protecting consumers, supporting market integrity and promoting effective competition. Options were also considered on the basis of their constraints and potential delivery risks, in addition to any unintended consequences they could create.

84. Our assessment of alternative options for regulating the above cryptoasset activities focused on proportionality, feasibility and alignment with international standards. We set these out below, in addition to their relative limitations that led us to dismiss them.

Alternative approach: Ban cryptoasset lending and borrowing services to UK consumers

85. An alternative option to our proposed rules for lending and borrowing platforms would be to introduce a ban on UK retail access to these activities. We proposed this within DP 25/1, stating that we did not consider these products to be suitable for retail consumers in their existing form, due to their inherent risks and features. As Lending and borrowing has only limited demand amongst UK consumers, any restriction would likely have a limited impact on UK markets.

86. While restricting retail access to cryptoasset lending and borrowing services could reduce harm, consumers might still access these services through offshore firms or DeFi platforms. Our analysis of markets suggests DeFi platforms have become significantly more popular in recent years. Furthermore, our consumer survey data suggests L&B users are much more likely to have engaged in DeFi products than typical cryptoasset consumers and also are less financially vulnerable.

87. On this basis, we consider that restricting retail access to L&B products may result in unintended consequences by shifting a greater number of consumers to unregulated platforms. Our proposed approach, which will reduce the drivers of harm within the L&B products, will mean consumers who choose to purchase these products will be able to do so with regulatory protections in place.

	How it would support FCA Strategy and Objectives	*Constraints and delivery risks*	*Likelihood of unintended consequences*	Overall Assessment
Ban retail access to Cryptoasset Lending and Borrowing services	Small reduction in consumer harm	No major delivery constraints for centralised platforms	Could result in increased shift to unregulated platforms	Permitting access via regulated platforms likely to have a greater impact on reducing consumer harm

	How it would support FCA Strategy and Objectives	*Constraints and delivery risks*	*Likelihood of unintended consequences*	Overall Assessment
Proposed approach	Consistent with global approach. Risks to consumers are reduced but not eliminated	Consistent with current FCA approach to traditional financial instruments	Risk of halo effect of regulation from consumers	Consistent with IOSCO standards, option reduces harm while also creating opportunities for innovation

88. We believe our proposed approach to regulating cryptoasset activities are the most effective at meeting our statutory objectives and reducing harm in the market. We anticipate our outcomes-based approach will create a framework for increased innovation through use of DLT, and support our secondary international competitiveness and growth objective.

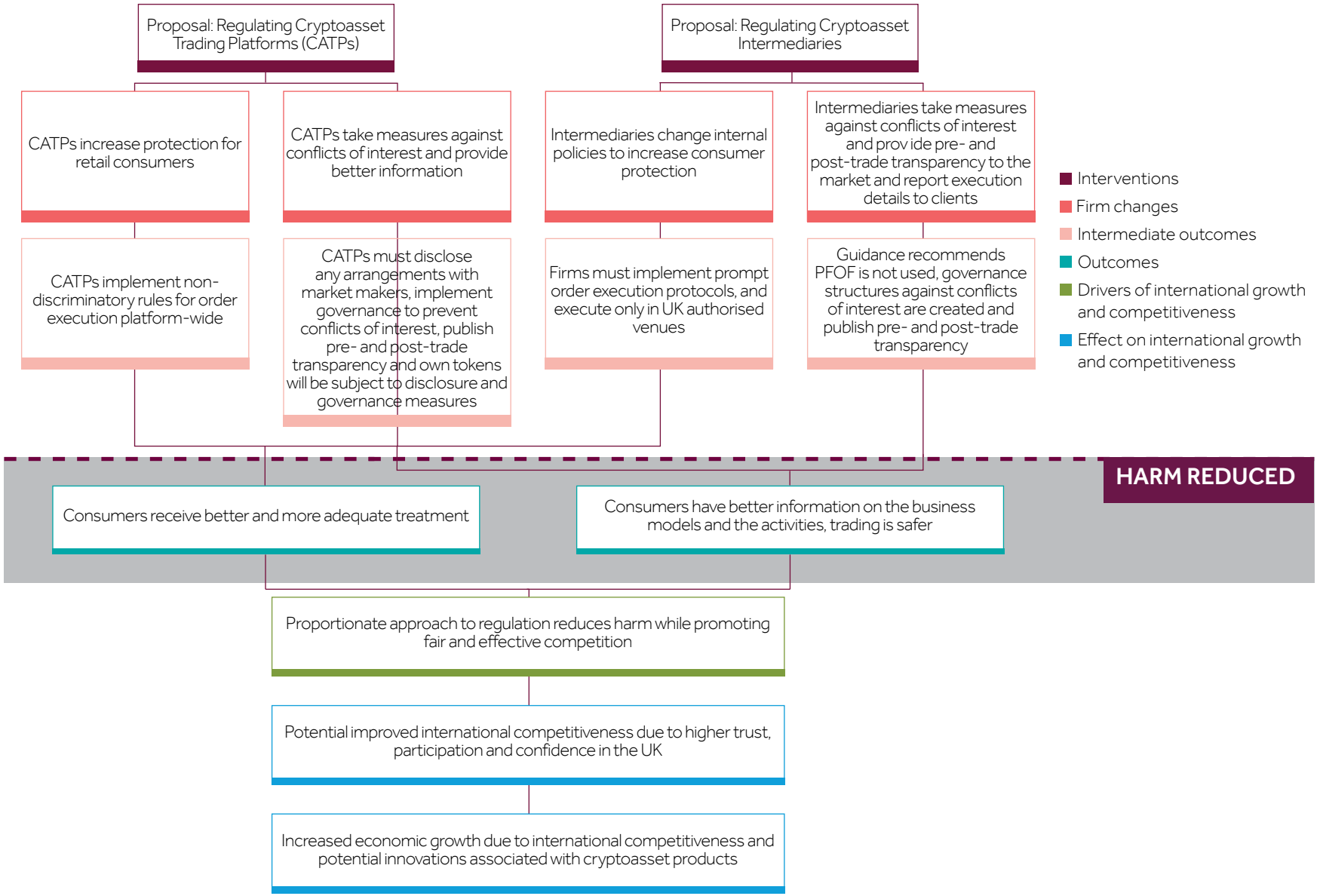
Causal chain

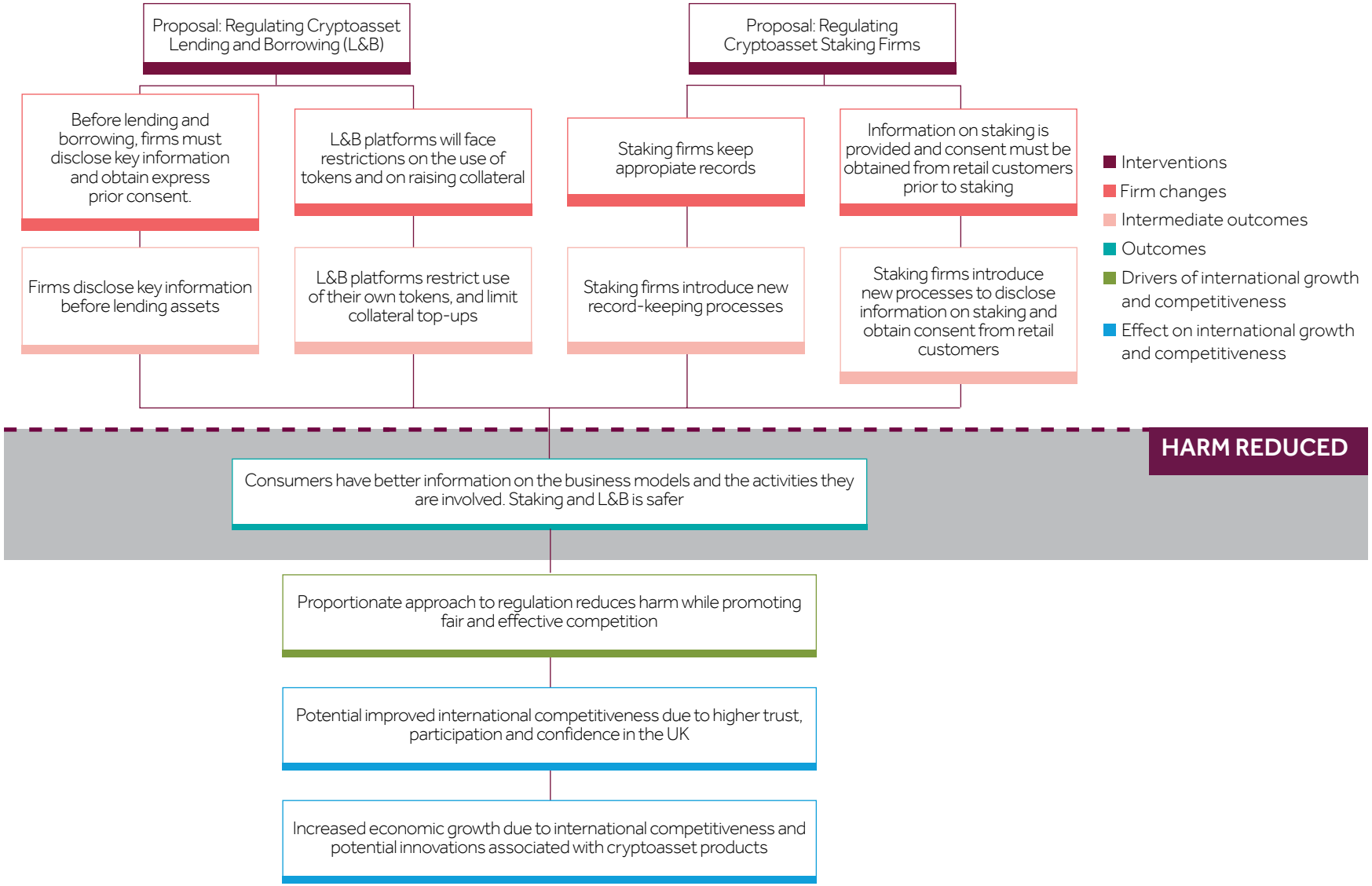
89. The below figure presents the causal way we expect the above changes will improve outcomes for consumers and support our secondary international competitiveness and growth objective. Our interventions seek to reduce harm to consumers and the wider markets, and balance risk in such a way to support our secondary international competitiveness and growth objective.

90. Our causal chain demonstrates how we expect our regulatory intervention results in changes in the market which have knock-on effects which ultimately result in reduced harm for consumers. Nodes within the chain have been informed by relevant academic literature and our understanding of consumers that we have established through our surveys and firm engagement.

91. Our key assumptions are:

- Introducing regulation provides greater clarity and regulatory certainty to firms, which results in increased market entry and engagement.
- Market participants change their behaviour as a result of our intervention, including adjusting business models in line with our proposed requirements.
- Consumers respond to increased regulation by increasing demand for cryptoasset products. Higher demand, combined with regulatory clarity to market participants, results in market entry, which promotes competition in the market.
- Activity specific rules create strong incentives for market participants to minimise consumer harm on their platforms.


Proposal: Regulating Cryptoasset Trading Platforms (CATPs)
Proposal: Regulating Cryptoasset Intermediaries
CATPs increase protection for retail consumers
CATPs take measures against conflicts of interest and provide better information
Intermediaries change internal policies to increase consumer protection
Intermediaries take measures against conflicts of interest and prov ide pre- and post-trade transparency to the market and report execution details to clients
CATPs implement non-discriminatory rules for order execution platform-wide
CATPs must disclose any arrangements with market makers, implement governance to prevent conflicts of interest, publish pre- and post-trade transparency and own tokens will be subject to disclosure and governance measures
Firms must implement prompt order execution protocols, and execute only in UK authorised venues
Guidance recommends PFOF is not used, governance structures against conflicts of interest are created and publish pre- and post-trade transparency
HARM REDUCED
Consumers receive better and more adequate treatment
Consumers have better information on the business models and the activities, trading is safer
Proportionate approach to regulation reduces harm while promoting fair and effective competition
Potential improved international competitiveness due to higher trust, participation and confidence in the UK
Increased economic growth due to international competitiveness and potential innovations associated with cryptoasset products
Interventions
Firm changes
Intermediate outcomes
Outcomes
Drivers of international growth and competitiveness
Effect on international growth and competitiveness


Proposal: Regulating Cryptoasset Lending and Borrowing (L&B)
Proposal: Regulating Cryptoasset Staking Firms
Before lending and borrowing, firms must disclose key information and obtain express prior consent.
L&B platforms will face restrictions on the use of tokens and on raising collateral
Staking firms keep appropiate records
Information on staking is provided and consent must be obtained from retail customers prior to staking
Firms disclose key information before lending assets
L&B platforms restrict use of their own tokens, and limit collateral top-ups
Staking firms introduce new record-keeping processes
Staking firms introduce new processes to disclose information on staking and obtain consent from retail customers
Interventions
Firm changes
Intermediate outcomes
Outcomes
Drivers of international growth and competitiveness
Effect on international growth and competitiveness
HARM REDUCED
Consumers have better information on the business models and the activities they are involved. Staking and L&B is safer
Proportionate approach to regulation reduces harm while promoting fair and effective competition
Potential improved international competitiveness due to higher trust, participation and confidence in the UK
Increased economic growth due to international competitiveness and potential innovations associated with cryptoasset products

Our analytical approach

92. We assess the impacts of our proposed new rules against a baseline, or 'counterfactual' scenario, which describes what we expect will happen in the cryptoasset market (both domestic and international) in the absence of our proposed policy change. We compare a 'future' under the new policy, with an alternative 'future' without the new policy.

93. We consider the impact of our proposals over a 10-year period with costs and benefits occurring from the assumed time of implementation. We account for any costs and benefits arising from moving between the interim and end-state rules. When estimating net present value of costs and benefits, we use a 3.5% discount rate as per Treasury's Green Book. Prices are provided in 2025 figures.

94. We consider the assumptions below as comprising our "central scenario" as they represent our best estimate of the likely costs and benefits we expect to materialise from our proposals.

95. We recognise the limited regulation of cryptoassets currently creates challenges for the accuracy of this central scenario, and our estimates and analysis above are subject to significant uncertainty. To account for this uncertainty, we consider an additional scenario where the impact of our intervention is less effective than within our central scenario. We examine the impact of this additional scenario relative to the baseline in our sensitivity analysis below.

96. Our analytical assumptions and counterfactual are consistent with the CBAs we have previously published in CP25/14 and CP25/25.

Data Sources

Surveys and engagement with market participants

97. In July 2025 we sent cost surveys to firms we identified as potentially being in scope of our future cryptoasset regime. In total, we received 40 responses from firms, who provided detailed cost estimates for complying with elements of our proposed rules. Firms who provided responses represent a significant share of firms we expect to be impacted by our proposed rules and included responses from both larger and smaller firms.

98. In addition to conducting cost surveys, our discussion paper details the anticipated impacts of the proposed regulations on firms. DP responses largely agreed with our assessment of the type of costs which would materialise, including both direct compliance costs and business model changes.

Consumer data

99. Since 2019, the FCA has published a regular series of cryptoasset research notes based on survey data of UK cryptoasset consumers. Our most recent publication (Wave 6, with fieldwork taking place in August 2025) involved over 3,000 respondents and provides us with the opportunity to identify trends in consumer behaviour. We use this survey data

for estimating the current baseline in the market, and how demand for products could change following regulation.

100. In May 2024, in conjunction with the Information Commissioner's Office (ICO) through the DRCF we published a research note on consumer attitudes towards cryptoassets. This qualitative research further strengthens our understanding of the baseline, the behavioural biases of consumers and the likely demand-side response to our proposed intervention.

Data Limitations

101. Our surveys and firm engagement have helped us in better understanding how the cryptoasset sector currently operates within the UK, and the potential costs which may arise because of our proposed intervention. This is particularly true in our understanding of retail demand for cryptoasset where our various research outputs have provided us strong insight into how and why UK consumers engage with cryptoassets. However, in gathering our data to assess the impact on firms, we faced several limitations which affect our analysis, namely:

- **Cryptoasset sector is new and fast-evolving:** Many firms who will seek FCA authorisation to conduct cryptoasset activities are currently outside our regulatory perimeter and may have limited experience of regulatory compliance. This makes estimating impacts uncertain, particularly where our regulation will result in significant changes to business models.
- **Uncertain number of firms:** Costs estimated scale with the number of firms in our future regulatory regime. While we use assumptions to estimate this below, this is highly uncertain, and will be dependent on numerous factors, including those outside the FCA's control. A smaller population than we estimate would result in lower aggregate costs, and vice versa.

102. We have taken several steps to address any adverse impact of these limitations. To better understand costs to firms, we undertook a comprehensive review of cryptoasset related CBAs (or equivalent) published by international regulators and used these to inform our evidence base. We have also used data from other areas where we regulate cryptoasset firms, such as financial promotions, as assessed in CP22/2. We have also conducted uncertainty and breakeven analysis below to better account for potential evidence gaps within our data.

103. While we recognise the limitations of our evidence base, we are satisfied it is of sufficient quality to estimate impacts of our proposed intervention.

Counterfactual

Baseline for current UK cryptoasset market

104. We constructed this baseline by looking at evidence of the current cryptoasset market and extending this into the future. Our most recent consumer survey research indicates:

- Cryptoassets are owned by 8% of UK adults, holding an average portfolio of £2,250.
- Centralised trading platforms remain the most popular way for UK consumers to purchase cryptoassets, with 73% choosing to do so this way. The next most popular purchase journeys are through an intermediary such as a payment firm (15%) or a brokerage (11%).

105. We assume that absent our proposed intervention, the harm we outlined earlier in this document will continue to the same frequency over the next 10 years.

106. Our consumer research indicates that demand for cryptoassets within the UK is concentrated as a speculative asset which provides potentially high returns in short time periods. Consumers rely significantly on advice from friends and family and demonstrate optimism bias and herding behaviours.

107. The counterfactual assumes cryptoassets remain popular with UK consumers, but demand would likely plateau in the coming years, as more risk averse individuals will not enter the market without some level of regulatory protections. This is consistent with findings from our consumer research, with current cryptoasset owners much less risk averse than the wider population.

Incremental nature of our rules

108. We have developed our proposed requirements through engagement with industry via our discussion papers and roundtables. Many of the requirements our rules will introduce are already being conducted by some firms, meaning there will be limited incremental costs.

109. In our survey to firms, we asked for information from firms on how they currently undertake a specific activity. This allows us to estimate what share of our rules will be incremental to firms, and what firms are already conducting within the baseline. Our population cost estimates are based on the incremental impact of our rules, accounting for some firms already complying with requirements we will introduce.

110. However, as we do not know which firms will be successfully authorised (and there may be survey response bias), we examine an additional scenario with our "Risks and Uncertainty" section where all requirements are incremental to firms.

HMT's Impact Assessment (IA)

111. HMT has produced an Impact Assessment (IA) which analyses the impact of their legislative framework governing the regulation of cryptoassets. This IA includes provisions for creating new activities for cryptoassets, and granting FCA powers to regulate these markets. Analysis contained within this IA primarily focuses on the impact of amending the legislative perimeter and the costs that result directly from that decision (such as cryptoasset firms requiring to pay FCA application fees for authorisation).

112. Due to the nature of how FCA regulation will interact with HMT legislation, determining the precise incremental impact of certain aspects of our rules is challenging. To ensure that we have estimated the impact of all our rules, we have included the costs to firms of all rules we are applying to them. As such, our CBA should not necessarily be considered additive to HMT's impact assessment and instead accounts for the aggregate expected costs and benefits that will materialise due to regulating cryptoasset activities in UK markets. We expect any overlap between our CBA and HMT's IA to be small, and not materially impact our analysis of costs and benefits of the proposed rules.

Key Assumptions

113. In order to estimate the impact of our proposed rules, we require assumptions for our analysis. These assumptions are based on our understanding of UK and global cryptoasset markets, but are subject to uncertainty, due to the novel and fast-evolving nature of cryptoassets. Our analysis is highly sensitive to these assumptions, and we welcome feedback and challenges on our assumptions.

114. We assume full compliance with new rules by firms. In addition, we assume regulatory clarity results in increased entry by firms to UK cryptoasset markets.

Assumptions on number of firms affected.

115. We anticipate that firms of different sizes will incur different costs. Populations are based on survey responses in addition to our review of cryptoasset firms currently registered with the FCA and which may seek authorisation in the future. Our population represents our estimate of how firms will be subject to the FCA's cryptoasset regime and is subject to significant uncertainty. Firms are classified by size as set out in our CBA Statement of Policy.

116. We assume that all firms will either seek authorisation as a Trading Platform or an Intermediary. For cryptoasset lending and borrowing and cryptoasset staking, we assume any firms conducting these activities are authorised as either a trading platform or intermediary firm. This is primarily intended to estimate prudential requirements for these firms.

Figure 8 – Estimated firm population

	Small	*Medium*	*Large*	*Total*
Trading Platforms	*0*	*5*	*3*	***8***
Intermediaries	*110*	*45*	*7*	***162***
Total	*110*	*50*	*10*	***170***
Additional Activities				
Lending and Borrowing		*5*	*10*	***15***
Staking		*50*	*10*	***60***

117. We assume larger firms will enter the market immediately, to avoid disruption to their current business operations. We assume most other firms will enter the regulated UK cryptoasset market gradually as they become familiar with our rules and requirements.

Assumptions on consumers

118. Following our intervention, we assume demand for cryptoassets increases. As outlined in our consumer research, a significant share (8%) of non-cryptoasset owners indicate they would be more likely to purchase cryptoassets, even if this did not involve financial protections against losses[8]. We assume these individuals enter the UK cryptoasset market after our cryptoasset regulatory regime has been established.

119. The type of users may change due to our intervention, with women and younger consumers more likely to invest in cryptoassets if regulatory protections are introduced. We assume any new users in the market hold similar portfolios as existing users, in both our proposed option and counterfactual.

Further assumptions

120. Our survey data indicates most cryptoasset firms used by UK consumers are based internationally. Given uncertainty as to when international regimes will introduce regulation, we assume standards introduced internationally will not apply similar levels of protection for UK consumers as our proposed intervention.

121. We also make the following assumptions:

- Benefits result from imposing new requirements to firms within the FCA's regulatory perimeter and not what other jurisdictions impose elsewhere.
- The overall regulatory treatment of issuers of market participants aligns with IOSCO recommendations and jurisdictions (e.g. EU, Singapore) in the long-term. Therefore, the risks related to regulatory arbitrage are low.

122. And use the following terms:

- Unless stated otherwise, all references to 'average' are the mean average.
- All price estimates are nominal.

123. We note that the per-participant estimates we set out in this CBA have been generated to increase the robustness of industry-level estimates. For the avoidance of doubt, individual firms may in practice bear costs greater or lower than the per-participant averages used to estimate overall costs to the industry. This will depend, among other things, on the participants' individual size, makeup, and current practices. Participants should consider our proposals in relation to their specific operation and provide feedback on this basis, supported by evidence where they believe costs differ.

8 A much higher share of non-cryptoasset owners (26%) indicate they would be more likely to purchase cryptoassets if it included some form of financial protections against losses

Accounting for differences between cryptoasset firms / products and other FSMA-regulated firms/ products

124. While cryptoassets share many similarities to other High-Risk Investment products and services we regulate, there are important differences which may impact the effectiveness of our rules. These include:

- **Global nature of the market:** Cryptoasset markets operate a continuous, highly interconnected market which is cross-borders, with market participants serving multiple jurisdictions.
- **Multiple uses for products:** In addition to being used as an investment product, cryptoassets may also be used for payment services, or as a governance token within a decentralised organisation.
- **Reliance on permissionless infrastructure:** Cryptoassets rely on DLT for verification of transactions, with the most popular being permissionless and decentralised in governance.

125. In accounting for these differences within our analysis, we have used our evidence base for the current UK cryptoasset market. For example, while cryptoassets are used by some consumers for payments, most treat them as an investment product, and cryptoassets currently have a limited acceptance rate across UK retail merchants. As such, we have focused our analysis on their use as an investment product, while considering potential use cases elsewhere.

Summary of Impacts

126. This section summarises benefits and costs associated with our intervention, the net present value (NPV) over the appraisal period and the net direct cost to firms. The benefits and costs include those incurred by firms, consumers, the FCA and wider society. Some costs and benefits are direct, others are indirect. Direct impacts are unavoidable whilst indirect impacts depend on how consumers and firms respond. Costs and benefits will be both one-off, and ongoing.

127. The key expected benefits are:

- Consumers who currently engage in cryptoasset activities receiving new regulatory protections. We anticipate this will create further benefits including a reduction in the probability of individuals suffering a financial loss because of hidden fees, poor customer service, etc.
- Firms will benefit from increased demand for cryptoasset products due to higher regulatory standards leading to increased consumer entry.
- A clearer regulatory framework for firms.

128. The key expected costs are:

- Compliance costs to firms, including IT and personnel costs, which will be both one-off implementation and ongoing costs for firms to comply with the new requirements.
- Changes to business models as a result of our regulations.

- Authorisation and supervisory costs for the FCA to ensure new and existing firms meet the requirements.
- Reduced consumer investment in existing regulated financial products, due to substitution toward cryptoassets.

129. A summary of our expected costs and benefits, in our central scenario, is set out in the table below:

Total Impacts (10-year Present Value (PV))

Group Affected	Item Description	PV Benefits	PV Costs
Firms	*Trading Platforms*	-	£79m
	Intermediaries	-	£239m
	Lending and Borrowing[9]	-	£78m
	Staking		£60m
Consumers	*Benefit from increased regulation*	£745m	
Total impacts		£745m	£458m
Net Impact		+£287m	

130. The Estimated Annual Net Direct Cost to Business (EANDCB) from our proposals, affecting qualifying cryptoasset firms is set out in the table below.

	Total (Present Value) Net Direct Cost to Business (10 yrs) EANDCB	Annual Total (Present Value) Net Direct Cost to Business (10 yrs) EANDCB
	£458m	£43m

Benefits

131. In this section, we outline the benefits we expect to materialise as a result of the intervention. Our benefits include both quantified and qualitative estimates, which we anticipate will accrue to both consumers and firms.

132. We anticipate consumers to benefit as a result of:

- Increased regulatory protections when engaging in cryptoasset markets. We expect this will result in a reduction in the probability of individuals suffering a financial loss because of hidden fees, poor customer service or discriminatory trading practices.
- Lower fees due to increased transparency and execution requirements.

9 Note that "Lending and Borrowing" refers to a business model rather than activity. Firms providing these services in our regime will require authorisation for "Dealing as a Principal" or "Dealing as an Agent".

133. We expect the primary benefits to firms will include:

- Higher cryptoasset market participation from UK consumers as a result of increased trust and regulatory protections.
- Improved regulatory clarity.

Benefits to Consumers and Firms

134. Our consumer research highlights that many consumers who currently engage in cryptoasset markets would welcome increased regulatory protections. By directly intervening in UK cryptoasset markets to provide regulatory clarity and set requirements for activities, these consumers will benefit from reduced risk of harm when accessing cryptoasset products and services.

135. Firms will also benefit from regulation, due to increased consumer confidence and trust in cryptoasset products and services. We anticipate that regulation will increase retail demand, from both existing customers increasing their holdings, and new customers entering the market. This will benefit UK cryptoasset firms through increased market liquidity, and additional revenue due to fees on products and services.

136. To estimate the value of this benefit to firms and consumers, we conducted a behavioural experiment, as set out in our research paper. On average, across our treatment groups, consumers invested **13% more** into cryptoassets when they were told it was regulated relative to the control group. We use this treatment effect as a measure of the additional value consumers associate with cryptoasset platforms they engage with being regulated. This benefit will be captured between both consumers (who experienced greater regulatory protections) and cryptoasset firms (who will see greater demand for their products).

Variable	Value	Source
Number of UK Cryptoasset Consumers	5m (August 2025)	Cryptoasset Consumer Research (Wave 6)
UK consumers who access cryptoasset via Trading Platform or Intermediary (and will be impacted by our proposed rules)	4.1m (90%)	Cryptoasset Consumer Research (Wave 6)
Average portfolio size of this group	£2,250	Cryptoasset Consumer Research (Wave 6)
UK Consumers who say they would purchase more cryptoassets if it were regulated	2.6m (62%)	Cryptoasset Consumer Research (Wave 6)
Average treatment effect per consumer portfolio	+£290 (13%)	FCA Behavioural Research
Aggregate value associated with improved regulatory protections for cryptoassets (combined benefit to firms + consumers)	**+£745m**	FCA Estimate

137. Our benefits estimation reflects consumers being more comfortable engaging with UK cryptoasset markets as a result of increased regulatory protections, with cryptoasset firms subsequently experiencing higher demand. We expect the benefits will materialise to consumers through our rules preventing consumers from buying unsuitable products, ensuring they receive better pricing and avoiding hidden fees. This will have different impacts depending on the service used:

- **Cryptoasset Intermediaries:** Users relying on cryptoasset intermediaries should benefit from improved order execution processes. They will also benefit from reduced conflicts of interest and enhanced transparency and disclosure.
- **Cryptoasset Trading Platforms:** Our proposed rules should improve price transparency leading to better outcomes for consumers. Consumers will also benefit from reduced abusive practices regarding order execution and reduced risk of settlement failures.
- **Staking:** Our intervention of horizontal requirements such as safeguarding and operational resilience reduces the risk of clients not recovering their assets in the event of firm failure.

138. Cryptoasset firms will benefit from the increased consumer demand for their products as a result of the regulatory protections introduced. This will include:

- **Enhanced Market Liquidity:** The increase in demand for cryptoasset products will enhance market liquidity. These will benefit firms through reducing volatility and price risks.
- **Increased revenue:** Trading platforms and intermediaries charge fees on their products and services, to enable them to generate revenue. Increased demand from consumers due to enhanced regulatory protection will directly benefit firms through greater revenue.

139. The above estimate represents the combined value of benefits that will be accrued due to our regulation by firms and consumers currently engaging in UK cryptoasset markets. This combined benefit does not include new retail entrants into UK cryptoasset markets, or substitution away from traditional financial services, which is discussed in further detail below.

Additional benefits to Firms

140. We expect our new regime to have additional benefits for firms. While we do not quantify these, we anticipate they will have a monetary value, through allowing for improved firm efficiency and decision-making. These benefits include:

- **Enhanced regulatory clarity:** Our intervention will clarify standards, provide guidance, and reduce speculation over future regulatory actions, leading to lower uncertainty.
- **Reduced risk aversion from wider financial sector:** By applying Handbook rules to cryptoasset firms, we expect our regulation will enhance credibility within the UK cryptoasset market. This may increase engagement with non-cryptoasset firms and alleviate challenges some cryptoasset firms have raised in accessing banking services.

Costs

141. Costs will be both one-off (associated with implementation of our requirements) and ongoing (which firms will incur in order to remain compliant with our rules). Costs are primarily based on responses to our cost survey from firms and supplemented where appropriate with use of our standardised cost model and modelling of prudential requirements. These cost estimates below are subject to reporting inaccuracies and small sample size bias of our survey data.

142. We anticipate costs to firms will materialise across the following categories:

- Costs associated with operating a Trading platform
- Costs associated with being a cryptoasset Intermediary
- Costs associated with our rules for Lending and Borrowing
- Costs associated with our rules for Staking

143. There may be further costs from our rules, such as changes to business models. While we do not quantify these costs in this section, we consider the wider impact of our rules through our competition assessment below.

Costs associated with operating a Trading Platform

Familiarisation

144. Firms will need to become familiar with our rules for cryptoasset trading platforms, through reading our CP. We expect this to involve 20 pages of text and conducting a legal review. One-off costs are estimated at £10k per firm, with a population cost of £120k. We assume no ongoing familiarisation costs to firms.

Establishing a UK branch or legal entity

145. Based on our engagement with firms, we assume 50% of trading platforms will need to establish a UK branch. One-off implementation costs are estimated to be £1.1m per firm which will require a UK branch, and £4.6m across our population. Ongoing costs are estimated to be £1.4m per firm, with an annual cost of £5.5m across our population.

Intermediary Principles

146. CATPs will have to adopt the basic principles of intermediary traders when serving retail consumers. We estimate these costs will be incremental for 60% of firms. One-off implementation costs related to conforming with these principles is estimated to be £56k per firm or £260k across our population. The ongoing annual costs of are estimated at £45k per firm and £200k across all firms.

Identifying Market Makers

147. To avoid any conflict of interest with market makers, TPs will have to identify them and disclose any potential relationships. They will also be prevented from discriminating against retail client orders. We estimate this will be incremental for all firms. The one-off

implementation costs related to conforming with our rules is estimated to be £76k per firm or £400k across our population. The ongoing annual costs are estimated at £60k per firm or £240k across all firms.

Managing conflicts of interest (including self-issued tokens)

148. Our rules will allow cryptoasset platforms to issue their own tokens to be traded on their own platform provided they can demonstrate that the admission to trading. We estimate these costs will be incremental for all firms. Survey responses suggest this will cost the average trading platform £125k in one-off costs, and £60k ongoing costs. Total costs across our population of firms are estimated at £1m one-off and £470k on an annual basis.

Ban on credit lines to clients

149. Our rules will restrict how CATP operators can extend credit to any clients. We estimate this will impact 25% of firms. One-off implementation costs related to complying with our rules are £26k per firm or £50k across our population. Ongoing costs are £20k per firm, equivalent to £40k across the population.

Providing pre- and post-trade transparency to the market

150. Trading platforms have to grant public and non-discriminatory access to their order books and historical logs. Survey responses suggest this will be a new cost for 80% of firms. Per firm costs are estimated as £55k in one-off, and £45k ongoing. Total costs across our population of firms are £350k one-off and £280k ongoing.

Recording transactions (with a unique identifier for legal and natural persons)

151. Trading platforms must record a legal entity identifier for legal persons and a consistent personal identifier (such as NI Number) for natural persons. This will be a new cost for all firms. One-off implementation costs are estimated to £35k per firm and £280k across our population. Ongoing costs are estimated to be £15k per firm, with an annual cost of £130k across our population.

Prudential Requirements for Trading Platforms

152. Trading platforms will need to comply with prudential requirements set out in CRYPTOPRU and COREPRU. Firms will be subject to an "own funds" requirement and a "basic liquidity" requirement.

153. Firms will need to adopt an Own Funds requirement that is the higher of the below three components:

- **Permanent Minimum Requirement (PMR):** £150k if they are solely authorised as a trading platform, rising up to £750k if they are also authorised for Dealing as a Principal.
- **Fixed Overhead Requirement (FOR):** equivalent to 3 months fixed expenditure.

- **K-factor Requirement (KFR):** Based on activities carried out by the firm. This is outlined in Chapter 3 of CP25/42.

154. Prudential requirements will scale with the size of the firm. We anticipate the PMR will apply to small firms, FOR to medium firms and K-Factor requirements to larger firms.

155. Responses to our survey were not suitable as a basis for estimating the current own funds firms hold. As such, we have assumed that firms currently hold no funds in reserve, and all prudential requirements will be incremental costs. If firms do in fact hold some own funds, then costs estimated below will be higher than the costs firms will actually incur. Own funds are treated as a cost to firms as they represent an opportunity cost, due to needing to hold funds in reserve.

156. Firms will also face a basic liquidity requirement of liquid assets equivalent to 1 month's expenditure (after allowable deductions).

157. Firms will also need to disclose key information about their prudential requirements and holdings to the public. Traditionally firms include this as part of their annual reporting in other financial markets and we expect this will be the preferred method for cryptoasset firms. As a result, we expect the cost of this to be minimal and to be incorporated into the cost of reporting requirements.

158. Estimating the ongoing cost of the proposed prudential requirements requires an evaluation of the opportunity cost of capital to meet their estimated core capital resources requirement. We used the Capital Asset Pricing Model (CAPM), where we consider the return that investors would require from an equity investment, conditional on that equity's sensitivity to overall market risk, the equity market risk, and the risk-free rate[10]. We then net off the cost of capital against the estimated return firms can make on their reserved own funds requirements and liquidity requirements. The net cost of capital is estimated to be 3.4%[11].

159. Total prudential ongoing costs are estimated to be £194k per firm and £1.6m across our population.

10 The required return on equity is estimated to be 7.4%
This can be described by the following equation: re = rf + Brm
Where re is the required return on equity, rf is the risk-free rate, B is the sensitivity of the investment to overall market risk, and rm the market risk premium. We estimate the risk-free rate by adjusting long-term UK government bond yields for inflation, which is approximately equal to 1%. We also set the equity market risk premium to be equal to 5.4% and the corresponding equal to 1.2, which we have estimated based on review of academic literature (Cryptoasset returns under empirical asset pricing)

11 The return on liquid assets used returns on MMFs as a proxy for a return of around 4%.

Total Trading Platform costs

160. Costs associated with introduced and applying our rules for trading platforms are outlined in the table below:

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per market participant)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
Familiarisation	£10k	£0.1m	-	-	**£0.1m**
Establishing a UK Branch (or subsidiary)	£1.1m	£4.6m	£1.4m	£5.5m	**£52.0m**
Complying with Intermediary principles	£56k	£0.3m	£45k	£0.2m	**£1.9m**
Identifying market makers and non-discrimination of retail trades	£76k	£0.4m	£60k	£0.2m	**£2.4m**
Managing conflicts of interest (including self-issued tokens)	£125k	£1.0m	£60k	£0.5m	**£5.1m**
Restrict credit lines to clients	£26k	£0.1m	£20k	£0.1m	**£0.4m**
Providing pre and post-trade transparency	£55k	£0.3m	£45k	£0.3m	**£2.4m**
Recordkeeping	£35k	£0.3m	£15k	£0.1m	**£1.4m**
Prudential Requirements	-	-	£194k	£1.6m	**£13.4m**
Total Costs	£1.8m	£7.1m	£2.0m	£8.5m	**£79m**

* Population estimates account for assumed incremental impact of rules

Costs associated with Cryptoasset Intermediation

Familiarisation costs

161. Firms will need to become familiar with our rules for cryptoasset intermediaries, through reading our CP. We expect this to involve 20 pages of text and conduct a legal review. One-off costs are estimated at £3k per firm, with a population cost of £510k. We assume no ongoing familiarisation costs to firms.

Order Execution requirements

162. Authorised cryptoasset intermediaries will need to meet order execution requirements. We estimate this will be an incremental cost for 65% of firms. The one-off implementation costs related to complying with our rules is £31k per firm or £3.2m across our population. Ongoing annual costs are estimated at £29k per firm or £3.1m across all firms.

Prevention of conflicts of interest

163. Cryptoasset intermediaries will need to create structures and mechanisms to identify and disclose potential risks that the firm could prioritise its own interests over its clients. We estimate this will be a new cost for 60% of firms. One-off implementation costs are estimated to £25k per firm and £2.1m across our population. Ongoing costs are estimated to be £17k per firm, with an annual cost of £1.6m across our population.

Restriction on Payments for Order Flow

164. Our guidance will restrict intermediaries from partaking in payments for order flow (PFOF) practices. We assume this will be incremental for 100% of firms. Survey responses indicate the one-off implementation costs related to stopping PFOF are £45k average per firm or £7.3m across our population. Ongoing annual costs are estimated at £35k per firm or £5.7m across all firms.

Use of Authorised Venues

165. Cryptoasset intermediaries will only be allowed to execute orders on FCA authorised venues for retail and professional clients. This will be a new requirement for all firms. One-off implementation costs are estimated to £60k per firm and £9.6m across our population. Ongoing costs are estimated to be £67k per firm, with an annual cost of £10.9m across our population.

Provide pre- and post-trade transparency to the market

166. Our rules will require trading data be made available for transparency purposes. We estimate this will impact 100% of firms, although smaller firms will be exempt for pre-trade transparency. One-off implementation costs are estimated to be £36k per firm or £4.9m across our population. The ongoing annual costs are estimated at £17k per firm or £1.8m across all firms.

Prudential requirements for Cryptoasset Intermediaries

167. Intermediaries will have to conform to CRYPTOPRU and COREPRU rules around own funds and liquidity requirements to ensure that they are holding appropriate funds given the risk profile of their activities and liabilities. Firms will also have to publicly disclose key information about their regulatory capital each year.

168. We assume all small firms will be subject to PMRs and medium firms will be subject to FORs. Large firms will be required to estimate their own funds requirements based on the K-factors set out in the CP. The estimates are calculated according to the methodology set out above in the trading platform section.

169. We consider there to be ongoing costs only connected to these rules. These are estimated to be £78k per firm, and £12.6m across our population.

Total Intermediary costs

170. Costs associated with introduced and applying our proposed rules for cryptoasset intermediaries authorised within our regime are outlined in the table below:

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
Familiarisation	£3k	£0.5m	-	-	**£0.5m**
Order Execution requirements	£31k	£3.2m	£29k	£3.0m	**£23.2m**
Preventing conflicts of interest	£25k	£2.1m	£17k	£1.6m	**£12.7m**
Restricting payments for Order Flow	£45k	£7.3m	£35k	£5.7m	**£35.4m**
Authorised Venues	£59k	£9.6m	£67k	£10.9m	**£69.5m**
Provision of trading data	£36k	£4.9m	£17k	£1.8m	**£21.0m**
Prudential requirements	-	-	£78k	£12.6m	**£76.9m**
Total Costs	£198k	£28.5m	£245k	£35.6m	**£239m**

* Population estimates account for assumed incremental impact of rules

Costs associated with regulating Cryptoasset Lending and Borrowing

Familiarisation costs

171. Firms will need to become familiar with our rules for cryptoasset lending and borrowing firms, through reading our CP. We expect this to involve 20 pages of text and conduct a legal review. One-off costs are estimated at £5k per firm, with a population cost of £80k. We assume no ongoing familiarisation costs.

Express prior consent required.

172. We propose to require disclosures and the consumer's express consent on the firm's use of own assets transferred to them by the consumers and how the firm generates yield. We estimate this will be a new cost for 100% of firms. The one-off implementation costs related to these rules is estimated to be £40k per firm or £600k across our population. Ongoing annual costs are estimated at £35k per firm or £0.5m across all firms.

Restrictions on Collateral top-ups

173. Our rules will require firms to seek express prior consent from consumers before making automatic top ups and set limits on how much a firm can automatically top up a consumer's collateral over the loan's duration. We estimate this will be a new requirement for 100% of firms. One-off implementation costs are estimated to be £115k per firm or £1.7m across our population. Ongoing annual costs are estimated at £45k per firm or £0.7m across all firms.

Additional restrictions on cryptoasset lending and borrowing

174. Firms will have to comply with additional requirements as set out in our CP. One-off costs related are estimated to be £235k per firm or £3.5m across our population. Ongoing annual costs are estimated at £370k per firm or £5.6m across all firms.

Prudential Requirements for cryptoasset borrowing and lending

175. To estimate the own funds requirement for lending and borrowing we have estimated value based on information from our firm surveys. We have assumed that all lending and borrowing is in category A and B cryptoassets, at a split of 95% category A and 5% category B, with an over-collateralisation of ~ 130%[12].

176. Based on responses to our cost survey we have assumed that medium firms engaged in L&B activities lend on average £850k a year and large firms £8m. This gives us a total value of L&B activity annually of around £84.3m. We have estimated the K-factor requirement based on customers borrowing category A assets with category A assets as collateral and borrowing category B assets with category B assets as collateral. This provides us a K-factor requirement estimate of around 72% of L&B activity with category A assets and 240% of L&B activity with category B assets, when using the above assumptions around asset types and LTVs. For Medium trading platforms, we estimate they will still fall under their FOR, should they do this activity. For large firms, all that participate in L&B will have own funds requirements based on the K-factor.

177. We apply the methodology detailed in previous sections for estimating the net cost of capital of these own funds requirements. This results in an annual per firm cost of £170k or £1.7m across our population.

12 This is a conservative estimate as often crypto loans are overcollaterised often with LTV of 50% or less. e.g. you borrow £5000 with collateral of £12,000 worth of BTC. When a loan is collaterised to an LTV of 42% or lower, the K-factor for category A assets involved in L&B becomes £0.

Total costs to cryptoasset lending and borrowing firms

178. Costs associated with introducing and applying our rules for lending and borrowing activities in UK cryptoasset markets are outlined in the table below:

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
Familiarisation	£5k	£0.1m	-	-	**£0.1m**
Requiring express prior consent	£40k	£0.6m	£35k	£0.5m	£5.0m
Restrictions on collateral top-ups	£55k	£0.8m	£45k	£0.7m	£6.6m
Other restrictions on cryptoasset borrowing and lending	£235k	£3.5m	£370k	£5.6m	£51.9m
Prudential requirements			£170k	£1.7m	£14.8m
Total Costs	£330k	£5.0m	£620k	£8.6m	**£78m**

* Population estimates account for assumed incremental impact of rules

Costs associated with regulating cryptoasset staking

Familiarisation costs

179. Firms will need to become familiar with our rules for cryptoasset staking through reading our CP. We expect this to involve approximately 20 pages of text and conducting a legal review. One-off costs are estimated at £5k per firm, with a population cost of £200k. We assume no ongoing familiarisation costs.

Providing information on fees, risks and other key characteristics of a staking service

180. Firms will have to provide retail clients with information about fees, risks and other key characteristics of a staking service. We estimate this will be a new requirement for 50% of firms. One-off implementation costs related to these rules are estimated to be £32k per firm or £0.9m across our population. Ongoing annual costs are estimated at £15k per firm or £0.4m across all firms.

Requiring express prior consent

181. Firms will require retail clients' express prior consent to stake their cryptoassets. We estimate 60% of firms will need to make changes to comply with this requirement. One-off implementation costs are estimated to be £40k per firm or £1.6m across our population. Ongoing annual costs are estimated at £25k per firm or £0.8m across all firms.

Maintain accurate records

182. Firms will need to maintain accurate records of staked cryptoassets. We assume this will be a new requirement for 100% of firms. The one-off implementation costs related to conforming with our rules are estimated to be £105k per firm or £6.3m across our population. Ongoing annual costs are estimated at £100k per firm or £5.9m across all firms.

Prudential requirements

183. Firms engaged in cryptoasset staking will have to set aside a proportion of the total value of staked assets as part of their own funds requirements. We have estimated the value of UK assets locked up for staking to be £44bn, including staking by institutional investors (based on estimated global market share).

184. The K-factor for staking is 0.04% of average staked assets. This is then adjusted to account for the net cost of capital as outlined in previous sections. We estimate ongoing cost of firms own funds requirements related to staking to be £55k per firm or £550k across our population who engage in staking activities.

Total Staking firm costs

185. Costs associated with introducing and applying our rules for authorised staking firms are outlined in the table below:

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per market participant)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
Familiarisation	£5k	£0.2m	-	-	**£0.2m**
Providing required information to retail consumers	£32k	£0.9m	£15k	£0.4m	£3.8m
Requiring Express prior consent	£40k	£1.6m	£25k	£0.8m	£7.2m
Record-Keeping requirements	£105k	£6.3m	£100k	£5.9m	£44.7m

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per market participant)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
Prudential Requirements			£55k	£0.5m	£4.1m
Total Costs	£182k	£8.9m	£195k	£7.7m	**£60m**

* Population estimates account for assumed incremental impact of rules

Total cost to firms from our CP

186. In the below table, we aggregate costs across our proposals

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)	Ongoing Costs (per market participant)	Ongoing Costs (population)	Total population cost (10 year-PV)*
Costs to trading platforms	£1.8m	£7.1m	£2.0m	£8.5m	**£79m**
Costs to Intermediaries	£198k	£28.5m	£245k	£35.6m	**£239m**
Costs to L&B firms	£330k	£5.0m	£620k	£8.6m	**£78m**
Costs to Staking firms	£182k	£8.9m	£195k	£7.7m	**£60m**
Total Costs					**£458m**

* Population estimates account for assumed incremental impact of rules

187. These cost estimates primarily relate to compliance costs that will be incurred by firms. There will likely be additional costs to firms associated with changes in business models which we have not captured above. New requirements could force participants to exit the market if they cannot meet the costs of our requirements, which may involve wind-up costs or stranded assets.

Costs to consumers

188. Firms may pass on their additional costs to consumers through higher prices. This may be exacerbated if our intervention raises barriers to entry and reduces competition in the market. The nature of the industry wide cost increase is likely to lead to a higher cost pass-through rate. However, as the markets are not perfectly competitive, we would expect such pass-through to be less than 100% because market participants can absorb costs without becoming loss making.

189. If firms cannot pass through costs, it may lead to them cutting operating costs by reducing the quality of their offering, which would also impact consumers. Alternatively, they could reduce their spending on Research and Development, which could negatively impact innovation.

190. We will take measures to address and minimise the above costs to consumers. We will ensure our communication is clear, to help consumers understand the regulatory protection our regime provides. However, costs may still materialise to consumers and while we do not consider it reasonably practicable to estimate these costs, we recognise they may be significant for some consumers.

Costs to the FCA

191. We will incur costs for authorising firms in the new regime. The average time a case officer spends on one firm is around 40 hours, although that number can vary significantly with the size of the firm. We will recover these costs from firms through charging authorisation fees (which could be passed on to consumers).

192. There will also be costs associated with supervising additional firms and familiarisation with new and emerging business models. Costs could materialise from communication and publication of new rules. The FCA may incur additional costs to review monthly returns and reports we will require from firms.

Risks and Uncertainty

193. We recognise that establishing potential costs and benefits before the intervention takes effect is inherently subject to uncertainties. If our assumptions do not hold or if we have not accounted for all market dynamics, the costs and benefits discussed in this CBA may be over or understated. In addition, data challenges and limitations in our methodologies could lead to inaccuracies in our estimates.

194. There may be unintended consequences of our intervention. We will continue to monitor the cryptoasset market for signs of any unintended consequences as described in further detail below.

195. We consider the cost estimates listed above as comprising our "central scenario". That is, they represent our best estimate of the likely costs we expect to materialise from our proposals and are based on survey results and our analysis and understanding of UK cryptoasset markets. We recognise the currently unregulated nature of cryptoassets creates limitations for the accuracy of this central scenario, and our estimates and analysis above should be considered as subject to significant uncertainty.

Incremental nature of costs

196. We have assumed that many of our costs will not be incremental to some firms, as they will already be carrying out the activities in a way our proposed rules will require. This assumption is based on responses to our firms surveys. This assumption introduces additional uncertainty into our analysis in several ways:

- Survey response bias: Firms which are already conducting the activity in a manner we will require may be more likely to engage with the FCA and respond to our surveys.
- Future firm population: Firms will need to seek authorisation, and we do not anticipate all firms will successfully become authorised. Firms that do become authorised may differ from firms which responded to our survey.

197. To account for this uncertainty, we analyse a scenario, where all costs are incremental to firms. Results of our analysis and comparison with our central estimates are presented in the table.

Regulatory Requirement	Total population cost (Central Scenario)	Total population cost (All costs incremental)
Costs to trading platforms	£79m	£144m
Costs to Intermediaries	£239m	£265m
*Costs to L&B firms**	£78m	£84m
Costs to Staking firms	£60m	£74m
Total Costs	**£458m**	**£568m**

* All costs assumed incremental in central scenario

198. Our sensitivity analysis suggests costs to industry could be up to £110m higher across our appraisal period if our estimates on the incremental nature of our rules are biased. We note that this is still below the estimate of our quantified benefits and so our intervention should still deliver a positive net impact, even if we have underestimated costs to industry.

Break-even analysis

199. Our quantified benefits are estimated based on a behavioural experiment and the value consumers assign to regulatory protections. We anticipate benefits will materialise to consumers who currently engage in UK cryptoasset markets due to our proposed intervention, through improved consumer protections, which will increase trust and confidence for these consumers.

200. However, we recognise that our use of experimental data of the treatment effect of increased regulation as an estimate of the value consumers assign to regulation is subject to uncertainty. In addition, consumers may simply substitute away from alternative financial products, with our benefits representing a transfer rather than an incremental welfare gain. To account for the uncertainty, we have conducted

a breakeven analysis separate to our behavioural results. This breakeven analysis illustrates the benefits that would need to be realised for each UK cryptoasset consumer for the proposed changes to be net beneficial.

201. To estimate the breakeven benefits, we used the total quantified costs that we estimate firms would incur over the 10-year appraisal period, in present value terms (£458m). We divided this by the total number of UK consumers currently engaged, and those who we expect to engage in cryptoasset markets in our counterfactual scenario. We estimate the breakeven benefit per year per firm by dividing the breakeven benefit per firm by the number of appraisal years (10 years), discounting future values.

202. Results of our breakeven analysis are presented in the table below.

	PV Costs	Breakeven-Point per consumer (10 year)	Breakeven-Point per consumer (annual)
Central Estimate	£458m	+£49.9	+£4.90
All costs incremental scenario	£568m	+£62.4	+£6.20

203. Our breakeven analysis suggests that our intervention will be net beneficial to consumers if it provides in excess of £50 of value to each UK cryptoasset consumer over the course of our appraisal period (or up to £63 in our higher cost scenario). This is equivalent to £4.90 per consumer, per year within our central estimate scenario. This value is reflective of how much the average UK cryptoasset consumer would need to be willing to pay for regulatory protections in order for our intervention to be net beneficial. Given UK average cryptoasset portfolios were £2,250 as of August 2025, and that our research suggests most consumers would welcome additional regulatory protections, we consider it plausible the benefits from our intervention to consumers exceed the estimated breakeven threshold.

Competition Assessment

204. Our regime aims to reduce consumer harm by setting clear and proportionate standards for firms. These standards are designed to promote effective competition by ensuring a level playing field and enabling firms to compete on fair terms. While higher standards are necessary to reduce consumer harm, these regulatory requirements can act as barriers to entry for smaller firms, which may limit competition in the market.

205. We recognise trade-offs between competition and consumer protection, and that our intervention may result in lower levels of competition in UK cryptoasset markets in the short run than if we introduced lower standards for firms. Longer term, the measures are expected to strengthen both consumer protection and competition in UK cryptoasset markets by enhancing trust and driving fairer market outcomes.

206. Competition in the market may be impacted by:

- **Changes to product offerings:** Some of our proposed requirements will restrict certain products from being offered to UK consumers or introduce additional frictions within the user journey. This may result in a reduction in consumer choice on authorised platforms than there would have been without our intervention.

This in turn makes it more difficult for some firms to compete using a larger range of products and services as a selling point.

- **Product Substitution:** Regulating cryptoassets is likely to increase market confidence and attract more consumers into the sector. This may shift activity away from traditional products.
- **Disproportionate impacts on smaller firms:** Larger market participants may better absorb the impacts of higher regulatory burdens as they often have more mature compliance departments. This may have a disproportionate impact on small market participants. This could adversely impact competition in UK cryptoassets, particularly given our behavioural research suggests consumers trust larger firms and are reluctant to move from their chosen platform. We have exempted smaller firms from certain requirements (e.g. pre-trade transparency requirements and cross-platform information sharing requirements) to mitigate disproportionate impacts on smaller firms.
- **Higher barriers to entry:** Regulatory requirements will lead to higher barriers to entry for new market participants, potentially reducing innovation within the industry. Given the set-up costs of running a CATP or an intermediary there are already high barriers to entry, so we do not expect these to significantly increase the barriers to entry relative to the counterfactual. However, cumulative compliance costs associated with our aggregate cryptoasset regime could still deter smaller or innovative firms.
- **Firm entry and exit from the market:** Due to the increased regulatory cost there may be some market participants who choose to cease providing these services in the UK. We expect the ultimate impact of firm exit to be limited due to the current levels of concentration within the market. Over time, we expect our rules will result in increased firm entry due to greater regulatory clarity.
- **Competition between UK and Overseas firms:** Divergence between UK requirements and those in other jurisdictions could affect the ability of UK-based firms to compete internationally. More complex rules may increase compliance costs and place domestic firms at a disadvantage relative to overseas providers serving UK consumers from less-regulated markets. Conversely, a clear and credible UK regime could enhance the attractiveness of the market by giving global participants greater certainty and confidence to operate within it. We consider this balance appropriate, provided that the UK continues to engage with international counterparts to promote alignment (such as the IOSCO CDA recommendations) and limit risks of market fragmentation.

207. Overall, we believe the policy interventions strike a proportionate balance between improving outcomes for consumers and maintaining a competitive market. We will monitor the impact of our intervention on the degree of competition in UK cryptoasset markets.

Wider economic impacts, including on secondary objective.

208. Our proposals will help to support competitiveness and growth in the UK through influencing three of our seven drivers:

- **Innovation:** Our regulation provides greater clarity and legitimacy to cryptoasset market participants. We anticipate this will support an environment for increased innovation within UK financial services, benefitting competitiveness and growth.
- **Market stability:** By introducing these rules for market participants, we reduce the likelihood of market disruption. Protecting consumers and market participants in this way builds confidence in UK institutions and provides a foundation for increasing investment in the UK, which, supports productivity and market growth.
- **International markets:** Our rules have been designed to be consistent with international peers, following recommendations for regulation of cryptoassets published by IOSCO. This will ensure the UK is an attractiveness place for cryptoasset firms to invest and for businesses to establish or raise capital.

209. We anticipate the standards we introduce will support UK competitiveness. We recognise an interaction between developing a cryptoassets regime that protects consumers and supports market integrity, and the resulting impact on growth.

210. From our review of the relevant literature, we did not identify evidence to suggest economic growth directly materialising from consumers purchasing cryptoassets. Any benefits would instead be due to consumers increasing their consumption from converting gains in cryptoasset holdings to increased income, which we anticipate as being limited. Growth may also materialise due to increased exports (i.e. if UK based cryptoasset market participants attract business from overseas customers).

211. We see the impact of our intervention on economic growth as dependent on the cryptoasset sector interlinking with, and creating benefits in, the real economy. We identify 3 ways in which cryptoassets could support the UK's growth objective:

- **Labour market impacts:** Cryptoasset market participants employ high-skilled workers and our intervention could attract them to establish in the UK. This would result in direct jobs (and supporting supply chain jobs) and potentially higher wages for those in the industry. We assess the potential impact on growth to be small, due to low jobs numbers associated with cryptoasset firms, meaning any new jobs would have small impact on the wider UK economy.
- **Capital Inflows and Liquidity:** More market participants located in the UK could result in capital inflows. Higher liquidity could in turn increase efficiencies in the UK's financial sector which could impact growth.
- **Innovation:** Increased use of cryptoassets and DLT due to more consumer confidence and trust may result in new products and services, benefiting consumers across the economy. Innovation is a core driver of economic growth, but the impact on growth is contingent on how the rest of economy uses cryptoasset technology (directly or indirectly).

212. Our assessment suggests potential for our intervention to improve international competitiveness and growth in the medium-to-long term through the above factors. However, this is subject to a significant uncertainty and dependent on the extent to which cryptoasset market participants establish in the UK. Growth is also dependent on several exogenous variables, in particular, the ability of DLT to create efficiencies at scale and compete with legacy financial infrastructure.

Monitoring and Evaluation

213. We anticipate our intervention will result in reduced harm to consumers who choose to engage with cryptoassets. We also expect consumers who currently engage in cryptoassets to invest more in the market due to increased regulatory protections. Firms will benefit from increased consumer demand, and we expect more firms to enter UK markets over time due to increased regulatory clarity.

214. We intend to measure the effectiveness of our interventions through:

- Regulatory returns information submitted to the FCA by cryptoasset firms as part of their regulatory requirements.
- Survey data, including our Consumer Research series and FLS. These will allow us to track changes in attitudes, behaviour, and demand.
- Monitoring competition within UK cryptoasset markets, as measured by the number of firms and our consumer research indicating how willing consumers are to shop around and compare prices.

Consumer outcomes

215. We expect our rules to reduce consumer harm from their involvement in cryptoasset markets, through introducing regulatory requirements for firm behaviours. We also expect consumers will be better informed to make appropriate investment decisions across cryptoasset markets and products.

216. We will monitor this through our consumer research series, which includes measures of the following:

- Understanding of products
- Scams, losses, and other negative experiences
- Awareness of regulation and understanding of risks

Firm outcomes

217. We expect our regulation will result in reduced uncertainty for firms. It may also increase demand for cryptoassets, as consumer confidence increases, and more consumers enter the market,, as suggested by our behavioural research.

218. To monitor the effect of these standards on firms, we will continue to gather information on the market. We will engage with firms to identify challenges to regulation and any improvements to proportionality and appropriateness.

Consultation with the FCA Cost Benefit Analysis Panel

219. We have consulted the CBA Panel in the preparation of this CBA in line with the requirements of s138IA(2)(a) FSMA. A summary of the main group of recommendations provided by the CBA Panel and the measures we took in response to Panel advice is provided in the table below. In addition, we have undertaken further changes based on wider feedback from the CBA Panel on specific points of the CBA. The CBA Panel publishes a summary of their feedback on their website, which can be accessed here.

CBA Panel Main Recommendations	Our Response
Clarify basic rationale for extension of conduct regulation perimeter. The CBA should present more clearly the basic economic case for bringing cryptoasset activities into the regulatory perimeter, explaining in particular how the proposed rules relate to (i) the HMT Statutory Instrument and its Impact Assessment; (ii) the existing base of CBA supporting conduct regulation of traditional financial services; and (iii) the principle of ensuring a level regulatory playing-field between traditional financial and cryptoasset services. The CBA could usefully give particular attention to the welfare impact of the proposed rules which derive from aspects of cryptoasset activities which differ from traditional financial services.	We have included a more specific discussion on the economic rationale for regulation of cryptoassets, our design principle of "Same Risk, Same Regulatory Outcome" and the expected welfare impacts of doing so. We have also provided further detail on how our proposed intervention relates to HMT's SI and costs and benefits assessed within its Impact Assessment.
Reassess whether additional investment constitutes a genuine welfare benefit. The CBA estimates the net benefit of the proposed rules to consumers at £745m, more than offsetting the £465m of estimated net costs to firms. However, the figure of £745m appears to reflect a forecast of the total incremental investment by UK consumers in qualifying cryptoassets, rather than a welfare gain. The CBA should clarify the rationale and evidence for classifying this as a benefit or recalculate the benefits of the proposed rules using other methods that capture genuine welfare gains.	We reframed our benefits analysis as a combined estimation of the value of our regulation to both cryptoasset firms and consumers. We anticipate that the primary benefit of our intervention for consumers will be increased regulatory protections when choosing how to access and engage with UK cryptoasset markets. For consumers who currently engage in cryptoassets markets, they will experience a much higher standards of protections and firm standards from cryptoasset firms than they do today. Cryptoasset firms will also benefit from our regulation, through increased consumer demand, which will improve market liquidity and generate additional revenue through fees on products and services. Our benefits estimation represents the combined value of these impacts: Consumers receiving additional protections (which our research indicates most would value), and firms benefiting from increased demand from UK retail consumers. We recognise the uncertainty and limitations of this approach, and so have included additional breakeven analysis, which demonstrates the value consumers would have to receive from increased protections in order for our intervention to be net beneficial, independent of our behavioural analysis.

CBA Panel Main Recommendations	Our Response
Improve conceptualisation of market and economic analysis. The CBA conceives of the benefits of the proposed rules as depending critically on their capacity to stimulate growth in the market for investment in qualifying cryptoassets. Given this, its analysis is weak in the following respects: (i) consideration of competition between on- and offshore service providers is lacking; (ii) its quantification of benefits is over-reliant on a single experimental result; (iii) there is insufficient analysis of the economics of novel aspects of cryptoasset activities, such as staking, and how they compare to traditional financial services.	We have added additional analysis on how we expect our proposed rules will impact competition between UK and offshore providers (noting that we are aligned with IOSCO CDA recommendations). We have also highlighted novel features of cryptoasset products within our market section, and where they present potential efficiencies relative to traditional financial instruments
Ensure proper assessment of impact on international competitiveness and growth. The Panel notes that by assessing individual packages of proposed rules under the Crypto Roadmap piecemeal, CBAs are not capturing collective and macroeconomic impacts. For example, growth in cryptoasset services stimulated by the proposed rules may come at the expense of, rather than in addition to, traditional financial services. Depending on the relative effectiveness of traditional and cryptoasset services as allocating capital, such substitution and/or crowding out effects may have an impact on UK economic growth. Generally, there is a lack of clarity over the kinds of financial services provided by cryptoasset activities, and what their wider economic impacts are. For example, payments services are not considered, even though many cryptoassets are also payments instruments.	Our CBAs are intended to be an analysis of the costs and the benefits that will arise if the proposed rules within the accompanying CP are made. We recognise that within the context of our cryptoasset regime, the nature of our CP publications has meant our CBAs have focused on the incremental nature of particular rules, which has limited our analysis of the wider impacts of our cryptoasset regime. To account for this limitation, we intend to conduct an "aggregate CBA" assessing the total impact of all our proposed rules for the UK cryptoasset sector. This aggregate CBA will be published alongside our Policy Statements in 2026. In relation to cryptoasset usage as payment instruments, while we note potential use cases, our research highlights consumers overwhelmingly see cryptoassets as an investment asset, and cryptoassets currently have negligible acceptance among UK merchants. We do not anticipate the impact of our proposed rules within this CP will result in increased use of cryptoassets for payments and so have limited our analytical focus to cryptoassets as an investment asset.

Question 29: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons.

Question 30: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

Annex 3

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by section 138I(2)(d) of FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) of FSMA, and (c) complies with its general duty under section 1B(5)(a) of FSMA to have regard to the regulatory principles in section 3B of FSMA. The FCA is also required by section 138K(2) of FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rulemaking) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA of FSMA about aspects of the economic policy of the government to which we should have regard in connection with our general duties.

5. This Annex includes our assessment of the equality and diversity implications of these proposals.

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objectives of:

- Delivering consumer protection – securing an appropriate degree of protection for consumers.
- Enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
- Building competitive markets – promoting effective competition in the interests of consumers.

8. We set out how we consider our proposals comply with the FCA's operational objectives in paragraphs 1.8 and 1.9 of this consultation.

9. We consider that, so far as possible, these proposals advance the FCA's secondary international competitiveness and growth objective by improving confidence in the UK as a place where cryptoasset activities can be carried out in a trusted market with clear and proportionate rules. Our proposed rules on the new cryptoasset activities introduced through the Financial Markets and Services and Markets Act 2000 (Cryptoassets) Regulations 2025 are intended to help ensure the UK remains a stable environment for doing business. We have also had regard to relevant international standards set by the FATF, FSB and IOSCO, of which the FCA played a leading role.

10. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in section 3B of FSMA.

The need to use our resources in the most efficient and economic way

11. These proposals will help us to improve our supervisory oversight of cryptoasset businesses, such that the regulation of cryptoasset activities and application of supervisory approaches is similar, where appropriate, to the regulation of traditional financial services. By ensuring that firms can meet our standards before receiving authorisation, our proposals are intended to reduce the need for supervisory interventions.

The principle that a burden or restriction should be proportionate to the benefits

12. We have carefully considered the proportionality of our proposals, including through ongoing engagement and consultation with internal and external stakeholders.

13. The proposals may require firms to make changes, with associated costs, as to how they conduct their business. However, we consider that our proposals are proportionate, and the benefits outweigh the costs. The Cost Benefit Analysis (CBA) in Annex 2 sets out the costs and benefits of our proposals.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

14. We have considered our duty under sections 1B(5) and 3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net zero emissions target under section 1 of the Climate Change Act 2008 (UK net zero emissions target) and environmental targets under s. 5 of the Environment Act 2021, alongside the wider environmental, social and governance (ESG) implications of our proposals.

15. On balance, we do not think there is any contribution the proposals outlined in this consultation can make to these targets. However, we recognise the impact cryptoassets can have on energy consumption and greenhouse gas emissions. We proposed in our CP on conduct and firm standards for RAO activities (CP25/25) that our anti-greenwashing rule (ESG 4.3.1R), which applies broadly to all FSMA-authorised firms and requires that sustainability claims be fair, clear, and not misleading, apply equally to crypto. We have also explored ESG implications for RAO authorised firms in CP25/25. We welcome the feedback we have received to CP25/25 and will confirm final rules in the corresponding Policy Statement.

The general principle that consumers should take responsibility for their decisions

16. Our proposals will provide greater protection for consumers. They do not inhibit consumers' ability to access a range of products, nor do they seek to remove from consumers the need to take responsibility for their own decisions in relation to their use of regulated and unregulated products and services.

The responsibilities of senior management

17. Our proposed approach to SM&CR for regulated cryptoasset activities was introduced in CP25/25. We proposed to apply SM&CR, a regime which aims to reduce harm to consumers and strengthen market integrity by creating a system that enables firms and regulators to hold people to account. The SM&CR regime is designed to be sufficiently broad to apply across sectors regulated by the FCA. We will consider responses to our proposals before final rules.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

18. Our proposals recognise that firms conducting different regulated cryptoasset activities require a different approach. We are proposing different specific rules for different activities in this consultation with reference to the nature and risks posed by these activities.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

19. We have had regard to this principle and believe our proposals are compatible with it, including through our proposed rules on the information cryptoasset firms should disclose. We have also proposed pre- and post-trade transparency rules with the intention that would support market efficiency and integrity. We may publish data on aggregate trends in the cryptoasset market.

The principle that we should exercise our functions as transparently as possible

20. By explaining the rationale for our proposals and the anticipated outcomes, we have had regard to this principle.

In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) of FSMA)

21. Our proposals are intended to support firms to act as a strong line of defence against financial crime. We consulted on our approach to financial crime in CP25/25.

Expected effect on mutual societies

22. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. Our proposals will apply equally to any regulated firm, regardless of whether it is a mutual society.

Compatibility with the duty to promote effective competition in the interests of consumers

23. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers. This is set out in paragraphs 1.8 and 1.9 of the consultation paper.

Equality and diversity

24. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.

25. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in our Equality Impact Assessment.

Legislative and Regulatory Reform Act 2006 (LRRA)

26. We have had regard to the principles in the LRRA and Regulators' Code (together the 'Principles') for the parts of the proposals that consist of general policies, principles, or guidance. We consider that these parts of our proposals are compliant with the five LRRA principles – that regulatory activities should be carried out in a way which is transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed.

- **Transparent** – We have been pro-actively engaging on our proposed changes with industry in a simple, straightforward way as we fine-tune our proposals.
- **Accountable** – We will publish final rules after considering all feedback received to our consultation. We are acting within our statutory powers, rules, and processes.
- **Proportionate** – We recognise that firms may be required to make changes to how they carry out their business and have provided for an implementation period to give them time to do so. The CBA sets out further detail on the costs and benefits of our proposals.
- **Consistent** – Our approach would apply in a consistent manner across firms carrying out similar cryptoasset activities.
- **Targeted** – Our proposals will strengthen our ability to provide targeted firm engagement and how to best deploy our resources.
- **Regulators' Code** – Our proposals are carried out in a way that helps firms to comply and grow through our consideration of their feedback and refining our proposals where necessary. Our CP, CBA, draft instrument, accompanying annexes, public communications and communications with firms are provided in a straightforward and transparent way to help firms meet their responsibilities.

Annex 4

Glossary

Term	Description
Retail client	As defined in COBS 3, a retail client is a client who is not a professional client or an eligible counterparty. We refer to "retail customer" or "retail investor" interchangeably with "retail client" in this CP.
Operating a qualifying cryptoasset trading platform	As specified in Article 9S (Operating a qualifying cryptoasset trading platform) of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025. In this paper, we refer to entities authorised as qualifying cryptoasset trading platforms as 'CATP operators'.
Cryptoasset intermediaries	In this paper, we refer as cryptoasset intermediaries to persons authorised to perform any of the following activities: • Dealing in qualifying cryptoassets as principal • Dealing in qualifying cryptoassets as agent • Arranging deals in qualifying cryptoassets as specified in 9T, 9W, and 9Y of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025.
Qualified investor	As specified in Schedule 1, part 2, 9(1) of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025.
Eligible Counterparty	An eligible counterparty is a client that is either a per se eligible counter party or an elective eligible counterparty, according to COBS 3, which is also in the process of being consulted on.

Annex 5

Abbreviations used in this paper

Abbreviation	Description
A&D	Admissions and Disclosures
CASS	Client Assets Sourcebook
CATP	Cryptoasset Trading Platform
CBA	Cost Benefit Analysis
CDA	Crypto and Digital Assets
CeFi	Centralised Finance
CfDs	Contracts for Difference
COBS	Conduct of Business Sourcebook
CONC	Consumer Credit Sourcebook
CP	Consultation Paper
DeFi	Decentralised Finance
DISP	The Dispute Resolution: Complaints Sourcebook
DP	Discussion Paper
ECP	Eligible Counterparty
ESG	Environmental, Social and Governance
EU	European Union
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FSB	Financial Stability Board
FSMA	Financial Services and Markets Act 2000

Abbreviation	Description
GBP	Great British Pound
IOSCO	International Organization of Securities Commissions
L&B	Cryptoasset lending and cryptoasset borrowing
LRRA	Legislative and Regulatory Reform Act 2006
LTV	Loan-to-Value
MARC	Market Abuse Regime for Cryptoassets
MiFID	Markets in Financial Instruments Directive
MLR	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MPT	Matched Principal Trading
MTFs	Multilateral trading facilities
NSM	National Storage Mechanism
PFOF	Payment for Order Flow
PROD	Product Intervention and Product Governance Sourcebook
PS	Policy Statement
QCDD	Qualifying Cryptoasset Disclosure Document
RAO	Regulated Activities Order 2001
SI	Statutory Instrument
SIC	Specified Investment Cryptoasset
SM&CR	The Senior Managers and Certification Regime
STORs	Suspicious Transaction and Order Reports
SYSC	Senior Management Arrangements, Systems and Control
UK CATP	UK-authorised Cryptoasset Trading Platform

Appendix 1

Draft Handbook text

CRYPTOASSET TRADING PLATFORMS, TRANSPARENCY AND RECORDS INSTRUMENT 202X

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers); and
(c) section 139A (Power of the FCA to give guidance); and

(2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

[*Editor's note:* The Annex to this instrument takes into account the proposals and legislative changes suggested in the consultation paper 'Stablecoin Issuance and Cryptoasset Custody' (CP25/14) as if they were made final.]

D. The Cryptoasset sourcebook (CRYPTO) is amended in accordance with the Annex to this instrument.

Citation

E. This instrument may be cited as the Cryptoasset Trading Platforms, Transparency and Records Instrument 202X.

By order of the Board
[*date*]

Annex

Amendments to the Cryptoasset Sourcebook (CRYPTO)

In this Annex, all the text is new and is not underlined.

Insert the following new chapters, CRYPTO 6, CRYPTO 7 and CRYPTO 8, after CRYPTO 5 (Execution and orders).

[*Editor's note*: CRYPTO 5 is set out in the proposed instrument Cryptoasset Intermediary Instrument 202X, which is being consulted on as part of this consultation paper ('Regulating Crypto Activities' (CP25/40)).]

6 Cryptoasset trading platforms

6.1 Purpose and application

Purpose

6.1.1 G The purpose of this chapter is to set out requirements relating to the *operation of a qualifying CATP*. This chapter does not apply to bilateral systems, which are excluded from the *qualifying CATP* definition.

Application

6.1.2 R This chapter applies to a *UK QCATP operator*.

6.2 Trading process requirements

Rules, procedures and arrangements

6.2.1 R A *firm* must implement, publish and maintain clear and transparent operating rules for a *UK QCATP* it operates, including at least:

(1) objective, non-discriminatory rules and proportionate criteria for:

(a) ensuring fair and orderly trading on; and

(b) promoting fair and open access to,

the *UK QCATP* for users;

(2) objective criteria for the efficient execution of orders that are established and implemented in non-discretionary rules;

(3) arrangements for the sound management of the technical operations of the *UK QCATP*, including effective contingency arrangements to cope with the risks of systems disruption;

(4) transparent rules regarding the criteria for determining the *qualifying cryptoassets* that can be traded on or under its systems and regarding their withdrawal from *admission to trading*;

(5) non-discriminatory and objective criteria that govern access to its facility and that must provide that its users:

(a) are of sufficient good repute;

(b) have a sufficient level of trading ability, competence and experience;

(c) where applicable, have adequate organisational arrangements; and

(d) have sufficient financial resources to trade on the platform; and

(6) arrangements to:

(a) monitor compliance with its rules by users of the *UK QCATP*; and

(b) suspend or terminate the provision of access to a *UK QCATP* for a user in the case of any non-compliance with its rules.

6.2.2 R (1) A *firm* must publish information on the operating rules for its trading platform free of charge and in a manner that:

(a) is easily accessible, non-discriminatory, prominent, comprehensible, fair, clear and not misleading; and

(b) facilitates all users' understanding.

(2) The information in (1) must include an explanation of any:

(a) trading limits; and

(b) adverse consequences arising from breaches of the operating rules.

(3) A *firm* must provide access to its operating rules to all of its users at all times.

Admission, suspension and withdrawal

6.2.3 R (1) A *firm* must ensure that, on a *UK QCATP* it operates, a *retail investor* is only able to trade directly in *qualifying cryptoassets admitted to trading* in accordance with *CRYPTO* 3.

(2) A *firm* that admits to trading a *qualifying cryptoasset* (A):

(a) on a *UK QCATP* it operates (B); and

(b) where trading in A is limited to designated categories of investors,

must ensure that only investors to whom (b) applies can trade in A on B.

(3) A *firm* must direct its users to any *QCDD* relating to A.

(4) The disclosure in (3) must be made prior to trading in a manner that:

(a) is easily accessible, non-discriminatory, prominent, comprehensible, fair, clear and not misleading; and

(b) facilitates all users' understanding.

6.2.4 R (1) A *firm* that wishes to admit to trading, on a *UK QCATP* it operates, a *qualifying cryptoasset*:

(a) of which it is the issuer;

(b) for which it has arranged the issue; or

(c) in which it otherwise has a financial interest,

must disclose the nature of its interest in that *qualifying cryptoasset* in the relevant *QCDD* provided to users of the *UK QCATP*.

(2) A *firm* must have in place policies and procedures to mitigate the conflict in (1), including functional separation of individuals engaged in:

(a) the issuance process; and

(b) the *admission to trading* process,

in the case of the *qualifying cryptoasset* to which (1) applies.

(3) A *firm* must be able to demonstrate that the arrangements in (2) allow for the independent performance of the *admission to trading* process.

(4) A *firm* must make a disclosure on its website if, following *admission to trading*, it acquires a financial interest in a *qualifying cryptoasset* it has *admitted to trading*.

6.2.5 R If a *firm* withdraws a *qualifying cryptoasset* from trading on a *UK QCATP*, it must, prior to doing so, notify the fact and consequences of withdrawal to the issuer and public through appropriate direct channels.

6.2.6 R Where a *firm* has withdrawn a *qualifying cryptoasset* from trading on a *UK QCATP* it operates, it must update its website and the *FCA*'s central repository with a notice duly dated comprising:

(1) the date of withdrawal;

(2) the *qualifying cryptoasset* identifier;

(3) the *qualifying CATP* identifier;

(4) a link to the *QCDD*;

(5) the name of the *person* responsible for the offer; and

(6) an explanation of the reasons for withdrawal.

6.2.7 R (1) A *firm* must maintain a record on its website of all *qualifying cryptoassets admitted to trading* on a *UK QCATP* it operates, including instruments it considers to be fungible with *qualifying cryptoassets* previously *admitted to trading*.

(2) The record in (1) must:

(a) be kept up to date;

(b) comprise details of any *QCDD* that corresponds to a *qualifying cryptoasset*; and

(c) be easily accessible and comprehensible to users of the *UK QCATP*.

Co-location

6.2.8 R Where a *firm* permits co-location in relation to the *UK QCATP*, its rules on co-location services must be transparent, fair and non-discriminatory.

6.3 Systems and controls for UK QCATP operators

Systems and controls

6.3.1 R A *firm* must have arrangements to ensure it is adequately equipped to:

(1) identify all significant risks to its operation;

(2) manage the risks to which it is exposed; and

(3) put in place effective measures to mitigate those risks.

6.3.2 R A *firm* must have in place effective systems, procedures and arrangements to ensure that the trading systems of a *UK QCATP* it operates:

(1) are resilient;

(2) have sufficient capacity to deal with peak order and message volumes;

(3) can ensure orderly trading under conditions of severe market stress;

(4) can reject orders that exceed predetermined volume and price thresholds or are clearly erroneous;

(5) are fully tested having regard to paragraphs (1) to (4);

(6) can halt, suspend or constrain trading;

(7) are subject to effective business continuity arrangements to ensure continuity of platform services if there is any failure of, or disruption to, the trading system;

(8) are designed to prevent market abuse, and to detect it if it occurs; and

(9) are sufficiently robust to prevent their abuse for the purposes of *money laundering* or terrorist financing.

6.3.3 R A firm must maintain resources and have back-up facilities in place to enable it to provide *reportable pre-trade transparency information*, where relevant, and *reportable post-trade transparency information*, in accordance with *CRYPTO* 7.

6.3.4 R A *firm* must, with regard to its own interests and those of:

(1) the *UK QCATP*;

(2) its *group*; and

(3) users,

have arrangements to identify clearly and manage any conflict with adverse consequences for the sound functioning of the *UK QCATP*.

6.3.5 G A *firm* is also subject to the conflicts-of-interest requirements in *Principle* 8 of *PRIN* and *SYSC* 10, as well as those in *CRYPTO* 3.

Measures preventing disorderly markets

6.3.6 R A *firm* must have the ability to halt, suspend or constrain trading on a *UK QCATP* it operates.

6.3.7 R For the purposes of *CRYPTO* 6.3.6R, and to avoid significant disruptions to the orderliness of trading, a *firm* must calibrate the parameters for halting trading in a way that takes into account:

(1) the liquidity of different *qualifying cryptoassets*;

(2) the nature of the *qualifying CATP* market model; and

(3) the types of users,

to ensure the parameters are sufficient to avoid significant disruptions to the orderliness of trading.

6.4 Market making and algorithmic trading

Market makers

6.4.1 R (1) A *firm* must identify, document and monitor users who carry out *market making strategies* on a *UK QCATP* it operates.

(2) Where a *firm* offers an incentive scheme or any other legal, contractual, commercial or other arrangement with *market makers* or other liquidity providers, it must:

(a) document and disclose to users such schemes and relationships, including the terms of such arrangements;

(b) ensure that the design and effect of such arrangements promote fair, orderly and efficient trading on the *UK QCATP*; and

(c) monitor compliance with the terms of such arrangements.

Algorithmic trading

6.4.2 R A *firm* must make, maintain and publish objective, non-discriminatory rules and proportionate criteria relating to permissible use of algorithms on the *UK QCATP* it operates, as well as specifications on:

(1) types of algorithms;

(2) algorithmic trading thresholds; and

(3) algorithmic trading limits commensurate with the nature of the business and the operating capacity of the *UK QCATP*.

6.4.3 R A *firm* must monitor algorithmic trading activity to:

(1) ensure compliance with its rules relating to *CRYPTO* 6.4.2R; and

(2) prevent market abuse.

6.4.4 R A *firm* must have in place and maintain effective systems, procedures and arrangements to ensure that an algorithmic trading system cannot create, or contribute to, disorderly trading conditions on the *UK QCATP* it operates.

6.4.5 R (1) A *firm* must disclose to its users:

(a) the approach to managing and mitigating potential harms arising out of the use of algorithmic trading techniques; and

(b) the numbers of users engaged in algorithmic trading techniques, in accordance with its rules,

on a *UK QCATP* it operates.

(2) The disclosures in (1) must be made in a manner that:

(a) are easily accessible, non-discriminatory, prominent, comprehensible, fair, clear and not misleading; and

(b) facilitate understanding all users' understanding.

6.5 Information to users

Fee structures

6.5.1 R A *firm* must ensure that its fee structures, including all commissions and gas fees:

(1) are transparent, fair and non-discriminatory; and

(2) do not create incentives to place, modify or cancel orders or to execute transactions in a way that contributes to disorderly trading conditions or market abuse.

Settlement of transactions

6.5.2 R A *firm* must clearly inform its users of the process for the settlement of transactions executed on a *UK QCATP* it operates, including any associated risks.

6.6 Business activities

Matched principal trading

6.6.1 R A *firm* must not execute any orders against its proprietary capital on a *UK QCATP* it operates, except where *CRYPTO* 6.6.2R applies.

6.6.2 R A *firm* with the appropriate *permission* may engage in *matched principal trading* for the purpose of executing client orders on a *UK QCATP* it operates, when acting in accordance with the non-discretionary rules of the *qualifying CATP*.

6.6.3 G *Matched principal trading* does not exclude the possibility of settlement risk and, accordingly, a *firm* should take appropriate steps to minimise this risk.

6.6.4 G The effect of *CRYPTO* 6.6.1R is that a *firm* cannot act as a *market maker* on a *UK QCATP* it operates.

Credit risk exposure

6.6.5 R A *firm* must not offer credit to its *clients*.

Trading as principal outside a CATP

6.6.6 R A *firm* with the appropriate *permission* may execute orders against its proprietary capital or engage in *matched principal trading* outside the *qualifying CATP* it operates if it:

(1) makes clear to its *client*, at all times, the capacity in which it is providing services to them and the nature of the service, including when executing orders:

(a) against its proprietary capital; or

(b) by *matched principal trading*; and

(2) maintains effective systems, procedures and arrangements to ensure that conflicts of interest are capable of being promptly identified and are adequately managed.

6.6.7 G For the purposes of *CRYPTO* 6.6.6R, when a *firm* executes orders against its proprietary capital, an appropriate *permission* is the *permitted activity* of *dealing in qualifying cryptoassets as principal*. A *UK QCATP operator* requires this *permission* in addition to carrying on the *permitted activity* of operating a *qualifying CATP*. Where a *UK QCATP operator* wishes only to carry on the additional activity of *matched principal trading*, it requires a *permission* of *dealing in qualifying cryptoassets as principal* subject to a *limitation* restricting that activity to *matched principal trading*.

6.7 Records

6.7.1 R A *firm* must make and keep records evidencing its compliance with this chapter.

6.7.2 R A record made and kept by a *firm* in accordance with *CRYPTO* 6 must be:

(1) provided by the *firm* to the *FCA* upon request; and

(2) kept for a period of 5 years or, where requested by the *FCA*, for a period of up to 7 years.

7 Transparency

7.1 Purpose and application

Purpose

7.1.1 G The purpose of this chapter is to set out the pre-trade and post-trade transparency *rules* applying to the reporting of *qualifying cryptoassets*.

Application

7.1.2 R This chapter applies to a *firm*:

(1) that is:

(a) *dealing in qualifying cryptoassets as principal*; or

(b) a *UK QCATP operator*; and

(2) (for the purposes of *CRYPTO* 7.2) that has average revenue of more than or equal to £10,000,000 a year, for a period of the 3 previous years, including revenue arising from periods when the business was carried on by or in any predecessor entity.

7.1.3 R A *firm* carrying on a *permitted activity* in *CRYPTO* 7.1.2R(1) must perform the calculation in *CRYPTO* 7.1.2R(2) at 12-*month* intervals.

7.1.4 G A *firm* that operates a *UK QCATP* and to which *CRYPTO* 7.2 applies is a *large CATP operator*.

7.2 Pre-trade transparency

Firm obligations

7.2.1 R A *firm* must, in respect of a *qualifying cryptoasset* traded on a *UK QCATP* it operates, publish adequate information about current bid and offer prices and the depth of trading interests at those prices, for the purposes of achieving efficient price formation and fair evaluation of such a *qualifying cryptoasset*.

7.2.2 R A *UK QCATP operator* publishes adequate information for the purposes of *CRYPTO* 7.2.1R where it publishes the pre-trade transparency information described in the table in *CRYPTO* 7.2.4R.

7.2.3 R A *UK QCATP operator* must publish at least the pre-trade transparency information in *CRYPTO* 7.2.4R on a continuous basis during normal trading hours.

7.2.4 R Table: Pre-trade transparency information to be published, by reference to type of system

	Type of trading system	**Information to be published**	
(1)	Continuous auction order book trading system	The aggregated number of orders and the cryptoassets that those orders represent for at least the 5 best bid and offer price levels of each *qualifying cryptoasset*.	
(2)	Quote-driven trading system	For each *qualifying cryptoasset* traded on the trading system:	
		(a)	the best bid and offer by price of each participant; and
		(b)	the volume corresponding to the price.

(3)	Hybrid trading system	For a hybrid trading system combining different trading systems at the same time, the information in (1) or (2) applicable to each trading system forming that hybrid system.	
(4)	Any other trading system	For each *qualifying cryptoasset* traded on the trading system:	
		(a)	the level of orders or quotes; and
		(b)	the 5 best bid and offer price levels where the characteristics of the price discovery mechanism permit.

7.2.5 R A *transparency crypto intermediary* must publish firm quotes it makes to its *clients* in respect of *qualifying cryptoassets* on a continuous basis during normal trading hours.

7.2.6 R *CRYPTO* 7.2.5R does not apply where a *UK QCATP operator* is required to publish the information in *CRYPTO* 7.2.4R.

Making data available on a reasonable commercial basis

7.2.7 R (1) A *transparency reporting firm* must:

(a) make available *reportable pre-trade transparency information* to the public on a reasonable commercial basis; and

(b) ensure non-discriminatory access to the information in (a).

(2) A *transparency reporting firm* must make available the information in (1) free of charge, in a machine-readable format, 15 minutes after publication.

(3) The requirements in (1) do not apply to a *transparency reporting firm* that makes market data available to the public free of charge.

7.2.8 G A *transparency reporting firm* to which *CRYPTO* 7.2.7R(3) applies is subject to *CRYPTO* 7.2.5R.

Waivers

7.2.9 R A *transparency reporting firm* must publish *pre-trade transparency information* unless it reasonably considers that this does not contribute to:

(1) the achievement of efficient price formation; and

(2) fair evaluation of the relevant *qualifying cryptoassets*.

7.2.10 R A *transparency reporting firm* may only rely on *CRYPTO* 7.2.9R not to publish pre-trade transparency information where publication of such information would adversely affect the trading interests of its *clients*.

7.2.11 R A *transparency reporting firm* must publish the rules or processes it adopts to fulfil *CRYPTO* 7.2.9R before it implements them.

7.2.12 R In determining an appropriate formula or other mechanism applicable to those orders for which it will not publish *reportable pre-trade transparency information* in accordance with *CRYPTO* 7.2.3R or *CRYPTO* 7.2.5R, a *transparency reporting firm* must have regard to at least the following factors:

(1) the level of liquidity in the *qualifying cryptoasset*, including whether there are ready and willing buyers and sellers on a continuous basis and the number, type and ratio of market participants active in the particular product;

(2) any other objective characteristics of the *qualifying cryptoasset*, including the extent to which it is traded in a standardised or frequent way and the average size of spreads;

(3) any negative effect on the fair and orderly trading of the *qualifying cryptoasset* on the *UK QCATP*; and

(4) the nature and extent of public information that would assist *firms* to fulfil their best execution obligations.

7.2.13 R This section does not apply to:

(1) a *firm* when engaged in the activity of *qualifying cryptoasset lending* or *qualifying cryptoasset borrowing*; or

(2) a *firm* when exchanging a *UK qualifying stablecoin* for:

(a) another *UK qualifying stablecoin*; or

(b) fiat money; or

(3) a transaction when there is an exchange of 2 *qualifying cryptoassets* (A and B):

(a) at a fixed ratio; and

(b) where the economic value of A and B is the same.

7.2.14 G An example of a transaction in *CRYPTO* 7.2.13R(3) is issuing or redeeming a *wrapped token* or a liquid staking token.

7.3 Post-trade transparency

Application

7.3.1 R The *rules* in *CRYPTO* 7.3 apply in respect of:

(1) transactions in *qualifying cryptoassets* executed on a *UK QCATP*; or

(2) transactions in *qualifying cryptoassets* executed by a *transparency crypto intermediary* acting in that capacity.

Firm reporting obligations

7.3.2 R Where *CRYPTO* 7.3.1R applies, a *transparency reporting firm* must publish post-trade transparency information about the transaction:

(1) as close to real time as is technically possible; and

(2) in any case within 1 minute of the execution of the relevant transaction.

7.3.3 R (1) A *transparency reporting firm* must publish at least the post-trade transparency information in *CRYPTO* 7.3.4R.

(2) The requirement in (1) does not apply to a *transparency crypto intermediary* where a *UK QCATP operator* is required to publish the information in *CRYPTO* 7.3.4R.

7.3.4 R Table: Post-trade transparency information to be published

	Field identifier	**Content to be reported**
(1)	Trading date and time	The date and time of execution of the transaction (including the time zone where this is not Coordinated Universal Time (UTC)).
(2)	Cryptoasset identification code	The unique and unambiguous identifier of the *qualifying cryptoasset*.
(3)	Price	The traded price of the transaction excluding commission, other fees and accrued interest. Where the price is recorded using money, use the major currency unit. Where the *qualifying cryptoasset* is traded based on a currency pair, express the quantity of the quote currency for one unit of the base currency.
(4)	Price currency	The currency in which the trading price for the *qualifying cryptoasset* related to the order is expressed. Where the price of the *qualifying cryptoasset* is expressed in monetary terms and in a currency

		pair, the currency pair in which the price for the *qualifying cryptoasset* related to the order is expressed must be reported. The first currency code must be that of the base currency, and the second currency code must be that of the quote currency. The quote currency determines the price of one unit of the base currency. *Firms* may use ISO currency codes.
(5)	Quantity	The quantity of *qualifying cryptoassets* executed.
(6)	Execution venue	Identification of the execution venue where the order was submitted. Where the execution venue uses segment market identifier codes (MICs), use the segment MIC. Where the execution venue does not use segment MICs, use the operating MIC.
(7)	Publication date and time	The date and time of publication of the transaction.

Making data available on a reasonable commercial basis

7.3.5 R (1) A *transparency reporting firm* must:

(a) make available *reportable post-trade transparency information* to the public on a reasonable commercial basis; and

(b) ensure non-discriminatory access to the information in (a).

(2) A *transparency reporting firm* must make available the information in (1) free of charge, in a machine-readable format, 15 minutes after publication.

(3) The requirements in (1) do not apply to a *transparency reporting firm* that makes market data available to the public free of charge.

Authorised deferred publication

7.3.6 R A *transparency reporting firm* subject to *CRYPTO* 7.3.2R may defer publication of post-trade transparency information for up to 3 months from the date of execution of a transaction only where it considers such deferral to be necessary for the purposes of:

(1) the achievement of efficient price formation; and

(2) fair evaluation of the relevant *qualifying cryptoassets*.

7.3.7 R A *transparency reporting firm* may only rely on *CRYPTO* 7.3.6R to defer publication of post-trade transparency information where publication of such information, in accordance with *CRYPTO* 7.3.2R, would adversely affect the trading interests of its *clients*.

7.3.8 R A *transparency reporting firm* must publish the rules or processes it adopts to fulfil *CRYPTO* 7.3.6R before it implements them.

7.3.9 R In determining the appropriate size thresholds and any other characteristics applicable to those orders for which it will defer publication of *reportable post-trade transparency information* in accordance with *CRYPTO* 7.3.6R, a *transparency reporting firm* must have regard to at least the factors in *CRYPTO* 7.2.12R.

7.4 Records

7.4.1 R A *firm* must make and keep a record of the reasons for any determination made under this chapter.

7.4.2 R A record made and kept by a *firm* in accordance with *CRYPTO* 7.4.1R must be:

(1) provided by the *firm* to the *FCA* upon request; and

(2) kept for a period of at least 5 years.

8 Record keeping and reporting: client orders and transactions

8.1 Purpose and application

Purpose

8.1.1 G The purpose of this chapter is to set out the *rules* applying to record keeping and reporting of *client* orders and transactions in *qualifying cryptoassets*.

Application

8.1.2 R This chapter applies to a *firm* that is:

(1) a *UK QCATP operator*;

(2) *dealing in qualifying cryptoassets as principal*;

(3) *dealing in qualifying cryptoassets as agent*; or

(4) *arranging deals in qualifying cryptoassets*.

8.2 Obligation to keep records

8.2.1 R For all *client* orders and all transactions, a *firm* must keep records of the following information, where relevant to that order or transaction:

(1) a unique and unambiguous identification code for each *qualifying cryptoasset* involved in the order or transaction;

(2) the type of order or transaction as per the *firm's* own specifications;

(3) a buy/sell indicator for the order or transaction;

(4) the quantity of *qualifying cryptoassets* in the order or transaction;

(5) the unit price of the *qualifying cryptoassets* in the order or transaction, excluding commission, other fees and accrued interest;

(6) the reference currency or reference cryptoasset for the price specified in (5);

(7) the total price of the order or transaction (being the sum of the unit price multiplied by the quantity of *qualifying cryptoassets* forming the order or transaction);

(8) the total sum of costs and charges incurred by the *client* in relation to the order or transaction (including gas fees where they apply);

(9) the total consideration for the order or transaction (being the sum of the figures in (7) and (8));

(10) the date and time of placement of the order (expressed in UTC);

(11) the date and time of cancellation of the order (expressed in UTC) and the reason for cancellation;

(12) the date and time of execution of the transaction (expressed in UTC);

(13) the execution venue where the transaction was executed;

(14) a unique identifier for the buyer in the order or transaction;

(15) a unique identifier for the seller in the order or transaction; and

(16) a unique identifier for the decision maker responsible for the order within the *firm* placing the order.

8.2.2 R A *firm* must determine the person or algorithm taking primary responsibility for the decision required to be recorded under *CRYPTO* 8.2.1R(16) in accordance with predetermined criteria established by that *firm*.

8.2.3 R Where the seller, buyer or decision maker is an individual, the unique identifier included in a record under *CRYPTO* 8.2.1R(14), (15) and (16) must be either:

(1) a recognised permanent personal identifier such as a national insurance number; or

(2) created using a concatenation of the following elements in the following order:

(a) the date of birth of the person (in the format YYYYMMDD);

(b) the first 5 characters of the person's first name; and

(c) the first 5 characters of the person's surname.

8.2.4 G One or more hash symbols (#) should be appended to first names and surnames shorter than 5 characters to ensure that references to names and surnames in accordance with *CRYPTO* 8.2.3R contain 5 characters.

8.2.5 R Where the seller, buyer or decision maker is not an individual, the unique identifier included in a record must be either:

(1) an *LEI*; or

(2) an alphanumeric code that uniquely identifies the seller, buyer or decision maker.

8.2.6 R Where a *firm* uses the identifier in *CRYPTO* 8.2.5R(2), it must record how that identifier was created and assigned.

8.2.7 R A *firm* must have systems and procedures in place to assess whether it needs to record and retain additional information in relation to *client* orders and transactions to comply with its obligations under the *regulatory system*.

8.2.8 R A record made and kept by a *firm* in accordance with *CRYPTO* 8.2.1R must be:

(1) provided by the *firm* to the *FCA* upon request; and

(2) kept for a period of 5 years from the date of the relevant order or transaction.

8.3 Client reporting

Daily reports

8.3.1 R A *firm* must provide a report to each *client* on the execution of an order that relates to them. This report must be provided promptly and at least by the end of the day on which the order was executed or on which the information was received by the *firm*.

8.3.2 R A *firm* does not need to provide a report in accordance with *CRYPTO* 8.3.1R where a *client* has agreed in writing they do not want to receive it on this basis.

8.3.3 G Where a *firm* and its *client* agree to proceed in accordance with *CRYPTO* 8.3.2R, the *firm* may provide reports to that *client* on terms to be agreed with that *client*.

Cancellations

8.3.4 R (1) Where an order has been cancelled, a *firm* must provide the *client* with confirmation of, and a reason for, the cancellation.

(2) The information in (1) must be provided promptly and at least by the end of the day on which the order was cancelled.

Client requests for information

8.3.5 R A *client* may request, at any time, that a *firm* provide them with the information in *CRYPTO* 8.3.6R, in relation to that *client*:

(1) for all orders (including cancellations);

(2) for the period of 3 years preceding the request; and

(3) in a *durable medium*,

irrespective of whether they agree with the *firm* not to receive a report in accordance with *CRYPTO* 8.3.1R.

Content of client reports

8.3.6 R The report provided by a *firm* under *CRYPTO* 8.3.1R must include all essential information relating to the execution of the order, including at least the following, as applicable:

(1) the unique identifier used by the *firm* and execution venue (where different) to identify itself when executing that *client's* order;

(2) the unique identifier assigned to the *client* by the *firm* to identify that *client*;

(3) the unique and unambiguous identification code assigned by the *firm* to each *qualifying cryptoasset* involved in the order;

(4) an indicator to record whether the *firm* was acting as buyer or seller for the *client* when the order was executed;

(5) the date and time of execution of the order (expressed in UTC);

(6) the quantity of *qualifying cryptoassets* involved in the order;

(7) the unit price the order was executed at;

(8) the total price of the order (being the sum of the unit price multiplied by the quantity of *qualifying cryptoassets* forming the order);

(9) the total sum of all costs and charges incurred by the *client* in relation to the order, including but not limited to:

(a) gas fees;

(b) venue fees;

(c) settlement fees;

(d) any other fees paid to third parties involved in executing the order;

(e) any commission; and

(f) any accrued interest.

(10) the total consideration for the order (being the sum of the figures in (8) and (9)); and

(11) details of any specific instructions given by the client to the *firm* in relation to the order.

8.3.7 R (1) Where information in *CRYPTO* 8.3.6R is readily available on chain, the *firm* does not need to include this information in the report to the *client*.

(2) Where information is not included in a report to the *client* because it is available on chain, the *firm* must ensure that the *client* is able to access it.

CRYPTOASSET INTERMEDIARY INSTRUMENT 202X

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137R (Financial promotion rules); and
(c) section 137T (General supplementary powers); and
(d) section 139A (Power of the FCA to give guidance); and

(2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

[*Editor's note*: The Annex to this instrument takes into account the proposals and legislative changes suggested in the consultation paper 'Stablecoin Issuance and Cryptoasset Custody' (CP25/14) as if they were made final.]

D. The Cryptoasset sourcebook (CRYPTO) is amended in accordance with the Annex to this instrument.

Notes

E. In the Annex to this instrument, the notes (indicated by "*Editor's note*:") are included for the convenience of readers but do not form part of the legislative text.

Citation

F. This instrument may be cited as the Cryptoasset Intermediary Instrument 202X.

By order of the Board
[*date*]

Annex

Amendments to the Cryptoassets sourcebook (CRYPTO)

In this Annex, all text is new and is not underlined.

Insert the following new chapter, CRYPTO 5, after CRYPTO 4 (Cryptoasset market abuse).

[*Editor's note*: CRYPTO 4 is set out in the proposed instrument Cryptoasset Market Abuse Instrument 202X, which is being consulted on as part of the consultation paper 'Regulating Cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets' (CP25/41).]

5 Execution and orders

5.1 Application

General application

5.1.1 R This chapter applies to a *firm*:

(1) *dealing in qualifying cryptoassets as principal*;

(2) *dealing in qualifying cryptoassets as agent*; and

(3) *arranging deals in qualifying cryptoassets*.

5.1.2 R *CRYPTO* 5.8 applies to a *firm* carrying out *qualifying cryptoasset activities* except a *firm* which only carries out the *regulated activity* of *issuing qualifying stablecoin*.

5.1.3 G Certain provisions in this chapter require *firms* to provide *clients* with information 'in good time'. *Guidance* on the provision of information 'in good time' can be found in *COBS* 1.4.2G.

5.1.4 R This chapter does not apply to a *firm* in relation to its *eligible counterparty business*.

5.1.5 R This chapter does not apply to *redemption* of a *UK qualifying stablecoin* where undertaken by a third party appointed in accordance with *CRYPTO* 2.

5.2 Execution venues for retail clients

5.2.1 R This section applies where a *firm* is:

(1) executing orders; or

(2) receiving and transmitting orders for execution,

for a *retail client* or *elective professional client* who is not an *overseas retail client* or *overseas elective professional client*.

Firm obligations

5.2.2 R A *firm* must ensure that, when executing orders or receiving and transmitting orders for execution for a *client*, the order is executed on a *UK qualifying execution venue*.

5.2.3 R Where a *firm* (A) is *dealing in qualifying cryptoassets as principal* and executes orders for *clients*, it must not systematically or predominantly source liquidity from a *qualifying CATP* where the operator of that *qualifying CATP*:

(1) is not authorised as a *QCATP operator*; and

(2) is in the same *group* as A.

5.2.4 R A *firm* must make and retain written records of how it continues to satisfy itself that it satisfies the requirement in this section.

5.3 Admission to trading requirement for intermediaries offering services

Admission to trading requirements for qualifying cryptoassets

5.3.1 R A *firm* must not deal or arrange deals in *qualifying cryptoasset* for a *retail client* unless either of the following conditions are met:

(1) the *qualifying cryptoasset*:

(a) is admitted to trading on a *UK QCATP* in compliance with *CRYPTO* 3;

(b) the *QCATP operator* has made available a *QCDD* and any *supplementary disclosure document* for the *qualifying cryptoasset* in accordance with *CRYPTO* 3; and

(c) the *qualifying cryptoasset* has not been withdrawn from trading on all *UK QCATPs*; or

(2) the *firm* is *arranging deals in qualifying cryptoassets* and:

(a) arranges the sale of a *qualifying cryptoasset* offered on condition that the *qualifying cryptoasset* will be admitted to trading on a *UK QCATP*; and

(b) makes available to the *retail client* the *QCDD* and any *supplementary disclosure document* that the *UK QCATP* has published for the admission of the *qualifying cryptoasset* the sale relates to.

5.3.2 R *CRYPTO* 5.3.1R does not apply to *UK qualifying stablecoins*.

5.3.3 G Where a *firm* offers a trading pair of *qualifying cryptoassets*, either of the conditions in *CRYPTO* 5.3.1R must be fulfilled for both *qualifying cryptoassets* unless the *rule* in *CRYPTO* 5.3.5R applies.

5.3.4 G The rule in *CRYPTO* 5.3.5R sets out an exclusion to the rule in *CRYPTO* 5.3.1R.

5.3.5 R Where a *qualifying cryptoasset* which had been admitted to trading has been withdrawn from trading on all *UK QCATPs*, a *firm* may purchase the *qualifying cryptoasset* from a *retail client* or arrange for a *retail client* to *sell* their *qualifying cryptoassets* to another *person*. A *firm* must not arrange for their *retail client* to *sell* their *qualifying cryptoassets* to another *retail client*.

5.3.6 R (1) A *firm* must make available to *retail clients* the *QCDD* and *supplementary disclosure documents* for the *qualifying cryptoassets* it deals or arranges deals in.

(2) A *firm* must make available to *retail clients* the *stablecoin QCDD* for the *UK qualifying stablecoin* that it deals or arranges deals in.

5.3.7 G In *CRYPTO* 5.3.1R and *CRYPTO* 5.3.6R, making the documents available may be through providing a link to where the documents are published in accordance with *CRYPTO* 2 and *CRYPTO* 3.

5.4 Execution and order handling rules

Obligation to execute orders on terms most favourable to the client

5.4.1 R (1) A *firm* must take all sufficient steps to obtain, when executing orders, the best possible results for its *clients*, taking into account the *execution factors*.

(2) The *execution factors* to be taken into account are price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

5.4.2 G The obligation on *firms* in *CRYPTO* 5.4.1R is subject to the requirements in *CRYPTO* 5.2.2R and *CRYPTO* 5.2.3R.

Application of best execution obligation

5.4.3 G *CRYPTO* 5.4.1R applies where a *firm* owes contractual or agency obligations to the *client*.

5.4.4 G A *firm* executing orders on behalf of a *client* when *dealing in qualifying cryptoassets as principal* should be considered as undertaking execution of *client* orders subject to the requirements under this chapter – in particular, those obligations in relation to best execution.

5.4.5 G A *firm* executing *client* orders on a matched principal basis is subject to the requirements of this chapter in relation to the execution of orders on behalf of *clients*.

5.4.6 G Where a *firm* executes a quote after a *client* accepts it, the *firm* complies with *CRYPTO* 5.4.1R where:

(1) the quote would meet the *firm's* obligations under *CRYPTO* 5.4.1R if the *firm* executed the quote at the time it was provided; and

(2) the quote is not manifestly out of date, taking into account:

(a) the changing market conditions; and

(b) the time elapsed between the offer and acceptance of the quote.

5.4.7 G The obligation to deliver the best possible result when executing *client* orders applies in relation to all types of *qualifying cryptoassets*. However, given the differences in characteristics of *qualifying cryptoassets*, it may be difficult to identify and apply a uniform standard of, and procedure for, best execution that would be valid and effective for all groups (or categories) of *qualifying cryptoassets*. Best execution obligations should therefore be applied to take into account the different circumstances surrounding the execution of orders for particular types of *qualifying cryptoassets*.

Best execution criteria

5.4.8 R (1) A *firm* must, when executing *client* orders, take into account the following criteria for determining the relative importance of the factors referred to in *execution factors*:

(a) the characteristics of the *client*, including the categorisation of the *client* as retail or professional;

(b) the characteristics of the *client* order;

(c) the characteristics of *qualifying cryptoassets* that are the subject of that order; and

(d) the characteristics of the *qualifying cryptoasset execution venues* to which that order can be directed.

(2) A *firm* satisfies the *qualifying cryptoasset best execution obligation* to the extent that it executes an order or a specific aspect of an order following specific instructions from the *client* relating to the order or the specific aspect of the order.

(3) A *firm* must not structure or charge its commissions in such a way as to discriminate unfairly between *qualifying cryptoasset execution venues*.

(4) A *firm* must, when executing orders or taking decisions to deal *qualifying cryptoassets over the counter*, check the fairness of the price proposed to the *client*:

(a) by gathering market data used in the estimation of the price of such product; and

(b) where possible, by comparing with similar or comparable transactions.

Role of price

5.4.9 R Where a *firm* executes an order on behalf of a *retail client*, the best possible result must be determined in terms of the total consideration, representing the price of the *qualifying cryptoasset* and the costs related to execution. This must include:

(1) all expenses incurred by the *client* that are directly related to the execution of the order, including *qualifying cryptoasset execution venue* fees, gas fee and settlement fees; and

(2) any other fees paid to third parties involved in the execution of the order.

5.4.10 G When a *firm* executes a *retail client's* order in the absence of specific *client* instructions, for the purposes of ensuring that the *firm* obtains the best possible result for the *client*, the *firm* should take into consideration all factors that will enable it to deliver the best possible result in terms of the total consideration, representing the price of the *qualifying cryptoasset* and the costs related to execution.

5.4.11 G The following factors may be given precedence over the immediate price and cost consideration in *CRYPTO* 5.4.9R only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the *retail client*:

(1) speed;

(2) likelihood of execution;

(3) likelihood of settlement;

(4) the size and nature of the order; or

(5) any other implicit transaction costs.

Following specific instructions from a client

5.4.12 R Whenever there is a specific instruction from a *client*, a *firm* must execute the order following the specific instruction.

5.4.13 G When a *firm* executes an order following specific instructions from the *client*, it should be treated as having satisfied its best execution obligations only in respect of the part or aspect of the order to which the *client* instructions relate. The fact that the *client* has given specific instructions which cover one part or aspect of the order should not be treated as releasing the *firm* from its best execution obligations in respect of any other parts or aspects of the *client* order that are not covered by such instructions.

5.4.14 G A *firm* should not induce a *client* to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the *client*, when the *firm* ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible

result for that *client*. However, this should not prevent a *firm* inviting a *client* to choose between 2 or more specified *qualifying cryptoasset execution venues*, provided that those trading platforms are consistent with the execution policy of the *firm*.

Delivering best execution where there are competing qualifying cryptoasset execution venues

5.4.15 R A *firm's* own commissions and the costs for executing an order in each of the eligible *qualifying cryptoasset execution venues* must be taken into account when assessing and comparing the results that would be achieved for a *client* by executing the order on each of the *qualifying cryptoasset execution venues* listed in the *firm's* execution policy that is capable of executing that order.

5.4.16 G The obligation to deliver best execution for a *retail client* where there are competing *qualifying cryptoasset execution venues* is not intended to require a *firm* to:

(1) compare the results that would be achieved for its *client* on the basis of its own execution policy and its own commissions and fees with results that might be achieved for the same *client* by any other *firm* on the basis of a different execution policy or a different structure of commissions or fees; or

(2) compare the differences in its own commissions which are attributable to differences in the nature of the services that the *firm* provides to *clients*.

5.4.17 G A *firm* would be considered to structure or charge its commissions in a way which discriminates unfairly between *qualifying cryptoasset execution venues* if:

(1) it charged a different commission or spread to *clients* for execution on different *qualifying cryptoasset execution venues*; and

(2) that difference did not reflect actual differences in the cost to the *firm* of executing on those venues.

5.4.18 G The provisions of this section which provide that costs of execution include a *firm's* own commission or fees charged to the *client* for the provision of an investment service should not apply for the purpose of determining what *qualifying cryptoasset execution venues* must be included in the *firm's* execution policy in accordance with *CRYPTO* 5.4.22R.

5.4.19 R A *firm* must not receive any remuneration, discount or non-monetary benefit for routing *client* orders to a particular *qualifying cryptoasset execution venue* which would infringe the requirements on conflicts of interests (as set out in *SYSC* 10) or inducements as set out in *COBS* 2.3 (for *firms* carrying on business other than *MiFID, equivalent third country or optional exemption business*).

5.4.20 G *Firms* should also consider the *rules* and *guidance* set out in *CRYPTO* 5.7 in respect of any remuneration, discount or non-monetary benefit for routing *client* orders.

Requirement for order execution arrangements including an order execution policy

5.4.21 R A *firm* must establish and implement effective arrangements for complying with the obligation to take all sufficient steps to obtain the best possible results for its *clients*. In particular, the *firm* must establish and implement an order execution policy to allow it to obtain, in accordance with *CRYPTO* 5.4.1R, the best possible result for the execution of *client* orders.

5.4.22 R The order execution policy must include, in respect of each group (or category) of *qualifying cryptoassets*, information on the different *qualifying cryptoasset execution venues* where the *firm* executes its *client* orders and the factors affecting the choice of *qualifying cryptoasset execution venue*. It must at least include those *qualifying cryptoasset execution venues* that enable the *firm* to obtain on a consistent basis the best possible result for the execution of *client* orders.

5.4.23 R (1) A *firm* must provide appropriate information to its *clients* on its order execution policy.

(2) That information must explain clearly how orders will be executed by the *firm* for the *clients*.

(3) The information must include sufficient details and be provided in a way that can be easily understood by *clients*.

5.4.24 R A *firm* must obtain the prior consent of its *clients* to the execution policy.

5.4.25 R (1) Where a *firm's* order execution policy provides for the possibility that *client* orders may be executed outside a *UK QCATP*, a *firm* must, in particular, inform its *clients* about that possibility.

(2) A *firm* must obtain the express prior consent of its *clients* before proceeding to execute their orders outside a *UK QCATP*.

(3) A *firm* may obtain such consent either in the form of a general agreement or in respect of individual transactions.

Execution policies

5.4.26 R (1) A *firm* must review its order execution policy and order execution arrangements:

(a) at least on an annual basis; and

(b) upon occurrence of a *material change* that affects the *firm's* ability to continue to obtain the best possible result for the

execution of its *client* orders on a consistent basis using the venue included in its execution policy.

As part of such review, the *firm* must consider making changes to the relative importance of the *execution factors* in meeting its *qualifying cryptoasset best execution obligation*.

(2) The information on the execution policy must be customised depending on the group (or category) of *qualifying cryptoassets* and type of the service provided and must include the information set out in (3) to (9).

(3) A *firm* must provide *clients*, in a *durable medium* (or by means of a website, in accordance with the *website conditions*, to the extent it is not a *durable medium*), with the following details on its execution policy in good time prior to the provision of the service:

(a) in compliance with *CRYPTO* 5.4.8R(1), an account of the relative importance the *firm* assigns, to the *execution factors*, or the process by which the *firm* determines the relative importance of those factors;

(b) a list of the *qualifying cryptoasset execution venues* on which the *firm* places significant reliance in meeting its *qualifying cryptoasset best execution obligation* and specifying which *qualifying cryptoasset execution venues* are used for each group (or category) of *qualifying cryptoassets* for *retail client* orders and *professional client* orders;

(c) a list of factors used to select a *qualifying cryptoasset execution venue*, including qualitative factors such as settlement arrangements, *client* protection measures, operational resilience, transparent disclosures, or any other relevant consideration, and the relative importance of each factor. The information about the factors used to select a *qualifying cryptoasset execution venue* for execution must be consistent with the controls used by the *firm* to demonstrate to *clients* that best execution has been achieved on a consistent basis when reviewing the adequacy of its policy and arrangements;

(d) how the *execution factors* of price costs, speed, likelihood of execution and any other relevant factors are considered as part of all sufficient steps to obtain the best possible result for the *client*;

(e) where applicable:

(i) that the *firm* executes orders outside a *UK QCATP*;

(ii) any additional risks arising from execution outside a *UK QCATP*; and

(iii) upon *client* request, additional information about the any additional risks of this means of execution

(f) a clear and prominent warning that any specific instruction from a *client* may prevent the *firm* from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions; and

(g) a summary of:

(i) the selection process for *qualifying cryptoasset execution venues*;

(ii) execution strategies employed;

(iii) the procedures and process used to analyse the quality of execution obtained; and

(iv) how the *firms* monitor and verify that the best possible results were obtained for *clients*.

(4) Where a *firm* applies different fees depending on the *qualifying cryptoasset execution venue*, the *firm* must explain these differences in sufficient detail in order to allow the *client* to understand the advantages and the disadvantages of the choice of a single *qualifying cryptoasset execution venue*.

(5) Where a *firm* invites *clients* to choose a *qualifying cryptoasset execution venue*, it must provide fair, clear and not misleading information to prevent the *client* from choosing one *qualifying cryptoasset execution venue* rather than another on the sole basis of the price policy applied by the *firm*.

(6) A *firm* must only receive third-party payments that comply with the *rules* in *COBS* 2.3 and must inform *clients* about the inducements that the *firm* may receive from the *qualifying cryptoasset execution venues*. The information must specify the fees charged by the *firm* to all counterparties involved in the transaction and, where the fees vary depending on the *client*, the information must indicate the maximum fees or range of the fees that may be payable.

(7) Where a *firm* charges more than one participant in a transaction, in compliance with the *rules* in *COBS* 2.3, the *firm* must inform its *client* of the value of any monetary or non-monetary benefits received by the *firm*.

(8) Where a *client* makes reasonable and proportionate requests for information about its policies or arrangements and how they are

reviewed to a *firm*, the *firm* must answer clearly and within a reasonable time.

(9) Where a *firm* executes orders for *retail clients*, it must provide those *clients* with a summary of the relevant policy, focused on the total cost they incur.

5.4.27 G (1) When establishing its execution policy in accordance with *CRYPTO* 5.4.22R, a *firm* should determine the relative importance of the factors mentioned in *CRYPTO* 5.4.1R, or at least establish the process by which it determines the relative importance of these factors, so that it can deliver the best possible result to its *clients*.

(2) Ordinarily, the *FCA* would expect that price will merit a high relative importance in obtaining the best possible result for *professional clients*. However, in some circumstances for some *clients*, orders, *qualifying cryptoassets* or markets, the policy may appropriately determine that other *execution factors* are more important than price in obtaining the best possible execution result.

5.4.28 G A *firm* should apply its execution policy to each *client* order that it executes with a view to obtaining the best possible result for the *client* in accordance with that policy.

5.4.29 G The obligation to take all sufficient steps to obtain the best possible result for the *client* should not be treated as requiring a *firm* to include in its execution policy all available *qualifying cryptoasset execution venues*.

5.4.30 G A *firm* executing orders should be able to include a single *qualifying cryptoasset execution venue* in its policy only where it is able to show that this allows it to obtain best execution for its *clients* on a consistent basis. *Firms* should select a single *qualifying cryptoasset execution venue* only where they can reasonably expect that the selected *qualifying cryptoasset execution venue* will enable them to obtain results for *clients* that are at least as good as the results that they could reasonably expect from using alternative *qualifying cryptoasset execution venues*. This reasonable expectation must be supported by relevant data or by other internal analyses conducted by *firms*.

5.4.31 G The provisions of this section relating to execution policy are without prejudice to the general obligation of a *firm* to monitor the effectiveness of its order execution arrangements and policy and assess the *qualifying cryptoasset execution venues* in its execution policy on a regular basis.

5.4.32 R (1) A *firm* must monitor the effectiveness of its order execution arrangements and execution policy to identify and, where appropriate, correct any deficiencies. In particular, it must assess, on a regular basis, whether the *qualifying cryptoasset execution venues* included in the order execution policy provide for the best possible result for the *client* or whether it needs to make changes to its execution arrangements,

taking into account relevant data or other internal analyses conducted by *firms*.

(2) The *firm* must notify *clients* of any *material changes* to its order execution arrangements or execution policy.

5.4.33 R (1) A *firm* must be able to demonstrate to its *clients*, at their request, that it has executed their orders in accordance with its execution policy.

(2) A *firm* must be able to demonstrate to the *FCA*, upon request, its compliance with *CRYPTO* 5.4.1R and with the related provisions in this chapter which require *firms* to execute orders on terms most favourable to the *client*.

5.4.34 R In order to obtain the best execution for a *client*, a *firm* should compare and analyse relevant data.

Duty of portfolio managers, receivers and transmitters to act in the client's best interest

5.4.35 G The provisions of this section are relevant to:

(1) a *portfolio manager* that deals in *qualifying cryptoassets* on behalf of *client* – in particular, when *dealing in qualifying cryptoassets as agent* or *arranging deals in qualifying cryptoassets*, in accordance with its mandate when carrying out *portfolio management* services;

(2) a *firm* which receives and transmits orders in *qualifying cryptoassets* to other persons for execution as part of *arranging deals in qualifying cryptoassets*.

5.4.36 R (1) A *firm* that provides *portfolio management* services must comply with the *client's best interests rule* when transmitting orders with other *persons* for execution that result from decisions by the *firm* to deal in *qualifying cryptoassets* on behalf of its *client*.

(2) A *firm* that receives and transmits orders for execution in *qualifying cryptoassets* must comply with the *client's best interests rule* when transmitting *client* orders to other *persons* for execution.

(3) In order to comply with the *client's best interests rule* under (1) or (2), a *firm* must comply with (4) to (8).

(4) A *firm* must take all sufficient steps to obtain the best possible result for its *client*, taking into account the *execution factors*, the relative importance of which must be determined by reference to:

(a) the criteria set out in *CRYPTO* 5.4.8R(1); and

(b) for *retail clients*, *CRYPTO* 5.4.9R.

A *firm* satisfies its obligations under (1) or (2), and is not required to take the steps mentioned in (4), to the extent that it follows specific instructions from its *client* when transmitting an order to another entity for execution.

(5) A *firm* must establish and implement a policy that enables it to comply with (4). The policy must identify, in respect of each group (or category) of *qualifying cryptoassets*, the *persons* with which the orders are placed or to which the *firm* transmits orders for execution. The *persons* identified must have execution arrangements that enable the *firm* to comply with its obligations under this *rule* when it places or transmits orders to that *person* for execution.

(6) A *firm* must provide information to its *clients* on the policy in (5) and its execution policy established in accordance with *CRYPTO* 5.4.26R(2) to (9). The *firm* must provide *clients* with appropriate information about the *firm* and its services and the *persons* chosen for execution. Upon reasonable request from a *client*, a *firm* must provide its *clients* or potential *clients* with information about entities where the orders are transmitted or placed for execution.

(7) A *firm* must:

(a) monitor on a regular basis the effectiveness of its policy established in accordance with paragraph (5) including, in particular, the execution quality of the entities identified;

(b) where deficiencies in the effectiveness have been identified, correct any deficiencies in its execution policy where appropriate;

(c) review its order execution policy and order execution arrangements at least annually and whenever a *material change* occurs that affects the *firm's* ability to continue to obtain the best possible result for its *clients*; and

(d) assess whether a *material change* has occurred and consider making changes to the *execution venues* or *persons* on which it places significant reliance in meeting its *qualifying cryptoasset best execution obligation*.

(8) A *firm* must, when executing orders or taking decisions to deal *qualifying cryptoassets over the counter*, check the fairness of the price proposed to the *client*, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable transactions.

5.4.37 G This section is not intended to require a duplication of effort as to best execution between a *firm* which receives and transmits orders for execution or *portfolio management* and any *firm* to which that *firm* transmits its orders for execution.

5.4.38 G (1) A *firm* transmitting orders with other entities for execution may select a single entity for execution only where the *firm* can:

(a) show that this provides the best possible result for its *clients* on a consistent basis; and

(b) where it can reasonably expect that the selected entity will enable it to obtain results for *clients* that are at least as good as the results that could reasonably be expected from using alternative entities for execution.

(2) This reasonable expectation should be supported by relevant data or by other internal analyses conducted by *firms*.

Minimum number of price sources

5.4.39 G (1) In complying with its *qualifying cryptoasset best execution obligation*, a *firm* should check, where available, at least 3 reliable price sources from *UK qualifying cryptoasset execution venues*.

(2) Where a *UK QCATP* make the prices publicly available, the *firms* should prioritise checking these prices.

(3) Where there are less than 3 *UK qualifying cryptoasset execution venues* that can execute the order, the *firm* should at least check the prices on the available *UK qualifying cryptoasset execution venues*.

5.4.40 G Circumstances where the availability of 3 price sources are not expected to be relevant include where:

(1) a *firm* is engaged in the activity of *qualifying cryptoasset lending or borrowing*; or

(2) a *firm* is exchanging a *UK qualifying stablecoin* for:

(a) another *UK qualifying stablecoin*; or

(b|) fiat money.

(3) a transaction involves an exchange of 2 *qualifying cryptoassets* (A and B):

(a) at a fixed ratio; and

(b) where the economic value of A and B is the same.

5.4.41 G An example of a transaction in *CRYPTO* 5.4.40G(3) is issuing or redeeming a *wrapped token* or a liquid staking token.

5.5 Pre-trade disclosures to clients

Disclosure of firm role

5.5.1 R *Firms* should disclose their role(s) to *retail* or *professional clients* before executing *client* orders, including whether they may act as a *principal* or *agent* for each order.

5.5.2 G (1) The disclosure in *CRYPTO* 5.5.1R can take a standard format covering multiple orders or types of orders if the *firm* always acts in the same capacity for such orders or types of orders.

(2) *Firms* should disclose before executing orders for *retail* or *professional clients* if these may be executed outside of a *UK QCATP* and explain the associated risks.

Price disclosure

5.5.3 R *CRYPTO* 5.5.4R to 5.5.7R apply where a *firm* is *dealing in qualifying cryptoassets as principal* for a *retail* or *professional client*.

5.5.4 R A *firm* must disclose the following to its *client* prior to execution of the *client's* order:

(1) a firm price at which the order can be executed;

(2) the duration of the time period for which the *firm* can execute the order at that price; and

(3) any fees or charges for the execution of the order.

5.5.5 R Where a *client* has accepted the price within the time period disclosed by the *firm*, it must execute the order at that price or a more advantageous price to the *client*.

5.5.6 R Where the price is no longer available for execution due to exceptional circumstance, the *firm*:

(1) is not required to execute the order at the price accepted by the *client*;

(2) must inform the *client* why the order was not executed; and

(3) must seek fresh instructions from the *client*.

5.5.7 G The *FCA* expects that exceptional circumstances in respect of *CRYPTO* 5.5.6R will be rare occurrences, but may include such circumstances as extreme market volatility.

5.6 Client order handling

General principles

5.6.1 R (1) A *firm* which is authorised to execute orders on behalf of *clients* must implement procedures and arrangements which provide for the prompt, fair and expeditious execution of *client* orders, relative to other orders or the trading interests of the *firm*.

(2) These procedures or arrangements must allow for the execution of otherwise comparable orders in accordance with the time of their reception by the *firm*.

Carrying out client orders

5.6.2 R A *firm* must, when carrying out *client* orders:

(1) ensure that orders executed on behalf of *clients* are promptly and accurately recorded and allocated;

(2) carry out otherwise comparable *client* orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the *client* require otherwise; and

(3) inform a *retail client* about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

5.6.3 G For the purposes of this section, orders should not be treated as otherwise comparable if they are received by different media and it would not be practicable for them to be treated sequentially.

Use of information relating to pending client orders

5.6.4 R A *firm* must not misuse information relating to pending *client* orders and must take all reasonable steps to prevent the misuse of such information by any of its *relevant persons*.

Aggregation and allocation of orders

5.6.5 R A *firm* must not carry out a *client* order or a transaction for own account in aggregation with another *client* order unless the following conditions are met:

(1) it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any *client* whose orders are to be aggregated;

(2) it is disclosed to each *client* whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order; and

(3) the *firm* has established and effectively implemented an order allocation policy, which provides for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

Partial execution of aggregated client order

5.6.6 R Where a *firm* aggregates an order with one or more other *client* orders and the aggregated order is partially executed, it must allocate the related trades in accordance with its order allocation policy.

Aggregation and allocation of transactions for own account

5.6.7 R A *firm* which has aggregated transactions for own account with one or more *client* orders must not allocate the related trades in a way that is detrimental to a *client*.

5.6.8 R (1) Where a *firm* aggregates a *client* order with a transaction for own account and the aggregated order is partially executed, it must allocate the related trades to the *client* in priority to the *firm*.

(2) Where the *firm* is able to demonstrate on reasonable grounds that without the combination it would not have been able to carry out the order on such advantageous terms, or at all, it may allocate the transaction for own account proportionally, in accordance with its order allocation policy referred to in *CRYPTO* 5.6.5R(3).

5.6.9 R As part of the order allocation policy referred to in *CRYPTO* 5.6.5R(3), a *firm* must put in place procedures to prevent the reallocation, in a way that is detrimental to the *client*, of transactions for own account which are executed in combination with *client* orders.

5.6.10 G For the purposes of this section, the reallocation of transactions should be considered as detrimental to a *client* if, as an effect of that reallocation, unfair precedence is given to the *firm* or to any particular *person*.

5.6.11 G In this section, carrying out *client* orders includes:

(1) the *execution of orders on behalf of clients*;

(2) the transmission of orders with other entities for execution that result from decisions to deal in *qualifying cryptoassets* on behalf of *clients* when providing the service of *portfolio management*; and

(3) the transmission of *client* orders to other entities for execution when providing the service of reception and transmission of orders.

5.7 Conflicts of interest during order execution

5.7.1 G This section sets out requirements in relation to managing conflicts of interest where a *firm* executes orders for a *client*. In addition to the *qualifying cryptoasset best execution obligation* and the rules in this section, *firms* are also reminded of other relevant obligations in *PRIN*, *SYSC* and *COBS* relating to conflicts of interest, acting in the *client's* best interest and restriction on inducements, as applicable.

5.7.2 G Where a *firm* is executing orders for *qualifying cryptoassets* for *clients*, arrangements that involve accepting or demanding monetary or non-monetary

benefits for routing *client* orders to a *qualifying cryptoasset execution venue* risk breaching:

(1) the *qualifying cryptoasset best execution obligation*; and

(2) obligations in *PRIN*, *SYSC* and *COBS* relating to:

(a) conflicts of interest;

(b) acting in the *client's* best interest; and

(c) the restrictions on inducements.

Functional separation requirement

5.7.3 G As set out in *SYSC*, a *firm* must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of its *clients* when executing orders or receiving and transmitting for execution orders for a *client* for *qualifying cryptoassets*. This includes segregating, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other, or which may generate systematic conflicts of interest.

5.7.4 G *Firms* should design their systems to address any *client* detriment arising out of conflicts between the *firm's qualifying cryptoasset* proprietary trading operations and *client* execution operations.

5.7.5 G Appropriate systems are expected to include functional separation between a *firm's* proprietary trading operations and client execution operations. Functional separation includes but is not limited to:

(1) transparent and appropriately segregated lines of responsibility between the *firm's* different operations;

(2) clear and separate reporting lines between the *firm's* different operations or business lines;

(3) defined roles for management functions, including risk, compliance, and audit functions; and

(4) established *information barriers* between *persons* and different parts of the business.

5.8 Personal account dealing

5.8.1 R A *firm* that conducts *qualifying cryptoasset activity* must establish, implement and maintain adequate arrangements aimed at preventing the activities in *CRYPTO* 5.8.2R in the case of any *relevant person* who:

(1) is involved in activities that may give rise to a conflict of interest; or

(2) has access to:

(a) inside information as defined in the *Cryptoassets Regulations*; or

(b) other confidential information relating to *clients* or transactions with or for *clients*,

by virtue of an activity carried out by them on behalf of the *firm*.

5.8.2 R The activities to which *CRYPTO* 5.8.1R applies are:

(1) entering into a *personal transaction* which meets at least one of the following criteria:

(a) that *person* is prohibited from entering into it under Part 2 of Chapter 2 of the *Cryptoassets Regulations*;

(b) it involves the misuse or improper disclosure of the confidential information in *CRYPTO* 5.8.1R(2);

(c) it conflicts or is likely to conflict with an obligation of the *firm* to a *customer* under the *regulatory system* or any other obligation of the *firm* under the *Cryptoassets Regulations*;

(2) advising or procuring, other than in the proper course of their employment or contract for services, any other *person* to enter into a transaction in a *qualifying cryptoasset* or *related instrument* which, if a *personal transaction* of the *relevant person*, would be covered by (1) or a relevant provision; and

(3) disclosing, other than in the normal course of their employment or contract for services, any information or opinion to any other *person* if the *relevant person* knows, or reasonably ought to know, that as a result of that disclosure that other *person* will or would be likely to:

(a) enter into a transaction in a *qualifying cryptoasset* or *related instrument* which, if a personal transaction of the *relevant person*, would be covered by (1) or a relevant provision; or

(b) advise or procure another *person* to enter into such a transaction.

5.8.3 R For the purposes of this section, the relevant provisions are:

(1) *COBS* 12.2.21R(1)(a) and (b) [*Editor's note*: changes to *COBS* 12.2.21R(1)(a) and (b) will be consulted on in a later consultation to have regard to qualifying cryptoassets]; and

(2) *CRYPTO* 5.6.4R.

5.8.4 R The requirements of this section are without prejudice to the prohibition under regulation 24 of the *Cryptoassets Regulations*.

Dealing

5.8.5 R The arrangements required under this section must be designed to ensure that:

(1) each *relevant person* covered by this section is aware of the restrictions on *personal transactions*, and of the measures established by the *firm* in connection with *personal transactions* and disclosure, in accordance with this section; and

(2) the *firm*:

(a) is informed promptly of any *personal transaction* entered into by a *relevant person*, either by notification of that transaction or by other procedures enabling the *firm* to identify such transactions; or

(b) in the case of *outsourcing* arrangements, ensures that the service provider to which the activity is *outsourced* maintains a record of *personal transactions* entered into by any *relevant person* and provides that information to the *firm* promptly on request; and

(c) a record is kept of the *personal transaction* notified to the *firm* or identified by it, including any authorisation or prohibition in connection with such a transaction.

Disapplication of rule on personal account dealing

5.8.6 R This section does not apply to *personal transactions* effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the *relevant person* or other *person* for whose account the transaction is executed.

5.8.7 R For the purposes of this section, a *person* who is not a director, partner or equivalent or manager of the *firm* will only be a *relevant person* to the extent that they are involved in the provision of *qualifying cryptoasset activity*.

Successive personal transactions

5.8.8 R Where successive *personal transactions* are carried out on behalf of a *person* in accordance with prior instructions given by that *person*, the obligations under this section do not apply:

(1) separately to each successive transaction if those instructions remain in force and unchanged; or

(2) to the termination or withdrawal of such instructions, provided that any *qualifying cryptoassets* or *related instruments* which had previously been acquired pursuant to the instructions are not disposed of at the same time as the instructions terminate or are withdrawn.

5.8.9 R Obligations under this section do apply in relation to a *personal transaction*, or the commencement of successive *personal transactions*, that are carried out on behalf of the same *person* if those instructions are changed or if new instructions are issued.

5.9 Records

5.9.1 R A *firm* must make and keep records evidencing its compliance with this chapter.

5.9.2 R A record made and kept by a *firm* in accordance with this chapter must be:

(1) provided by the *firm* to the *FCA* upon request; and

(2) kept for a period of 5 years or, where requested by the *FCA*, for a period of up to 7 years.

Insert the following new chapters, CRYPTO 9 and CRYPTO 10, after CRYPTO 8 (Record keeping and reporting: client orders and transactions).

[*Editor's note*: CRYPTO 8 is set out in the proposed instrument Cryptoasset Trading Platforms, Transparency and Records Instrument 202X, which is being consulted on as part of this consultation paper ('Regulating Crypto Activities' (CP25/40))]

9 Cryptoasset lending and borrowing

9.1 Application

Who? What?

9.1.1 R (1) Except as provided for in (2), this chapter applies to a *qualifying cryptoasset firm* when providing a *qualifying cryptoasset lending or borrowing* service to a *retail client* who is not an *overseas retail client*.

(2) For the purposes of *CRYPTO* 9.4.2R, the record keeping requirements apply to a *qualifying cryptoasset firm* when providing a *qualifying cryptoasset lending or borrowing* service to any *client* who is not an *overseas client*.

9.2 Information requirement

9.2.1 R (1) A *firm* must provide a *retail client* with information about the *firm* and its *qualifying cryptoasset lending or borrowing* services.

(2) The information in (1) must be provided to a *retail client*:

(a) each time that *retail client* instructs the *firm* to provide the *qualifying cryptoasset lending or borrowing* service; and

(b) before one of the following, whichever is earlier:

(i) a *retail client* is bound by any agreement relating to *qualifying cryptoasset lending or borrowing*; or

(ii) the provision of those services.

(3) A *firm* must provide the information in a *durable medium* or via a website, mobile application or any other digital medium that the *firm* may be using in relation to the provision of its *qualifying cryptoasset lending or borrowing* service (where it does not constitute a durable medium) where the *website conditions* are satisfied.

9.2.2 G In relation to *CRYPTO* 9.2.1R(2), where a *retail client* has provided express prior consent for the *firm* to use any yield earned in further *qualifying cryptoasset lending*, as opposed to yield being transferred or allocated to the *retail client* immediately, the *firm* is not required to provide information again in relation to the use of yield in further *qualifying cryptoasset lending*. This is provided the use of any yield in further *qualifying cryptoasset lending* is on the same or substantially similar terms to the original *qualifying cryptoasset lending* service. A *firm* should nonetheless consider whether it would be in the best interests of the *retail client* for information about any further *qualifying cryptoasset lending* to be provided even where this is not required.

9.2.3 R A *firm* must regularly – and at least once every 3 months – review the information provided under *CRYPTO* 9.2.1R(1). If necessary, the *firm* must update the information as soon as possible, to ensure it remains accurate and up to date.

9.2.4 R A *firm* must notify a *retail client* in good time about any material change to the information provided under *CRYPTO* 9.2.1R(1) relevant to the *qualifying cryptoasset lending or borrowing* service that the *firm* is providing to that *retail client*.

Content of the information

9.2.5 R The information in *CRYPTO* 9.2.1R(1) must include:

(1) information about the *qualifying cryptoasset lending or borrowing* service to be provided to the *retail client*;

(2) information about the *qualifying cryptoassets* that will be provided pursuant to the *qualifying cryptoasset lending or borrowing* service;

(3) information about the transfer and return of the *qualifying cryptoassets* or equivalent *qualifying cryptoassets* provided or received as part of the *qualifying cryptoasset lending or borrowing* service and any yield earned or *qualifying cryptoasset borrowing collateral* provided;

(4) information about the *retail client's* access to their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* and yield earned;

(5) information about any restrictions, minimum thresholds and eligibility requirements for the *qualifying cryptoasset lending or borrowing* service;

(6) information about risks;

(7) any other information material to a *retail client's* understanding of the *qualifying cryptoasset lending or borrowing* service; and

(8) when the information was last updated.

Information about the qualifying cryptoasset lending or borrowing service

9.2.6 R Information about the *qualifying cryptoasset lending or borrowing* service to be performed for the *retail client* must include:

(1) the *qualifying cryptoasset lending or borrowing* service to be performed;

(2) how yield is generated for *qualifying cryptoasset lending*, if applicable; and

(3) the loan levels and limits modelled pursuant to *CRYPTO* 9.8.1R.

Information about the qualifying cryptoassets

9.2.7 G A *firm* should provide further information, where appropriate, on the nature and uses of the relevant *qualifying cryptoassets*, and their blockchains, associated with the *qualifying cryptoasset lending or borrowing* service provided. This could include providing links to *QCDDs* published in accordance with *CRYPTO* 3.

Information about transfer and return

9.2.8 G The information about the transfer and return of the *qualifying cryptoassets* or equivalent *qualifying cryptoassets* provided or received as part of the *qualifying cryptoasset lending or borrowing* service and any yield earned or *qualifying cryptoasset borrowing collateral* provided should include, where applicable:

(1) information about any restrictions, including those not set by the *qualifying cryptoasset firm* itself, on the *retail client's* ability to cease the *qualifying cryptoasset lending or borrowing* service being performed for them, and to receive the return of their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* and any yield earned or *qualifying cryptoasset borrowing collateral* provided;

(2) information about the amount of time required for the *qualifying cryptoassets* or equivalent *qualifying cryptoassets* provided or received as part of the *qualifying cryptoasset lending or borrowing* service and any yield earned or *qualifying cryptoasset borrowing collateral* provided to be returned to the *retail client*, and whether and in what circumstances the amount of time is variable.

Information about the retail client's access to their qualifying cryptoassets or equivalent qualifying cryptoassets and yield

9.2.9 G The information about the *retail client's* access to their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* and/or to any yield earned should include, where applicable:

(1) what access the *retail client* will have to their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* while those *qualifying cryptoassets* are engaged in the *qualifying cryptoasset lending* service, including whether the *qualifying cryptoassets* can be transferred or sold at the *retail client's* direction; and

(2) the implications of any transfer of ownership of the *retail client's qualifying cryptoassets* and/or any yield earned, including the implications in the event of the insolvency of the *firm* or any other relevant person who is holding any *qualifying cryptoassets* and/or yield earned on behalf of the *retail client*.

Information about risks

9.2.10 R The information about risks must include:

(1) an explanation of the types of risks that may be relevant in relation to *qualifying cryptoasset lending or borrowing*, including that the *retail client* may lose some or all of their *qualifying cryptoassets*, any yield earned, or *qualifying cryptoasset borrowing collateral* provided in the event of operational disruption;

(2) in the case of *qualifying cryptoasset lending*, if applicable, an explanation as to how the *firm* mitigates counterparty risk arising from its yield-generating activities using *qualifying cryptoassets* provided by *retail clients* to be used in the *qualifying cryptoasset lending* services; and

(3) an explanation of any other risks of which a *retail client* ought to be aware.

9.2.11 G When considering its approach to the preparation and provision of information in this section, a *firm* should take into account obligations in the Handbook that may be relevant, including but not limited to *PRIN*, *COBS*, and the Consumer Duty (*PRIN* 2A).

9.3 Key terms and express prior consent requirement

The express prior consent requirement

9.3.1 R (1) A *firm* must provide a *retail client* with the key terms of agreement relating to its *qualifying cryptoasset lending or borrowing* services.

(2) A *firm* must obtain the *retail client's* express prior consent in relation to those key terms of agreement:

(a) each time that *retail client* instructs the *firm* to provide the *qualifying cryptoasset lending or borrowing* services; and

(b) before one of the following, whichever is the earlier:

(i) the *retail client* is bound by any agreement relating to the *qualifying cryptoasset lending or borrowing* services; or

(ii) the provision of those services.

(3) A *firm* must provide the key terms of the agreement in a *durable medium* or via a website, mobile application or any other digital medium that the *firm* may be using in relation to the provision of its *qualifying cryptoasset lending or borrowing* service (where it does not constitute a *durable medium*) where the *website conditions* are satisfied.

(4) The *firm* must keep a record of the *retail client's* express prior consent capable of being produced or reproduced upon the *FCA's* request.

(5) The key terms in respect of which a *retail client* must provide express prior consent must include the terms set out in *CRYPTO* 9.3.3R.

9.3.2 G In relation to *CRYPTO* 9.3.1R(2), where a *retail client* has provided express prior consent for the *firm* to use any yield earned in further *qualifying cryptoasset lending*, as opposed to yield being transferred or allocated to the *retail client* immediately, the *firm* is not required to obtain the *retail client's* express prior consent again in relation to the use of yield in further *qualifying cryptoasset lending*. This is provided the use of any yield in further *qualifying cryptoasset lending* is on the same or substantially similar terms to the original *qualifying cryptoasset lending* service.

Key terms

9.3.3 R The terms in respect of which a *firm* must obtain a *retail client's* express prior consent include, if applicable:

(1) the type and quantity of the *qualifying cryptoassets* the *firm* will provide or receive as part of the *qualifying cryptoasset lending or borrowing* service for the *retail client*;

(2) how long the *qualifying cryptoassets* will be engaged in the *qualifying cryptoasset lending or borrowing* service;

(3) the value of the *qualifying cryptoassets* the *firm* will provide or receive as part of the *qualifying cryptoasset lending or borrowing* service;

(4) the duration of the loan of *qualifying cryptoassets* to or from the *retail client* and whether that duration is fixed or flexible;

(5) the total and component parts of one-off and ongoing charges, fees and commission, including exit fees, to be paid by the *retail client* to the *firm* for the *qualifying cryptoasset lending or borrowing* service;

(6) in relation to *qualifying cryptoasset lending* only, the yield that may be earned and transferred to the *retail client*;

(7) in relation to *qualifying cryptoasset borrowing* only:

(a) the amount of *qualifying cryptoasset borrowing collateral* that must be provided by the *retail client*;

(b) the amount of interest payable by the *retail client*, if any;

(c) the *firm's* ability to supplement the *retail client's qualifying cryptoasset borrowing collateral* on the *retail client's* behalf pursuant to *CRYPTO* 9.6.3R;

(d) the *firm's* ability to realise the *qualifying cryptoasset borrowing collateral*; and

(e) the loan limits set by the *firm* pursuant to *CRYPTO* 9.8.1R(1) or by the *retail client* pursuant to *CRYPTO* 9.8.5R;

(8) any restrictions set by the *firm* on a *retail client's* ability to access their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* provided or received as part of the *qualifying cryptoasset lending or borrowing* service;

(9) the *retail client's* ability to terminate the *qualifying cryptoasset lending or borrowing* service and receive a return of their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* and any yield earned or *qualifying cryptoasset borrowing collateral* provided, including whether any financial penalties may be incurred by the *retail client*;

(10) the amount of time the *firm* requires to restore the *retail client's* access to their *qualifying cryptoassets* or equivalent *qualifying cryptoassets* and any accrued yield and/or *qualifying cryptoasset borrowing collateral* provided, following receipt of a request to terminate the *qualifying cryptoasset lending or borrowing* service;

(11) whether ownership of the *retail client's qualifying cryptoassets* transfers from the *retail client* to the *firm* or any other person as part of the *qualifying cryptoasset lending or borrowing* service;

(12) whether the *retail client's qualifying cryptoassets* engaged in the *qualifying cryptoasset lending or borrowing* service and/or any yield earned are being held on trust by the *firm* or any other person on behalf of the *retail client*; and

(13) whether any *qualifying cryptoasset borrowing collateral* provided by the *retail client* is being held on trust by the *firm* or any other person on behalf of the *retail client*.

9.3.4 G (1) In relation to *CRYPTO* 9.3.3R(3), a *firm* should take all reasonable steps to obtain the most recent valuation for the *qualifying*

cryptoassets that will be engaged in the *qualifying cryptoasset lending or borrowing* service.

(2) This value should be presented in GBP.

9.3.5 R In relation to *CRYPTO* 9.3.3R(5), a *firm* should:

(1) present one-off charges for the *qualifying cryptoasset lending or borrowing* service as both a monetary value and as a percentage of the total value of *qualifying cryptoassets* engaged in the *qualifying cryptoasset lending or borrowing* service;

(2) set out what fees and charges may be payable to third parties, including gas fees and settlement fees;

(3) make clear which charges originate from the blockchain, such as gas fees, and which charges are levied by the *firm*; and

(4) explain how any fees, charges or interest rates (if applicable) may vary through the duration of the *qualifying cryptoasset lending or borrowing* service and how such variations will be communicated to the *retail client*.

9.3.6 R In relation to *CRYPTO* 9.3.3R(6), the key terms must include:

(1) what the applicable rate of yield is and how it is determined;

(2) in the case of a variable rate, how that rate is calculated and how any variations will be communicated to the *retail client*;

(3) in what *qualifying cryptoasset* or currency the yield will be paid or provided to the *retail client*;

(4) the frequency with which yield may be earned and paid or provided to the *retail client* and, if the frequency is variable, on what basis it will vary;

(5) what commission the *firm* will take, presented as a percentage of the total yield earned; and

(6) whether the *firm* will use any yield earned in any separate or additional *qualifying cryptoasset lending*.

9.3.7 R In relation to *CRYPTO* 9.3.3R(7), the key terms must include:

(1) the market value of the initial *qualifying cryptoasset borrowing collateral* provided by the *retail client*; and

(2) the maximum additional *qualifying cryptoasset borrowing collateral* amount, subject to *CRYPTO* 9.6.5R(1).

9.3.8 G When setting out the market value of the *qualifying cryptoasset borrowing collateral* as required by *CRYPTO* 9.3.7R(1), a *firm* should take all reasonable steps to obtain the most recent valuation, presented in GBP.

Material changes

9.3.9 R A *firm* must notify a *retail client* in good time about any material change to the key terms of agreement provided under *CRYPTO* 9.3.1R(1) relevant to the *qualifying cryptoasset lending or borrowing* service that the *firm* is providing to that *retail client*.

9.3.10 G When considering its approach to the preparation and provision of key terms of agreement and obtaining express prior consent in respect thereof, as well as its approach to notifications about material changes to key terms, a *firm* should take into account obligations in the *Handbook* that may be relevant. These may include, but are not limited to *PRIN*, *COBS* and the Consumer Duty (*PRIN* 2A), and obligations in consumer rights law and any associated and applicable guidance.

9.4 Record keeping requirements

9.4.1 R The provisions in this section apply to a *qualifying cryptoasset firm* when providing a *qualifying cryptoasset lending or borrowing* service to any *client* who is not an *overseas client*.

9.4.2 R (1) A *firm* must maintain records of the following:

(a) the amount of *qualifying cryptoassets* provided or received in a *qualifying cryptoasset lending or borrowing* service for each *client* and on which blockchain per day;

(b) whether the *qualifying cryptoassets* are safeguarded by or on behalf of the *firm* and if so, by whom;

(c) the total amount of yield earned in relation to the *qualifying cryptoasset lending* service performed for each *client* per day;

(d) for each *client* to whom the *firm* provides any *qualifying cryptoasset lending* service, the *firm* must create and maintain a record comprising of the following:

(i) a list of the type of *qualifying cryptoassets* provided in a *qualifying cryptoasset lending* arrangement by the *client* to the *firm*;

(ii) the quantity of each *qualifying cryptoasset* provided in a *qualifying cryptoasset lending* arrangement by the *client* to the *firm*; and

(iii) the relevant virtual address for each *qualifying cryptoasset* provided in a *qualifying cryptoasset lending* arrangement by the *client* to the *firm*;

(e) total fees, charges, interest or commission charged to each *client* per day;

(f) where applicable, a record of the key terms of agreement provided to each *client* and a record of each *client's* express prior consent provided in relation thereto, including the date, time and amount of *qualifying cryptoassets* provided or received pursuant to the *qualifying cryptoasset lending or borrowing* service;

(g) a record of any requests from *clients* to terminate the *qualifying cryptoasset lending or borrowing* service or for the *client's qualifying cryptoassets* to be returned, including the date, time and amount of *qualifying cryptoassets* requested to be returned; and

(h) the total amount of *qualifying cryptoassets* provided or received in the *qualifying cryptoasset lending or borrowing* service lost per day due to operational disruptions.

(2) All records must be retained for a period of 5 years from the point at which the record is generated.

9.5 Proprietary token restriction

9.5.1 R (1) A *firm* must not use a *proprietary token* in connection with its *qualifying cryptoasset lending or borrowing* service.

(2) For the purposes of (1), this includes:

(a) accepting *proprietary tokens* from *retail clients* as part of *qualifying cryptoasset lending or borrowing*;

(b) providing *proprietary tokens* to *retail clients* as part of *qualifying cryptoasset borrowing*;

(c) accepting *proprietary tokens* from *retail clients* as *collateral* for *qualifying cryptoasset borrowing*;

(d) paying yield to *retail clients* in a *proprietary token*; and

(e) offering more favourable yield or interest rates for *qualifying cryptoasset lending or borrowing* for *retail clients* who hold or own *proprietary tokens*.

9.6 Qualifying cryptoasset borrowing collateral

Provision of qualifying cryptoasset borrowing collateral

9.6.1 R This section applies to a *firm* when it provides a *qualifying cryptoasset borrowing* service to *retail clients*.

9.6.2 R (1) A *firm* providing a *qualifying cryptoasset borrowing* service to a *retail client* must require *qualifying cryptoasset borrowing collateral* to be provided by the *retail client* to the *firm* before the provision of the *qualifying cryptoasset borrowing* service.

(2) The amount of *qualifying cryptoasset borrowing collateral* to be provided by the *retail client* under (1) must have a market value that exceeds the market value of the *qualifying cryptoassets* provided to the *retail client* as part of the *qualifying cryptoasset borrowing* service.

Additional qualifying cryptoasset borrowing collateral

9.6.3 R (1) Subject to (2) and (3), a *firm* may provide for *retail clients* to supplement the initial *qualifying cryptoasset borrowing collateral* and permit the *firm* to do this on the *retail client's* behalf.

(2) Where a *firm* provides a facility to provide additional *qualifying cryptoasset borrowing collateral* pursuant to (1) to supplement the initial *qualifying cryptoasset borrowing collateral* on the *retail client's* behalf, the *firm* must obtain the *retail client's* express prior consent.

(3) Where a *retail client* has provided express prior consent to allow a *firm* to supplement the *retail client's qualifying cryptoasset borrowing collateral* with additional assets or currency on the *retail client's* behalf, the *firm* may only exercise this right in relation to assets or currency that the *retail client* has expressly made available for that purpose.

9.6.4 R (1) Where a *retail client* has provided express prior consent to supplement its *qualifying cryptoasset borrowing collateral* pursuant to *CRYPTO* 9.6.3R, the maximum additional assets (which may include *qualifying cryptoassets*) or currency that may be applied to the *retail client's* initial *qualifying cryptoasset borrowing collateral* must not exceed 50% of the market value of the initial *qualifying cryptoasset borrowing collateral* at the commencement of the *qualifying cryptoasset borrowing* service.

(2) For the purposes of (1), any fees, charges or interest payable by the *retail client* in respect of the *qualifying cryptoasset borrowing* must be deducted from the maximum additional *qualifying cryptoasset borrowing collateral* amount.

9.6.5 R (1) Prior to the commencement of a *qualifying cryptoasset borrowing* service, a *firm* must provide a *retail client* with the option to set a limit on the amount by which the initial *qualifying cryptoasset borrowing collateral* may be supplemented during the *qualifying cryptoasset borrowing* service.

(2) The limit chosen by the *retail client* may not be higher than the maximum additional *qualifying cryptoasset borrowing collateral* amount prescribed under *CRYPTO* 9.6.4R.

9.7 Negative balance protection

9.7.1 R The liability of a *retail client* for any *qualifying cryptoasset borrowing* is limited to the value of any *qualifying cryptoasset borrowing collateral* (including any additional *qualifying cryptoasset borrowing collateral* provided pursuant to *CRYPTO* 9.6.3R) provided by the *retail client*.

9.7.2 G *CRYPTO* 9.7.1R means that a *retail client* cannot lose more than the *qualifying cryptoasset borrowing collateral* (including any additional *qualifying cryptoasset borrowing collateral* provided pursuant to *CRYPTO* 9.6.3R) specifically dedicated for the purpose of engaging in *qualifying cryptoasset borrowing*.

9.8 Loan levels and limits

Modelling of loan parameters

9.8.1 R (1) A *firm* must, prior to offering a *qualifying cryptoasset borrowing* service to a *retail client*, model and set limits for:

(a) the loan-to-value ratio;

(b) the margin call level; and

(c) the liquidation level.

(2) The *firm* must base the limits in (1) on modelling of previous price performance and volatility of the *qualifying cryptoasset borrowing collateral* and *qualifying cryptoassets* provided to the *retail client* as part of the *qualifying cryptoasset borrowing* service. On this basis, margin calls and liquidation should not be expected to occur within the first 6 months following the commencement of the *qualifying cryptoasset borrowing* service.

9.8.2 G In *CRYPTO* 9.8.1R(1)(c), 'liquidation level' refers to the loan-to-value ratio at which the *firm* is entitled to realise some or all of the *retail client's qualifying cryptoasset borrowing collateral* to discharge the *retail client's* obligation to return the *qualifying cryptoassets* received pursuant to the *qualifying cryptoasset borrowing* service plus any fees and charges.

9.8.3 G *Firms* should note that the risk of liquidation will likely increase the higher the loan-to-value ratio is set, even if all other factors remain constant.

9.8.4 R Modelling and limit-setting should be conducted without factoring in any potential additional *qualifying cryptoasset borrowing collateral* that may supplement the initial *qualifying cryptoasset borrowing collateral* provided by the *retail client*.

9.8.5 R (1) A *firm* must, prior to entering into an agreement relating to its *qualifying cryptoasset borrowing* service with a *retail client*, provide the *retail client* with the option to set their own limits for:

(a) the loan-to-value ratio;

(b) the margin call level; and

(c) the liquidation level (including both full and partial liquidation levels).

(2) The limit(s) set by the *retail client* may not be higher than the levels modelled by the *firm* under *CRYPTO* 9.8.1R.

10 Qualifying cryptoasset staking

10.1 Application

Who? What?

10.1.1 R (1) Except as provided for in (2), this chapter applies to a *qualifying cryptoasset firm* when *arranging qualifying cryptoasset staking* for a *retail client*.

(2) For the purposes of *CRYPTO* 10.4, the record keeping requirements apply to a *qualifying cryptoasset firm* when *arranging qualifying cryptoasset staking* for any *client*.

10.2 Information requirement

10.2.1 R (1) A *firm* must provide a *retail client* with information about the *firm* and its *qualifying cryptoasset staking* service.

(2) The information in (1) must be provided to a *retail client*:

(a) each time that *retail client* instructs the *firm* to provide the *qualifying cryptoasset staking* service; and

(b) before one of the following, whichever is the earlier:

(i) a *retail client* is bound by any agreement relating to *qualifying cryptoasset staking*; or

(ii) the provision of those services.

(3) A *firm* must provide the information in a *durable medium* or via a website, mobile application or any other digital medium that the *firm* may be using in relation to the provision of its *qualifying cryptoasset staking* service (where it does not constitute a durable medium) where the *website conditions* are satisfied.

10.2.2 G In relation to *CRYPTO* 10.2.1R(2), where a *retail client* has provided express prior consent for the *firm* to use any rewards earned in further *qualifying*

cryptoasset staking, as opposed to rewards being transferred or allocated to the *retail client* immediately, the *firm* is not required to provide information again in relation to the use of rewards in further *qualifying cryptoasset staking*. This is provided the use of any rewards in further *qualifying cryptoasset staking* is on the same or substantially similar terms to the original *qualifying cryptoasset staking* service. A *firm* should nonetheless consider whether it would be in the best interests of the *retail client* for it to provide information about any further *qualifying cryptoasset staking* even where this is not required.

10.2.3 R A *firm* must regularly – and at least once every 3 months – review the information under *CRYPTO* 10.2.1R(1). If necessary, the *firm* must update the information as soon as possible, to ensure it remains accurate and up to date.

10.2.4 R A *firm* must notify a *retail client* in good time about any material change to the information provided under *CRYPTO* 10.2.1R(1) relevant to the *qualifying cryptoasset staking* service that the *firm* is providing to that *retail client*.

Content of the information

10.2.5 R The information in *CRYPTO* 10.2.1R(1) must include:

(1) information about the *qualifying cryptoasset staking* service to be provided to the *retail client*;

(2) information about the *qualifying cryptoassets* that will be used in the *qualifying cryptoasset staking* service;

(3) information about the transfer and return of *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service and any rewards earned;

(4) information about the *retail client's* access to their *qualifying cryptoassets* and rewards;

(5) information about risks;

(6) any other information material to a *retail client's* understanding of the *qualifying cryptoasset staking* service; and

(7) when the information was last updated.

Information about the qualifying cryptoasset staking service

10.2.6 G Information about the *qualifying cryptoasset staking* service to be performed for the *retail client* should include a description of the *qualifying cryptoasset staking* service to be performed, including whether the *blockchain validation* will be performed by the *firm* itself or by another person or persons.

Information about the qualifying cryptoassets

10.2.7 G (1) The information about the *retail client's qualifying cryptoassets* to be used in the *qualifying cryptoasset staking* service should include, where applicable:

(a) that the *retail client* may receive another *qualifying cryptoasset* directly, or a *qualifying cryptoasset* representing a claim on the *retail client's* underlying *qualifying cryptoasset* used in the *qualifying cryptoasset staking* arrangement;

(b) that there may be risks associated with any other *qualifying cryptoasset*, such as the possibility of a change in value in comparison to the *client's* underlying *qualifying cryptoassets* being used in the *qualifying cryptoasset staking* service;

(c) information on the functions and limitations of any other *qualifying cryptoasset*, including whether they can be transferred, sold or used in any other *qualifying cryptoasset staking*; and

(d) information on how any other *qualifying cryptoasset* may be redeemed with the *firm* for the underlying *qualifying cryptoasset* being used in the *qualifying cryptoasset staking* service.

(2) A *firm* should provide further information, where appropriate, on the nature and uses of the relevant *qualifying cryptoassets*, and their blockchains, associated with the *qualifying cryptoasset staking* service provided. This could include providing links to *QCDDs* published in accordance with *CRYPTO* 3.

Information about transfer and return

10.2.8 G The information about the transfer and return of *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service and any rewards earned should include, where applicable:

(1) information about any restrictions, including those not set by the *qualifying cryptoasset firm* itself, on the *retail client's* ability to cease the *qualifying cryptoasset staking* service being performed for them and to receive the return of their *qualifying cryptoassets* and any rewards earned, if applicable; and

(2) information on the amount of time required for *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service and any rewards earned, if applicable, to be returned to the *retail client*, and whether and in what circumstances the amount of time is variable.

Information about a retail client's access to their qualifying cryptoassets and rewards

10.2.9 G The information about the *retail client's* access to their *qualifying cryptoassets* and/or any rewards earned should include, where applicable:

(1) what access the *retail client* will have to their *qualifying cryptoassets* while those *qualifying cryptoassets* are being used in the *qualifying cryptoasset staking* service, including whether the *qualifying*

cryptoassets can be transferred or sold at the *retail client's* direction; and

(2) the implications of any transfer of ownership of the *retail client's qualifying cryptoassets* and/or any rewards earned, including what the implications would be in the event of the insolvency of the *firm* or any other relevant person who is holding any *qualifying cryptoassets* and/or rewards earned on behalf of the *retail client*.

Information about risks

10.2.10 G The information about risks should include, where applicable:

(1) the identity of any person or persons the *qualifying cryptoasset firm* uses to perform the *blockchain validation*; and

(2) an explanation of the types of risks that may be relevant in relation to *qualifying cryptoasset staking*, including that the *retail client* may lose some or all of their *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service in the event of operational disruption.

10.2.11 G When considering its approach to the preparation and provision of information in this section, a *firm* should take into account obligations in the Handbook that may be relevant, including but not limited to *PRIN*, *COBS* and the Consumer Duty (*PRIN* 2A).

10.3 Key terms and express prior consent requirement

10.3.1 R (1) A *firm* must provide a *retail client* with the key terms of agreement relating to its *qualifying cryptoasset staking* service.

(2) A *firm* must obtain the *retail client's* express prior consent in relation to the key terms of agreement:

(a) each time that *retail client* instructs the *firm* to provide the *qualifying cryptoasset staking* service; and

(b) before one of the following, whichever is the earlier:

(i) a *retail client* is bound by any agreement relating to *qualifying cryptoasset staking*; or

(ii) the provision of those services.

(3) A *firm* must provide the key terms of the agreement in a *durable medium* or via a website, mobile application or any other digital medium that the *firm* may be using in relation to the provision of its *qualifying cryptoasset staking* service (where it does not constitute a durable medium) where the *website conditions* are satisfied.

(4) The *firm* must keep a record of the *retail client's* express prior consent capable of being produced or reproduced upon the *FCA's* request.

(5) The key terms in respect of which a *retail client* must provide express prior consent must include the terms set out in *CRYPTO* 10.3.3R.

10.3.2 G In relation to *CRYPTO* 10.3.1R(2), where a *retail client* has provided express prior consent for the *firm* to use any rewards earned in further *qualifying cryptoasset staking*, as opposed to rewards being transferred or allocated to the *retail client* immediately, the *firm* is not required to obtain the *retail client's* express prior consent again in relation to the use of rewards in further *qualifying cryptoasset staking*. This is provided the use of any rewards in further *qualifying cryptoasset staking* is on the same or substantially similar terms to the original *qualifying cryptoasset staking* service.

Key terms

10.3.3 R The terms in respect of which a *firm* must obtain a *retail client's* express prior consent include:

(1) the type and quantity of the *qualifying cryptoassets* the *firm* will use in the *qualifying cryptoasset staking* service for the *retail client*, including the name of the *qualifying cryptoasset* and the blockchain on which *blockchain validation* using that *qualifying cryptoasset* will take place;

(2) how long the *qualifying cryptoassets* will be used in the *qualifying cryptoasset staking* service;

(3) the value of the *qualifying cryptoassets* the *firm* will use in the *qualifying cryptoasset staking* service;

(4) the total and component parts of one-off and ongoing charges, fees and commission, including exit fees, to be paid by the *retail client* to the *qualifying cryptoasset firm* for the *qualifying cryptoasset staking* service;

(5) the rewards that may be earned pursuant to the *qualifying cryptoasset staking* service and transferred to the *retail client*, including:

(a) how rewards are determined;

(b) in what *qualifying cryptoasset* or currency the rewards will be paid;

(c) the frequency with which any rewards are earned and whether the value or frequency of rewards is variable; and

(d) whether the *firm* will use any rewards earned in any separate or additional *qualifying cryptoasset staking*.

(6) any restrictions set by the *firm* on a *retail client's* ability to access their *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service and the *retail client's* ability to terminate the *qualifying cryptoasset staking* service and receive a return of their *qualifying*

cryptoassets and any rewards earned, including whether any financial penalties may be incurred by the *retail client*;

(7) whether ownership of the *retail client's qualifying cryptoassets* transfers from the *retail client* to the *firm* or any other person as part of the *qualifying cryptoasset staking* activity/service; and

(8) whether the *retail client's qualifying cryptoassets* used in the *qualifying cryptoasset staking* service and/or any rewards earned are being held in trust by the *firm* or any other person on behalf of the *retail client*.

10.3.4 G (1) In relation to *CRYPTO* 10.3.3(3), a *firm* should take all reasonable steps to obtain the most recent valuation for the *qualifying cryptoassets* that the *qualifying cryptoasset firm* will use in the *qualifying cryptoasset staking* service.

(2) This value should be presented in GBP.

10.3.5 R (1) In relation to *CRYPTO* 10.3.3R(4), a *firm* should:

(a) present one-off charges for the *qualifying cryptoasset staking* service as a monetary value and as a percentage of the total value of *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service; and

(b) make clear which charges originate from the blockchain, such as gas fees, and which charges are levied by the *firm*.

(2) Any commission charged by the *firm* should be presented as the percentage of the total rewards earned on a *retail client's qualifying cryptoassets* used in the *qualifying cryptoasset staking* service that will be taken by the firm as commission.

Material changes

10.3.6 R A *firm* must notify a *retail client* in good time about any material change to the key terms of agreement provided under *CRYPTO* 10.3.1R(1) relevant to the *qualifying cryptoasset staking* service that the *firm* is providing to that *retail client*.

10.3.7 G When considering its approach to the preparation and provision of key terms of agreement and obtaining express prior consent in respect thereof, as well as its approach to notifications about material changes to key terms, a *firm* should take into account obligations in the Handbook that may be relevant. These may include but are not limited to *PRIN*, *COBS* and the Consumer Duty (*PRIN* 2A), and obligations in consumer rights law and any associated and applicable guidance.

10.4 Record keeping requirements

10.4.1 R The provisions in this section apply to a *qualifying cryptoasset firm* when *arranging qualifying cryptoasset staking* for a *client*.

10.4.2 G (1) For the purposes of this section, a '*client*' refers to:

(a) the original *client* to whom a *firm* provides *qualifying cryptoasset staking* services; and

(b) any other person to whom the original *client* has transferred or assigned any rights or obligations arising from the agreement with the *firm* for the provision of *qualifying cryptoasset staking* services.

(2) An example of a *client* in (1)(b) is where the original *client* transfers to another person another *qualifying cryptoasset* directly or representing a claim on the original *qualifying cryptoasset* used in the *qualifying cryptoasset staking* service.

10.4.3 R (1) A *firm* must maintain records of the following:

(a) the amount of *qualifying cryptoassets* used in a *qualifying cryptoasset staking* service for each *client* and on which blockchain per day;

(b) whether the *qualifying cryptoassets* are safeguarded by or on behalf of the *firm* and if so, by whom;

(c) the total amount of rewards earned in relation to each *client's qualifying cryptoasset* per day;

(d) the total amount of rewards allocated to each *client* per day;

(e) total fees, charges or commissions charged to each *client* per day;

(f) where applicable, a record of the key terms of agreement provided to each *client* and a record of each *client's* express prior consent provided in relation thereto, including the date, time and amount of *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service;

(g) a record of any requests from *clients* to terminate the *qualifying cryptoasset staking* service or for the *client's qualifying cryptoassets* to be returned, including the date, time and amount of *qualifying cryptoassets* requested to be returned;

(h) a record of *qualifying cryptoasset staking* activation, including the date, time and amount of *qualifying cryptoassets* used in a *qualifying cryptoasset staking* service;

(i) a record of *qualifying cryptoasset staking* completion, including the date, time and amount of *qualifying cryptoassets* that are capable of being returned to the *client*; and

(j) the total amount of *qualifying cryptoassets* used in the *qualifying cryptoasset staking* service lost per day due to operational disruptions.

(2) All records must be retained for a period of 5 years from the point at which the record is generated.

10.4.4 G For the purposes of *CRYPTO* 10.4.3R(1)(h), *qualifying cryptoasset staking* activation refers to the point at which *qualifying cryptoassets* are used in the *blockchain validation* process.

10.4.5 G For the purposes of *CRYPTO* 10.4.3R(1)(i), *qualifying cryptoasset staking* completion refers to the cessation of the *blockchain validation* process and restoration of the same access over *qualifying cryptoassets* that the *client* had before the commencement of the *qualifying cryptoasset staking* service.

GLOSSARY (CRYPTOASSETS) INSTRUMENT 202X

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"), including as applied by articles 98 and 99 of the Financial Services and Markets Act (Regulated Activities) Order 2000 (as amended by the Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions) (Cryptoassets) Order 2025) as applied by paragraph 3 of Schedule 6 to the Payment Services Regulations 2017 (SI 2017/752) and paragraph 2A of Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99):

(a) section 71N (Designated activities: rules);
(b) section 137A (The FCA's general rules);
(c) section 137B (FCA general rules: clients' money, right to rescind etc.);
(d) section 137R (Financial promotion rules); and
(e) section 137T (General supplementary powers).

(2) the following provisions of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 [*Editor's note*: insert SI number]:

(a) regulation 6 ("Qualifying cryptoasset disclosure document" and "supplementary disclosure document");
(b) regulation 9 (Designated activity rules: qualifying cryptoasset public offers and admissions to trading);
(c) regulation 12 (Responsibility for disclosure documents);
(d) regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document);
(e) regulation 15 (Withdrawal rights);
(f) regulation 21 (Designated activity rules: market abuse in qualifying cryptoassets and related instruments);
(g) regulation 23 (Exclusions: insider dealing);
(h) regulation 26 (Public disclosure of inside information);
(i) regulation 27 (Public disclosure of inside information: delayed disclosure);
(j) regulation 30 (Systems and procedures for trading relevant qualifying cryptoassets and related instruments);
(k) regulation 31 (Insider lists for relevant qualifying cryptoassets and related instruments);

(l) regulation 32 (Cases in which sharing of information authorised or required);
(m) regulation 34 (Legitimate cryptoasset market practice);
(n) regulation 36 (Disapplication or modification of rules); and
(o) paragraph 8 ("Protected forward-looking statement") of Part 2 (Further exemption relating to forward-looking statement) of Schedule 2 (Compensation: exemptions).

(2) the other rule making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with the Annex to this instrument.

Notes

E. In the Annexes to this instrument, the notes (indicated by "**Note:**" or "*Editor's note*:") are included for the convenience of readers but do not form part of the legislative text.

Citation

F. This instrument may be cited as the Glossary (Cryptoassets) Instrument 202X.

By order of the Board
[*date*]

Annex

Amendments to the Glossary of definitions

[*Editor's note*: This Annex takes into account the proposals and legislative changes included in the following consultation papers as if they were made final:

(1) 'Stablecoin issuance and cryptoasset custody' (CP25/14); and
(2) 'Application of FCA Handbook for Regulated Cryptoasset Activities' (CP25/25).]

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

admission criteria	(in *CRYPTO* 3) the criteria a *UK QCATP* is required to establish by *CRYPTO* 3.2.1R.
cryptoasset	as defined in section 417 (Definitions) of the *Act*, any cryptographically secured digital representation of value or contractual rights that: (a) can be transferred, stored or traded electronically; and (b) uses technology supporting the recording or storage of data (which may include distributed ledger technology).
cryptoasset inside information	means 'inside information' as defined in regulation 18 (Inside information) of the *Cryptoassets Regulations*.
cryptoasset insider	means a *person* who possesses inside information, as described in regulation 22(4) and (5) (Prohibited use of inside information (insider dealing)) of the *Cryptoassets Regulations*.
cryptoasset insider dealing	means using inside information as prohibited by regulation 22 (Prohibited use of inside information (insider dealing)) of the *Cryptoassets Regulations*.
cryptoasset insider list	a list, as required by regulation 31(1)(a) (Insider lists for relevant qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*, of all *persons* specified in *CRYPTO* 4.12.2R, who: (a) have access to *cryptoasset inside information*; and (b) are working for those *persons* under a contract of employment, or otherwise performing tasks through which they have access to *cryptoasset inside information*, such as advisers, accountants or credit rating agencies.

cryptoasset intermediary

an *authorised person*, other than a *UK QCATP operator*, that carries out any of:

(a) in relation to *qualifying cryptoassets*:

(i) *dealing in qualifying cryptoassets as principal*;

(ii) *dealing in qualifying cryptoassets as agent*;

(iii) *arranging deals in qualifying cryptoassets*; and

(b) in relation to *related instruments*:

(i) *dealing in investments as principal*;

(ii) *dealing in investments as agent*;

(iii) *arranging (bringing about) deals in investments*; and

(iv) *making arrangements with a view to transactions in investments*.

cryptoasset market abuse

means any activity prohibited by the following provisions in the *Cryptoassets Regulations*:

(a) regulation 22 (Prohibited use of inside information (insider dealing));

(b) regulation 24 (Prohibition on the disclosure of inside information); and

(c) regulation 28 (Prohibition of market manipulation).

cryptoasset market manipulation

means 'market manipulation' as defined in regulation 19 (Market manipulation) of the *Cryptoassets Regulations*.

cryptoasset unlawful disclosure

the behaviour described in regulation 24 of the *Cryptoassets Regulations*.

Cryptoassets Regulations

The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025 [*Editor's note*: insert SI number].

large CATP operator

a *firm* which:

(a) operates a *UK QCATP*;

(b) has average revenue, to be calculated at 12-*month* intervals, of more than or equal to £10,000,000 a year, for 3 previous years, having regard to:

(i) all its activities, including but not limited to operating a *UK QCATP*; and

(ii) where applicable, revenue arising from periods when the business was carried on by or in any predecessor entity.

legal entity identifier	(in *CRYPTO*) a 20-character alphanumeric code that uniquely identifies legally distinct entities which engage in financial transactions.
legitimate cryptoasset market practice	a market practice that is specified in *CRYPTO* 4.11.
LEI	*legal entity identifier*.
offer of a qualifying cryptoasset to the public	has the same meaning as in regulation 5 ("Offer of a qualifying cryptoasset to the public") of the *Cryptoassets Regulations*.
person responsible for the offer	(in accordance with regulation 3(3) (Interpretation: qualifying cryptoasset public offers and admissions to trading) and regulation 17(1) and (5) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*) means: (a) in relation to the offer of a *qualifying cryptoasset* to the public: (i) the *person* making the offer; or (ii) where the offer is being made on behalf of another, the *person* on whose behalf the offer is being made; (b) in relation to the *admission to trading*: (i) the *person* requesting or obtaining *admission to trading*; or (ii) where, of its own motion, a *UK QCATP operator* admits a *qualifying cryptoasset* to trading on a *UK QCATP* operated by it, that *UK QCATP operator*; (c) in relation to a *related instrument*, the *person* who is, for the purposes of the *Market Abuse Regulation*, the offeror of that instrument.
proprietary token	a *qualifying cryptoasset* that is not a *UK-issued qualifying stablecoin* and that is either:

	(a) a *qualifying cryptoasset* issued by the *qualifying cryptoasset firm* or a member of its *group*; or (b) a *qualifying cryptoasset* over which the *qualifying cryptoasset firm* or member of its *group* has material control or holdings of its supply.
QCATP operator	a *qualifying CATP operator*.
QCDD	a document which is a qualifying cryptoasset disclosure document for the purposes of Chapter 1 of Part 2 to the *Cryptoassets Regulations*.
qualifying CATP	a *qualifying cryptoasset trading platform*.
qualifying CATP operator	a *firm authorised* to carry on the activity of *operating a qualifying CATP*.
qualifying cryptoasset best execution obligation	(in *CRYPTO* 5) the obligation of a *firm* under *CRYPTO* 5.4.1R, *CRYPTO* 5.4.9R, *CRYPTO* 5.4.12R and *CRYPTO* 5.4.15R.
qualifying cryptoasset borrowing	the disposal of a *qualifying cryptoasset* from or via a *qualifying cryptoasset firm* to a *person* subject to an obligation or right to reacquire the same or equivalent *qualifying cryptoasset* from the *person*, which may include the provision of *qualifying cryptoasset borrowing collateral* and/or payment of interest from the *person* to the *qualifying cryptoasset firm*.
qualifying cryptoasset borrowing collateral	the transfer (other than by way of sale) by a *retail client* of assets (including *qualifying cryptoassets*) or currency, or rights in respect thereof, subject to a right of the *retail client* to have transferred back to it the same or equivalent assets or currency where the assets or currency are transferred to secure the performance of the obligations of the *retail client* arising in connection with *qualifying cryptoasset borrowing*.
qualifying cryptoasset execution venue	(in *CRYPTO*): (a) a *qualifying cryptoasset trading platform*; (b) a single dealer platform; (c) a liquidity provider; or (d) an entity that performs a similar function in a third country to the functions performed by any of the entities in (a) to (c) the foregoing.
qualifying cryptoasset lending	the disposal of a *qualifying cryptoasset* from a *person* to or via a *qualifying cryptoasset firm* subject to an obligation or right to reacquire the same or equivalent *qualifying cryptoasset* from the

	qualifying cryptoasset firm, typically with compensation paid to that *person* by the *qualifying cryptoasset firm* in the form of yield.
qualifying cryptoasset lending or borrowing	means one or both of the services of *qualifying cryptoasset lending* and/or *qualifying cryptoasset borrowing*.
reportable post-trade transparency information	information which a *transparency reporting firm* is required to report, as set out in *CRYPTO* 7.3.
reportable pre-trade transparency information	information which a *transparency reporting firm* is required to report, as set out in *CRYPTO* 7.2.
related instrument	(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments)) of the *Cryptoassets Regulations* a *financial instrument* or *specified investment* whose price or value depends on, or has an effect on, the price or value of a *relevant qualifying cryptoasset*, but does not include a *financial instrument* or *specified investment* which: (a) is a *relevant qualifying cryptoasset*; or (b) falls within Article 2(1) (Scope) of the *Market Abuse Regulation*.
relevant dealer in principal	(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments)) of the *Cryptoassets Regulations* a *person* who carries on an activity of a kind described in article 9T (Dealing in qualifying cryptoassets as principal) of the *Regulated Activities Order* in relation to a *relevant qualifying cryptoasset*.
relevant issuer	(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments)) of the *Cryptoassets Regulations* means: (a) in relation to a *relevant qualifying cryptoasset*: (i) the issuer of a *qualifying stablecoin*; or (ii) in any other case, a *person* ('A') where: (A) A offers a *qualifying cryptoasset*, or arranges for another to offer that *qualifying cryptoasset* to the public; and (B) that *qualifying cryptoasset* is created by, or on behalf of, A for sale or subscription; or

	(b) in relation to a *related instrument*, the issuer of that instrument.
relevant qualifying cryptoasset	(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments)) of the *Cryptoassets Regulations* a *qualifying cryptoasset* that has been *admitted to trading*, or is subject to an application seeking *admission to trading*, on a *UK QCATP*.
specified investment cryptoasset	means a *cryptoasset* that: (a) is a *specified investment* as a result of Part 3 (Specified investments) of the *Regulated Activities Order*: (i) excluding article 88F (Qualifying cryptoassets); and (ii) including where the *cryptoasset* is a right to or an interest in such a *specified investment* by operation of article 89 (Rights to or interests in investments); and (b) would be a *qualifying cryptoasset* if of article 88F(4)(a) to (c) were disregarded.
stablecoin QCDD	A *QCDD* produced in relation to a *UK qualifying stablecoin*.
supplementary disclosure document	a document which is a supplementary disclosure document for the purposes of Chapter 1 of Part 2 of the *Cryptoassets Regulations*.
transparency crypto intermediary	a *firm* dealing in *qualifying cryptoassets as principal* when trading in *qualifying cryptoassets* otherwise than on a matched principal basis.
transparency reporting firm	a *firm* that is either: (a) a *QCATP operator*; or (b) a *transparency crypto intermediary*, to which *CRYPTO* 7 applies.
UK QCATP	a *qualifying cryptoasset trading platform*, the operation of which requires *authorisation*.
UK QCATP operator	the operator of a *UK QCATP*.
UK qualifying cryptoasset execution venue	a *qualifying cryptoasset execution venue*, the operation of which requires *authorisation*.

UK qualifying stablecoin	a *qualifying stablecoin* issued by a *person* authorised under Part 4A of the *Act* for the activity specified in article 9M of the *Regulated Activities Order* (Issuing qualifying stablecoin).
wrapped token	a *qualifying cryptoasset* ('A') which: (a) relates to an underlying *qualifying cryptoasset* ('B'), where B is minted on a blockchain other than one on which A is used ('C'); and (b) is created specifically for the purpose of enabling B to be used on C.

Amend the following definitions as shown.

[*Editor's note*: the amendments to the terms 'acknowledgement letter', 'acknowledgement letter fixed text' and 'acknowledgement letter variable text' were previously consulted on in CP25/14. These terms have since been amended by the Payments and Electronic Money (Safeguarding) Instrument 2025 (FCA 2025/38), which comes into force on 7 May 2026. These amendments are reflected in the text below.]

acknowledgement letter	… (2) … (3) (in *CASS* 16) a *backing asset pool acknowledgement letter* (a letter in the form of the template in *CASS* 16 Annex 1R) or an *unallocated backing funds acknowledgement letter* (a letter in the form of the template in *CASS* 16 Annex 2R).
acknowledgement letter fixed text	… (4) … (5) (in *CASS* 16) the text in the template *acknowledgement letters* in *CASS* 16 Annex 1R and *CASS* 16 Annex 2R that is not in square brackets.
acknowledgement letter variable text	… (4) … (5) (in *CASS* 16) the text in the template *acknowledgement letters* in *CASS* 16 Annex 1R and *CASS* 16 Annex 2R that is in square brackets.

[*Editor's note*: the definition of 'admission to trading' takes into account the changes made by the UK Listing Rules (Further Issuance and Listing Particulars) Instrument 2025 (FCA 2025/33), which come into force on 19 January 2026.]

admission to trading …

(2A) …

(2B) (in *CRYPTO*) admission of a *qualifying cryptoasset* to trading on a *UK QCATP*.

…

algorithmic trading (1) (except in *CRYPTO* 4.7 and *CRYPTO* 4.8) trading in *financial instruments* which meets the following conditions:

(a) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order for how to manage the order after its submission; and

(b) there is limited or no human intervention; but

does not include any system that is only used for the purpose of routing orders to one or more *trading venues* or the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions.

(2) (in *CRYPTO* 4.7 and *CRYPTO* 4.8), trading in *qualifying cryptoassets* or *related instruments* which meets the following conditions:

(a) where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order for how to manage the order after its submission; and

(b) there is limited or no human intervention; but

does not include any system that is only used for the purpose of routing orders to one or more *qualifying cryptoasset trading platforms* or *trading venue* (as applicable) or the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions.

[*Editor's note*: the amendments to the term 'approved bank' were previously consulted on in CP25/14. This term has since been amended by the Payments and Electronic Money (Safeguarding) Instrument 2025 (FCA 2025/38), which comes into force on 7 May 2026. These amendments are reflected in the text below.]

approved bank

(1) (except in *COLL* ~~and~~, *CASS* 15 and *CASS* 16) (in relation to a *bank* account opened by a firm):

…

(3) …

(4) (in *CASS* 16) (in relation to a *bank* account opened by a *firm*):

(a) the *central bank* of a state that is a member of the *OECD* ('an *OECD* state');

(b) a *credit institution* that is supervised by the *central bank* or other banking regulator of an *OECD* state; and

(c) any *credit institution* that:

(i) is subject to regulation by the banking regulator of a state that is not an *OECD* state;

(ii) is required by the law of the country or territory in which it is established to provide audited accounts;

(iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time);

(iv) has a surplus of revenue over expenditure for the past 2 financial years; and

(v) has an annual report which is not materially qualified.

arranging deals in qualifying cryptoassets

the regulated activity specified in article ~~[9Z]~~ 9Y of the *Regulated Activities Order*, which is, in summary, making arrangements:

(a) for another *person* (whether as *principal* or agent) to buy, *sell*, or subscribe for or underwrite a *qualifying cryptoasset*;

(b) with a view to a *person* who participates in the arrangements *buying*, *selling*, subscribing for or underwriting *qualifying cryptoassets* whether as *principal* or agent.

arranging qualifying cryptoasset safeguarding	the *regulated activity* specified in article ~~9O(1)(b)~~ 9N(1)(b) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the *Regulated Activities Order*, but only in relation to *qualifying cryptoassets*.
arranging qualifying cryptoasset staking	the *regulated activity*, specified in article ~~[9Z7]~~ 9Z6 of the *Regulated Activities Order*, which is, in summary, making arrangements on behalf of another (whether as principal or agent) for *qualifying cryptoasset staking*.
blockchain validation	(in accordance with article ~~[9Z7]~~ 9Z6 of the *Regulated Activities Order*): (a) the validation of transactions on: (i) a blockchain; or (ii) a network that uses distributed ledger technology or other similar technology; and (b) includes proof of stake consensus mechanisms.
data protection legislation	(1) (except in *CRYPTO* 4) the General Data Protection Regulation (EU) No 2016/679 and the Data Protection Act 2018. (2) (in *CRYPTO* 4) has the same meaning as in section 3 of the Data Protection Act 2018.
dealing in qualifying cryptoassets as agent	the *regulated activity*, specified in article ~~[9X]~~ 9W of the *Regulated Activities Order*, which is, in summary, *buying*, *selling*, subscribing for or underwriting *qualifying cryptoassets* as agent.
dealing in qualifying cryptoassets as principal	the *regulated activity*, specified in article ~~[9U]~~ 9T of the *Regulated Activities Order*, which is, in summary, *buying*, *selling*, subscribing for or underwriting *qualifying cryptoassets* as *principal*.
designated investment business	any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business: … (u) *issuing qualifying stablecoin* in the *United Kingdom* (article ~~[~~9M~~]~~); (v) *safeguarding qualifying cryptoassets*; (w) *operating a qualifying ~~cryptoasset trading platform~~ CATP* (article ~~[9T]~~ 9S);

	(x)	*dealing in qualifying cryptoassets as principal* (article ~~[9U]~~ 9T), but disregarding the exclusion in article ~~[9V]~~ 9U (Absence of holding out etc);
	(y)	*dealing in qualifying cryptoassets as agent* (article ~~[9X]~~ 9W);
	(z)	*arranging deals in qualifying cryptoassets* (article ~~[9Z]~~ 9Y);
	(za)	*arranging qualifying cryptoasset staking* (article ~~[9Z7]~~ 9Z6).
execution of orders on behalf of clients	(1)	(except in *CRYPTO* and *CRYPTOPRU*) acting to conclude agreements to buy or sell one or more *financial instruments* on behalf of *clients*, including the conclusion of agreements to sell *financial instruments* issued by an *investment firm* or a *credit institution* at the moment of their issuance.
		[Note: article 4(1)(5) of *MiFID*]
	(2)	(in *CRYPTO* and *CRYPTOPRU*) acting to conclude agreements to buy or sell one or more *qualifying cryptoassets* on behalf of *clients*, including the conclusion of agreements to sell *qualifying cryptoassets* issued by a *firm* at the moment of their issuance.

[*Editor's note*: the definition of 'forward-looking statement' is introduced by the Prospectus Instrument 2025 (FCA 2025/30), which comes into force on 19 January 2026.]

forward-looking statement	(1)	(in *PRM*) has the same meaning as in paragraph 10(2) of Schedule 2 to the *Public Offers and Admissions to Trading Regulations*.
	(2)	(in *CRYPTO* 3) has the same meaning as in paragraph 8(2) of Part 2 of Schedule 2 to the *Cryptoassets Regulations*.
market maker	…	
	(4)	…
	(5)	(in *CRYPTO*) a *person* who holds themselves out on a *qualifying CATP* on a continuous basis as being willing to deal in *qualifying cryptoassets* as principal by buying and selling *qualifying cryptoassets* against that *person's* proprietary capital at prices defined by that *person*.
material change	(in *COBS* 11 and in *CRYPTO* 5.4) a significant event that could impact parameters of best execution, such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.	

operating a qualifying ~~cryptoasset trading platform~~ CATP	the *regulated activity* in article ~~[9T]~~ 9S of the *Regulated Activities Order* which is, in summary, the operation of a *qualifying cryptoasset trading platform*.
over the counter	(1) (except in *CRYPTO*) (in relation to a transaction in an investment) not on-exchange. (2) (in *CRYPTO*) in relation to a transaction in *qualifying cryptoassets*, not on a *UK QCATP*.
personal transaction	a trade in a *designated investment* or *qualifying cryptoasset*, or in *COBS* 11.7A only, a trade in a *financial instrument*, effected by or on behalf of a *relevant person*, where at least one of the following criteria are met: …
proprietary trading	(in *SYSC* 27 (Senior managers and certification regime: (Certification regime) and *COCON*) *dealing in investments as principal* as part of a business of trading in *specified investments*. For these purposes *dealing in investments as principal* includes: (a) any activities that would be included but for the exclusion in Article 15 (Absence of holding out), Article 16 (Dealing in contractually based investments) or, for a *UK AIFM* or *UK UCITS management company*, article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*; (b) *dealing in qualifying cryptoassets as principal*; (c) any activities that would be included in (b) but for the exclusion in ~~[~~article ~~9V]~~ 9U (Absence of holding out) of the *Regulated Activities Order*; (d) *issuing qualifying stablecoin* in the *United Kingdom*; and (e) *operating a qualifying ~~cryptoasset trading platform~~ CATP* to the extent that that activity would have fallen into (b) but for the exclusion in article ~~[9Y(3)(b)]~~ 9X(2)(b) of the *Regulated Activities Order*.

[*Editor's note*: the definition of 'protected forward-looking statement' is introduced by the Prospectus Instrument 2025 (FCA 2025/30), which comes into force on 19 January 2026.]

protected forward-looking statement	(1) (in *PRM*) a *forward-looking statement* that satisfies the conditions set out in *PRM* 8.1.3R.

(2) (in *CRYPTO* 3) a *forward-looking statement* that satisfies the conditions set out in *CRYPTO* 3.7.4R.

[*Editor's note*: the consultation papers 'Stablecoin issuance and cryptoasset custody' (CP25/14) and 'Application of FCA Handbook for Regulated Cryptoasset Activities' (CP25/25) proposed different definitions for the Glossary term 'qualifying cryptoasset'. Those definitions are now deleted; the changes set out below amend the existing Glossary term 'qualifying cryptoasset' as it exists in the Handbook.]

qualifying cryptoasset

(1) ~~(~~as defined in ~~paragraph 26F~~ article 88F (Qualifying cryptoasset) of ~~Schedule 1 to the *Financial Promotion Order*)~~ the *Regulated Activities Order*:

~~(1)~~ (a) ~~Any~~ a cryptoasset ~~(other than a cryptoasset falling in (2))~~ which is:

~~(a)~~ (i) fungible; and

~~(b)~~ (ii) transferable.

(iii) not solely a record of value or contractual rights, including rights in another cryptoasset; and

(iv) not excluded by (iii).

(b) For the purposes of (1)(a)(ii), the circumstances in which a cryptoasset is to be treated as 'transferable' include where it confers transferable rights.

~~(2)~~ (c) A cryptoasset does not fall within ~~(1)~~ (1)(a) if it is:

~~(a)~~ (i) ~~a *controlled investment* falling within any of paragraphs 12 to 26E or, so far as relevant to any such *investment*, paragraph 27 of Schedule 1 to the *Financial Promotion Order*~~; a *specified investment cryptoasset*, other than one specified by:

(A) article 74A (Electronic money) of the *Regulated Activities Order*; or

(B) article 88F (Qualifying cryptoassets) of the *Regulated Activities Order*;

~~(b)~~ (ii) ~~electronic money~~ *electronic money* ~~(as defined in regulation 2(1) (Interpretation) of the *Electronic Money Regulations*)~~;

~~(c)~~ (iii) ~~fiat currency~~ currency of the *United Kingdom* or any other country, or territory including a central bank digital currency; or

~~(d) fiat currency issued in digital form; or~~

~~(e)~~ (iv) a cryptoasset that:

~~(i)~~ (A) cannot be transferred or sold in exchange for money or other cryptoassets, except by way of redemption with the issuer; and

~~(ii)~~ (B) can only be used ~~in a limited way and meets one of the following conditions~~ by the holder to:

(1) ~~it allows the holder to~~ acquire goods or services ~~only~~ from the issuer; or

(2) ~~it is issued by a professional issuer and allows the holder to~~ acquire goods or services ~~only~~ within a limited network of service providers which have direct commercial agreements with the issuer~~; or~~.

~~(3) it may be used only to acquire a very limited range of goods or services.~~

~~(3) For the purposes of this definition, a cryptoasset is any cryptographically secured digital representation of value or contractual rights that:~~

~~(a) can be transferred, stored or traded electronically; and~~

~~(b) uses technology supporting the recording or storage of data (which may include distributed ledger technology).~~

(2) insofar as referring to the *controlled investment*, in accordance with article 2 (Interpretation: general) of the *Financial Promotion Order* has the meaning given by article 88F (Qualifying cryptoassets) of the *Regulated Activities Order*, except that the condition as to the cryptoasset being transferable is to be taken as met if a communication made in relation to the cryptoasset describes it as being:

(a) transferable; or

(b) conferring transferable rights.

qualifying cryptoasset activity any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities):

(a) *issuing qualifying stablecoin* in the *United Kingdom* (article ~~[9N]~~ 9M);

(b) *safeguarding qualifying cryptoassets* (article 9N);

(c) *operating a qualifying ~~cryptoasset trading platform~~ CATP* (article ~~[9T]~~ 9S);

(d) *dealing in qualifying cryptoassets as principal* ((article ~~[9U]~~ 9T) (but disregarding the exclusion in article ~~[9V]~~ 9U (Absence of holding out etc));

(e) *dealing in qualifying cryptoassets as agent* (article ~~[9X]~~ 9W);

(f) *arranging deals in qualifying cryptoassets* (article ~~[9Z]~~ 9Y); or

(g) *arranging qualifying cryptoasset staking* (article ~~[9Z7]~~ 9Z6).

qualifying cryptoasset custodian an *authorised person* with *permission* to carry on the *regulated activity* specified in article ~~[9O(1)(a)]~~ 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the *Regulated Activities Order*, but only in relation to *qualifying cryptoassets*.

qualifying cryptoasset trading platform (in accordance with article 3(1) (Interpretation) of the *Regulated Activities Order*) a system which brings together or facilitates the bringing together of multiple third-party *buying* and *selling* interests in *qualifying cryptoassets* in a way that results in a contract for the exchange of *qualifying cryptoassets* for:

(1) money (including *electronic money*); or

(2) other *qualifying cryptoassets*.

[*Editor's note*: the definition of 'qualified investor' is introduced by the Prospectus Instrument 2025 (FCA 2025/30), which comes into force on 19 January 2026.]

qualified investor (1) (in *CRYPTO* 3) has the meaning given by paragraph 9 of Part 2 of Schedule 1 to the *Cryptoassets Regulations*.

	(2)	(elsewhere in the *Handbook*) has the meaning ~~in~~ given by paragraph 15 of Schedule 1 to the *Public Offers and Admissions to Trading Regulations*.
qualifying stablecoin	~~(1)~~	~~(in *CRYPTO* 2 and *CASS* 16)~~ the specified *investment* defined in article 88G (Qualifying stablecoin) of the *Regulated Activities Order*~~, but only including those specified investments which involve a stablecoin referencing a single fiat currency~~.
	~~(2)~~	~~(except in *CRYPTO* 2 and *CASS* 16) the specified investment defined in article 88G (Qualifying stablecoin) of the *Regulated Activities Order*.~~
qualifying stablecoin issuer	an *authorised person* with permission to carry on the regulated activity defined in article 9M (Issuing qualifying stablecoin ~~in the United Kingdom~~) of the *Regulated Activities Order*.	

[*Editor's note*: the amendments to the term 'redemption' were previously consulted on in CP25/14. This term has since been amended by the Enforcement Guide (Consequential Amendments) Instrument 2025 (FCA 2025/18), which came into force on 3 June 2025. These amendments are reflected in the text below.]

redemption	(1)	(in relation to *units* in an *authorised fund*) the purchase of them from their *holder* by the *authorised fund* manager acting as a *principal*.
	(2)	(in relation to *qualifying stablecoin*) the process by which a *qualifying stablecoin issuer* fulfils its obligation to the *holder* of a *qualifying stablecoin*, whether carried out directly or indirectly (for example, through a third party), to provide value in exchange for the *holder* returning a *qualifying stablecoin*.
regulated activity	…	
	(B)	in the *FCA* Handbook: (in accordance with section 22 of the *Act* (Regulated activities)) the activities specified in Part II (Specified activities), Part 3A (Specified activities in relation to information) and Part 3B (Claims management activities in Great Britain) of the *Regulated Activities Order*, which are, in summary:
	…	
	(aa)	…

(ab) *issuing qualifying stablecoin* in the United Kingdom (article ~~[~~9M~~]~~);

(ac) *safeguarding qualifying cryptoassets and relevant specified investment cryptoassets* (article ~~[9O]~~ 9N);

(ad) *operating a qualifying ~~cryptoasset trading platform~~* *CATP* (article ~~[9T]~~ 9S);

(ae) *dealing in qualifying cryptoassets as principal* (article ~~[9U]~~ 9T);

(af) *dealing in qualifying cryptoassets as agent* (article ~~[9X]~~ 9W);

(ag) *arranging deals in qualifying cryptoassets* (article ~~[9Z]~~ 9Y);

(ah) *arranging qualifying cryptoasset staking* (article ~~[9Z7]~~ 9Z6);

…

relevant person (1) …

(2) (in *CRYPTO* 4) (in accordance with regulation 17(4) (Interpretation: market abuse in qualifying cryptoassets and related instruments)) of the *Cryptoassets Regulations* a *person*, in relation to a *relevant qualifying cryptoasset* or *related instrument*, that is:

(1) a *relevant issuer* of that *relevant qualifying cryptoasset* or *related instrument*;

(2) a *person responsible for the offer* of that *relevant qualifying cryptoasset* or *related instrument*;

(3) a *UK QCATP operator* in relation to a *relevant qualifying cryptoasset*; or

(4) a *relevant dealer in principal*.

~~(2)~~ (otherwise) any of the following
(3)

…

[*Editor's note*: the definition of 'retail investor' is introduced by the Consumer Composite Investments Instrument 2025 (FCA 2025/52), which comes into force on 6 April 2026.]

retail investor	(1)	(in *GEN*, *COBS*, *COLL*, *DISC* and the Investment Funds sourcebook) a *person* meeting the criteria in *DISC* 1A.1.5R.
	(2)	(in *CRYPTO* 3) a *person* who is not a *qualified investor* as defined by paragraph 9 of Part 2 of Schedule 1 to the *Cryptoassets Regulations*.
retail market business	the *regulated activities* and *ancillary activities* to those activities, *payment services*, issuing *electronic money*, and activities connected to the provision of *payment services* or issuing of *electronic money*, of a *firm* in a distribution chain (including a *manufacturer* and a *distributor*) which involves a *retail customer*, but not including the following activities:	
	…	
	(6)	…
	(7)	the activities specified as designated activities under section 71K (Designated activities) of the *Act* by regulations 7 (Designated activities: public offers of qualifying cryptoassets) and 8 (Designated activities: admissions to trading on a qualifying cryptoasset trading platform) of the *Cryptoassets Regulations*, where:
		(a) the carrying on of these activities would involve the carrying on of *regulated activities* or *ancillary activities* to those activities; and
		(b) those activities are carried on in relation to a *qualifying cryptoasset* that is not a *UK qualifying stablecoin*.
safeguarding qualifying cryptoassets	the *regulated activity* specified in article ~~9O(1)(a)~~ article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the *Regulated Activities Order*, but only in relation to *qualifying cryptoassets*.	
safeguarding qualifying cryptoassets and relevant specified investment cryptoassets	the regulated activity specified in article ~~[9O]~~ 9N (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the *Regulated Activities Order*.	

[*Editor's note*: the amendments to the term 'shortfall' were previously consulted on in CP25/14. This term has since been amended by the Payments and Electronic Money (Safeguarding) Instrument 2025 (FCA 2025/38), which comes into force on 7 May 2026. These amendments are reflected in the text below.]

shortfall	…	
	(4)	…
	(5)	(in relation to *qualifying cryptoassets*) any amount by which the *qualifying cryptoassets* in respect of which a *firm* is *safeguarding qualifying cryptoassets* falls short of the *firm's* obligations to its clients to *safeguard qualifying cryptoassets* (disregarding any decision that a firm may make under *CASS* 17.5.14R(3)(d)).

[*Editor's note*: the definition of 'working day' takes into account the changes made by the Commodity Derivatives (Position Limits, Position Management and Perimeter) Instrument 2025 (FCA 2025/4), which comes into force on 6 July 2026 and the Prospectus Instrument 2025 (FCA 2025/30), which come into force on 19 January 2026.]

working day	(1)	(in *PRM*, *MAR* 5-A, *MAR* 9 ~~and~~, *MAR* 10 and *CRYPTO* 3) (as defined in section 103 of the *Act*) any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the *United Kingdom*.
	…	

The following definitions were proposed to be introduced in the consultation papers 'Stablecoin issuance and cryptoasset custody' (CP25/14) and 'Application of FCA Handbook for Regulated Cryptoasset Activities' (CP25/25) and are reproduced here for convenience.

backing asset composition ratio	a proportion of a *firm's backing asset pool*, expressed as a percentage, calculated using the methodology in *CASS* 16.2.28R.
backing asset pool	a pool of *money* and/or *assets* held by a *firm* in connection with a *qualifying stablecoin* with a view to: (a) maintaining the stability or value of that *qualifying stablecoin*; or (b) meeting an undertaking to *redeem* that *qualifying stablecoin*.
backing asset pool acknowledgement letter	a letter in the form set out in *CASS* 16 Annex 1R.
backing assets account	an account which is provided by a *third party custodian* to hold and keep safe *asset*s that a *qualifying stablecoin issuer* holds as part or

	all of the *backing asset pool*, which meets or should meet the conditions set out in *CASS* 16.2.5R.
backing funds account	an account which is provided by a third party to hold and keep safe *money* that a *qualifying stablecoin issuer* holds as part or all of the *backing asset pool*, to which the conditions set out in *CASS* 16.2.4R apply.
burning	the process by which a cryptoasset is permanently removed from circulation on a blockchain.
calculation date	the date on which a *firm* should carry out a calculation for the purposes of *CASS* 16.2, as described in *CASS* 16.2.27R.
client-specific qualifying cryptoasset record	a *firm's* internal record, identifying each particular *qualifying cryptoasset* in respect of which the *firm* is *safeguarding qualifying cryptoassets* on behalf of each particular *client*, which sets out the detail required in *CASS* 17.5.4R.
core backing assets	(a) *on demand deposits*; and (b) *short-term government debt instruments*.

[*Editor's note*: The definition of 'expanded backing assets' takes into account the proposals and legislative changes suggested in the consultation paper 'Updating the regime for Money Market Funds' (CP23/28) as if they were made final.]

expanded backing assets	in relation to a *backing asset pool*, the following *asset*s: (a) *long-term government debt instruments*; (b) units in a *public debt CNAV MMF* or an *EU MMF* which is a *public debt constant NAV MMF* within the meaning of Article 2(11) of the *EU MMF Regulation* and which meets the following conditions: (i) all *asset*s held within the *MMF* are denominated in the *reference currency* of the *qualifying stablecoin*; and (ii) *asset*s which are a debt security represent a claim on the *UK* government or the central government of a *Zone A country*; (c) *asset*s, rights or *money* held as a counterparty to a *repurchase transaction*: (i) that has a maximum maturity up to and including 7 *days*;

(ii) that concerns *long-term government debt instruments* or *short-term government debt instruments*; and

(iii) in relation to which the other counterparty is limited to 1 of the following:

(A) a *UK credit institution*;

(B) a *MIFIDPRU investment firm*;

(C) a *designated investment firm*;

(D) a 'UK Solvency II firm' as defined in chapter II of the PRA Rulebook: Solvency II Firms Insurance General Application; or

(E) a *third country person* with a main business comparable to any of the entities referred to in (A) to (D).

holder	the *person* who has the right to *redeem* a *qualifying stablecoin*.
issuing qualifying stablecoin	the activity defined in article 9M (Issuing qualifying stablecoin in the United Kingdom) of the *Regulated Activities Order*.
long-term government debt instrument	a debt security representing a claim on the *UK* government or the central government of a *Zone A* country with a residual maturity of more than 365 *days*.
minting	the process of putting a cryptoasset on a blockchain or network using distributed ledger technology or similar technology in a transferrable form.
on demand deposit	a *deposit* the terms of which require that the sum of *money* paid will be repaid, with or without interest or a premium, on demand.
pre-issued stablecoin	a stablecoin which meets the definition of *qualifying stablecoin* and which forms part of a *qualifying stablecoin product* but which first entered circulation prior to [*Editor's note*: insert date on which this instrument comes into force].
qualifying cryptoasset firm	a *firm* with a *Part 4A permission* which includes a *qualifying cryptoasset activity*.
qualifying cryptoasset reconciliation	the process set out at *CASS* 17.5.11R.
qualifying cryptoasset safeguarding rules	*CASS* 17.

qualifying stablecoin funds	(a) *money* received by a *qualifying stablecoin issuer* in payment for a *qualifying stablecoin* in the course of carrying out the activity of *issuing qualifying stablecoin*; and (b) *money* that is equivalent in value to the consideration accepted by a *qualifying stablecoin issuer* when it accepts something other than *money* in payment for a *qualifying stablecoin* in the course of carrying out the activity of *issuing qualifying stablecoin*.
qualifying stablecoin product	a category of *qualifying stablecoins* identifiable on the basis that each *qualifying stablecoin* within that category is fungible with each other *qualifying stablecoin* within that category and together all the coins in that category represent a single product.
qualifying cryptoasset staking	the use of a *qualifying cryptoasset* in *blockchain validation*.
redemption day	(a) any *day* in the past which was (i) a *business day*; or (ii) any other *day* of the year on which a *qualifying stablecoin issuer* proposed to complete *redemptions* as set out in its liquidity risk management policy under *CASS* 16.2.18R and completed *redemptions*. (b) any *day* in the future which is: (i) a *business day*; or (ii) any other *day* of the year on which a *qualifying stablecoin issuer* proposes to complete *redemptions* as set out in its liquidity risk management policy under *CASS* 16.2.18R and has made preparations to complete those *redemptions*.
redemption fee	the fee contractually agreed between a *qualifying stablecoin issuer* and the *holder* of a *qualifying stablecoin* which a *qualifying stablecoin issuer* is entitled to charge for carrying out *redemption*.
redemption sum	the *reference value* of the *qualifying stablecoin* in respect of which a *redemption* request is received, less: (a) any *redemption fee*; and (b) any currency exchange fees which may be incurred by the *qualifying stablecoin issuer* in meeting the *redemption* request in a currency chosen by the *holder* where that currency is different to the *reference currency*.

reference currency	the fiat currency to which a *qualifying stablecoin* is referenced.
reference value	the face value of a *qualifying stablecoin*, with reference to a unit of the fiat currency to which that *qualifying stablecoin* is referenced.
relevant data	in relation to the same calendar *day* which is in the past: (a) data showing the number of *qualifying stablecoin* a *firm* estimated prior to that *day* it would be asked to *redeem* in the course of that *day* (the 'estimated daily redemption amount'); and (b) data showing the number of *qualifying stablecoin* it was in fact asked to *redeem* in the course of that *day* (the 'actual daily redemption amount').
short-term government debt instruments	a debt security representing a claim on the *UK* government or the central government of a *Zone A* country with a residual maturity of 365 *days* or fewer.
stablecoin backing assets	*asset*s received or held by *firm* in its capacity as trustee under *CASS* 16.5.2R for the benefit of the *holders* of a *qualifying stablecoin* in respect of which that *firm* is the *qualifying stablecoin issuer*.
stablecoin backing funds	*money* received or held by a *firm* in its capacity as trustee under *CASS* 16.5.2R for the benefit of the *holders* of a *qualifying stablecoin* in respect of which that *firm* is the *qualifying stablecoin issuer*.
stablecoin pool	a number ('X') of *qualifying stablecoins* calculated in accordance with *CASS* 16.2.9R.
third party custodian	(a) a *person* who is authorised and supervised in the *UK* or in a *third country* for the activity of safeguarding for the account of another *person* of assets including *core backing assets* (excluding *on demand deposits*) and *expanded backing assets*. (b) any *person* appointed to safeguard *core backing assets* (excluding *on demand deposits*) or *expanded backing assets* in circumstances described in *CASS* 16.6.6R(2).
unallocated backing funds	*money* received or held in connection with the purchase of a *qualifying stablecoin* which is held by a *firm* in a segregated manner and is not co-mingled with a *firm's* own funds, pending the *firm* carrying out internal and external safeguarding reconciliations under *CASS* 16.4.9R and *CASS* 16.4.12R.

unallocated backing funds account	an account to which the conditions set out in *CASS* 16.3.6R and *CASS* 16.3.7R apply and through which *money* should pass for a maximum of 24 hours until it is either removed into a *backing funds account* or into an account holding the *firm's* own *money*.
unallocated backing funds acknowledgement letter	a letter in the form of the template in *CASS* 16 Annex 2R.

The following existing definitions were proposed to be amended in the consultation papers 'Stablecoin issuance and cryptoasset custody' (CP25/14) and 'Application of FCA Handbook for Regulated Cryptoasset Activities' (CP25/25) and the relevant parts of the definitions are reproduced here for convenience. The text shown below takes account of the proposed amendments as if they were made final.

asset …

(2) …

(3) (in *CRYPTO* and *CASS* 16) any property, right, entitlement or interest, excluding *money*.

client …

(B) in the *FCA Handbook*:

(1) (except in *PROF*, in *MIFIDPRU* 5, in relation to a *credit-related regulated activity*, in relation to *regulated funeral plan activity*, in relation to a *home finance transaction* in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*, and in relation to *issuing qualifying stablecoin* in *PRIN* and *SYSC* 15A) has the meaning given in *COBS* 3.2, that is (in summary and without prejudice to the detailed effect of *COBS* 3.2) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*, or in the case of *MiFID or equivalent third country business*, an *ancillary service*:

…

…

(13) (in *PRIN* and *SYSC* 15A in relation to *issuing qualifying stablecoin*):

(a) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*; and

(b) where not otherwise included in (a), the *holder* of a *qualifying stablecoin* which is issued by a *qualifying stablecoin issuer*.

CRD credit institution

(1) (except in *COLL*, *FUND* and *CASS* 16) a *credit institution* that has its registered office (or, if it has no registered office, its head office) in the *UK*, excluding an *institution* to which the *CRD* does not apply under the *UK* provisions which implemented article 2 of the *CRD* (see also *full CRD credit institution*).

(2) (in *COLL*, *FUND* and *CASS* 16) a *credit institution* that:

…

customer …

(B) in the *FCA Handbook*:

(1) (except in relation to *SYSC* 19F.2, *ICOBS*, *retail premium finance*, a *credit-related regulated activity*, *regulated claims management activity*, *regulated funeral plan activity*, *regulated pensions dashboard activity*, *MCOB* 3A, an *MCD credit agreement*, *CASS* 5, for the purposes of *PRIN* in relation to *MiFID or equivalent third country business* and *issuing qualifying stablecoin*, *DISP* 1.1.10- BR, *PROD* 1.4 and *PROD* 4) and in relation to *payment services* and issuing *electronic money* (where not a *regulated activity*) a *client* who is not an *eligible counterparty* for the relevant purposes.

…

(10) …

(11) (in *PRIN* in relation to *issuing qualifying stablecoin*) a *client* who is not an *eligible counterparty* for the relevant purpose.

retail customer …

(2) (in *PRIN* and *COCON*):

…

(g) where a *firm* carries out activities in relation to an *occupational pension scheme*, any *person* who is not a *client* of the *firm* but who is or would be a beneficiary in relation to *investments* held in that *occupational pension scheme*;

(h) where a *firm* is a *qualifying stablecoin issuer*, a *customer* who is not a *professional client*.

specified investment (1) any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

…

(p) *rights to or interests in investments* (article 89);

(r) *qualifying cryptoasset* (article 88F);

(s) *qualifying stablecoin* (article 88G).

…

[*Editor's note*: the consultation paper 'Stablecoin issuance and cryptoasset custody' (CP25/14) proposed the introduction of a new Glossary term 'stablecoin issuer'. The proposed term is now withdrawn.]

12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk

Pub ref: 2-008512

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this form if you require this content in an alternative format.

Or call 0207 066 1000

Sign up for our **news and publications alerts**