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CP26/4: Consultation Paper on the Application of FCA Handbook for Regulated Cryptoasset Activities II

Introduction

This page contains questions for feedback on proposals for consultation in CP26/4. We are consulting on how our existing FCA Handbook rules will apply to firms, including the Consumer Duty, our redress rules (DISP), the Conduct of Business Sourcebook (COBS), the Senior Managers and Certification Regime (SMCR) and the Training and Competence Sourcebook (TC). We are also consulting on the use of credit for purchasing cryptoassets, custody and our regulatory reporting requirements.

Please respond to the consultation questions within our CP via this form by **12 March 2026**. You can reach out to us with any queries by emailing cp26-4@fca.org.uk

Why we are consulting

We want to develop a competitive and sustainable cryptoasset sector. Our proposed rules and guidance are aimed at effectively promoting market integrity, protecting consumers, and supporting innovation and competition in the UK cryptoasset sector. We are consulting on how the unique aspects of cryptoassets should be considered in our future regulatory regime.

Instructions

Questions with a * are compulsory and therefore need to be answered in order to move on in the survey.

FCA privacy notice on how we will use the data you provide in this survey:

<https://www.fca.org.uk/privacy/personal-data-and-surveys-consultations-and-market-research>

If you need to submit your response in an alternative format due to accessibility reasons, please contact us at cp26-4@fca.org.uk

First tell us something about your organisation or yourself

* Respondent full name

* Respondent contact email



*** Are you responding on behalf of a company or organisation or as a private individual in a personal capacity?**

- Company or organisation**
 Private Individual, in a personal capacity

*** Please provide the following information**

Name of organisation/company

Your position in the organisation/company

*** Type of organisation or company**

- Crypto native firms and FinTechs
 Traditional financial services firms
 Industry associations
 Members of public or academia
 Consumer groups / not-for-profits
 Legal and consulting firms
 Other

Consultation questions

Chapter 1 - Summary

1. Do you agree with our proposed approach on guidance for international crypto firms? If not, provide details.

a. In particular, we would be interested in views as to whether any of our proposed rules in this should be applied differently to a UK QCATP which is authorised via a UK branch of an overseas firm, in relation to non-UK users.

Yes

No

Please provide any additional detail here:

2. Do you consider that the SUP 3.3-3.8 should be extended to all cryptoasset activities? If not, explain why.

Yes

No

Please provide any additional detail here:

Chapter 2 – Consumer Duty

3. Do you agree with our proposals to apply Principle 12 and PRIN 2A to cryptoasset firms supplemented by non-Handbook guidance to clarify how the Duty applies to cryptoasset activities?

Yes

No

Please provide any additional detail here:

The Consumer Duty has already established a clear benchmark for consumer protection across financial services. We consider that the same standards should apply to cryptoasset services. In our view, cryptoasset firms should be subject to the Duty in the same way as FSMA Part 4A firms, electronic money institutions and payment institutions. This would help ensure that retail customers benefit from a consistent level of protection regardless of the type of financial service they use, and would maintain coherence across the UK regulatory framework. For that reason, we agree with the FCA's proposal to apply Principle 12 and PRIN 2A, supplemented by non-Handbook guidance, to cryptoasset activities.

4. Do you agree with our approach that the Duty will not apply to trading between participants of a UK authorised QCATP?

Yes

No

Please provide any additional detail here:

We agree with the FCA's approach that the Consumer Duty should not apply to trades executed between participants on a UK QCATP. Transactions on a trading venue take place within a multilateral market governed by non-discretionary rules designed to ensure fair and transparent trading. In this context, the platform facilitates trading between participants rather than determining the outcome of individual transactions. This approach is also consistent with the regulatory treatment of trading venues in traditional financial markets under the UK's MiFID-based framework, where exchanges are responsible for market integrity and transparent trading rules, but not for the outcomes of individual trades between market participants. We therefore support the FCA's clarification that Consumer Duty obligations should apply to customer-facing services provided by the platform, such as communications, distribution and support, but not to the trades themselves.

5. Do you agree with our approach that the Duty will apply to all activities carried out in relation to UK-issued qualifying stablecoins, including activities relating to public offers and admissions to trading?

Yes

No

Please provide any additional detail here:

We do not agree with the proposed approach that the Consumer Duty should apply to all activities relating to UK-issued qualifying stablecoins, including public offers and admissions to trading, while similar activities relating to other qualifying cryptoassets fall outside the scope of the Duty. This creates an inconsistency in the regulatory framework which is difficult to justify from a consumer protection perspective. Retail customers engage with stablecoins and other cryptoassets through similar channels, such as trading platforms and intermediaries, and face many of the same risks, including complexity, information asymmetry and volatility in market conditions. Applying the Duty to admissions and public offers for one category of cryptoasset but not others may therefore result in uneven treatment of activities that are operationally and functionally similar. The proposed approach may also create unnecessary complexity for firms. Different Consumer Duty obligations depending on the type of cryptoasset admitted to trading could make the regime harder to interpret and implement in practice, particularly for platforms that offer a range of cryptoassets. A more consistent approach would provide greater clarity and support more effective compliance. In addition, the proposal may create unintended competitive distortions. Firms involved in the issuance or admission of UK-issued stablecoins may face additional regulatory burdens compared with those dealing with other cryptoassets, even where the risks to consumers are broadly comparable. For these reasons, we believe the framework would benefit from a more consistent treatment of cryptoasset activities. The FCA should rely on the Admissions and Disclosures regime to address consumer outcomes in a uniform way and the Consumer Duty should apply not to admissions and public offers across all qualifying cryptoassets rather than a subset.

6. Do you have any comments on our proposed guidance on how cryptoasset firms should comply with the Consumer Principle and three cross-cutting rules?

Yes

No

Please provide any additional detail here:

We welcome the FCA's proposed guidance on the application of the Consumer Principle and the three cross-cutting rules in the cryptoasset context. The examples and references to common cryptoasset features are helpful in illustrating how firms should consider acting in good faith, avoiding foreseeable harm and supporting consumers' financial objectives. We agree with the FCA that cryptoasset firms operate in a sector characterised by complexity, volatility and innovation. The cross-cutting obligation to "act in good faith" is therefore particularly important in this context. Customers may find it difficult to understand concepts such as blockchain and decentralised finance, the basis for the valuation of certain cryptoassets, the benefits and risks of ownership, and the lack of protections. In relation to a lack of protections, we assume the FCA is referring to the fact that cryptoassets are not protected by the Financial Services Compensation Scheme - a point the FCA has repeatedly emphasised in relation to electronic money and payment services, notwithstanding the enhanced safeguarding rules expected to come into force in mid-2026. We also agree that, given many cryptoasset firms may be new to FSMA regulation, consumers may not fully understand the requirements placed on firms or the extent of protection available. Acting in good faith therefore requires firms not to exploit customers' lack of understanding or behavioural biases and to ensure that information is presented in a way that takes into account varying levels of customer knowledge and experience. Firms will need to define their target market carefully and control their distribution strategy in order to comply with this expectation. Where consumers do not have the appropriate knowledge or experience to understand the risks of a cryptoasset product, it will be important for firms to identify this and ensure the product is only distributed to customers within the appropriate target market. We also agree with the FCA that acting in good faith includes avoiding features that could mislead or disadvantage consumers, such as hidden fees (for example, gas-fee surges at execution, slippage and inactivity fees) or complex redemption mechanisms (for example, multi-step stablecoin redemptions or withdrawal processes requiring multiple token conversions). In practice, firms will need to manage the requirements of the Consumer Duty alongside other regulatory obligations. For example, withdrawal and redemption processes may require multiple steps in order to meet AML and financial crime controls. Our position is that firms should err on the side of caution and prioritise AML controls over conduct requirements. While we agree that firms should communicate transparently about product features, risks and limitations, as referenced by the FCA in the statement: "Communicating transparently about product features, risks and limitations, even where these are outside the firm's control (for example, withdrawal delays due to cold wallet storage)", we do not consider it necessary for firms to communicate extensively about matters outside their control beyond the risk of principal loss. Requiring firms to explain operational factors beyond their control may place an unnecessary burden on firms and could risk attributing responsibility to them for issues that do not arise from their activities. However, given the volatility and complexity of cryptoassets, further clarity from the FCA on how firms should form a "reasonable belief" that customers understand and accept the risks of cryptoasset investments would be helpful. Additional guidance on the practical steps firms can take to evidence this belief would support consistent implementation across the sector. The FCA has also stated that firms should consider the wider customer journey when seeking to avoid foreseeable harm and that this could include "proactively reaching out to make retail customers aware of volatility." We do not agree with this element of the guidance. Volatility is inherent to investment markets and, where a firm has appropriately determined that a customer falls within the target market and has sold the product accordingly, monitoring market movements should remain the responsibility of the customer. In addition, proactive communications of this nature could potentially be interpreted as providing investment advice, which would require a separate regulatory permission that many cryptoasset firms will not hold. For these reasons, we do not support this aspect of the guidance. Further clarification on how these cross-cutting obligations interact with the operation of trading platforms and other market infrastructure functions would also be beneficial.

7. Do you have any comments on our proposed guidance on application of the Duty's: (a) products and services outcome; (b) price and value outcome; (c) consumer understanding outcome; and (d) consumer support outcome?

We welcome the FCA's proposed guidance on the application of the four Consumer Duty outcomes in the cryptoasset context. The examples provided help illustrate how firms should approach product design, pricing, communications and customer support in a market characterised by complexity and volatility. For the products and services outcome, the guidance appropriately emphasises the importance of defining target markets and considering whether complex products, such as lending or leveraged products, are suitable for retail customers. However, further clarification on how distributors should define a target market where the manufacturer is unknown or unregulated would assist firms in applying these expectations consistently. We also note that some of the "good practices" listed in the guidance reflect requirements that are already clearly set out either in the rules themselves or in FG22-5. For example, statements such as "Distribution must be consistent and align with the intended target market", "Take proactive steps to avoiding causing foreseeable harm on an ongoing basis, beyond initial design of distribution strategies. For example, monitor customer feedback or complaints to assess if the distribution strategy is working as intended", and "Modify, withdraw or discontinue products that no longer meet the needs, characteristics and objectives of their target market. If withdrawing or discontinuing products, firms should work to minimise harm to consumers no longer able to access these products, such as by providing them appropriate notice and making them aware of similar products which may meet their needs" largely restate existing expectations. For the price and value outcome, we agree that firms should focus their fair value assessments on fees and charges within their control rather than the underlying price movements of cryptoassets. Additional guidance on how firms should assess fair value where reliable information about the underlying asset is limited would be helpful. One feature of the cryptoasset market is that UK firms may act as distributors of products manufactured outside the jurisdiction and not subject to the Consumer Duty. This is a key difference between cryptoasset services and sectors such as electronic money and payments in terms of how the Duty operates and how responsibilities are allocated. While we do not disagree with the principle that a UK distributor should assume greater responsibility where it chooses to distribute a product manufactured outside the jurisdiction and not subject to the Duty, this inevitably creates challenges where limited information about the underlying asset is available. Nevertheless, we acknowledge that distribution remains a commercial decision for the UK firm. For the consumer understanding outcome, we support the FCA's emphasis on clear communication and testing consumer comprehension. Given the technical nature of many cryptoasset products, further practical examples of effective communication techniques and testing methods would assist firms in meeting these expectations. For the consumer support outcome, we agree that accessible and timely support is particularly important in the cryptoasset sector, especially during incidents such as outages or withdrawal delays. Additional clarification on expectations for withdrawal timelines and incident communications could help firms design support processes that consistently meet the Duty.

8. Are there any areas where cryptoasset firms could benefit from additional guidance to better understand their obligations? Please provide examples.

Yes. While the guidance is helpful overall, there are several areas where additional clarification would assist cryptoasset firms in applying the Consumer Duty consistently. First, further guidance on how firms should form and evidence a "reasonable belief" that retail customers understand and accept the risks of cryptoasset investments would be beneficial. Given the volatility and complexity of many cryptoassets, additional examples of appropriate practices could help firms demonstrate compliance with the obligation to avoid causing foreseeable harm. Second, additional clarity on the boundary between market infrastructure functions and Consumer Duty obligations for trading platforms would be helpful. In particular, firms would benefit from guidance on how the Duty should apply to platform design features that may influence trading behaviour, such as default settings, prompts or interface design. Finally, distributors may benefit from further guidance on how to define target markets and assess fair value where the cryptoasset manufacturer is unknown or unregulated. Practical examples of how firms can rely on publicly available information or other indicators when making these assessments would support more consistent implementation across the sector.

9. Do you agree with our proposal to apply the DISP 1 complaint handling requirements to all cryptoasset firms?

Yes

No

Please provide any additional detail here:

10. Do you agree with the proposal to add requirements to the crypto sourcebook for stablecoin issuers to put in place contractual arrangements with third parties that carry out activities on their behalf?

Yes

No

Please provide any additional detail here:

11. Do you agree that the Financial Ombudsman should consider complaints about all new cryptoasset activities carried out by all UK authorised firms? If not, are there specific activities it should not be able to consider complaints for?

Yes

No

Please provide any additional detail here:

12. Do you agree that the Financial Ombudsman should not extend the voluntary jurisdiction to cover complaints about the proposed new cryptoasset activities?

Yes

No

Please provide any additional detail here:

13. Do you agree with our approach to not extend FSCS coverage to new regulated cryptoasset activities and all types of qualifying cryptoassets?

Yes

No

Please provide any additional detail here:

14. Given that the move of Specified Investment Cryptoasset (SIC) safeguarding from Article 40 to Article 9N may remove it from the scope of FSCS protection, do you agree with our approach to SIC safeguarding even though it may give rise to potential inconsistent outcomes, for example, safeguarding a traditional share would fall within FSCS scope, while safeguarding its tokenised equivalent would not?

Yes

No

Please provide any additional detail here:

Chapter 4 – COBS

15. What is your view on whether COBS generally (subject to Annex 1 carve-outs) should apply to non-UK retail and professional clients of a UK QCATP operator that is incorporated overseas and authorised via a UK branch?

16. Do you have any views on what qualifying cryptoassets should be assessed as Category A or Category B qualifying cryptoassets? If so, please provide details.

17. Do you agree with our proposals on express consent, appropriateness testing, and strengthening retail clients' understanding? If not, please explain why not? If there is an issue of timing or cost in relation to our proposals on appropriateness assessments and express consent, including as they apply to existing clients, please share details.

Yes

No

Please provide any additional detail here:

Chapter 5 – The use of Credit

N/A

Chapter 6 – SM&CR Tiering

18. Do you agree with our proposals to introduce thresholds for becoming an SM&CR Enhanced firm for authorised stablecoin issuance firms and authorised cryptoasset custodians? If not, please explain why.

Yes

No

Please provide any additional detail here:

Chapter 7 – Training and Competence

19. Do you agree with our proposals to apply the TC Sourcebook to certain cryptoasset activities similar to the existing approach for traditional finance? If not, please explain why?

Yes

No

Please provide any additional detail here:

Chapter 8 – Regulatory Reporting

20. Do you agree with our proposed application of the existing regulatory returns to qualifying cryptoasset firms?

Yes

No

Please provide any additional detail here:

21. Do you agree with our phased approach to introducing regulatory returns for qualifying cryptoasset firms?

Yes

No

Please provide any additional detail here:

22. Do you agree with the proposed approach for:

Yes

No

a. Stablecoin issuance

b. Operating a Qualifying
Cryptoasset Trading
Platform

c. Dealing and Arranging
(intermediation)

d. Cryptoasset Staking

e. Cryptoasset Lending and
Borrowing

Please provide any additional detail here:

23. Do you agree with our approach to qualifying cryptoasset safeguarding reporting?

Yes

No

Please provide any additional detail here:

24. Do you agree with our approach to cryptoasset complaint and active client reporting?

Yes

No

Please provide any additional detail here:

25. Do you agree with our proposed approach to supplementary data collections?

Yes

No

Please provide any additional detail here:

26. Do you agree with our approach to prudential reporting?

Yes

No

Please provide any additional detail here:

27. Do you agree with our proposed approach to applying CASS 17 in these scenarios? If not, why not, and please describe any scenarios we may not have considered.

Yes

No

Please provide any additional detail here:

28. Do you agree with our proposed approach to protecting clients' ownership rights, including the approach to the operational surplus and class of cryptoasset? If not, why not?

Yes

No

Please provide any additional detail here:

29. Do you agree with our proposed approach to exempting firms from holding cryptoassets on trust in certain scenarios? If not, why not?

Yes

No

Please provide any additional detail here:

30. Do you agree with our proposed approach to record-keeping requirements, including only applying them to client cryptoassets held on trust? Please explain your answer and indicate whether this approach would create a gap in consumer protection.

Yes

No

Please provide any additional detail here:

31. Do you agree with our proposed approach to reconciliations, topping up shortfalls and removing excesses? If not, why not?

Yes

No

Please provide any additional detail here:

32. Do you agree with our proposed approach to private key management and security? If not, why not?

Yes

No

Please provide any additional detail here:

33. Do you agree with our proposed approach to the use of third parties? If not, why not?

Yes

No

Please provide any additional detail here:

Chapter 10 – Safeguarding specified investment cryptoassets

34. Do you agree with our proposed approach to applying CASS 17 rules on protecting clients' ownership rights, private key management and appointment of third parties, applying SYSC and SUP rules to SIC custodians and amending the application of SUP 3.10.4R(2)? If not, why not?

Yes

No

Please provide any additional detail here:

35. Do you foresee challenges for firms currently safeguarding SICs and subject to CASS 6 when transitioning to CASS 17? Please explain why.

Yes

No

Please provide any additional detail here:

36. What are the potential use cases for and the rationale for SIC custodians to use these exclusions?

37. Do you agree that rules applying to small AIFMs due to exclusions applying to UK UCITS and AIF managers should be extended to SIC and cryptoasset custodians under CASS 17? Please explain why.

Yes

No

Please provide any additional detail here:

38. Do you anticipate SICs being used for SFTs in future? If so, should the requirements in CASS 6 permitting the use of clients' safe custody assets for SFTs be applied? Please explain why.

Yes

No

Please provide any additional detail here:

Cost Benefit Analysis

39. 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.

Yes

No

Please provide any additional detail here:

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

Would you like to upload any additional data as part of your response?

Yes

No

Confidentiality

*** Do you consent to your response to this consultation paper being made public?**

Please select No if there are areas of your response that should be treated as confidential.

Yes

No

* Do you consent to your name being published with your response?

Yes

No

Market sensitivity

* Are there areas of your response that are considered to be market sensitive?

Market Sensitive - information that if made public may impact on market prices.

Yes

No

Thank you for completing the survey.

By clicking SUBMIT, your responses will be submitted and you will not be able to return to the survey.

On submission, a summary of your responses will be provided for your records, please click 'download PDF' to download a copy of your response. You will not be able to return to this page after closing it.

If you need to make any changes, please navigate using the back button now before submitting the survey.