FCA
Cost Benefit Analysis Panel

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| **Policy Statement title** | **Cost Benefit Analysis – Cryptoasset Regime** |
| **Summary of intervention** | The Government has legislated to bring new cryptoasset activities within the FCAs regulatory remit – this CBA outlines the aggregate impact of those rules. |
| **Feedback date of issue** | 08/06/2026 |
| **CBA Panel reference number** | CBAP-0018 |

## CBA Panel advice

The Panel welcomes the FCA's attempt to present a coherent assessment of a complex and evolving set of policy proposals across multiple consultation papers. The approach reflects a substantial analytical effort, including the development of a dedicated background research note to support the CBAs. However, the analysis would benefit from greater clarity and discipline in three key areas.

### Main recommendations

- **Develop the background economic note to provide a clearer map of the supply side of the market for cryptoasset services.** The introduction of a dedicated background economic note represents a useful and innovative step in supporting the CBAs. The note could however do a more comprehensive job of describing the composition and competitive dynamics of the supply side of the cryptoasset market faced by UK consumers. This is especially important because evidence presented in the CBA shows that at present the majority of cryptoasset services used by UK consumers are supplied by firms domiciled in other jurisdictions. The proposed new regulations will apply at most only partially to such suppliers, with important consequences for the CBA.

- **Strengthen the economic analysis of the demand side of the market for cryptoasset services, reflecting the limitations of the evidence.** The estimated effects of the proposed new regulations on UK consumer demand for cryptoasset services is a central driver of the quantified benefits, but is subject to significant uncertainty. The analysis would benefit from a more balanced and internally consistent account of how regulation may affect demand, recognising that some effects may increase demand (e.g. via halo effects) while others may reduce demand (e.g. via risk disclosures). This paper should acknowledge more explicitly that the evidence underpinning key demand-side effects rests on strong but uncertain assumptions, and thus that forecast benefits may represent upper limits rather than mid-point estimates.

- **Strengthen monitoring and evaluation to reflect uncertainty** Given the high degree of uncertainty around both demand- and supply-side responses, monitoring and evaluation (M&E) of the CBA's analysis in the course of implementation is particularly important in this case. The FCA should set out a detailed and time-bound M&E plan, including clear metrics and review points, to ensure that the analysis is updated as real-world evidence comes in and the proposed regulation can be reviewed in a systematic manner accordingly.

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## Summary

| Category | CBA Panel comments |
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| **The market** | The Panel welcomes the development of a background note to provide broader economic context. However, the analysis would benefit from a stronger focus on the distinctive features of cryptoasset markets, rather than restating general rationales for financial regulation. It would also benefit from clearer integration of the global nature of the market, which is central to both supply and demand dynamics. |
| **Problem and rationale for intervention** | It was noted that the rationale for intervention emphasises consumer protection, but the evidence on consumer demand for additional regulation appears limited or mixed. The analysis is not always clear on whether the primary objective is reducing harm or supporting market development. Greater clarity on the specific harms being addressed, and how these relate to the proposed interventions, would strengthen the case for intervention. |
| **Proposed intervention and alternative options** | The presentation of alternative options could be strengthened. In particular, the analysis would benefit from more clearly setting out a range of regulatory approaches, including a baseline scenario, a “do minimum” option reflecting mandated changes, and more interventionist options. The Panel also considers that the analysis should focus more explicitly on the differences between cryptoasset markets and traditional financial services, and how these differences affect the choice of regulatory design. |
| **Assessment of costs and benefits** | **Baseline and counterfactual**. The baseline is not always clearly specified and some key assumptions, including those relating to participation rates, also raise questions of internal consistency. A clearer and more transparent articulation of the baseline would improve the credibility of the analysis. |
| | **Evidence and data**. A wide range of evidence is used, which is commendable, but the base evidence underpinning key behavioural responses is relatively limited, and its limitations are not always sufficiently highlighted. Greater transparency about the strengths and weaknesses of the evidence, and clearer framing of estimates as indicative rather than predictive, would strengthen the analysis. |
| | **Assumptions**. The analysis relies on several important assumptions regarding consumer behaviour, market growth, and shifts toward UK-regulated providers. These assumptions are highly consequential for the results, particularly for estimated benefits, and would benefit from clearer justification and transparency. In particular, where most activity currently occurs through international providers, the mechanism through which UK regulation is expected to generate consumer benefits should be set out more clearly. |
| | **Economic analysis**. On the demand side, the analysis places considerable weight on increases in participation and investment linked to improved consumer confidence but does not fully account for offsetting effects such as cost increases or reduced availability. This may present an incomplete picture of demand responses. On the |

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| | supply side, the analysis is comparatively underdeveloped, with limited treatment of firm characteristics, barriers to entry, competitive dynamics, and international considerations. Given the importance of these factors in shaping market outcomes, particularly in a global and rapidly evolving market, a more developed supply-side analysis would materially strengthen the overall assessment. |
| **Risk and uncertainty** | As an aggregate CBA combining several policies, the panel expected more discussion around the mechanics behind combining impacts e.g. overlapping effects or cumulative impacts. The inclusion of breakeven analysis is a welcomed but the overall analysis is subject to significant uncertainty arising from behavioural responses, firm behaviour, international developments, and technological change. These uncertainties are particularly acute given the global and evolving nature of cryptoasset markets. The Panel considers that this reinforces the need for cautious interpretation of quantified results, including scenario testing and a stronger focus on monitoring and evaluation. |
| **Wider economic impacts** | The Panel notes that wider economic impacts, including regulatory arbitrage and competition effects, are identified but not fully developed in the analysis. Further consideration of how UK regulation interacts with global market dynamics would strengthen this section. |