



**Electronic Money Association**

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FCA

19 February 2026

Dear Sir/Madam,

**Re: EMA response to FCA Consultation Paper 25/42 - A prudential regime for cryptoasset firms**

The Electronic Money Association (EMA) is the trade body representing electronic money and stablecoin issuers, alternative payment service providers, and cryptoasset service providers (CASPs). Our members include leading payment institutions, firms providing payment and cryptoasset services, and e-commerce platforms operating across the UK and Europe.

We welcome the opportunity to contribute to the FCA's Consultation Paper 25-42 proposing a prudential regime for cryptoasset firms. Our response reflects the operational realities of our members and aims to support a proportionate, internationally aligned framework that fosters responsible innovation to the benefit of customers and subject to effective management of risks.

We would be grateful for your consideration of our comments and proposals.

Yours sincerely,

A handwritten signature in black ink that reads 'Thaer Sabri'. The signature is written in a cursive style and is underlined with a long horizontal stroke.

Dr Thaer Sabri  
Chief Executive Officer  
Electronic Money Association

## **General Comment**

The EMA welcomes the opportunity to respond to the FCA's Consultation Paper on the proposed prudential regime for cryptoasset firms. EMA members welcome the FCA's efforts to put in place a comprehensive regulatory framework for cryptoasset activities and markets in the UK. The overall framework and, as a core element thereof, the prudential regime must be proportionate, internationally aligned, and carefully calibrated to avoid unnecessary barriers to entry, undue concentration, or adverse impacts on competition, particularly for smaller and early-stage firms. Any requirements should be outcomes-focused, allow for regulatory agility needed to respond to a rapidly evolving market and to accommodate evolving technologies and business models.

### **Question 1: Do you agree with the proposed PMR for the various activities that cryptoasset firms will need to comply with?**

Yes.

### **Question 2: Do you have any views on the operational risk K-factors we are proposing for cryptoasset firms?**

We generally agree with the proposed approach. Capital charges for cryptoasset firms should be aligned with those applicable to investment firms engaging in comparable business activities and exposed to similar operational risks under MiFIDPRU.

We note, however, that relative to business volume operational risks do not increase linearly, that is 1 to 1. A 50% increase in business volume is accompanied by an increase of the associated operational risk tangibly below 50%. As a consequence, the proposed simple, volume-based metric overstates the actual operational risk incurred by a larger operation relative to a smaller firm. As the own funds requirements for operational risks under the Payment Services Regulations 2017 acknowledge. The volume-based formula in Methods B and C use digressive scaling (Method B) and multiplication (Method C) factors to ensure a more risk-sensitive outcome. A similar approach should be developed for MiFIDPRU and CRYPTOPRU.

### **Question 3: Do you have any views on our proposals for positions in the trading book, including the definition, management and additional value adjustments?**

We concur with the proposed approach. Alignment to the existing treatment of trading book positions in the UK regulatory system is appropriate and necessary.

**Question 4: Do you have any views on the categorisation of cryptoassets, particularly on the conditions attached to a cryptoasset being included in category A? Do you agree with the proposed capital charges for each category under our net cryptoasset position (K-NCP) proposals?**

We agree with the proposed quantitative and qualitative criteria for categorisation of cryptoassets. However, the comprehensive set of criteria should allow for a more differentiated approach. Splitting cryptoassets into just two broad categories, incurring a capital charge of either 40% (category A) or 100% (category B), is overly simplistic. A more risk-sensitive categorisation and related bucketing of own funds requirements, reflecting differences in the price volatility of cryptoassets, should be developed. Further differentiation would also assist the K-CCD charge by enabling more risk-sensitive value adjustments, including of received collateral, thereby reducing net exposures.

Moreover, the prudential regime should explicitly allow risk-adjusted valuations of positions and recognition of effective risk reductions for the internal overall risk assessment and the computation of the overall financial adequacy rule even if not reflected for the binding own funds requirements.

**Question 5: Do you have views on our framework for calculating cryptoasset counterparty default requirements (K-CCD) for cryptoasset firms?**

We generally concur with the proposed approach but do believe that the 83.33% risk factor for retail clients is overly stringent.

As set out in our response to Question 4, we believe that a more risk-sensitive approach should be developed and applied to the valuation of positions including of collateral received and the calculation of net positions. While we do not oppose the conservative calibration of haircuts, we reiterate that splitting cryptoassets into just two categories is overly simplistic. It misrepresents the associated risks and risk-mitigating effects. We are concerned that incorrect risk measurement inevitably gives rise to flawed risk management potentially increasing instead of mitigating risks.

We also urge the FCA to develop an approach that would give some leeway to take into account the likely effect of correlations between the replacement cost of the cryptoasset lent (“RC”) and the value of the collateral received (“C”) on the net position.

At a minimum the FCA should explicitly allow firms to take into account effective risk reductions for the internal overall risk assessment and the overall financial adequacy rule even if not recognised for the computation of own funds requirements. Otherwise perverse incentives could be set to engage in risk mitigating transactions effectively increasing the firm’s risk profile.

**Are there any transactions that you think would give rise to counterparty credit risk but are not covered by our proposed rules?**

We are not aware of transactions that could give rise to counterparty risk and that are not yet covered by the proposed rules.

**Question 6: Do you have any views on the proposed framework for calculating concentration risk requirements (K-CON)?**

The proposed approach appears to be in line with existing concentration risk requirements applicable to comparable business activities.

**Question 7: Are our expectations of firms regarding the overall risk assessment sufficiently clear? If not, which areas could benefit from further clarification?**

The proposed Handbook-language on the overall risk assessment is sufficiently clear. However, the concept of this firm-wide risk assessment, management and governance framework is complex and we welcome the FCA's commitment to produce additional non-Handbook guidance on the subject. The related consultations and ongoing regulatory dialogue with the industry and individual firms will be needed to fully convey FCA expectations.

We also note, that given the tight deadline that has been set recently for submission of complete applications to ensure uninterrupted continuation of business operations under the incoming new regime, early communication with applicants will be crucial. We urge the FCA to engage with industry and individual firms at an early stage and help inform due completion of applications before their submission. Transparency of FCA expectations regarding the overall risk assessment framework are particularly important. Full implementation of all aspects of the required overall risk assessment framework effectively presupposes an iterative process and is virtually impossible to be achieved by the time complete applications will have to be submitted. Wind-down planning and the related processes and governance arrangements represent a prominent example of a key element of the overall risk assessment framework and related financial adequacy rule that requires an iterative process of development, fine-tuning and embedding. We urge the FCA to communicate as soon as possible which and by when the different aspects of this comprehensive firm-wide framework are expected to be completed. In particular, applicants will need to know which aspects can be finalised after the submission of the application without giving rise to the FCA regarding the application as incomplete.

**Question 8: Do you have any views on our proposals for the public disclosure of prudential information, in particular on group arrangements and for firms that undertake dealing in cryptoassets?**

Public disclosure of prudential information is useful since it assists market discipline. However, proper disclosure can be very demanding, resource-intensive and costly. Therefore, the FCA should highlight that disclosure must be subject to strict proportionate.

The FCA should also state explicitly that public disclosure is not required for proprietary information that may harm the disclosing firm's business.

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Airbnb Inc  
Aircash  
Airwallex (UK) Limited  
Amazon  
American Express  
Banked  
BCB Digital Ltd  
Bitstamp  
Blackhawk Network EMEA Limited  
Boku Inc  
Booking Holdings Financial Services International Limited  
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Cardaq Ltd  
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