

Consultation Paper title	Regulating Cryptoasset Activities
Summary of intervention	The FCA is proposing to introduce new regulated activities for cryptoasset markets, which adapt elements of rules in traditional financial markets, to establish common minimum standards that build consumer confidence and enable firms to compete on a level playing field.
Feedback date of issue	19/11/2025
CBA Panel reference number	CBAP-0013

CBA Panel advice

- **Clarify basic rationale for extension of conduct regulation perimeter.** The CBA should present more clearly the basic economic case for bringing cryptoasset activities into the regulatory perimeter, explaining in particular how the proposed rules relate to (i) the HM Treasury's draft Statutory Instrument and its Impact Assessment; (ii) the existing base of CBA supporting conduct regulation of traditional financial services; and (iii) the principle of ensuring a level regulatory playing-field between traditional financial and cryptoasset services. The CBA could usefully give particular attention to the welfare impact of the proposed rules which derive from aspects of cryptoasset activities which differ from traditional financial services.
- **Reassess whether additional investment constitutes a genuine welfare benefit.** The CBA estimates the net benefit of the proposed rules to consumers at £745m, more than offsetting the £465m of estimated net costs to firms. However, the figure of £745m appears to reflect a forecast of the total incremental investment by UK consumers in qualifying cryptoassets, rather than a welfare gain. The CBA should clarify the rationale and evidence for classifying this as a benefit or recalculate the benefits of the proposed rules using other methods that capture genuine welfare gains.
- **Improve conceptualisation of market and economic analysis.** The CBA conceives of the benefits of the proposed rules as depending critically on their capacity to stimulate growth in the market for investment in qualifying cryptoassets. Given this, its analysis is weak in the following respects: (i) consideration of competition between on- and offshore service providers is lacking; (ii) its quantification of benefits is over-reliant on a single experimental result; (iii) there is insufficient analysis of the economics of novel aspects of cryptoasset activities, such as staking, and how they compare to traditional financial services.
- **Ensure proper assessment of impact on international competitiveness and growth.** The Panel notes that by assessing individual packages of proposed rules under the Crypto Roadmap piecemeal, CBAs are not capturing collective and macroeconomic impacts. For example, growth in cryptoasset services stimulated by the proposed rules may come at the expense of, rather than in addition to, traditional financial services. Depending on the relative effectiveness of traditional and cryptoasset services as allocating capital, such substitution and/or crowding out effects may have an impact on UK economic growth. Generally, there is a lack of clarity over the kinds of financial services provided by cryptoasset activities, and what their wider economic impacts are. For example, payments services are not considered, even though many cryptoassets are also payments instruments.

Summary

Category	CBA Panel comments
The market	In general, the current sequence of Consultation Papers and associated CBAs relating to the implementation of the Crypto Roadmap represent an important opportunity for the FCA to analyse the economics of cryptoasset activities and the ways in which they differ from traditional financial services. A clearer conceptualisation of the overall market in these terms would help the analysis of the proposed rules.
Problem and rationale for intervention	The problem is explained well and the rationale for intervention is conceptually sound, but as with other CBAs, this policy derives from an HMT Statutory Instrument which the FCA must implement. The FCA's CBA should ideally take advantage of HMT's Impact Assessment to reduce the need for replication.
Proposed intervention and alternative options	No comments
Assessment of costs and benefits	<p>Baseline and counterfactual. The CBA conceives of the benefits of the proposed rules as depending on their capacity to stimulate growth in the market for investment in qualifying cryptoassets. This leads to a narrow basis of the estimation of benefits – depending, for example, on a single experimental result (see below). It would be prudent to consider whether this is appropriate.</p> <p>Evidence and data. There is a disproportionate approach to the calculation of costs and benefits. The qualitative analysis is well explained. In many cases, however, very minor costs (<£0.1m) receive as much commentary as much larger costs (>£50m). The principle of proportionality should be applied, with more explanation provided for those impacts that are largest. In addition, the costs section dwarfs that of benefits, which is surprising given the very large benefits estimated.</p> <p>Assumptions. The Panel recommends that better evidence is provided to support the assertion that increased regulation in this space will result in induced demand for these products and services. It also notes that the balance sheet capacity of crypto firms to engage in lending activity may typically be limited – rendering the welfare impact of cryptoasset lending and borrowing may be more limited.</p> <p>Economic analysis. The Panel regards the estimation of benefits as problematic in two respects. First, it does not reflect an assessment of any reduction in purported harms. Second, it appears simply to equate a forecast incremental stock of investment in qualifying cryptoassets as a net flow of consumer benefits. A more natural assumption would be that this represents a transfer from some other sort of asset or spending, not a welfare gain for firms or consumers. In the costs section, meanwhile, it seems likely that new regulated activities would require new applications for permissions – but the costs associated with such applications are not included in the CBA.</p>
Risk and uncertainty	The Panel noted that as the counterfactual is static, this could result in alternate impacts if the market shifts in that scenario. Though sensitivity analysis is applied to the CBA's estimate of costs, none is

done for its estimate of benefits. The CBA's estimate of benefits, meanwhile, hinges on a single value (the 13% uplift in cryptoasset purchases), deriving from a single experimental result, and thus should be tested more critically, or subject to sensitivity analysis.

Wider economic impacts

This analysis does not consider sufficiently substitution and/or crowding out effects between cryptoasset and traditional financial services, as well as the potentially differential contribution of the two categories to the efficiency of capital allocation.
