FCA Sensitive

FCA
Cost Benefit
Analysis Panel

Consultation Paper title	**Regulating Cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets**
Summary of intervention	The consultation paper sets out the FCA's proposed rules and guidance for the implementation and operation of the Admissions & Disclosures, and Market Abuse regimes for cryptoassets.
Feedback date of issue	17/10/2025
CBA Panel reference number	CBAP-0012

CBA Panel advice

Main recommendations

- **Incorporate distributional and behavioural impacts**. The Panel recommends that the analysis better reflect the uneven distribution of harm, particularly for consumers who could experience catastrophic losses, and differentiate between retail and professional investors to capture behavioural and risk exposure differences.

- **Consider including more plausible participation and compliance scenarios**. Given that the assumption of full compliance is unrealistic, the Panel recommends that the CBA include partial compliance scenarios and similarly, that it presents alternatives to the assumption of very rapid post-regulation growth in participation.

- **Clarify feasibility and residual risks**. The Panel recommends that the CBA more fully consider the practical limitations of the intervention, including leakage to offshore platforms, market exit and concentration, risks to the effectiveness of regulation such as those posed by "finfluencers", and the potential deterrent effect of regulation on legitimate innovation, as well as residual risks that remain even after regulation.

FCA Sensitive

FCA
Cost Benefit Analysis Panel

Summary

Category	CBA Panel comments
The market	**The market.** The CBA provides a credible overview of a volatile and fast-moving sector.
	Problem and rationale for intervention. The problem and rationale for intervention are well stated but could be more analytically precise. The CBA should distinguish between pure market failures such as information asymmetry and behavioural market failures such as overconfidence. Misaligned incentives on the supply side are a manifestation of these existing failures rather a separate one. This section could be improved by including discussion of the unequal distribution of harm. Emphasising the potential for some consumers to catastrophic losses may strengthen the public interest case for intervention even if average losses appear moderate.
	Proposed intervention and alternative options. The proposed intervention appears proportionate. The Panel notes the application of the FCA's new "rebalancing risk" framework, which could be more explicitly linked to the proposed intervention. In particular, the approach to risk outlined does not seem compatible with an assumption of full compliance. The Panel recommends that the CBA consider scenarios reflecting partial compliance, and that it takes account of the potential for activity to shift to unregulated offshore platforms. The Panel also recommends that the options analysis include a more plausible set of alternatives; at present, the options presented are framed at the extremes, rather than reflecting intermediate approaches. Given the international nature of crypto crime, the paper could also discuss coordination with bodies such as the NCA or Interpol.
Assessment of costs and benefits	**Baseline and counterfactual**. The baseline and counterfactual assumptions could be more carefully defined. The projected post-regulation growth used in this CBA may be optimistic given the existence of strong risk warnings and behavioural barriers. Growth in participation is therefore likely to be more gradual. The counterfactual should describe more clearly how both participation and harms might evolve in the absence of intervention, taking into account global market trends and other countries' regulatory responses. Distinguishing between retail and professional investors to reflect differences in behaviour, risk tolerance, and exposure, would provide a more nuanced and informative baseline, and allowing the analysis to more accurately capture how harms and participation are likely to vary across investor types.
	Evidence and data. The Panel notes that the overall costs appear high given that similar processes are already in place, such as whitepapers for new tokens which may require only modest updates to comply with new disclosure requirements. At the same time, the Panel acknowledges that crypto is a new and rapidly evolving market, meaning reliable information on harms and costs is limited. The Panel recommends that the FCA leverage its experience from implementing other regulatory regimes and draw on insights from responses to prior consultation papers on elements of the crypto regime that have already been published, to support more robust assumptions and projections.

FCA Sensitive

FCA Cost Benefit Analysis Panel

	Assumptions. The Panel recommends that the CBA consider alternative scenarios to full compliance, reflecting more realistic levels of adherence in the market.
	Economic analysis. The Panel recommends ensuring that the economic analysis reflects distributional considerations, particularly for consumers who may experience disproportionately high harm. Harms should be presented in terms of their actual impact on consumers rather than solely as asset values, to better capture the severity and nature of potential losses. Transfers should be clearly distinguished from net welfare benefits. The analysis should take account of the potential for market exit and concentration following regulation, as these may affect overall welfare outcomes. Similarly, the deterrence of criminal actors should not be treated as a net social benefit unless displacement effects are considered. The analytical framing of regulation as a form of insurance, mapping costs to the average portfolio, is unconventional; the Panel recommends that this approach be explicitly justified against standard CBA practice. The analysis should also consider whether expected benefits from increased trust, market participation, or risk reduction are plausible given realistic assumptions about behaviour and compliance, and take account of the limitations of available data.
Risk and uncertainty	The Panel recommends that this section be used to examine uncertainties around the effectiveness of the new regime, including whether "finfluencers" may dilute or override FCA warnings among audiences predisposed to embrace new forms of investment. It could also consider whether jurisdictional challenges could limit the regime's reach, given that many relevant entities operate from locations resistant to traditional regulation and taxation while continuing to target UK consumers through difficult-to-police online channels. The Panel also recommends including scenario or sensitivity testing around compliance levels, costs, and participation rates. The Panel recommends that the potential for market exit and concentration following regulation be considered, as these could affect overall market functioning and welfare outcomes.
Wider economic impacts	The Panel recommends that the wider economic impacts of the regime be better articulated. Regulation is likely to increase the cost of capital and may discourage some business models, as supervisor-based regimes can impose a degree of uncertainty. While longer-term benefits in terms of market quality and trust are plausible, they are likely to emerge gradually rather than immediately. The analysis could link the regulation more directly to broader financial stability and consumer protection goals. The Panel recommends recognising that the likelihood of bad actors displaced from crypto simply moving to other sectors limits the scope for net social gain. The Panel also recommends that the potential for regulation to deter legitimate innovation or new market entry be acknowledged as a real economic cost, and that residual risks remaining even after regulation be made clear.