FCA
Financial Services Consumer Panel

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

12 February 2026

By email: cp25-41@fca.org.uk

Dear FCA,

Financial Services Consumer Panel response to FCA's Consultation Paper on Regulating Cryptoasset Activities: Admissions & Disclosures and Market Abuse Regime for Cryptoassets

The Panel welcomes the opportunity to respond to the FCA's Consultation Paper CP25-41 on Regulating Cryptoasset Activities: Admissions & Disclosures and Market Abuse Regime for Cryptoassets. We appreciate the FCA's commitment to engaging with stakeholders and ensuring that the regulatory framework for cryptoassets is robust, transparent, and focused on consumer protection.

The Panel wishes to highlight the following:

- The Panel advocates for greater transparency, including the publication of aggregated, anonymised data on application rejections and unverifiable information. This would help consumers understand platform gatekeeping and support market integrity.
- The Panel supports the FCA's efforts to regulate cryptoasset activities and urges the FCA to set clear, prescriptive minimum standards for admissions and disclosures. This is to avoid inconsistent or weak standards across platforms and ensure robust consumer protection.
- The Panel calls for rigorous, independent due diligence—especially where platforms have a commercial interest in the assets listed—and for clear disclosure and mitigation of conflicts of interest. Board-level approval and ongoing monitoring are recommended for related-party assets.

- The Panel agrees with the proposed record-keeping requirements, emphasising that robust documentation is essential for regulatory oversight and consistent application of standards.
- The Panel supports the Qualifying Cryptoasset Disclosure Documents/ Supplementary Disclosure Documents (QCDD/SDD) disclosure framework but urges the FCA to provide clearer guidance on what constitutes "material information" and to ensure that withdrawal rights and notification mechanisms are practical and effective for consumers.
- While industry-led standardisation of disclosure templates is welcomed, the Panel insists that the FCA must set minimum standards and retain approval rights to ensure consumer protection is not compromised.
- The Panel recommends a multi-factor, risk-based approach (not just revenue-based) for on-chain monitoring and cross-platform information sharing, to avoid a two-tier consumer protection regime and ensure smaller platforms do not become safe havens for abuse.
- The Panel acknowledges the FCA's cost benefit analysis but calls for more robust quantification of consumer benefits, concrete measure for testing and consumer understanding, the introduction of consumer-focused KPIs—such as reductions in scam losses or changes in complaint rates—to support ongoing monitoring of outcomes, deeper analysis of compliance costs, and consideration of the risk of regulatory arbitrage and market exits.
- The Panel also highlights the need for ongoing monitoring of consumer outcomes and market dynamics. The Panel encourages the FCA to consider further the wider macroeconomic implications, including the risk that major market participants may choose not to establish an onshore presence in the UK, and the potential for increased interconnectedness between the traditional financial sector and cryptoasset firms. Scenario-based simulations could help assess the impact on household savings, financial resilience, and systemic risk.
- The Panel advocates for a hybrid approach combining the Consumer Duty with bespoke A&D rules that are specifically designed for the cryptoasset context.
- The Panel recommends reviewing the impact of consumers reallocating funds from more traditional investment products into cryptoassets, rather than using cash savings.

The Panel encourages the FCA to continue refining these proposals, taking into account the evolving nature of the cryptoasset market and the unique risks faced by retail investors. The Panel recognises the importance of

establishing a clear and robust cryptoasset regulation, one that ensures consumers are appropriately protected.

Our detailed responses to the questions posed in the Consultation Paper are included at Annex A below.

The Panel continues to appreciate the FCA's efforts and looks forward to further engagement on these topics.

Yours sincerely,

Chris Pond

Chair, Financial Services Consumer Panel

Appendix A

1. **Do you agree with our proposal to require CATPs to establish and publish admission criteria, and to take into account the non-exhaustive factors listed in CRYPTO 3.2? If not, which elements do you think should be changed? Please provide detailed rationale.**

The Panel broadly supports the proposal to require CATPs to establish and publish admission criteria and to take into account the non-exhaustive factors listed in CRYPTO 3.2. However, from a consumer perspective, we are concerned that the proposed outcomes-based framework, as currently drafted, leaves too much flexibility and could lead to inconsistent and potentially weak standards across platforms. We would have preferred that the FCA set clear, prescriptive minimum standards, grounded in the CRYPTO 3.2 factors, with room for CATPs to go further where appropriate.

In particular, the Panel agrees that:

- CATPs should be required to establish risk-based and objective admission criteria, have them approved by their governing body, and publish them on their website, with periodic review and updating. This helps consumers understand risk, enable comparability, and support accountability and supervision.
- the admission criteria should take into account the non-exhaustive factors in CRYPTO 3.2, including persons associated with the qualifying cryptoasset, quality of the proposed QCDD, characteristics of the qualifying cryptoasset, ability to pay compensation under the statutory liability regime. These factors should not be seen as optional or indicative requirements but as the FCA's minimum standards that all CATPs must meet as a floor with room to go beyond.

The Panel is concerned that overly loose and heterogeneous standards can vary in interpretation and rigor, especially where commercial incentives favour listing more assets quickly.

The Panel notes that some respondents to DP24/4 explicitly favoured prescriptive FCA-imposed minimum standards to ensure consistency across platforms. The Panel therefore believes that minimum standards could be tightly linked to the risk-based factors defined in CRYPTO 3.2. The Panel would have ideally liked to see illustrative examples of minimum governance, technical and operational requirements based on the size and type of firm along with admission criteria that would be

considered insufficient, particularly where commercial pressures might dilute standards.

Finally, the Panel still sees the value in requiring CATPs to publish aggregated, anonymised information about rejection trends. This could include, for example:

- the number of applications rejected within a given period
- the broad categories of reasons for rejection (e.g., governance concerns, inadequate QCDD, technical vulnerabilities, issues relating to founders or associated persons)
- insights into emerging risk patterns.

The Panel believes that such aggregated reporting would not expose commercially sensitive details or create legal risks associated with individual decisions. Instead, it would:

- help consumers understand the robustness of a platform's gatekeeping function,
- support transparency, and provide useful signals to future applicants about common pitfalls and minimum expectations.

2. Do you agree with our proposal to require CATPs to conduct due diligence before admitting a qualifying cryptoasset to trading? If not, which elements should be amended, and why?

The Panel agrees with the FCA's proposal to require CATPs to conduct due diligence before admitting a qualifying cryptoasset to trading. The Panel also agrees with the FCA's position that where a CATP (or a member of its group) seeks to admit a cryptoasset to its own platform, the admission criteria must be applied as rigorously and objectively as for any third-party applicant.

The Panel also notes that Cryptoasset markets present novel conflicts of interest, particularly where CATPs

- operate vertically integrated models
- issue their own tokens
- have commercial incentives to list high-volume or high-fee assets

The Panel therefore recommends

- additional due diligence checks from an independent internal function or external assessor to validate the due-diligence

assessment, when a CATP or its group have a commercial interest in the asset.
- board-level approval for admission of related party or group issued assets.
- Cybersecurity and smart contract risk assessment.
- CATPs to publish how conflicts were identified and mitigated.
- where third-party audits exist, CATPs to review their scope and limitations—not rely on them blindly.
- CATPs to assess asset structure, liquidity profiles, governance, treasury management, funding sources and of course runway.
- CATPs to screen founders and associated entities for sanctions, links to illicit finance and historical involvement in fraud or misconduct.
- Ongoing monitoring of assets, material changes and risks.

3. Do you agree with our proposal to require CATPs to keep records of their due diligence processes and the rationale for admission or rejection decisions for at least 5 years (or at least 7 years where requested by the FCA)? If not, what alternative approach to record retention would be more appropriate?

The Panel agrees with the FCA's proposal to require CATP operators to keep records of their due-diligence processes and the rationale for admission or rejection decisions for at least 5 years (or 7 years where requested by the FCA). Record keeping requirements particularly those set out in CRYPTO 3.10 ensure that CATPs can demonstrate how and why decisions were made. The FCA's ability to request and review records is vital for effective oversight. From a consumer perspective, this level of documentation is essential to ensure that CATPs apply their criteria consistently and can evidence that decisions were made objectively and in line with regulatory expectations. Overall, the Panel believes that the proposed retention periods are appropriate and necessary to support transparency, accountability, and effective regulatory oversight.

4. Do you agree with our proposed approach for cases where CATPs cannot fully verify certain information during due diligence? If not, what alternative approach would you suggest?

The Panel agrees with the approach taken by the FCA for situations where CATPs cannot fully verify certain information during due diligence. We also support the FCA's requirement that CATPs must still be satisfied that any unverifiable information does not make the admission likely to be detrimental to retail investors.

While we agree with the FCA's approach, we believe there are further steps that could strengthen consumer protection in cases where

verification is limited. For example, not all unverifiable information carries the same weight of implications. The Panel therefore recommends that the FCA considers requiring the CATPs to categorise unverifiable information by risk level: low, moderate, and high impact of unverified information. The Panel believes that this would help consumers understand the materiality of what could not be verified. The Panel also believes that a short explanation as to why information could not be verified would also help consumers distinguish between benign gaps and potential red flags.

As stated in our answer to question 2, the Panel still sees the value in requiring CATPs to publish aggregated, anonymised statistical information about unverifiable information. Such aggregated reporting would not expose commercially sensitive details or create legal risks associated with individual decisions. Instead, it would:

- help consumers understand the robustness of a platform's gatekeeping function,
- support transparency, and provide useful signals to future applicants about common pitfalls and minimum expectations.

Finally, the Panel believes that CATPs shall require ongoing monitoring especially where verification was limited. The Panel believes that the above discussed enhancements would help ensure that unverifiable information does not undermine the effectiveness of the admission gateway or expose retail investors to avoidable risks.

5. Do you agree with our proposal that CATPs should only admit a qualifying cryptoasset where a QCDD has been prepared and published, subject to the exceptions we set out? If not, please provide detailed alternative suggestions.

The Panel supports the FCA's proposal that CATPs should only admit qualifying cryptoassets where a Qualifying Cryptoasset Disclosure Document(s) (QCDDs) has been prepared and published. The requirement to publish QCDDs and where necessary SDDs empowers consumers to make informed choices. The Panel believes that the exceptions are appropriately limited ensuring that retail investors are not exposed to assets without adequate disclosure, allowing exemptions in cases where QCDD already exists or where only qualified investors are involved.

Since QCDDs are point in time documents, the Panel remains concerned that consumers could rely on outdated information after trading begins. It may be beneficial to consider additional measures to encourage ongoing transparency post admission for assets with significant retail participation. The Panel also recommends that the FCA considers providing a clear

guidance on what constitutes "material changes" requiring an updated QCDD.

6. Do you agree with our proposal relating to SDDs? If not, please explain what changes you would suggest and why.

The Panel supports the FCA's intention to ensure that retail investors have access to accurate information at the point a qualifying cryptoasset is admitted to trading. The proposed QCDD and SDD framework is an important step toward reducing information asymmetries where retail consumers are particularly vulnerable to misleading and overly technical disclosures.

The consultation places the "material information" requirement at the centre of the disclosure regime, but the term remains open to interpretation. It would be helpful for the FCA to:

- provide guidance or illustrative criteria for what constitutes material information,
- clarify what would amount to a significant new factor, material mistake or material inaccuracy,

The consultation also notes that retail investors "may have withdrawal rights if a SDD is published," but the scope and mechanics of these rights are not fully explained. Given the volatility of cryptoassets and the speed at which market conditions can change, withdrawal rights are a critical consumer safeguard.

We would welcome further clarity on:

- the exact circumstances in which withdrawal rights apply,
- the duration of the withdrawal period,
- how CATPs must notify retail investors of their rights,
- whether withdrawal rights apply only to primary offers or also to secondary trading where a QCDD underpins the admission.

7. Do you agree with our proposal to introduce high-level, outcomes-based disclosure rules and guidance for what we expect CATPs to require in their rules for QCDDs, while allowing CATPs flexibility to determine additional disclosures where appropriate? If not, how should this approach be amended?

The Panel supports the FCA's proposal to introduce high-level, outcomes-based disclosure rules for QCDDs, combined with flexibility for CATPs to determine additional disclosures where appropriate. However, the Panel would have liked to see the FCA provide clearer minimum expectations and ensure that CATPs apply the high-level rules consistently. Without clear expectations, there is a risk that disclosures will vary significantly in

quality and depth of information, making it difficult for consumers to compare across platforms. The Panel also wishes to ensure that allowing CATPs to tailor disclosures does not result in lighter-touch disclosures, under-disclosure, or omission—particularly for assets that are inherently riskier.

8. **Do you agree with our proposal to require a short summary of key information to be included in each QCDD? If not, please explain your reasons.**

The Panel agrees with the proposal to require a short summary of key information within each QCDD. This is particularly important for retail investors who struggle to navigate long technical documents.

The Panel suggests whether the following elements could also be explicitly included in the summary:

- A short high-level description of the token and what materially can affect the supply and price of the token
- Costs and charges either one-off, ongoing and incidental
- How to make a complaint and where to find details to complain
- Whether compensation rights apply and where to find details
- Whether withdrawal rights apply and where to find details
- The regulator and supervisory authority under which the token, provider/intermediary is regulated and supervised
- Date the summary was last updated and frequency of update.

9. **Do you consider that industry-led initiatives could play a useful role in developing standardised disclosure templates for QCDDs? If not, what alternative approaches should be considered to facilitate the creation of industry led solutions?**

The Panel believes that industry-led initiatives can play a useful role in developing standardised disclosure templates for QCDDs, provided that the FCA maintains a strong oversight and approval function. Industry expertise can help ensure templates are practical, up-to-date, and reflect market realities. However, it is essential that consumer protection and comparability remain at the forefront. The FCA should set minimum standards and retain the right to approve or amend templates to ensure they are clear, fair, and not misleading.

The Panel is disappointed to see that the FCA won’t require CATPs to check the NSM before accepting a new QCDD, citing feedback that this would be “burdensome and inefficient”.

If QCDDs are to be filed on the NSM anyway, why not require CATPs to check the NSM before accepting a new QCDD, especially to avoid duplication or inconsistencies?

The rationale for not requiring CATPs to check the NSM ("burdensome and inefficient") seems at odds with the stated benefits of centralised storage and the majority feedback in favour of the NSM.

The move to industry-led standardisation is presented as an alternative to centralised checking, but the two are not mutually exclusive: you can have both standardised templates and a central repository.

The FCA's position does appear inconsistent. It recognises the value of the NSM and proposes mandatory filing, but then undermines this by not requiring CATPs to check the NSM before accepting new QCDDs. The justification for this (burden/inefficiency) is not fully convincing, especially given the strong feedback in favour of centralisation and the established practice in other markets. The Panel urges the FCA to reconsider their position on this proposal.

10. Do you agree with our proposal to require CATPs to disclose conflicts of interest in QCDDs, retain evidence of equivalent due diligence undertaken and implement enhanced governance measures? If not, what alternative measures would you suggest to address conflicts of interest in the admission process? Please provide details.

The Panel strongly supports the FCA's proposal to require CATPs to disclose conflicts of interest in QCDDs, retain evidence of equivalent due diligence, and implement enhanced governance measures.

Prominent disclosure of conflicts in the QCDD and summary helps consumers understand when a platform might have a vested interest in a token, allowing them to make more informed decisions. Requiring CATPs to keep evidence of due diligence and implement governance measures (like separating commercial and compliance functions) helps ensure that admissions are fair and objective, not driven by profit motives at the expense of consumer protection. The requirement to retain evidence of due diligence and mitigation measures means there's an audit trail, which can be checked by regulators if things go wrong. Written policies and separation of duties reduce the risk that commercial interests override consumer protection.

Disclosures should be clearly written in plain English and must be readily accessible, avoiding technical jargon or overly lengthy documentation.

The FCA should actively monitor and enforce these requirements, implementing meaningful sanctions for non-compliance, such as public identification of violators and, where appropriate, removal of tokens or suspension of trading activities.

11. Do you agree with our proposal to require CATPs to file approved QCDDs (and SDDs, if any) with an FCA-owned centralised repository before trading starts, and to publish them on their websites alongside an up-to-date list of QCDDs and any SDDs for admitted qualifying cryptoassets? If not, how should these requirements be amended?

The Panel is pleased with the FCA's decision to require CATPs to file approved QCDDs and SDDs with the FCA's owned centralised repository National Storage Mechanism (NSM), and to publish them on their own websites before any trading starts, as is standard for prospectuses for other regulated financial instruments.

Centralised storage supports transparency, accessibility, and the development of third-party tools that help consumers make informed decisions. Cryptoassets should not be treated differently simply because of industry operational convenience. Unless there is clear evidence that the NSM is not fit for purpose, disclosures for cryptoassets should in the Panel's view be centrally stored and easily accessible to all market participants.

By requiring CATPs to file these documents with the FCA and publish them, there is a clear audit trail and accountability for the information provided to consumers. If issues arise, consumers and regulators can trace back to the official disclosures and hold the responsible parties accountable.

A central repository also ensures that all market participants, including consumers, have access to the same information, reducing the risk of information asymmetry or selective disclosure.

The Panel agrees with the FCA's current choice not to require a specific machine-readable format right now. Although formats like XBRL or XML could be valuable for advanced users and future automation, most retail consumers will find accessible formats such as PDFs or web pages more beneficial at present. Nonetheless, we look forward to seeing progress in this area in the future.

12. Do you agree with our proposed approach to allocating responsibility and liability for QCDDs and SDDs (if any)? If not, how should this framework be amended?

The Panel agrees with the FCA's proposed approach to allocating responsibility and liability for QCDDs and SDDs.

Key reasons for agreement:

- Clear Accountability: The proposals ensure that there is always a clearly identifiable party responsible for the accuracy and completeness of each QCDD or SDD, whether it is the person seeking admission, a third party, or an intermediary
- Consumer Recourse: By making responsible parties liable for losses resulting from untrue or misleading statements, or omissions of required information, consumers have a clear line of recourse if they suffer harm due to inadequate.

13. Do you agree with our proposal to introduce a voluntary regime for PFLS in QCDDs or SDDs (if any), subject to the criteria we set out? If not, please explain what changes you would suggest and why?

The Panel agrees with the FCA's proposal to introduce a voluntary regime for Protected Forward-Looking Statements (PFLS) in QCDDs and SDDs, subject to the criteria set out. The Panel encourages the FCA to check through consumer testing how PFLS are used in practice and whether consumers understand the limitations of such statements.

The Panel considers the following consumer risks with PFLS:

- Despite cautionary language, some consumers may still place undue reliance on forward-looking statements, especially if they are optimistic or presented prominently.
- Lower liability standard for PFLS could, in theory, reduce consumer recourse if a consumer suffers loss due to reliance on an overly optimistic or misleading PFLS.

14. Do you agree with our proposed rules for the circumstances and manner in which withdrawal rights may be exercised? If not, how should this safeguard be amended?

The Panel broadly agrees with the FCA's proposed rules for withdrawal rights in the context of qualifying cryptoassets. The proposal provides an important safeguard for consumers, ensuring they are not bound by an

investment decision if significant new information emerges before trading begins.

The Panel would like to point out several weaknesses and suggest areas where the proposals could be improved.

- The 2-working-day window may be too short for some retail consumers, especially those who are less financially sophisticated or who may not check for updates daily.
- The proposal allows intermediaries or offerors to extend the withdrawal period, but this is discretionary. There is a risk that some consumers may not be aware of their rights or may not be notified promptly when an SDD is published.
- The effectiveness of the withdrawal right depends on consumers being promptly and clearly notified when a SDD is published. If notification mechanisms are weak, the right may be of limited practical value.
- Finally, consumers who agreed to purchase before the QCDD is published are not covered. While this is logical from a regulatory perspective, it may leave some early investors exposed if material information emerges after their commitment but before trading.

The Panel suggests that the FCA should consider:

- extending the minimum withdrawal period to at least 3–5 working days, to give consumers more time to review and act on new information, especially given the complexity of cryptoassets and the potential for consumers to miss notifications
- Require offerors to provide prompt, clear, and direct notification to all affected consumers when an SDD is published, using multiple channels (e.g., email, SMS, platform alerts).

15. Do you agree with our view that disapplying the Consumer Duty and consumer understanding provisions within bespoke A&D rules, reflecting Consumer Duty style outcomes, is the most appropriate way to deliver consumer protection for activities within the A&D regime? If not, what alternative approach would you suggest and why?

The Panel does not support FCA's proposal to replace the general Consumer Duty with bespoke A&D rules that are specifically designed for the cryptoasset context. While we recognise the need for crypto-specific requirements, we consider that removing the overarching Duty risks creating unnecessary divergence and weakening the consistency of consumer protection across the regulatory perimeter.

The Panel prefers a hybrid approach in which the Consumer Duty remains in place as the foundational framework, with bespoke A&D rules operating as targeted, supplementary obligations that interpret and apply Duty outcomes in the cryptoasset context. This model preserves the clarity and supervisory coherence of the Duty while still enabling proportionate, sector-specific requirements for QCDDs

- Should the FCA decide to proceed with disapplying the Consumer Duty, the Panel would like to highlight several weaknesses in the proposed approach and suggest areas for improvement. Fully disapplying the Consumer Duty means that some general protections (such as the overarching requirement to act in the consumer's best interests) will not apply, including the overarching requirement to act in the consumer's best interests. The FCA should closely monitor the effectiveness of the bespoke A&D rules in practice, and be prepared to revisit the application of the Consumer Duty if gaps in consumer protection emerge.
- The success of a bespoke regime depends heavily on CATPs and intermediaries fully implementing the bespoke rules and the FCA actively monitoring compliance.
- The distinction between QCDDs/SDDs (exempt) and other promotions (regulated) may not be obvious to all consumers. There is a risk that consumers could misunderstand which documents are subject to the highest standards of scrutiny. The FCA and market participants should clearly explain to consumers which documents are regulated disclosures (QCDDs/SDDs) and which are marketing, to avoid confusion.
- The FCA should ensure that CATPs and intermediaries are held to account for compliance with the bespoke rules, and that consumers have clear avenues for redress if they are misled or harmed.

16. Do you agree that a UK-issued qualifying stablecoin disclosure document should be made available to prospective holders before the UK-issued qualifying stablecoin can be sold or subscribed to? If not, please explain why.

The Panel supports the FCA's proposal as a critical safeguard for retail investors, ensuring they are not exposed to assets without adequate information.

Disclosure before sale

- empowers consumers to make informed choices and understand what they are buying.
- ensures transparency and allows consumers to compare different stablecoins and platforms. This supports accountability and helps prevent misleading or incomplete information.

- helps consumers assess risks and avoid assets that may not meet their expectations or risk tolerance.

17. Do you agree with our proposed rules for withdrawal rights of prospective holders of UK-issued qualifying stablecoins?

The Panel supports the proposed withdrawal rights framework for prospective holders of UK-issued qualifying stablecoins as it offers important consumer protections that allow prospective stablecoin holders to withdraw from their purchase if material information changes before trading begins. This reduces the risk of consumers being bound by outdated or incomplete information and supports transparency and accountability in the market. The effectiveness of these protections depends on clear communication, adequate withdrawal periods, and robust notification systems to ensure consumers can exercise their rights in practice.

18. Do you agree third parties should be able to request admission to trading on a CATP, using the UK- issued qualifying stablecoin disclosure document prepared by the UK stablecoin issuer? If not, please explain why.

The Panel agrees it is appropriate to allow third parties to request admission to trading on a CATP using the issuer's QCDD, as long as:

- The issuer remains responsible and liable for the content of the QCDD,
- The issuer is notified and given the opportunity to object within 5 business days,
- The QCDD is stored in a centralised, accessible repository.

This approach ensures that consumers have access to accurate, up-to-date information and that issuers can intervene if there are concerns.

19. Do you agree with our approach that the information required in website disclosures and UK- issued qualifying stablecoin disclosure documents is the same?

The Panel agrees with the FCA's proposal that the information required in website disclosure and UK-issued qualifying stablecoin disclosure documents is the same. This approach ensures consistency and transparency which are essential for empowering consumers to make informed decisions. Consumers can be confident that, regardless of whether they access information via an issuer's website or the official QCDD, they are receiving the same, up-to-date details about the stablecoin. This consistency reduces confusion and the risk of acting on outdated or incomplete information. It also becomes much easier for consumers to compare different stablecoins and make informed choices

regardless of the channel consumers' use. This is especially important for retail investors who may not be familiar with all the official documentation channels.

20. Do you agree that issuers of UK-issued qualifying stablecoins update the QCDD as frequently as they update their website disclosures?

The Panel agrees with the FCA's proposals that issuers of UK-issued qualifying stablecoins update the QCDD as frequently as they update their website disclosures. Synchronising the update frequency of QCDDs and website disclosures ensures that consumers always have access to the most current and accurate information, no matter where they look. This reduces the risk of confusion or acting on outdated details, which is especially important in the fast-moving cryptoasset market.

21. Do you agree with our proposals on inside information disclosure and delayed disclosure?

The Panel supports the FCA's proposals on inside information disclosure and delayed disclosure as robust and appropriate.

22. Do you agree with our list of non-exhaustive examples of inside information?

The Panel agrees with the list of non-exhaustive examples and believes that this helps both firms and consumers understand the types of information that are likely to be considered inside information reducing the risk of non-compliance. The fact that the list is non-exhaustive allows flexibility to ensure that new types of material information can be captured as the market develops.

23. Do you agree with our revised proposals for the dissemination of qualifying cryptoasset inside information, specifying option 3 (website and active dissemination) as the most suitable approach for day one of the regime?

The Panel agrees with the FCA's revised proposals for the dissemination of qualifying cryptoasset inside information, specifically the adoption of option 3—requiring publication on the issuer, offeror, or CATP's own website, combined with active dissemination through other public channels such as social media and news outlets

By mandating that inside information is published on accessible websites and actively shared through widely used channels, the regime ensures that all market participants—including retail consumers—have fair and timely access to information that could impact their investment decisions. The requirement to upload inside information to a central FCA-owned

repository (NSM) further enhances transparency and provides a reliable, long-term source of information, even if individual firm websites become unavailable

The Panel also notes the FCA's openness to evolving the dissemination model as the market matures, including the potential for more formalised channels such as bespoke crypto-specific Primary Information Providers (PIPs) in the future.

Overall, the Panel supports the FCA's proposal for website publication and active dissemination as the most suitable and consumer-friendly approach from day one of the regime.

24. Do you agree with our revised proposals on legitimate market practices under MARC?

The Panel agrees with the FCA's revised proposals on legitimate market practices under MARC. By clearly defining which practices are acceptable—such as coin burning, crypto-stabilisation, and market making—and setting out the conditions under which they are permitted, the FCA provided clarity and transparency for both market participants and consumers. The inclusion of safe harbours for necessary market activities, combined with robust record-keeping and a commitment to ongoing review as the market evolves, ensures that the regime can adapt to new risks and innovations without compromising consumer protection.

25. Do you agree with our proposals for qualifying cryptoasset market abuse systems and controls?

The Panel agrees with the FCA's revised proposals qualifying cryptoasset market abuse systems and controls. In particular, we support placing clear responsibility on cryptoasset trading platforms and intermediaries and the emphasis on disruption powers, record-keeping, employee controls, and cross-platform information sharing for larger platforms.

Consumers generally lack visibility, tools, or expertise to detect manipulation; Placing the primary responsibility for detecting and disrupting market abuse on CATPs and intermediaries is beneficial for consumers. The safe harbour for intermediaries reduces disincentives to report suspicious activity. This indirectly protects consumers by encouraging earlier intervention rather than defensive silence. Cross-platform information sharing (for large CATPs) is essential to prevent consumers from being harmed repeatedly on different platforms by the same actors.

The Panel would like to highlight some reservations:

- Removing the FCA from a central role in receiving and assessing suspicious activity increases the risk of inconsistent thresholds, under-reporting and conflicts of interest (e.g. platforms reluctant to disrupt profitable trading activity). Consumers may be exposed to prolonged abuse before regulatory escalation occurs.
- While proportionate application is sensible, there is a risk that smaller firms with retail-heavy user bases implement weaker surveillance, consumers on those platforms receive materially lower protection.

26. Do you agree with the proposed requirements on on-chain monitoring?

On-chain activity is where a significant proportion of harm actually materialises in crypto markets. Abuse occurring on-chain can directly distort prices, liquidity and confidence before it is visible through off-chain. The Panel overall agrees with the proposed requirements on on-chain monitoring however wishes to highlight the following reservations:

<u>On-chain monitoring applies only to large CATPs.</u>

Smaller CATPs may host more volatile or illiquid assets, may have weaker governance or compliance maturity and attract less sophisticated consumers. Retail consumers frequently interact with smaller platforms, newer venues, or venues specialising in niche or higher-risk tokens. Consumers interacting with smaller CATPs won't have the same level of protection.

<u>Risk of a two-tier consumer protection regime</u>

Consumers on large platforms benefit from dual-layer (on-chain + off-chain) surveillance. Consumers on smaller platforms receive off-chain monitoring only, even where abuse is occurring directly on-chain. This creates unequal protection for consumers, depending solely on where they trade.

The Panel recognises legitimate concerns raised by respondents:

- scanning the entire blockchain is not feasible,
- tools are evolving,
- smaller firms face resource constraints.

However, proportionate on-chain monitoring is different from no on-chain monitoring.

27. Do you agree with the proposed revenue threshold for applying on-chain monitoring requirements? If not, what alternative threshold or metric (for example, non-revenue-based measures) would you suggest, and why? Please provide details, including any supporting quantitative data where available.

The Panel does not consider annual average revenue alone to be an appropriate or sufficient threshold for determining whether on-chain monitoring requirements should apply. Revenue alone as a threshold is a poor proxy for consumer risk as it does not capture the number of retail users, trading volumes, asset volatility and exposure of high-risk tokens.

The Panel suggests the FCA considers a multi-factor risk-based approach for on-chain monitoring for all CATPS this may include the number of retail users, trading volumes or transaction counts, type of cryptoassets admitted to trading (highly volatile or low-liquidity tokens, degree of on-chain settlement or DeFi interaction.

28. Do you agree with our proposals on insider lists?

The Panel agrees with the FCA's proposals on insider lists. The Panel welcomes the alignment with established traditional finance frameworks, as well as the inclusion of cryptoasset wallet addresses were relevant, which reflects the unique features of crypto markets. While we recognise concerns about operational burden for firms, the Panel considers these requirements justified by the benefits to market integrity, accountability and consumer confidence.

29. Do you agree with our approach for cross-platform information sharing?

Ther Panel is supportive of cross-platform information sharing to prevent repeat harm and improve overall market integrity. The Panel is concerned that the mandatory cross-platform information sharing applies only to Large CATPs.

In particular, the Panel supports:

- The proposed safe harbour as it reduces disincentives to share information, supports timely intervention and encourages cooperation.

<u>Panel's concerns:</u>

- Mandatory information sharing is limited to large CATPs: As per our previous response on size of firms, the Panel does not believe that harm is well reflected by looking only at the size of a firm. Limiting sharing to Large CATPs risks encourages the use of smaller CATPS to create a "safe haven" for abuse. Also, we believe that the two-tier consumer protection risks leaving consumers of smaller platforms with no visibility of shared intelligence and control over this regulatory distinction.
- Industry led approach and non-prescriptive approach, provides flexibility for firms, however the Consumer Panel would have like to see the FCA setting some minimum expectations

30. Do you agree with the proposed revenue threshold for applying cross-platform information sharing requirements? If not, what alternative threshold or metric (for example, non-revenue-based measures) would you suggest, and why? Please provide details, including any supporting quantitative data where available.

As discussed above, the Panel does not agree with the annual average revenue as appropriate and sufficient for determining which CATPs should be subject to cross-platform information sharing requirements. The Panel recommends that the FCA considers alternative or supplementary metrics as such as the ones described above in question 27.

Cost Benefit Analysis

1. **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.**
2. **Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?**

The Panel recognises the FCA's thorough analysis of consumer harms and its clear intent to address them. We also welcome the transparency of the breakeven analysis and the consideration of distributional impacts. However, we note important limitations in the assessment of consumer benefits and propose several ways to strengthen the analysis.

First, the Panel encourages more robust quantification of consumer benefits. This could include modelling improvements in participation, engagement, decision-making and reductions in market abuse. Given

current data constraints, the FCA may wish to draw on international evidence to generate plausible ranges for potential consumer benefits.

Second, the Panel recommends deeper analysis of how compliance costs may be passed on to consumers and the potential implications for access. While the FCA notes the challenges in estimating these costs, we consider that even high-level scenario modelling—such as indicative fee increases by product type, potential product redesign, and the resulting impact on consumer choice—would support early identification of access risks.

Third, the Panel suggests expanding the assessment of distributional impacts across different consumer segments, including women, vulnerable consumers and those with lower financial resilience, to better understand both positive and negative effects on access. The CBA notes that crypto users tend to be younger, male, higher-income, and more ethnically diverse. The FCA may wish to consider whether the regime disproportionately affects certain groups and whether additional educational or communication interventions are needed.

Fourth, the Panel highlights the need to analyse the risk of regulatory arbitrage, particularly the possibility that consumers may migrate to unregulated or offshore platforms in response to the new regime.

Fifth, the Panel recommends the development of concrete measures for testing and ensuring consumer understanding, alongside the introduction of consumer-focused KPIs—such as reductions in scam losses or changes in complaint rates—to support ongoing monitoring of outcomes.

The Panel also encourages the FCA to consider the implications of major crypto market participants choosing not to establish an onshore presence in the UK, despite the significant regulatory efforts underway. Many large exchanges continue to operate from overseas jurisdictions, particularly the US. This creates material risks in the event of firm failure, as UK consumers would be subject to foreign insolvency regimes. These risks are exacerbated by challenges in evidencing ownership rights, vertically integrated business models, and the nascency of the sector, where firms may have limited familiarity with financial regulation. Legal uncertainty around the ownership and location of cryptoassets—greater than in traditional custody arrangements—further heightens the potential for consumer harm.

Relatedly, the Panel considers that further independent analysis is needed on the risk of smaller market participants exiting the market if they struggle to remain profitable under the new regulatory framework, and the potential consequences for competition and consumer choice. Consumers may also face temporary or permanent loss of access to certain tokens or services as firms may decide to temporary or permanently pause services due to costs.

The Panel also recommends deeper macroeconomic analysis of potential behavioural shifts among consumers.

- Scenario-based simulations could assess how reduced household savings, increased indebtedness, or substitution away from traditional financial products might affect long-term economic resilience. Recent data showing that 25% of consumers used long-term savings or investments to purchase cryptoassets, and 9% used credit cards or overdrafts, underscores the relevance of these risks.

- The finding that UK buyers of cryptoassets are most likely to divert funds away from other financial investments—rather than from cash savings—deserves careful regulatory attention. This behaviour suggests that consumers may be reallocating money from more traditional, and often better-understood, investment products into assets that carry significantly different risk profiles. If left unexamined, this shift could have unintended consequences for long-term financial resilience, diversification, and the stability of established investment markets.

- A sustained diversion of retail demand away from UK-based financial products towards predominantly overseas cryptoasset firms may also have implications for UK financial sector liquidity.

Exploring these pathways through simulations would support a more comprehensive understanding of potential systemic impacts.

In addition, simulations would be valuable in assessing the wider economic implications of increased cryptoasset holdings in a context where merchant acceptance remains limited. If consumers reallocate funds from traditional savings and investment products into

cryptoassets that cannot readily be used for payments, this may reduce productive economic activity and amplify the opportunity cost of diverted savings. The rising cryptoasset ownership in the UK means that a sharp fall in prices could now affect a significant portion of the public, including the 10% of holders who are already financially vulnerable.

Finally, the Panel considers it important for the FCA to undertake a cost–benefit scenario analysis of the growing interconnectedness between the traditional financial sector and cryptoasset firms. Rising retail demand and rapid market evolution are increasing these linkages, potentially exposing banks and other financial institutions to cryptoasset market downturns. The growing links between cryptoasset firms and the traditional financial sector increase the risk that turbulence in crypto markets could spill over into banks and other institutions. Also, the fact that some publicly listed companies are holding strategic crypto reserves further amplifies their exposure to sudden price shocks. Together, these trends represent material, economy-wide risks. The FCA should closely monitor these developments, as a severe downturn in crypto markets could trigger broader instability with the potential to impact the entire financial system

Further, the use of strategic cryptoasset reserves by several publicly listed companies also heightens their exposure to price shocks, with potential spillover effects into the real economy. Scenario-based analysis would help quantify both the benefits of innovation and the costs associated with heightened contagion risk, supporting a more informed and proportionate regulatory approach.