

FCA – Application of FCA Handbook for Regulated Cryptoasset Activities

FCA CP25/25, “Application of FCA Handbook for Regulated Cryptoasset Activities”,
published on 17 September 2025

Context

The FCA outlines the application of extant Handbook regulations to firms that will be **FSMA-authorised for regulated cryptoasset activities** upon the implementation of HM Treasury's forthcoming legislation. It currently addresses cross-cutting standards and indicates that **activity-specific regulations** will be implemented in subsequent documents.

This Consultation is related to how the existing FCA Handbook will apply to firms that become FSMA-authorised for regulated crypto-asset activities, with discussion items on Consumer Duty, Conduct of Business (COBS) and Product Intervention and Product Governance (PROD). It also discusses whether access to the Financial Ombudsman Services (FOS) and the Dispute Resolution (DISP 1) rules should be extended to crypto-asset firms.

The main objectives for the FCA are to protect consumers from poor practices, raise market integrity via governance and accountability, fight crime, and support UK competitiveness with a clear, internationally aligned baseline.

Timing and Scope

Date of publication of the Consultation Paper: 17 September 2025

Feedback deadlines: comments on the discussion proposals (chapters 6-7) by 15 October 2025 and feedback on the consultation proposals (chapters 1-5) by 12 November 2025

Online response form (consultation proposals – chapters 1-5)

https://www.onlinesurveys.fca.org.uk/jfe/form/SV_7QzoCiXtWlPYR8i

Online response form (consultation proposals – chapters 6-7)

https://www.onlinesurveys.fca.org.uk/jfe/form/SV_3yqPheVslEUzxqe

Activities expected to be in scope under HMT’s draft SI (29 Apr 2025): issuing qualifying stablecoins, safeguarding qualifying (and specified-investment) cryptoassets, operating **cryptoasset trading platforms (CATPs)**, intermediation, and **staking**. **Authorisation** will be required before carrying these on “by way of business” in the UK.

Core proposals (apply now)

The FCA proposes a broadly “same risk, same regulatory outcome” approach that maps crypto firms onto existing cross-cutting standards:

- **High-Level Standards:** PRIN (excluding the Consumer Duty for now), GEN, COND; **COCON**; **FIT**. CATPs still owe PRIN duties to retail where applicable.
- **Governance & Controls (SYSC):** full **SM&CR**, systems & controls, risk management, outsourcing (SYSC 4, 7, 8).
- **Operational Resilience:** extend **SYSC 15A** to *all* crypto firms (not just the usual in-scope FSMA firms), plus non-Handbook guidance tailored to crypto (e.g., DLT dependencies, scenario testing).
- **Financial Crime:** apply FCG/FCTR guidance and strengthened expectations to counter ML/TF, fraud and sanctions evasion, and a designated **MLRO**.
- **ESG Sourcebook:** Apply anti-greenwashing style expectations (claims must be fair, clear, not misleading). No sustainability labels or new climate disclosures for crypto firms at this stage. Proposal to apply; FCA notes limited demand/data for sustainability disclosures but seeks views (Question 12).
- **Regulatory processes:** SUP/DEPP adjustments and Glossary updates for crypto terms/functions. FCA will expand “**Designated Investment Business (DIB)**” to include

crypto activities—this pulls in various rules and, in some cases, **CASS 7 client money** when fiat is held alongside crypto custody/flows.

Discussion items (not final yet)

- **Consumer Duty:** Whether/how to apply the Duty to crypto; FCA signals likely benefits but proposes **not** to apply Duty to trading **between participants on a UK-authorized CATP** (mirrors MTF treatment).
- **COBS & PROD:** How far to apply/ tailor conduct & product-governance rules vs relying on Duty; initial direction of travel is to extend DIB so COBS elements can bite, supplemented by bespoke crypto rules.
- **Complaints & redress:** Considering **DISP 1** and **Financial Ombudsman Service** access for crypto customers; **FSCS** extension remains under consideration for future consultation.

Notable nuances

- **PRIN disapplications for CATPs:** PRIN 1, 2, 6, 9 are disappplied **for transactions between CATP members**, but CATPs still have obligations toward **retail** users.
- **Permissionless DLT ≠ outsourcing:** You won't need SYSC 8 outsourcing treatment just for using a public chain—but you **do** need to evidence resilience, mapping and testing around that dependency.
- **Existing MLR-registered crypto firms:** Will need to **transition to FSMA authorisation**; Handbook applies at firm level alongside any existing (stricter) permissions.

Indicative impacts (from the CBA)

The cost-benefit analysis models 10-year PV costs across SM&CR, financial crime, operational resilience, high-level standards, and extra custody requirements; it estimates net consumer benefits (e.g., reduced scam losses) exceeding costs overall.

Practical next steps

- **Map activities** to HMT's Regulated Activities and plan **FSMA authorisation** strategy.
- **Gap-analyse** against **PRIN/GEN/COND/COCON/FIT, SM&CR, SYSC 4/7/8/15A, FCG/FCTR**; design ML/TF/sanctions enhancements.
- **Operational resilience**: identify **important business services**, set **impact tolerances**, map dependencies (incl. validators, RPCs, bridges, custody tech), and **scenario-test** (key loss, chain halt, smart-contract bug, stablecoin reconciliation failures).
- **Review money flows** for **CASS 7** triggers (fiat held for on/off-ramp, settlements) and auditor implications.
- **Review custody/outsourcing models** (incl. wallet infrastructure, key management, third-party dependencies).
- **Plan SUP 15 notifications** processes and governance for rapid escalation.
- **Prepare feedback** on Consumer Duty, COBS/PROD, FOS/ DISP, and ESG applicability by the stated deadlines.

Sources :

<https://www.fca.org.uk/publication/consultation/cp25-25.pdf>

<https://www.fca.org.uk/publications/consultation-papers/cp25-25-application-handbook-regulated-cryptoasset-activities>