

Consultation Paper

CP26/36**

Cryptoasset Perimeter Guidance

October 2026

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Chapter 1

Background

- 1.1** From 25 October 2027, the Financial Services and Markets Act (FSMA) 2000 (Cryptoassets) Regulations 2026 (the Cryptoassets Regulations) will introduce new regulated activities for cryptoassets into our perimeter. Any person carrying a regulated cryptoasset activity by way of business in the UK will need our authorisation to carry on these activities, unless they are exempt. They must then follow the rules and guidance in the FCA Handbook.
- 1.2** In September 2026, we published perimeter guidance in PS26/18 to help persons understand the scope of the newly regulated activities and the permissions they may need.
- 1.3** The day before we published PS26/18, the Government laid further legislative amendments in a second statutory instrument, FSMA 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026 (the Cryptoassets Amendment Regulations). These include exclusions for certain activities, which persons can do without authorisation. They include, for example:
- temporary settlement arrangements.
 - temporary UK qualifying stablecoin holding arrangements for payment transactions.
 - arrangements involving backing assets held in relation to a UK qualifying stablecoin.
 - proprietary trading where a person is not providing a service to another person or where they act as a market maker on a qualified cryptoasset trading platform (QCATP).
 - technical services that merely allow access to services provided by a third person or to a decentralised protocol.

Why we are consulting

- 1.4** We are consulting on changes to our Perimeter Guidance Manual (PERG) within the FCA Handbook to reflect these amendments. The changes explain our view of how the amendments in the legislation apply, and how the new exclusions interact with the regulated cryptoasset activities.
- 1.5** Our draft perimeter guidance is set out in Appendix 1.
- 1.6** We want to receive views on our draft guidance, which sets out our interpretation of the Cryptoassets Amendment Regulations and our interpretation of how decentralisation can impact perimeter analysis. The existing guidance (PERG 18) and the amendments proposed in this consultation should be read together.
- 1.7** The draft guidance also includes amendments to PERG 8, to reflect consequential changes needed in respect of the guidance on financial promotions as a result of amendments made to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 by the Cryptoassets Amendment Regulations.

What we want to achieve

1.8 We want the guidance to:

- **give market participants a clear view** of when they will need authorisation, which permissions apply to their activities, and whether any exclusions are relevant. This should reduce the risk of them inadvertently breaching the perimeter.
- **support effective competition and innovation** by helping firms get the correct permissions, so that they operate in a consistent regulatory environment.
- **support appropriate consumer protection** by helping firms submit timely and accurate applications for authorisation.
- **support fair, transparent, orderly and resilient markets** by helping firms understand their obligations and apply the regime consistently.

Measuring success

1.9 Our proposed perimeter guidance will be successful if it helps firms to:

- plan and prepare for authorisation.
- determine if they are offering regulated cryptoasset activities within the regulatory perimeter, and meeting our regulatory standards.

1.10 We will use a range of metrics to assess whether the guidance has achieved our objectives. As this Consultation Paper (CP) relates to guidance, we do not believe specific monitoring of outcomes is proportionate. However, we will continue to monitor trends in UK cryptoasset markets.

1.11 We anticipate higher quality applications, with more firms applying for the right permissions, and fewer inadvertently breaching the perimeter. We anticipate fewer firms operating under savings provisions, because they will understand earlier which permissions they need to apply for.

Next steps

1.12 We will continue engaging with firms and trade associations throughout the consultation period and welcome feedback on our proposed guidance in Appendix 1 by 18 November 2026. The specific questions for feedback are in Annex 1.

1.13 You can submit your responses via the form on our website or by email to cp26-36@fca.org.uk.

1.14 We will publish our final guidance in spring 2027, taking into account feedback received as appropriate.

- 1.15** Our application period for firms that want to undertake the new regulated cryptoasset activities opened on 30 September 2026 and will close on 28 February 2027. Firms that we have already authorised under FSMA to undertake regulated activities, and that want to carry on one or more of the new regulated cryptoasset activities, will need to ensure they have the correct permissions. They may need to apply to us to vary their existing permission.
- 1.16** To help firms understand the new perimeter and the authorisation process, we have set out various measures on our [website](#). For example, firms can request a meeting with us via our [pre-application support service](#) (PASS). We will expect to determine a firm's application (whether authorisation or variation) before the new regime begins on 25 October 2027 for firms who submit before 28 February 2027 who want to benefit from the savings provision. Firms registered under Money Laundering Regulation 14A (MLR4A) that submit their application during the relevant period can continue to provide cryptoasset services until their application has been fully determined under the savings provisions, as set out in the Cryptoassets Regulations. Dual Regulated firms should also engage with the PRA.

Chapter 2

Decentralisation

- 2.1** In addition to the draft guidance to address changes introduced by the Cryptoassets Amendment Regulations, we also propose to add guidance on the extent to which decentralisation can affect perimeter analysis. The perimeter is technology neutral and neither the Cryptoassets Regulations nor the subsequent amendments change the perimeter assessment required where business models involve some degree of decentralisation. The same statutory concepts applicable to any perimeter analysis remain relevant: no person may carry on a regulated activity by way of business in the UK unless they are authorised or exempt.
- 2.2** The draft guidance explains how decentralisation may be relevant to the perimeter assessment. The use of software, smart contracts, distributed ledger technology, distributed governance mechanisms or other technological arrangements does not determine whether there is a person carrying on a regulated activity for which authorisation is needed.
- 2.3** The draft guidance also clarifies that perimeter analysis always turns on the facts, and outlines some facts unique to decentralised models that may be relevant to this determination.
- 2.4** We propose to amend PERG 18.1 to provide further guidance on applying the regulatory perimeter to arrangements involving decentralisation, automation, software and smart contracts. The guidance focuses on identifying any person carrying on a regulated activity and makes clear that the substance of the arrangements, rather than the terminology used to describe them, is relevant to that assessment.
- 2.5** We also propose to amend PERG 18.2 to explain that, where functions are distributed among multiple participants, the 'by way of business' test should be applied separately to the activities of each relevant person, having regard to the ordinary factors applicable to that test.
- 2.6** In addition, we propose to amend PERG 18.3 to explain how the territorial test applies where participants, activities or infrastructure are distributed across jurisdictions. The existence of overseas elements does not, by itself, mean that an activity is not carried on in the UK, and any UK connections must be considered under the ordinary territorial analysis.
- 2.7** This guidance also sets out how decentralisation affects whether an activity is carried on by way of business and whether it is carried on in the UK.

Question 1: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.1? If not, please explain why.

Question 2: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.2? If not, please explain why.

Question 3: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.3? If not, please explain why.

Chapter 3

Safeguarding exclusions

- 3.1** The Cryptoassets Amendment Regulations amend the exclusion for temporary settlement arrangements and introduce new exclusions from the safeguarding activity for certain arrangements involving UK qualifying stablecoins and their backing assets, and for certain arrangements operated by central securities depositories (CSDs). We propose to amend PERG 18 to explain the scope and operation of these exclusions.

Temporary settlement arrangements

- 3.2** The Cryptoassets Amendment Regulations replace the exclusion in article 9Q from the article 9N safeguarding activities with a revised exclusion concerning arrangements under which qualifying cryptoassets are safeguarded temporarily to facilitate the settlement of a transaction.
- 3.3** We propose to amend the guidance in PERG 18.6.6 to reflect the revised exclusion in article 9Q.

Question 4: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.6? If not, please explain why.

UK qualifying stablecoins and backing assets

- 3.4** The Cryptoassets Amendment Regulations introduce exclusions for arrangements relating to backing assets held to maintain the stable value of a UK qualifying stablecoin. They also introduce a separate exclusion where UK qualifying stablecoins are held temporarily in connection with the execution of a payment transaction.
- 3.5** We propose to add guidance to PERG 18 on:
- the exclusions in articles 9QB and 43A from the article 9N safeguarding activity and the article 40 safeguarding and administering investments activity for backing assets held in connection with UK qualifying stablecoins (PERG 18.5.7 and PERG 18.6.14); and
 - the exclusion in article 9QA from the article 9N safeguarding activity for UK qualifying stablecoins held temporarily in connection with the execution of a payment transaction (PERG 18.6.13).

- 3.6** Our proposed guidance explains that articles 43A and 9QB apply only to backing assets relating to UK qualifying stablecoins, rather than other qualifying stablecoins. It also explains that the article 9QA exclusion does not apply to other cryptoassets and provides guidance on when UK qualifying stablecoins are held in connection with the execution of a payment transaction.

Question 5: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.5.7 and 18.6.14? If not, please explain why.

Question 6: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.13? If not, please explain why.

Central securities depositaries and safeguarding exclusions

- 3.7** The Cryptoassets Amendment Regulations introduce an exclusion from the safeguarding activity for certain arrangements operated by recognised CSDs. This includes third-country CSDs.

- 3.8** We propose to amend PERG 18 to provide guidance on the scope of this exclusion and how it applies to safeguarding cryptoassets and arranging cryptoasset safeguarding. Our proposed guidance explains the types of cryptoasset to which the exclusion applies and the conditions that the relevant CSD operator must satisfy (PERG 18.6.16).

Question 7: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.16? If not, please explain why.

Chapter 4

Qualifying stablecoins

- 4.1** The Cryptoassets Amendment Regulations introduce new exclusions from the cryptoasset dealing and arranging activities for certain transactions involving qualifying stablecoins.
- 4.2** The Cryptoassets Amendment Regulations also amend the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotions Order). They make issuing qualifying stablecoins a controlled activity, and qualifying stablecoins a controlled investment in their own right. They also introduce exemptions that mirror the exclusions from the cryptoasset dealing and arranging activities for stablecoin transactions.
- 4.3** The Cryptoassets Amendment Regulations create a distinct sub-type of qualifying stablecoin: a 'UK qualifying stablecoin'. It defines this as a qualifying stablecoin that is issued within the scope of article 9M (Issuing qualifying stablecoin) by a person with Part 4A permission for that activity.
- 4.4** We propose to amend PERG 8 to provide guidance on:
- the new controlled activity of issuing qualifying stablecoin in the Financial Promotions Order; and
 - the exemptions from the dealing, arranging and advising controlled activities for communications relating to certain transactions involving qualifying stablecoins and UK qualifying stablecoins.
- 4.5** We propose to amend PERG 18 to provide guidance on:
- the new concept of a UK qualifying stablecoin, and how it is a sub-type of qualifying stablecoin. This is important because a number of the new exclusions only apply in relation to UK qualifying stablecoins (PERG 18.4.5A);
 - the distinction between qualifying stablecoins and electronic money (PERG 18.4.5B). We are not making this guidance in response to the Cryptoassets Amendment Regulations, but rather as we previously committed to this, and in response to stakeholder requests for clarity on this point;
 - the amendments to the regulated activity of issuing a qualifying stablecoin made by the Cryptoassets Amendment Regulations (PERG 18.5.1); and
 - the exclusions in article 9Z10A from the article 9T, 9W and 9Y dealing and arranging activities for certain transactions involving qualifying stablecoins and UK qualifying stablecoins (PERG 18.8.5A and PERG 18.8.5B).

Question 8: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft amendments to the perimeter guidance in Chapter 8? If not, please explain why.

- Question 9:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.4.5A? If not, please explain why.
- Question 10:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.4.5B? If not, please explain why.
- Question 11:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.5.1? If not, please explain why.
- Question 12:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.8.5A and 18.8.5B? If not, please explain why.

Chapter 5

Proprietary trading and market making

Dealing in qualifying cryptoassets as principal

- 5.1** The Cryptoassets Amendment Regulations introduce a new targeted exclusion from the regulated activity of dealing in qualifying cryptoassets as principal in relation to the activity of proprietary trading or acting as a market maker on a QCATP.
- 5.2** The guidance addresses when we consider that a proprietary trader can rely on the exclusion by its dealing as principal other than for the purpose of providing a service to a third party.
- 5.3** Similarly, we set out our view as to when and how a person acts as a market maker on a QCATP and is able to rely on the exclusion.

Question 13: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.8.18A? If not, please explain why.

Chapter 6

Technical service providers

Technical service providers and arranging deals in qualifying cryptoassets

- 6.1** The Cryptoassets Amendment Regulations introduce an exclusion from the regulated activity of arranging deals in qualifying cryptoassets. This applies to technical service providers that:
- are not persons authorised under FSMA or payment services providers
 - are merely providing a technical service that allows another person to access services provided by a third person (where certain conditions are met), or a decentralised protocol.
- 6.2** The exclusion is intended to ensure that these technical service providers do not need permission for arranging deals in qualifying cryptoassets, while services that are not technical services or which go further than merely providing access to the services of a third person or to a decentralised protocol remain within scope.
- 6.3** The exclusion is not a general exclusion for services described as technological, technical, software-based or connected with decentralised finance, nor does it extend to other regulated activities such as dealing.
- 6.4** We propose to add guidance to PERG 18 on our interpretation of this exclusion, including how it applies to a person that provides access to a decentralised protocol. In particular, the proposed guidance explains our view on the meaning of 'merely providing' and 'a technical service'.

Question 14: Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.8.25 to 18.8.35? If not, please explain why not.

Chapter 7

How to respond

We are asking for comments on this CP by **18 November 2026**.

You can send them to us using the form on our website at:

https://www.onlinesurveys.fca.org.uk/jfe/form/SV_9XrEJOIQ8WxYLJk

Or in writing to:

Cryptoasset Policy Team
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Email: cp26-36@fca.org.uk

To read how we will use your response and how it will be disclosed, visit: [Consultation responses: your confidentiality and personal data | FCA](#)

Further information about the FCA's use of personal data can be found on the FCA website at: <https://www.fca.org.uk/privacy>.

If you choose not to respond using our online form, please let us know whether you consent to your name and response being made available to the public.

Please be sure to let us know in what capacity you are responding. If you are responding from an organisation, we will assume that the respondent is the organisation and will publish that name, unless you indicate that you are responding in an individual capacity (in which case, we will publish your name).

Annex 1

Questions in this paper

- Question 1:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.1? If not, please explain why.
- Question 2:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.2? If not, please explain why.
- Question 3:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.3? If not, please explain why.
- Question 4:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.6? If not, please explain why.
- Question 5:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.5.7 and 18.6.14? If not, please explain why.
- Question 6:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.13? If not, please explain why.
- Question 7:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.6.16? If not, please explain why.
- Question 8:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft amendments to the perimeter guidance in Chapter 8? If not, please explain why.
- Question 9:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.4.5A? If not, please explain why.
- Question 10:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.4.5B? If not, please explain why.
- Question 11:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.5.1? If not, please explain why.

- Question 12:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.8.5A and 18.8.5B? If not, please explain why.
- Question 13:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in section 18.8.18A? If not, please explain why.
- Question 14:** Do you agree with the FCA's interpretation of the legislative provisions proposed in the draft perimeter guidance in sections 18.8.25 to 18.8.35? If not, please explain why not.

In responding to these questions, please bear in mind that the FCA does not have the power to change the perimeter, only to interpret it. We are therefore looking to understand your views as to whether you think the FCA's interpretation accurately reflects the legislation, and if not, please suggest how the proposed guidance could be improved.

Note too that our perimeter guidance is intended to be general guidance, and so PERG is not the appropriate place for us to provide detailed guidance on individual business models, technological arrangements or use cases. Persons seeking such guidance may wish to consider obtaining independent legal advice and they can also ask the FCA directly for individual guidance.

Annex 2

Cost Benefit Analysis

1. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.
2. However, FSMA does not require us to produce and publish a CBA when proposing guidance (see [section 139A of FSMA](#) on power of the FCA to give guidance and [section 139B of FSMA](#) on the meaning of general guidance). As set out in our [Statement of Policy on CBAs](#), we may produce a CBA for general guidance if a high-level assessment of the impact of the proposal identifies an element of novelty, which may be in effect prescriptive or prohibitive, that may result in significant costs being incurred.
3. For the proposals presented here, we do not think that there will be costs of more than minimal significance, as they relate only to familiarisation costs associated with reading the guidance. In addition, the proposals within this CP relate to perimeter guidance and not to guidance on FCA rules. Therefore, we have not undertaken a CBA.

Annex 3

Compatibility Statement

Compliance with legal requirements

- 1.** This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
- 2.** Section 1B(1) of FSMA requires the FCA, when discharging its general functions, as far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and its general duty under section 1B(5)(a) of FSMA to have regard to the regulatory principles in section 3B of FSMA. The FCA also needs, so far as is compatible with acting in a way that advances the consumer protection objective or the integrity objective, to carry out its general functions in a way that promotes effective competition in the interests of consumers.
- 3.** This Annex also sets out the FCA's view of how the proposed guidance is compatible with the duty on the FCA to discharge its general functions (which include the giving of general guidance) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
- 4.** In addition, we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
- 5.** This Annex includes our assessment of the equality and diversity implications of these proposals.
- 6.** Under the Legislative and Regulatory Reform Act 2006 (LRRRA), the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

The FCA's objectives and regulatory principles: Compatibility Statement

7. The proposals set out in this consultation paper are primarily intended to advance the FCA's strategic objective to make sure markets function well, and our operational objectives of:
- Delivering consumer protection – securing an appropriate degree of protection for consumers.
 - Enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
 - Building competitive markets – promoting effective competition in the interests of consumers.
8. The proposals intend to contribute towards this through clarifying the regulatory perimeter for the new cryptoasset activities, helping firms understand when authorisation is required and what permissions apply.
9. We consider that, so far as possible, these proposals advance the FCA's secondary international competitiveness and growth objective by improving confidence in the UK as a place where cryptoasset activities can be carried out in a trusted market with clear and proportionate requirements.
10. In preparing the proposed guidance set out in this consultation, the FCA has had regard to the regulatory principles set out in section 3B of FSMA.

The need to use our resources in the most efficient and economic way

11. The proposals set out in this consultation are consistent with an efficient and economic use of our resources. Our supervisory resources will be used effectively as our approach seeks to ensure that firms have greater certainty about the regulatory permissions they require.

The principle that a burden or restriction should be proportionate to the benefits

12. Annex 2 sets out our position that we do not need to produce a CBA for publishing draft perimeter guidance.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

- 13.** We have had regard to this principle including the government's aim of seeing more competition and innovation in the UK's financial industry.

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

- 14.** We have considered the environmental, social and governance (ESG) implications of our proposals, including our duty under sections 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. While we do not consider these proposals to be relevant to those targets, we welcome consultation feedback on any ESG implications.

The general principle that consumers should take responsibility for their decisions

- 15.** The proposals do not depart from the general principle that consumers take responsibility for their decisions.

The responsibilities of senior management

- 16.** We have had regard to this principle and do not consider that our proposals are relevant to it given this is perimeter guidance.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

- 17.** We have had regard to this principle and do not consider that our proposals are relevant to it given this is perimeter guidance.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

- 18.** We have had regard to this principle and do not consider that our proposals are relevant to it given this is perimeter guidance.

The principle that we should exercise of our functions as transparently as possible

- 19.** We consider that by consulting on our proposals we are acting in accordance with this principle. We have considered stakeholder feedback gained through publications, as set out in the Crypto Roadmap, in developing our proposed guidance.

In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) of FSMA)

- 20.** Our CP proposals are intended to support firms to act as a strong line of defence against financial crime. We consulted on our approach to financial crime in [PS26/13](#).

Expected effect on mutual societies

- 21.** The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies.

Compatibility with the duty to promote effective competition in the interests of consumers

- 22.** In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers. This is set out in paragraphs 1.8, 7 and 8 of Annex 3.

Equality and diversity considerations

- 23.** We do not consider our proposals will materially disadvantage the groups with protected characteristics under the Equality Act 2010 (the Equality Act for the most part does not extend to Northern Ireland but other antidiscrimination legislation applies). Based on analysis from Wave 6 of the Cryptoasset Research series, cryptoasset owners are more likely to be below 34, male and live in households with above-average incomes.
- 24.** While these groups are currently overrepresented in ownership of cryptoassets, we expect all consumers who use cryptoasset-related services will benefit from a regulatory regime for cryptoasset firms.

Digitally excluded customers

- 25.** Our proposed guidance is unlikely to have an impact on digitally excluded consumers.

Legislative and Regulatory Reform Act (2006) (LRRRA)

- 26.** We have had regard to the principles in the LRRRA and Regulators' Code (together the 'Principles') for those proposals that consist of general policies, principles, or guidance. We consider that these proposals are compliant with the five LRRRA principles – that regulatory activities should be carried out in a way which is transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed.
- 27. Transparent** – We are consulting on our policy proposals with industry to articulate changes. Through consultation and pro-active engagement, we are being transparent and providing a simple and straightforward way to engage with the regulated community.
- 28. Accountable** – We will publish final guidance after considering all feedback received to our consultation. We are acting within our statutory powers, rules, and processes.
- 29. Proportionate** – For the proposals presented here, we do not think that there will be costs of more than minimal significance. The proposals within this CP relate to perimeter guidance and not to guidance on rules.
- 30. Consistent** – Helping firms correctly identify the permissions relevant to their business models will better ensure consistent regulatory treatment of firms. By improving firms' understanding of their regulatory obligations, we are supporting consistent application of the regime across market participants.
- 31. Targeted** – Our proposals will strengthen our ability to provide targeted firm engagement and how to best deploy our resources.
- 32. Regulators' Code** – Our CP, draft Handbook text, accompanying annexes, public communications and communications with firms are provided in a straightforward and transparent way to help firms meet their responsibilities.

Annex 4

Abbreviations used in this paper

Abbreviation	Description
CBA	Cost Benefit Analysis
Cryptoassets Amendment Regulations	Financial Services and Markets Act 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026 (the Cryptoassets Amendment Regulations)
Cryptoassets Regulations	Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026
CP	Consultation Paper
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FPO	The Financial Services and Markets Act 2000 (Financial Promotions) Order 2005
FSMA	Financial Services and Markets Act 2000
The Treasury	His Majesty's Treasury
LRRA	Legislative and Regulatory Reform Act 2006
MLRs	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
PASS	Pre-application Support Service
PERG	The Perimeter Guidance Manual
QCATP	Qualifying Cryptoasset Trading Platform

Appendix 1

Draft Handbook text

**PERIMETER GUIDANCE (REGULATED CRYPTOASSET ACTIVITIES)
AMENDMENT INSTRUMENT 2026**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers in section 139A (Power of the FCA to give guidance) of the Financial Services and Markets Act 2000 (“the Act”).

Commencement

- B. Part 1 of the Annex to this instrument comes into force on [*date 1*].
- C. Part 2 of the Annex to this instrument comes into force on [*date 2*].

Amendments to material outside the Handbook

- D. The Perimeter Guidance manual (PERG) is amended in accordance with the Annex to this instrument.

Notes

- E. In the Annex to this instrument, the note (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of the reader, but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Perimeter Guidance (Regulated Cryptoasset Activities) Amendment Instrument 2026.

By order of the Executive Regulation and Policy Committee of the FCA
[*date*]

Annex

Amendments to the Perimeter Guidance manual (PERG)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Part 1: Comes into force on [date 1]

2 Authorisation and regulated activities

...

2.8 Exclusions applicable to particular regulated activities

...

Safeguarding and administering investments

2.8.8 G ...

(3A) ...

(3B) Under the exclusion at article 43A of the *Regulated Activities Order*, from 25 October 2027, a *person* with a *Part 4A permission* for **issuing a qualifying stablecoin** will not carry on the activity of *safeguarding and administering investments* in relation to any assets which it is safeguarding and administering for the purpose of maintaining a stable value for a **UK qualifying stablecoin** which that *person* has issued.

...

...

8 Financial promotion and related activities

...

8.7 Engage in investment activity

...

8.7.3 G The overall effect is that a *financial promotion* must relate in some way to a *controlled investment* and may be summarised as the *communication*, in the course of business, of an invitation or inducement to:

...

(2) receive or undertake investment services such as *dealing in investments as principal* or as agent, *managing*

*investments, advising on investments, safeguarding and administering investments, **issuing a qualifying stablecoin, safeguarding cryptoassets, operating a qualifying CATP or arranging qualifying cryptoasset staking.***

...

8.14 Other financial promotions

...

8.14.40D G ...

Promotions of qualifying stablecoins (article 73ZAA)

- 8.14.40D G (1) Article 73ZAA exempts certain *financial promotions* relating to **qualifying stablecoins** that are within scope of the dealing, arranging or advising *controlled activities*.
- A
- (2) The exemption applies to communications relating to the transfer of a **UK qualifying stablecoin** or its exchange for another asset (including money or another **UK qualifying stablecoin**). This limb of the exemption does not apply to communications relating to:
- (a) other **cryptoassets**, including other **qualifying stablecoins**;
- (b) the exchange of a **UK qualifying stablecoin** for a **qualifying cryptoasset** other than a **UK qualifying stablecoin**; or
- (c) a transfer or disposal that is subject to a right for the return of the **qualifying stablecoin**.
- (3) The effect is that the exemption applies to many payment-related activities involving **UK qualifying stablecoins**.
- (4) The exemption also applies to communications relating to some arrangements in respect of all **qualifying stablecoins**. It applies to communications relating to arrangements under which a **qualifying stablecoin** is:
- (a) received under a title transfer cryptoasset collateral arrangement (a transfer of a **cryptoasset** for the purpose of securing or guaranteeing financial obligations, where ownership transfers back when those obligations are discharged); or
- (b) acquired under an agreement that provides for it to be bought back.

- (5) This limb of the exemption does not apply if the **qualifying stablecoin** was received or acquired from a *person* who is:
- (a) a consumer, as defined in article 9N(5)(a) – that is, an individual who is acting for a purpose other than any trade, business or profession carried on by that individual; or
 - (b) specified, or of a description specified, in *FCA* rules.

...

8.36 Illustrative tables

...

8.36.3 G Table Controlled activities

...	
7C.	...
<u>7D.</u>	<u>Issuing a qualifying stablecoin</u>
...	

8.36.4 G Table Controlled investments

...	
17D.	...
<u>17E.</u>	<u>Qualifying stablecoins</u>
18.	Rights to or interests in anything falling under 1 to 14 ~~or~~ , <u>17D or 17E</u> above.

...

18 Guidance on regulated cryptoasset activities

18.1 Introduction

...

18.1.11 Question 1.11: How do I know if I should be authorised?

...

Perimeter analysis is always fact-specific, and the outcome of that analysis can turn on relatively small factual differences in a business model. For example, who contracts with the customer and how the model operates in practice can both be relevant to whether a **regulated activity** is being carried on and whether any exclusion applies.

The same approach applies where arrangements involve some degree of decentralisation or automation. Characteristics commonly associated with decentralised or automated arrangements may be relevant to one or more elements of the perimeter analysis, depending on the particular facts. For example, they may be relevant to identifying whether there is a person carrying on an activity, the nature of the activity being carried on, whether it is carried on by way of business, whether it is carried on in the *United Kingdom*, or whether the conditions of a particular exclusion are met. However, the statutory questions that determine whether *authorisation* is required remain the same.

In particular, an activity is not outside the regulatory perimeter merely because some or all of the functions involved are performed automatically. Automation describes the means by which a function is performed. It does not, in itself, determine whether the function forms part of a **regulated activity** or whether that activity is carried on by a person. A person may carry on an activity through software, decentralised protocols or other automated arrangements, including where those arrangements implement choices, judgements, criteria or parameters previously made, selected or set by that person.

Arrangements should therefore be analysed by reference to the same perimeter approach described in this chapter, regardless of whether they are described as centralised, decentralised, automated or as involving decentralised finance (DeFi).

This chapter therefore gives *guidance* at a general level. The specific features of arrangements should be considered, and it should not be assumed that a model or arrangement is outside the perimeter simply because it uses common cryptoasset-related terminology or resembles a model or arrangement used elsewhere.

18.1.12 Question 1.12: Do labels and terminology matter for perimeter purposes?

Cryptoasset sector terminology (for example, ‘exchange’, ‘custody’, ‘wallet’, ‘broker’, ‘issuer’ or ‘platform’) may be used inconsistently and may not map neatly onto statutory concepts. Whether an activity is regulated will depend on what a person does in substance and the role they perform in the relevant arrangements, rather than on the label used.

The cryptoasset sector also commonly uses terms such as ‘decentralised’, ‘DeFi’, ‘decentralised autonomous organisation (DAO)’, and ‘governance participant’. These expressions may be useful descriptions of particular technological or organisational arrangements, but they are not generally statutory concepts. The perimeter analysis therefore depends on the substance of the arrangements and

the role performed by the relevant person(s) rather than the terminology used to describe them.

Even where cryptoasset-specific terminology is used in the legislation, such as ‘validator node’ and ‘decentralised protocol’, these terms are not defined and they represent relatively novel concepts, given the evolving nature of the sector. As cryptoasset markets and the terminology used within them continue to evolve, the meaning of these terms might too. In these cases, the meaning will likely depend on the objective facts and circumstances of the arrangements in question at the relevant time, as well as the reasonable understanding of the parties involved.

For that reason, a functional assessment will often be required. Factors that may be relevant include the rights and obligations created by the arrangements, who contracts with the customer and how transactions are in fact executed or facilitated. The perimeter analysis should therefore focus on the role performed by the relevant person(s), the functions carried out by or under the arrangements and the substance of the activity being undertaken, rather than on whether a particular label has been attached to it.

Similarly, because the perimeter is technology-neutral, the analysis should focus the functions performed, the role of the relevant person or persons and the substance of the arrangements. The use of software, algorithms, smart contracts or automated decision-making does not necessarily alter the character of an activity or mean that no person is carrying it on. Automation may affect the factual analysis, but it does not replace the statutory tests.

...

...

18.1.16 ...

18.1.17 Question 1.17: Who is a ‘person’ for the purposes of any perimeter determination?

Section 19 of the **Act** (General prohibition) states that no ‘person’ may carry on a **regulated activity** by way of business in the UK unless they are *authorised* or exempt. Therefore, it is only ‘persons’ who need to be *authorised* or exempt, and only ‘persons’ to whom *rules* apply once *authorised*.

For these purposes, a person means any natural person or individual, and any incorporated person like a body corporate or company. It can also include unincorporated associations.

The **Act** does not establish a separate concept of a ‘person’ for the purposes of **regulated cryptoasset activities**. The question of whether there is a person carrying on an activity should therefore be approached in the same way as for any other **regulated activity**.

In some cryptoasset arrangements, activities may be undertaken through software, smart contracts, distributed ledger technology, distributed governance

mechanisms or other technological arrangements. The fact that an arrangement makes use of such technology does not, on its own, determine whether there is a person carrying on a **regulated activity**. Equally, the fact that an arrangement is described as decentralised, or as a DeFi arrangement, does not, on its own, mean that there is no relevant person.

The fact that a function is performed automatically does not necessarily mean that it is not being performed by, or as part of an activity carried on by, a person. Automated arrangements necessarily operate according to their design and the inputs, criteria or parameters applicable to them. Depending on the facts, a relevant person may include a person who determines or materially influences that design or those inputs, criteria or parameters.

For example, a person may use an automated system to select, route, facilitate or execute transactions according to criteria determined by that person. The fact that the application of those criteria to an individual transaction occurs automatically does not, of itself, prevent the resulting function from forming part of the activity carried on by that person.

Relevant considerations may include the extent to which one or more persons determine, influence, operate, maintain, update or exercise control over the relevant arrangements or the material criteria, parameters or functionality through which they operate.

When business models involve some degree of decentralisation, this can make it more difficult to determine who is carrying on a **regulated activity**. (Decentralisation can also have an impact on other elements of the perimeter analysis – for more *guidance* on this, see *PERG* 18.1.19.)

Each case will turn on its own facts, which may vary substantially from case to case, especially because decentralisation operates on a spectrum. It may also be that more than one person involved in the arrangements needs to be *authorised* or exempt. The analysis with respect to whether *authorisation* is needed should therefore be considered in respect of each person involved.

In the *FCA's* view, the existence of multiple persons participating in an arrangement does not necessarily mean that no person is carrying on a **regulated activity** for perimeter purposes. Activities may be carried on by more than one person. The fact that decision-making, governance, operation or other functions are distributed between multiple persons does not necessarily prevent those persons from carrying on **regulated activities** for which *authorisation* or exemption is needed.

The term 'DAO' is commonly used to describe a wide range of arrangements and governance structures. However, 'DAO' is not a statutory concept and the label itself does not determine the perimeter outcome and arrangements described as DAOs may differ significantly from one another. In some cases, activities may be undertaken through a legal entity, by identifiable groups of participants or through other organisational structures. In others, functions may be distributed among a larger number of participants. The fact that an arrangement is described as a DAO therefore does not answer the question of whether there is a person

carrying on a **regulated activity** for perimeter purposes. That question depends on the particular facts and the role performed by the relevant persons.

Depending on the particular facts, relevant considerations may include whether one or more persons are responsible for developing, operating, maintaining, promoting, governing or exercising control or influence over the relevant arrangements. The existence of such persons does not necessarily mean that a **regulated activity** is being carried on by one or more of those persons. Equally, the fact that those functions are distributed among multiple persons does not necessarily mean that no **regulated activity** is being carried on by any person. Nor does the fact that no single person exercises unilateral or complete control necessarily determine the perimeter outcome.

Software, protocols, algorithms, smart contracts and automated systems are not themselves persons capable of being authorised or exempt. That does not mean that functions performed through them are incapable of being attributed to a person. The question is whether, on the facts, one or more persons are carrying on the relevant activity through, by means of, or in connection with those arrangements.

In some cases, technological arrangements may continue to operate without any person performing functions that are relevant to the carrying on of a **regulated activity**. Whether any relevant person exists for perimeter purposes will depend on the facts and circumstances of the particular arrangements.

To this extent, **regulated cryptoasset activities** are no different to other **regulated activities**, and the use of software in the provision of financial services is also not limited to the cryptoasset sector.

Perimeter analysis will always turn on the facts. Where business models involve some degree of decentralisation, the *FCA* considers that there may be certain features that commonly arise in such arrangements. These features may be relevant to determining the perimeter (as part of the overall factual matrix, alongside many other potentially relevant considerations). These features may relate to:

- (1) governance and decision-making, including whether a person has formal or legal control, discretion over decisions, or liability in relation to the service;
- (2) operational and technical structure, including whether anyone has control over its design and maintenance, or discretion over operations; and
- (3) economic and commercial structure, including whether anyone has financial or economic control, financial benefit, or control over expenditure.

The extent to which these features will be relevant to perimeter analysis will depend on the specific facts of the case, as well as on the particular **regulated activity** in question. The *FCA* does not consider that any of these features is necessarily determinative, nor that they constitute a separate perimeter test. For

example, they might be more relevant to determining whether there is a person who ought to be authorised for **operating a qualifying CATP** but less relevant to determining whether there is a person who ought to be authorised for **arranging deals in qualifying cryptoassets**.

The fact that a person is identified in connection with an arrangement does not, by itself, determine the perimeter outcome. It will still be necessary to consider the remaining statutory tests, including whether a **regulated activity** is being carried on by that person, whether it is carried on by way of business, whether it is carried on in the *UK* and whether any exclusion or exemption applies. Degrees of decentralisation may make it more difficult to determine the outcome of this analysis but the principles remain the same as they would be for any arrangement, whether centralised or not and whether more traditional or not.

18.1.18 Question 1.18: Does the fact that an arrangement is operated through smart contracts mean that no person is carrying on the activity?

No. Software, algorithms, smart contracts and other technological infrastructure are not themselves persons capable of being *authorised* or exempt. However, the fact that a function is performed automatically or using software or smart contracts does not prevent it from forming part of a **regulated activity** carried on by one or more persons. The relevant question remains whether one or more persons are carrying on **regulated activities** through, by means of, or in connection with the arrangements.

Depending on the particular activity and facts, relevant considerations may include who designed or determined the material functions of the arrangements, who selected or can change material parameters or criteria, who deploys, operates, maintains or updates them, and who assumes responsibility for or derives a commercial benefit from the functions performed and the particular **regulated activity** carried on. See also *PERG* 18.1.19.

A distinction may be necessary between the automatic execution of predetermined instructions and the judgements or decisions embodied in those instructions. A decision does not necessarily cease to be attributable to a person because that person arranged for it to be implemented automatically. Equally, the fact that a person developed software or performed a technical function does not, in itself, mean that the person is carrying on the particular **regulated activity**. The relationship between that person's role and the elements of the **regulated activity** must be considered.

18.1.19 Question 1.19: How does decentralisation impact the perimeter assessment?

The concept of 'decentralisation' is not defined in the **Regulated Activities Order** or the **Cryptoassets Regulations**, and the regime does not create a specific or different perimeter test for models that are or purport to be 'decentralised'. Whether an arrangement is described as decentralised, partially decentralised or centralised does not determine, on its own, whether *authorisation* is required.

However, characteristics commonly associated with decentralisation may be relevant to the application of the ordinary perimeter tests. The significance of those characteristics will depend on the facts and circumstances of the particular arrangement and the particular statutory provision being considered. PERG 18.1.17 explains how such characteristics may be relevant when considering whether there is a person carrying on a **regulated activity**. This question (Question 1.19) addresses the broader question of how decentralisation may be relevant to perimeter analysis more generally.

Depending on the context, factors relating to decentralisation may be relevant to one, some or all of the key questions to be answered with any perimeter analysis. The relevance of decentralisation may therefore differ depending on the issue being considered. A characteristic which is relevant to one aspect of the perimeter analysis may be less relevant, or irrelevant, to another.

For example, the fact that aspects of an arrangement operate through software, smart contracts, distributed ledger technology, governance mechanisms or other technological arrangements may be relevant when considering whether a person is carrying on a **regulated activity**. Similarly, the extent to which activities are performed automatically, or through the participation of multiple persons, may be relevant when considering the nature of the activity being carried on and the role of particular persons in the arrangements.

Likewise, the way in which an arrangement is governed, operated or made available may be relevant when considering whether activities are carried on by way of business, whether activities are carried on in the UK, or whether the conditions of a particular exclusion are satisfied.

However, the FCA does not consider that decentralisation can be assessed solely by reference to any single factor, nor that the existence of a particular degree of decentralisation necessarily determines a perimeter outcome. Perimeter analysis requires consideration of the statutory provisions relevant to the activity in question and the facts and circumstances of the particular arrangements.

Accordingly, the FCA's view is that decentralisation is not an alternative to the perimeter analysis described in this chapter. Rather, where relevant, it is a factual characteristic of an arrangement that may inform the application of the ordinary perimeter tests.

18.1.20 Question 1.20: What is 'true DeFi' and will it ever require authorisation or exemption?

The term 'true DeFi' is sometimes used to describe arrangements which are said to operate through software, smart contracts, distributed ledger technology or other technological infrastructure without the involvement of intermediaries or central operators.

However, 'true DeFi' is not a statutory concept used in the **Act**, the **Regulated Activities Order** or the **Cryptoassets Regulations**, even as amended. The FCA has deliberately not sought to prescribe a comprehensive, deterministic test of what constitutes 'true DeFi'. Decentralisation exists on a spectrum and does not

give rise to a separate or distinct perimeter framework. Accordingly, whether a person requires *authorisation* or exemption does not depend on whether an arrangement is described as decentralised, decentralised finance or ‘true DeFi’. The relevant question is whether the conditions for carrying on a **regulated activity** (including a **regulated cryptoasset activity**) are met.

As explained elsewhere in this chapter, the perimeter analysis generally requires consideration of a number of questions, including whether:

- (1) there is a person carrying on the activity;
- (2) a **regulated activity** is being carried on;
- (3) the activity is carried on by way of business;
- (4) the activity is carried on in the UK; and
- (5) any exclusion or exemption applies.

The use of software, smart contracts, distributed ledger technology or other technological arrangements does not displace those statutory tests. Those tests continue to apply by reference to the substance of the arrangements and the role performed by any person involved in them.

In some cases, arrangements described as ‘DeFi’ may involve no person carrying on a **regulated activity**. For example, software, protocols, smart contracts or other technological infrastructure are not themselves persons capable of being *authorised* or exempt. Where no ‘person’ as such is carrying on a **regulated activity**, no question of *authorisation* arises. The more relevant question is to identify whether there is a person or multiple persons who are deploying that technological infrastructure to carry on activities, which may be **regulated activities**.

The fact that an arrangement makes use of software, smart contracts, distributed ledger technology or other technological infrastructure does not, on its own, determine the perimeter outcome. Activities relating to the development, operation, governance, maintenance, promotion or use of such arrangements will still require consideration under the ordinary perimeter tests. Whether any person is carrying on a **regulated activity** will depend on the facts and circumstances of the particular case.

The *FCA* also notes that the use of software is not unique to cryptoasset markets. Software, automated systems and technological infrastructure are widely used throughout financial services, including in relation to activities that are clearly within the regulatory perimeter. The fact that an activity is performed through software or technological arrangements therefore does not, by itself, determine whether a **regulated activity** is being carried on. Developing software is not, as such, a **regulated activity**, and software itself is not capable of being *authorised* or exempt. However, where software is used in or for the provision of financial services, it remains necessary to consider whether one or more persons are

carrying on **regulated activities** through or in connection with those arrangements.

In the *FCA's* view, arrangements described as decentralised will often involve a range of persons performing different functions in relation to those arrangements. Depending on the particular facts, these may include persons involved in developing, maintaining, operating, governing, promoting or otherwise participating in the arrangements. The existence of software, smart contracts or automated functionality does not necessarily remove the involvement of persons from the arrangements. Whether any particular person is carrying on a **regulated activity** will depend on the facts and circumstances of the case and the role they perform in those arrangements.

18.2 What does it mean to carry on regulated activities ‘by way of business’?

...

18.2.2 ...

18.2.3 Question 2.3: Does decentralisation affect the assessment of whether an activity is carried on by way of business?

In some decentralised arrangements, activities that might traditionally be performed by a single firm may instead be performed by multiple participants. Governance, operation, maintenance, development and other functions may be carried on by different persons and to differing degrees.

This may make it more difficult to identify the role performed by a particular person and whether that person’s activities form part of a business. However, the existence of multiple participants does not mean that the by way of business test cannot be met.

The assessment should be performed separately in relation to each person’s activities. Relevant considerations remain those discussed in *PERG* 18.2.1 and *PERG* 18.2.2, including the nature of the activities undertaken, their continuity, scale, commercial character and their relationship to that person’s overall activities.

Accordingly, the question is not whether an arrangement is decentralised, but what role the relevant person performs within it.

18.3 What does ‘in the UK’ mean?

18.3.1 ...

18.3.1A Question 3.1A: How does decentralisation affect the assessment of whether an activity is carried on in the United Kingdom?

Decentralised arrangements may involve participants, governance structures, technological infrastructure and activities that are spread across multiple

jurisdictions. In such cases, identifying where particular activities are carried on may be more complex than in more traditional business models.

However, the fact that aspects of an arrangement are distributed across multiple jurisdictions does not mean that the relevant activity is not carried on in the UK. Nor does it follow that an activity cannot be carried on in the UK because elements of the same activity take place elsewhere.

The territorial analysis should be undertaken by reference to the relevant statutory provisions and the particular activity in question. This includes any applicable provisions of section 418 of the Act (see PERG 18.3.1).

Where decentralised arrangements involve persons, activities or other features connected with the UK, those connections should be considered as part of the ordinary territorial analysis. Where there are persons established in the UK who are involved in (among other things) the governance, operation, maintenance, or development of decentralised arrangements, this may be sufficient to establish a territorial link with the UK. The existence of participants, infrastructure or governance arrangements outside the UK does not remove the need for that analysis, nor does it change the relevant principles that are applicable.

...

18.4 New specified investments

18.4.1 Question 4.1: What is a qualifying cryptoasset? (article 88F of the Regulated Activities Order)

...

Excluded from the category of a **qualifying cryptoasset** are:

- (6) ~~qualifying cryptoassets which fall within the scope of other specified investments (see PERG 18.4.6 regarding specified investment cryptoassets (see PERG 18.4.6);~~

...

...

18.4.5 ...

18.4.5A Question 4.5A: What is a UK qualifying stablecoin?

A UK qualifying stablecoin is a **qualifying stablecoin** issued by a person with *permission* to **issue a qualifying stablecoin**, within scope of that **regulated cryptoasset activity**. This does not include **qualifying stablecoins** issued outside the scope of that activity, even when issued by a person with *permission* to **issue a qualifying stablecoin**. Such a person could issue both **UK qualifying stablecoins** and other **qualifying stablecoins**.

The distinction is important because various exclusions in the **Regulated Activities Order** apply only in relation to **UK qualifying stablecoins**. Therefore, a person should not assume that an exclusion available for a **UK qualifying stablecoin** is also available in relation to other **qualifying stablecoins**, such as overseas stablecoins or stablecoins issued outside article 9M.

18.4.5B Question 4.5B: What is the difference between electronic money and qualifying stablecoins?

Article 88F(4)(b) of the **Regulated Activities Order** and regulation 3ZA(1) of the *Electronic Money Regulations* mean that a product cannot be both a **qualifying stablecoin** and electronic money. It can only be one or the other.

Whether a product is a **qualifying stablecoin** or electronic money will always depend on a case-by-case assessment of its characteristics. In our view, the presence of one or more of the following characteristics could indicate that a product is a **qualifying stablecoin** rather than electronic money:

- (1) it is **minted** before it is issued;
- (2) it is issued using distributed ledger technology (or similar technology);
- (3) the issuer or another *person* intends to apply for it to be **admitted to trading**;
- (4) the purpose of holding backing assets is, at least in part, to assure others that the product will maintain its stable value;
- (5)
 - (a) the product is marketed as a **qualifying stablecoin**;
 - (b) the issuer holds itself out as **issuing a qualifying stablecoin**; or
 - (c) the product is, in practice, treated as a **qualifying stablecoin** by intermediaries such as wallet providers; or
- (6) it is issued for purposes other than making payment transactions (**qualifying stablecoins** can be issued for other purposes, for example as a long-term store of value, but electronic money can only be issued for the purpose of making payment transactions).

This is not intended to be an exhaustive list, and an electronic money product may display one or more of the above characteristics.

18.4.6 Question 4.6: What is a specified investment cryptoasset?

A **specified investment cryptoasset** is defined in article 3 (Interpretation) of the **Regulated Activities Order**. It is a cryptoasset that:

- (1) meets the definition of a **cryptoasset** in section 417 of the Act;
- (2) would be a **qualifying cryptoasset** if ~~sub-paragraphs (a) to (e) of article 88F(4) of the Regulated Activities Order were~~ was disregarded; and
- (3) is a **specified investment** as a result of Part III (Specified investments) of the **Regulated Activities Order**, excluding both:
 - (a) ~~excluding qualifying cryptoassets~~ (which are now their own type of **specified investment**); ~~but~~ and
 - (b) ~~including where it is a right~~ rights to or ~~interest~~ interests in a **specified investment** qualifying cryptoassets which are specified by operation of article 89 (Rights to or interests in investments) of the **Regulated Activities Order**.

...

Another example of **specified investment cryptoassets** would be certain tokenised *shares*. Tokenised *debt securities* and tokenised *shares* (among some other tokenised **specified investments**) would once have been called ‘security tokens’. Where these cryptoassets meet the definition of both a **qualifying cryptoasset** (disregarding article 88F(4)(a) to (e) of the **Regulated Activities Order**) and a **specified investment**, they would constitute **specified investment cryptoassets**. If a tokenised **specified investment** does not meet the definition of a **qualifying cryptoasset** (disregarding article 88F(4) of the Regulated Activities Order for these purposes), it will still be a **specified investment**, but it will not be a **specified investment cryptoasset** as such.

- 18.4.7 Question 4.7: Which elements of the qualifying cryptoasset definition must a specified investment cryptoasset satisfy?

....

In determining whether a cryptoasset is a **specified investment cryptoasset**, the exclusions from the definition of a **qualifying cryptoasset** in article 88F(4)(a) to (e) of the **Regulated Activities Order** (described in *PERG* 18.4.1) are disregarded. As such, cryptoassets that fall within those exclusions may still constitute **specified investment cryptoassets**.

....

~~In addition, the condition described at *PERG* 18.4.6(2) means that a **cryptoasset** will not be a **specified investment cryptoasset** if it meets both of the following conditions:~~

- ~~(1) it cannot be transferred or sold in exchange for money or other **cryptoassets**, except by way of redemption with the issuer; and~~
- ~~(2) it can only be used by the holder:~~

- (a) ~~to acquire goods or services from the issuer; or~~
- (b) ~~to acquire goods or services within a limited network of service providers that have direct commercial agreements with the issuer.~~

...

...

18.4.9 Question 4.9: Are qualifying cryptoassets and specified investment cryptoassets different?

...

It should be noted that not every **cryptoasset** within the meaning of section 417 of the **Act** will fall within the categories of **qualifying cryptoasset**, **specified investment cryptoasset** or **relevant specified investment cryptoasset**. A cryptoasset may satisfy the definition of ‘**cryptoasset**’ in section 417 but fall outside those categories if, for example, it is not fungible, is not transferable, or is ‘solely a record’ or falls within the limited network exclusion (article 88F(4)(d)(i) and (ii) of the **Regulated Activities Order**).

...

...

18.4.11 Question 4.11: Why does the classification of a cryptoasset matter?

...

In broad terms:

...

- (4) where the **specified investment cryptoasset** is a *security* or *contractually based investment* and so constitutes a **relevant specified investment cryptoasset**, and the relevant activity is safeguarding or arranging safeguarding, the relevant activity is the **regulated cryptoasset activity** of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**; for other purposes, the relevant activities will be the existing **regulated activities**; and
- (5) certain exclusions are only available where **UK qualifying stablecoins** are involved.

...

...

18.5 Activity: issuing a qualifying stablecoin

- 18.5.1 Question 5.1: What does it mean to ‘issue’ a stablecoin under article 9M of the Regulated Activities Order?

Article 9M of the **Regulated Activities Order** provides that ‘**issuing a qualifying stablecoin**’ is a specified kind of activity. Article 9M identifies several elements that together constitute the **regulated activity**. The person carrying out the following activities must be the person who created the **qualifying stablecoin** or on whose behalf it was created (or must be a member of a group for whom it was created):

- (1) offer or arrange for another to offer a **qualifying stablecoin** for sale or subscription with the offering activity carried on from an establishment in the *UK*;

...

...

- 18.5.6 ...

- 18.5.7 Question 5.7: I am issuing a UK qualifying stablecoin. Do I need an additional permission to safeguard the backing assets?

Not in respect of a **UK qualifying stablecoin**. Article 43A of the **Regulated Activities Order** excludes arrangements relating to the backing assets from article 40. The exclusion does not apply to any **qualifying stablecoins** you issue that are not a **UK qualifying stablecoin**. *PERG* 18.6.14 discusses a similar exclusion from the **regulated cryptoasset activity of safeguarding cryptoassets**.

Even if you do not need *permission* for *safeguarding and administering investments* because of the article 43A exclusion, this does not remove the need to comply with the *FCA’s* safeguarding rules for backing assets (see, for example, those which will commence from 25 October 2027 at *CASS* 16).

Note that the exclusion at article 43A of the of the **Regulated Activities Order** only relates to arrangements that relate to backing assets. It does not therefore exclude other safeguarding and administering arrangements.

There is a similar exemption from the *controlled activity in the financial promotions regime* (see paragraph 6(4A5) of Schedule 1 to the **Financial Promotion Order**).

- 18.6 **Activity: safeguarding qualifying cryptoassets and relevant specified investment cryptoassets**

...

- 18.6.6 Question 6.6: What if the safeguarding is merely temporary and only to facilitate the settlement of a transaction?

The exclusion for temporary settlement arrangements at article 9Q (Article 9N exclusion: temporary settlement arrangements) of the **Regulated Activities Order** concerns arrangements whereby a **qualifying cryptoasset** or a **relevant specified investment cryptoasset** is ~~held~~ safeguarded temporarily to facilitate the settlement of a transaction. Any such arrangements are removed from the scope of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**.

~~It does not, however, exclude such arrangements from any other activities, such as dealing in qualifying cryptoassets as principal or operating a qualifying CATP, which may also be relevant for the settlement of transactions. But, depending on whether the conditions are met, it may be relied on by persons carrying on those other activities who might otherwise be safeguarding cryptoassets or arranging cryptoasset safeguarding.~~

The concept of ‘facilitating the settlement of a transaction’ is not defined in a technical sense, but is stated to mean activity ancillary to dealing or arranging a deal in a **qualifying cryptoasset** or ancillary to the specified activities of **operating a qualifying CATP** or **arranging qualifying cryptoasset staking**. In this context, the fact that the concepts of dealing or arranging a deal in a **qualifying cryptoasset** are not explicitly linked to the specified activities of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets** signifies that this exclusion from the scope of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** may be available to persons whose dealing and arranging activities are themselves excluded from the specified activities of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets**.

Although not defined in a technical sense, the phrase ‘settlement of a transaction’, which is described specifically as ‘ancillary’ activity, is likely to ~~ever~~ be limited to actions required for the parties to fulfil their obligations under a transaction that has already been entered into, such as delivering cryptoassets to a designated party or wallet. ‘Facilitate’ is intended to link the **safeguarding cryptoassets** activity or the **arranging cryptoasset safeguarding** activity directly to the settlement process.

‘Temporarily’ is ~~also~~ undefined but is likely to mean that the safeguarding lasts only as long as necessary to facilitate settlement. In practice, the *FCA* considers that this is unlikely to require longer than 24 hours from the point at which the requisite degree of control exists.

The term ‘transaction’ is similarly also undefined in a technical sense, though the exclusion is aimed at transactions involving one or more cryptoassets as part of their settlement obligations. This may include, for example, cryptoassets being transferred as collateral security for a loan, as well as cryptoassets being exchanged for other cryptoassets or for money. The way in which the transaction to be settled is brought about is immaterial (for example, it may have been executed on a **QCATP** or entered into ‘over the counter’ between investors).

...

18.6.12 ...

18.6.13 Question 6.13: What if UK qualifying stablecoins are temporarily held in connection with the execution of payment transactions?

Article 9QA of the **Regulated Activities Order** excludes the temporary holding of **UK qualifying stablecoins** in connection with the execution of a payment transaction from **safeguarding cryptoassets**. The definition of ‘payment transaction’ for these purposes mirrors that in regulation 2(1) of the *Payment Services Regulations*. It includes activity that would not amount to the provision of a *payment service* by virtue of the exclusions in Part 2 of Schedule 2 to the *Payment Services Regulations*.

The exclusion does not apply in respect of other **cryptoassets**, including **qualifying stablecoins** that are not **UK qualifying stablecoins**. It also does not apply in respect of other activities such as **dealing in qualifying cryptoassets (as principal or agent)**, but other exclusions may be available such as those in article 9Z10A (see *PERG* 18.8.5A).

Question 5 in *PERG* 15.2 provides *guidance* on when funds can be held in a *payment account*, and in our view the same principles apply to this exclusion. We would expect a person relying on this exclusion to be able to evidence that the **UK qualifying stablecoin** is held in connection with the execution of a payment transaction. In our view, that means the **UK qualifying stablecoin** should be accompanied by an order for onward transfer.

‘Temporarily’ is undefined but is likely to mean the **UK qualifying stablecoin** is not held for longer than necessary to execute the order for onward transfer. Where a **UK qualifying stablecoin** is used to pay fees to a payment service provider relating to a payment transactions, the receipt of that **UK qualifying stablecoin** by the payment service provider is unlikely to be activity within the scope of article 9N.

18.6.14 Question 6.14: I am issuing a qualifying stablecoin. Do I need article 9N permission to safeguard the relevant specified investment cryptoassets held as backing assets?

Not in respect of a **UK qualifying stablecoin**. Article 9QB of the **Regulated Activities Order** excludes arrangements relating to the backing assets from article 9N. The exclusion does not apply to backing assets held in relation to any **qualifying stablecoins** you issue that are not a **UK qualifying stablecoin**.

Even if you do not need article 9N *permission* because of the article 9QB exclusion, this does not remove the need to comply with the *FCA’s* safeguarding rules for backing assets (see, for example, those which will commence from 25 October 2027 at *CASS* 16).

Note that the exclusion at article 9QB of the of the **Regulated Activities Order** only relates to arrangements that relate to backing assets. It does not therefore

exclude other safeguarding arrangements (for example, in relation to the safeguarding of **UK qualifying stablecoins** or other **qualifying cryptoassets**).

There is a similar exclusion from the equivalent *controlled activity* in the *financial promotions* regime (see paragraph 7A(10B) of Schedule 1 to the **Financial Promotion Order**).

18.6.16 Question 6.16: How does the safeguarding activity apply in the context of arrangements operated by recognised central securities depositories (CSDs) and third-country CSDs?

There is a further exclusion from the scope of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** at article 9R(4). In some ways, this is similar to the exclusion set out at article 9O of the **Regulated Activities Order** (see *PERG* 18.6.5), but the *FCA* considers it to be more limited.

The exclusion at article 9R(4) only excludes **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** activity carried on in relation to **relevant specified investment cryptoassets**, and not in relation to **qualifying cryptoassets**. If a person carries on such activity, it is excluded where it is carried on pursuant to arrangements operated by a recognised CSD or third-country CSD under which the CSD operator gives a particular sort of undertaking which is as described at 9R(4)(b). In essence this is an acceptance of responsibility towards the underlying customer for safeguarding the **relevant specified investment cryptoasset**. In practice, the *FCA* understands that a CSD operator would only be likely to give such an undertaking in relation to **relevant specified investment cryptoassets** which are being held by the CSD operator's group bare nominee company (rather than, say, clearing members).

...

18.8 Activity: intermediary activities

...

18.8.5 ...

18.8.5A Question 8.5A: Does a person carrying on transactions with UK qualifying stablecoins need dealing or arranging permission?

Article 9Z10A(1) of the **Regulated Activities Order** excludes certain transactions involving **UK qualifying stablecoins** from the activities of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets**.

This exclusion will be available where the activity comprises or relates to:

- (1) the transfer of a **UK qualifying stablecoin** to another person; and/or
- (2) the exchange of a **UK qualifying stablecoin** for another asset, which can include money or another **UK qualifying stablecoin** but, per article

9Z10A(3), not a **qualifying cryptoasset** that is not a **UK qualifying stablecoin**.

The effect of article 9Z10A(1) is that many payment-related activities involving **UK qualifying stablecoins** will not require *permission* for **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets**.

Article 9Z10A(2) qualifies this exclusion, however, and states that it does not apply to the transfer or disposal of a **UK qualifying stablecoin** which is subject to a right for the return of the **qualifying stablecoin**. This means the exclusion is not available where the transaction is part of a **qualifying cryptoasset lending or borrowing arrangement**.

Although article 9Z10A(2) does not use the terminology of **qualifying cryptoasset lending or borrowing** as such, this is the terminology that the *FCA* uses to describe the disposal of a **qualifying cryptoasset** from one person (A) to or via another person (B), subject to an obligation or right to reacquire the same or equivalent **qualifying cryptoasset** from B.

For further *guidance* on **qualifying cryptoasset lending or borrowing** and the perimeter, see *PERG* 18.9.

There is an exemption for related communications from the dealing, arranging and advising *controlled activities* in the **Financial Promotion Order** (see *PERG* 8.14.40DAG).

18.8.5B Question 8.5B: Does a person taking and holding collateral in the form of one or more qualifying cryptoassets, including qualifying stablecoin, need any permissions?

- (1) What *permissions*, if any, are needed when a person takes and holds collateral that is in the form of one or more **qualifying cryptoassets** will depend on the nature of the **qualifying cryptoasset**.
- (2) Where the **qualifying cryptoasset** is a **specified investment cryptoasset**, or **relevant specified investment cryptoasset**, *permission* may be required depending on the availability of exclusions for activities relating to these asset types.
- (3) Where the collateral is in **qualifying stablecoin**, however, there is a specific exclusion available from the activities of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets**. Article 9Z10A(4) excludes arrangements under which a **qualifying stablecoin** is:
 - (a) received from a person (A) under a title transfer cryptoasset collateral arrangement (as defined in article 9Z10A(7)); or
 - (b) acquired from a person (A) under an agreement that provides for the repurchase of the cryptoasset by A.

- (4) However, even if a **qualifying stablecoin** collateral arrangement meets the condition in (1) or (2) above, the exclusion will not be available where A is a person who is:
- (a) a consumer, defined in article 9N(5)(a) as an individual who is acting for a purpose other than any trade, business or profession carried on by that individual; or
 - (b) specified, or of a description specified, in *FCA* rules.

Where the conditions for the exclusion in article 9Z10A(4) are not met – for example, because of the nature of the collateral arrangement, the person from whom the cryptoasset was received, or the nature of the cryptoasset itself – further consideration will be required to determine whether the taking or holding of the collateral falls within the scope of a relevant **regulated activity**, including the application of any other relevant exclusions.

Whether *permissions* are required will also depend on the application of the other perimeter tests, including whether the activity is carried on by way of business. This assessment will depend on the facts and circumstances of the particular case. The perimeter analysis for the underlying transaction to which the collateral arrangement relates should be considered separately from that for the collateral arrangement itself. Permissions may be required in relation to the underlying transaction even where none are required in relation to the connected collateral arrangement and vice versa.

There is an exemption for related communications from the dealing, arranging and advising *controlled activities* in the **Financial Promotion Order** (see *PERG* 8.14.40DAG).

...

18.8.18 ...

18.8.18 Question 8.18A: What is the effect of the article 9T exclusion for proprietary trading and market makers?
A

This excludes persons **dealing in qualifying cryptoassets as principal** from the need to be *authorised* for the purposes of carrying on activity otherwise than for the purpose of providing a service to another person. As such, a firm that trades in **qualifying cryptoassets** only on its own account and for its own purposes and not those of others does not need to have the *Part 4A permission* of **dealing in qualifying cryptoassets as principal**.

An example of when the exclusion operates is where a person trades using its own funds (including borrowed funds) and does not hold itself out as offering any kind of financial service to its counterparty or other person when doing so.

Conversely, it is clearly possible for a person to provide a service to another person when buying or selling **qualifying cryptoassets** – for example, when it

operates a dealing app or platform where it trades with its users or executes orders on their behalf.

More generally, in considering whether principal dealing activity (ie, **dealing in qualifying cryptoassets as principal**) involves providing a service to another person, the *FCA* would generally expect the activity to involve a service being provided to the person's counterparty in each of the following cases:

- (1) where that counterparty is a retail investor;
- (2) where the transaction, involves a fee or commission being charged to the counterparty;
- (3) where a transaction forms part of ongoing arrangements or transactions initiated with and offered to another counterparty; or
- (4) where a person holds itself out as a liquidity provider to third parties or as providing other dealing services to other market participants, including execution services.

The second part of article 9UA excludes persons **dealing in qualifying cryptoassets as principal** from the need to be *authorised* when acting as a market maker on a **QCATP**. In the *FCA*'s view, a market maker is one that holds itself out as able and willing to enter into transactions of sale and purchase in **qualifying cryptoassets** admitted to a **QCATP**, at prices determined by it generally and continuously rather than in respect of each particular transaction. A market maker which responds to requests for quotes on a **QCATP** may rely on this exclusion. A **QCATP**, for these purposes, includes platforms operated by either *authorised* or *unauthorised* persons.

...

18.8.24 ...

Arranging: technical services exclusion (Article 9Z2A)

18.8.25 Question 8.8.25: What is the technical services exclusion from the arranging activity?

Article 9Z2A of the **Regulated Activities Order** excludes certain arrangements from the activities of **arranging deals in qualifying cryptoassets** in article 9Y.

The exclusion applies where:

- (1) a person ('A') is neither an *authorised person* nor a *payment service provider*;
- (2) A merely provides a technical service;
- (3) that technical service allows another person ('C') to access services provided by a third person, or to access a decentralised protocol ('V'); and

- (4) one or both of the following conditions is met:
- (a) V is carrying on a **regulated activity** in relation to the services to which access is provided and is an *authorised person* or exempt person in relation to carrying on that activity; or
 - (b) V is a decentralised protocol.

The exclusion should be considered with reference to all of these conditions. It does not provide a general exclusion for services described as technological, technical, automated, software-based or connected with decentralised finance.

In the *FCA's* view, article 9Z2A distinguishes the provision of technical access from substantive intermediation in respect of transactions in **qualifying cryptoassets**. The exclusion addresses the risk that a person whose role is confined to supplying non-discretionary technical functionality could otherwise fall within the potentially broad activity of **arranging deals in qualifying cryptoassets** merely because that functionality provides a means of accessing a regulated service or decentralised protocol used in connection with the arrangements. It does not remove from the perimeter persons whose involvement in the arrangements amounts to more substantive or discretionary intermediation in transactions. This approach is consistent with the broader purpose of the legislation – expressed in [HM Treasury's Explanatory Memorandum accompanying the legislation](#) – of removing unnecessary regulatory barriers while maintaining regulation of activities presenting material risks to consumers or market integrity.

See *PERG* 18.8.26 to *PERG* 18.8.35 for further guidance on the application of this exclusion. In those questions, 'A', 'C' and 'V' have the same meaning as in this Question 18.8.25 .

18.8.26 Question 8.8.26: Technical services exclusion (Arranging) - What does 'merely provides' mean?

The word 'merely' limits the exclusion to cases where A's role remains confined to providing the relevant technical service that enables C to access services provided by a third person or to access a decentralised protocol. The exclusion will not apply simply because A uses technology in providing its service or includes a technical component within wider arrangements.

The use of 'merely' should be understood in the context of the broad scope of article 9Y, and consistently with the function performed by that term in other exclusions from arranging activities. For example, article 9Z2 excludes a person who merely provides the means by which parties are able to communicate (see *PERG* 18.8.22). In each case, it is necessary to distinguish the function specified in the exclusion from a wider role in facilitating transactions.

This does not mean that any added value or additional feature, or any feature that makes the service more useful, removes A from article 9Z2A and makes the exclusion unavailable. The relevant question is whether the service remains the provision of non-substantive and non-discretionary technical functionality

through which C obtains access to the services provided by V or to a decentralised protocol.

In the FCA's view, A is more likely to be merely providing a technical service where:

- (1) the service responds to instructions initiated by C;
- (2) A transmits C's instructions without exercising qualitative judgement about their content or destination;
- (3) C, rather than A, selects the service provider or decentralised protocol to be accessed;
- (4) A does not select, recommend or rank counterparties, service providers, protocols, liquidity sources or execution routes by reference to the circumstances of a proposed transaction or other qualitative features;
- (5) A does not negotiate or determine material terms of a transaction; and
- (6) A does not otherwise participate substantively in deciding whether, where or how a transaction takes place.

Conversely, the exclusion is less likely to apply where A's service is part of the process by which transactions are selected, shaped, directed, negotiated, routed or brought about. Accordingly, it is less likely to apply where A's service is not limited to facilitating another person (C) being able to interact with an *authorised* or exempt person or decentralised protocol through an interface, for example, and/or where additional functionality beyond merely facilitating access is provided. This may remain the case even though instructions are submitted through an automated interface and some or all of A's functions are performed automatically.

The [Explanatory Memorandum](#) describes the relevant dividing line by referring to a 'non-discretionary technical interface' in contrast to a service involving the exercise of discretion over, or substantive participation in, transactions. In the FCA's view, those descriptions accord with the limiting effect of 'merely' in article 9Z2A. They do not replace the statutory test, which must be applied to the service and arrangements as a whole.

18.8.27 Question 8.8.27: Technical services exclusion (Arranging) - What is a 'technical service'?

'Technical service' is not defined in the legislation. The characterisation of a service as technical depends on what it does in practice, not on the technology used or the terminology used to describe it. A service does not cease to be technical because it is designed specifically for cryptoasset transactions, operates commercially, charges a fee or provides a convenient means of access. Equally, a service is not a technical service for the purposes of article 9Z2A merely because it is delivered through software.

In the *FCA*'s view, the expression is capable of including the provision of technological functionality, software, an interface, infrastructure, connectivity or an access mechanism through which C can access the relevant services or decentralised protocol, provided that the service remains a technical service only.

The concept of 'technology' or 'technicality' should not be understood as meaning that anything to do with cryptoassets or blockchains will necessarily amount to a technical service, even though both cryptoassets and blockchains always involve some element of technology. It is also possible a service could be a 'technical' service without it involving any technology: it is the quality of the service that makes it technical or otherwise. In practice, however, any service in scope of this exclusion is likely to involve technology, but not all such services will be only technical services.

The service must also satisfy the requirement that it is 'merely' provided. A technological service that incorporates functions amounting to substantive intermediation will not fall within the exclusion simply because those functions are performed by software or automated processes.

18.8.28 Question 18.8.28: Technical services exclusion (Arranging) - What does 'allows another person to access' mean?

The technical service must allow C to access the relevant services or decentralised protocol. This may include providing the technical means by which C can connect to, interact with, or submit instructions through or to the relevant service or protocol.

In this context, the *FCA* understands the term 'allows' to mean that A 'facilitates' access. It does not have to mean that A permits access or that, without A, C would be unable to access V.

The structure of article 9Z2A distinguishes A's technical service from the services provided by the third person, and from the decentralised protocol to which access is given. Therefore, a person cannot be both A and V for the purposes of this exclusion.

The closer A's role comes to providing or substantively intermediating the underlying service, the less likely it is that A merely provides a technical service that allows C to access it. Similarly, where A's involvement with the protocol extends beyond merely facilitating access to it, A may not be able to rely on this exclusion.

The exclusion does not require the technical service to be the only means by which C can obtain access. Nor should the provision of access be treated as necessarily non-substantive simply because C could reach the same service or protocol by another route. The role performed by A through the route it provides must be considered.

18.8.29 Question 18.8.29: Technical services exclusion (Arranging) - What services must be provided by the authorised person or exempt person?

Where article 9Z2A(2)(a) is relied on, V must be carrying on a **regulated activity** in relation to the services to which A provides access and must be an *authorised person* or exempt person in relation to the carrying on of that activity.

Accordingly, it is not enough that V is an *authorised person* or exempt person in some general sense. The relevant services must amount to a **regulated activity** carried on by V, and V must have the relevant *permission* for carrying on that activity, or they must be exempt in relation to it.

For example, the condition will not be met where:

- (1) V is *authorised* or exempt in relation to a different activity;
- (2) the service is ancillary or unrelated to the **regulated activity** for which V is *authorised* or exempt;
- (3) the service falls outside the scope of any **regulated activity**;
- (4) the service would otherwise constitute a **regulated activity** but is treated as not forming part of that activity because an exclusion applies; or
- (5) V is not required to be authorised or exempt in relation to the service because the **regulated activity** it is not carried on in the *UK* or carried on by way of business for the purposes of the *general prohibition*.

The effect of article 9Z2A(2)(a) is therefore to permit relevant technical access to services whose provider is carrying on the corresponding **regulated activity** as an *authorised person* in accordance with its *permissions* or as an exempt person. It does not extend the exclusion to technical access to any service offered by an *authorised person*, irrespective of the capacity in which that person acts.

18.8.30 Question 18.8.30: Technical services exclusion (Arranging) - What role does discretion play?

Article 9Z2A does not use the term ‘discretion’. However, the [Explanatory Memorandum](#) explains that the exclusion applies to a non-discretionary technical interface and is intended to preserve the perimeter for activities involving service-provider discretion or substantive participation in transactions. The *FCA* considers that the presence and nature of discretion are therefore relevant to determining whether A merely provides a technical service.

In this context, the *FCA* understands discretion to mean the exercise of qualitative judgement capable of materially affecting a transaction or a person’s participation in it.

- (1) Indicators that A may exercise discretion include whether A:
 - (a) selects between counterparties, execution venues, service providers, decentralised protocols, liquidity sources or transaction routes;

- (b) decides whether, when or in what order an instruction is transmitted or executed;
- (c) modifies an instruction or determines material terms on which a transaction may proceed;
- (d) selects or adjusts routing by reference to an assessment of price, liquidity, speed, transaction costs, counterparty risk or likely outcome;
- (e) recommends, ranks, filters or presents options in a manner reflecting a qualitative assessment of their suitability or merits;
- (f) decides that a proposed transaction should not proceed; or
- (g) represents that it will obtain best execution, a best available outcome or another optimised result for the user.

A representation concerning best execution or an equivalent outcome may be relevant because it can indicate that A undertakes to assess available alternatives and exercise judgement in selecting between them. Its significance will depend on what A has undertaken to do and how its service operates in practice.

(2) Factors pointing towards a non-discretionary service may include whether:

- (a) C selects the provider or protocol and determines the transaction parameters;
- (b) A processes C's instruction without alteration;
- (c) any routing or processing follows predetermined objective rules;
- (d) the same input will ordinarily produce the same output without intervention or qualitative assessment by A; and
- (e) A does not undertake to assess the merits of available transaction options or outcomes.

The fact that software uses an algorithm does not necessarily make the service non-discretionary. Predetermined software may implement judgements previously made by A, and an algorithm may select among alternatives by reference to criteria determined or adjusted by A. The relevant question is whether, considering the design and operation of the service as a whole, A exercises or has assumed responsibility for judgement materially affecting the transaction.

No single factor determines the outcome. Discretion is particularly relevant because it may evidence substantive intermediation, but the absence of discretion does not necessarily establish that A's service is non-substantive or that A merely provides a technical service. A person may participate substantively in transactions through non-discretionary functions.

18.8.31 Question 18.8.31: Technical services exclusion (Arranging) - What does 'substantive participation' or 'substantive intermediation' mean?

These expressions appear in the [Explanatory Memorandum](#) rather than article 9Z2A. They assist in explaining the distinction underlying the provision but do not constitute additional statutory conditions, though they do inform the interpretation of concepts inherent in the exclusion, in particular the concept of 'merely'.

In the *FCA's* view, substantive participation or intermediation may arise where A performs a material role in the arrangements through which transactions are facilitated or entered into, rather than remaining a neutral means of access. It can include participation which materially influences the course or outcome of a transaction, but is not necessarily limited to the exercise of discretion.

Relevant matters may include whether A:

- (1) determines which services, providers or protocols C can access;
- (2) structures the transaction process or determines material stages through which C must proceed;
- (3) receives, combines, modifies or routes orders as part of the transaction process;
- (4) negotiates or sets transaction terms;
- (5) identifies or brings together parties or liquidity for a proposed transaction;
- (6) holds itself out as arranging, executing, optimising or otherwise taking responsibility for transactions; or
- (7) receives remuneration calculated by reference to whether, or on what terms, transactions take place.

These matters should be considered in context. For example, limiting access for technical security or legal compliance reasons will not necessarily amount to substantive intermediation. Likewise, transaction-linked remuneration may be relevant but will not determine the issue without considering the functions for which the remuneration is paid.

18.8.32 Question 18.8.32: Technical services exclusion (Arranging) - How does the exclusion apply to decentralised protocols?

Article 9Z2A(2)(b) applies where V is a decentralised protocol. In that case, the legislation requires A's technical service to allow C to access the protocol. It does not say that the decentralised protocol must necessarily provide a service, carry on a **regulated activity**, or be a person capable of being *authorised* or exempt.

This differs from article 9Z2A(2)(a), which expressly concerns **regulated activities** carried on by an *authorised person* or exempt person in relation to

services provided by that person. The reference to ‘services’ should therefore not be read as requiring a decentralised protocol to be characterised as providing a service.

Article 9Z2A(2)(b) is concerned with access to a decentralised protocol. Where A’s technical service allows C to access services provided by a third person, the fact that those services involve, interact with, or are facilitated by a decentralised protocol does not bring the arrangements within article 9Z2A(2)(b). In such cases, it will be relevant to consider article 9Z2A(2)(a) instead.

‘Decentralised protocol’ is not defined. It is also a novel expression whose application may vary significantly according to the technology, governance and wider arrangements in question. The term should therefore be interpreted in its statutory context and by reference to how the relevant arrangements operate in practice.

(1) An arrangement is not necessarily a decentralised protocol because:

- (a) it uses distributed ledger technology or smart contracts;
- (b) its source code is publicly available;
- (c) transactions are executed automatically;
- (d) governance rights are distributed among token holders;
- (e) it is described as ‘DeFi’, ‘decentralised’, ‘permissionless’ or a ‘protocol’; or
- (f) no person is identified as its operator.

Conversely, the involvement of persons in developing, maintaining, governing or using an arrangement does not necessarily prevent the arrangement from being a decentralised protocol. The extent and nature of their involvement, and the operation of the arrangements as a whole, will be relevant.

(2) For example, in considering whether arrangements amount to a decentralised protocol, the FCA considers that it may be relevant to consider the degree to which a person or persons:

- (a) engage in its ongoing maintenance and adaptation;
- (b) generate remuneration by reference to a service provided in connection with use of the protocol; and
- (c) hold themselves out as providing a protocol for trading purposes.

In the FCA’s view, the term ‘decentralised protocol’ is unlikely to describe what is, in substance, a service controlled and operated by an identifiable person merely because that service uses smart contracts or distributed infrastructure. However, article 9Z2A does not establish a general test of decentralisation, and the classification will depend on the particular statutory context and facts.

Even where V is a decentralised protocol, A must still satisfy the remaining conditions in article 9Z2A. In particular, A's role in connection with the protocol must be that it merely provides the technical service allowing access to it. A person does not obtain the benefit of the exclusion simply by placing an interface between users and arrangements described as decentralised.

18.8.33 Question 18.8.33: Technical services exclusion (Arranging) - Does the exclusion apply to an authorised person or payment service provider?

No. Article 9Z2A requires A to be neither an *authorised person* nor a *payment service provider*. A person falling within either category cannot rely on this exclusion, even if its relevant service would otherwise satisfy the conditions described in PERG 18.8.25. The consequence of this is that if A is carrying on any other **regulated activity** for which authorisation is required, or it is a *payment service provider*, it cannot benefit from this exclusion. However, where A is not a *payment service provider* and only carries on other **regulated activities** in respect of which exclusions apply, such that A doesn't need to be authorised or exempt for those activities, A may be able to rely on article 9Z2A.

18.8.34 Question 18.8.34: Technical services exclusion (Arranging) - Does the exclusion affect the financial promotions regime?

The exclusion applies to the arranging activities in article 9Y of the **Regulated Activities Order**. It does not determine whether communications made through or in connection with the technical service are subject to the *financial promotion* restriction in section 21 of the **Act**.

The [Explanatory Memorandum](#) confirms that the technical services exclusion has not been replicated in the *financial promotions* regime. Persons providing technical services should therefore consider separately whether they communicate invitations or inducements to engage in investment activity and, if so, whether those communications are made or approved by an *authorised person* or another exemption applies.

18.8.35 Question 18.8.35: Technical services exclusion (Arranging) - Does the exclusion affect the Money Laundering Regulations?

The exclusion applies to the arranging activities in article 9Y of the **Regulated Activities Order**. It does not extend to Regulation 14A of the *Money Laundering Regulations*.

The [Explanatory Memorandum](#) confirms that firms excluded from regulations by the **Cryptoassets Amendment Regulations** continue to have obligations under other legislation, including anti-money laundering requirements. For further information regarding the application of the MLRs, see PERG 18.12.

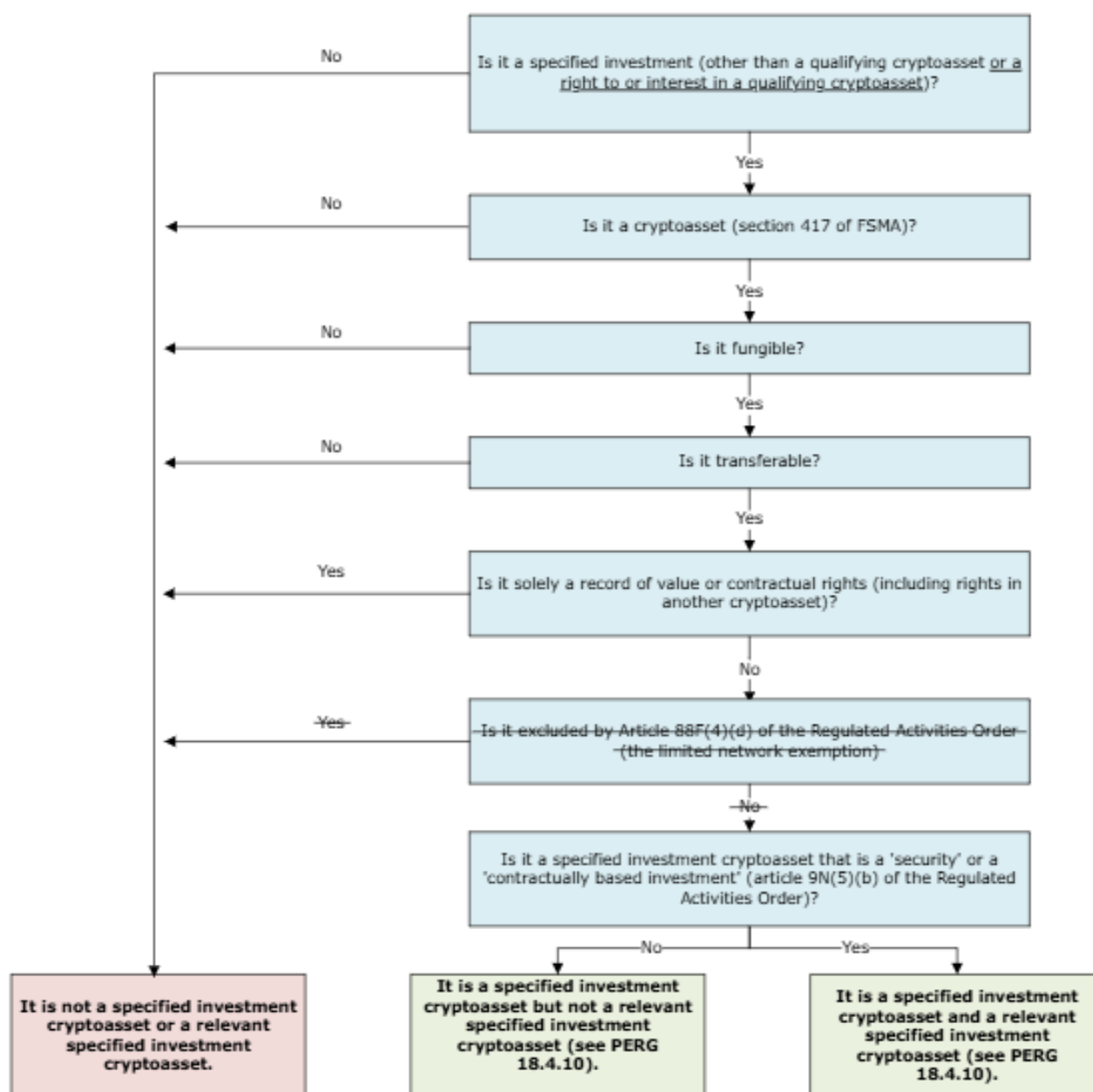
...

18 When is a cryptoasset a qualifying cryptoasset (QCA)?

**Annex
1**

...

18 This diagram provides a high-level overview of the factors that are relevant in
 Annex assessing whether a cryptoasset is a **specified investment cryptoasset** and a
 1.2 **relevant specified investment cryptoasset** for the purposes of the perimeter.



...

App 1 Definitions relating to cryptoasset activities

The terms listed in column (1) of the table below, where they appear in bold in *PERG 1*, *PERG 2*, *PERG 8* and *PERG 18* (other than headings and titles) have the meanings set out in column (2).

[Notes:

- (1) The amendments to the statutory perimeter introduced under the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) and the Financial Services and Markets Act 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026 ([*Editor's note*: insert SI number]) shall come into force in full on 25 October 2027.

...

(1)	(2)
Act	...
<u>admission to trading</u>	admission of a <u>qualifying cryptoasset</u> to trading on a <u>UK QCATP</u> .
...	
controlled activity	a <i>controlled activity</i> , but also including:
	(-a) <u>issuing a qualifying stablecoin (paragraph 7ZA);</u>
	(a) safeguarding cryptoassets (paragraph 7A);
	(b) operating a qualifying cryptoasset trading platform (paragraph 7B); and
	(c) arranging qualifying cryptoasset staking (paragraph 7C).
cryptoasset	...
<u>Cryptoassets Amendment Regulations</u>	<u>The Financial Services and Markets Act 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026</u> [<i>Editor's note</i> : insert SI number].
Cryptoassets Regulations	The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102), as amended by the <u>Cryptoassets Amendment Regulations</u> .
...	

Financial Promotion Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended by the Cryptoassets Regulations and the Cryptoassets Amendment Regulations .		
...			
Regulated Activities Order	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended by the Cryptoassets Regulations and the Cryptoassets Amendment Regulations .		
...			
specified investment cryptoasset	a cryptoasset that:		
	(a)	is a specified investment as a result of Part III (Specified investments) of the Regulated Activities Order , <u>excluding both:</u>	
		(i)	~~excluding~~ article 88F (Qualifying cryptoassets); and
		(ii)	~~including where the cryptoasset is a right~~ <u>rights to, or an interest interests in, such a specified investment</u> by operation of article 89 (Rights to or interests in investments); and
	(b)	would be a qualifying cryptoasset if article 88F(4)(a) ~~to (e)~~ of the Regulated Activities Order were disregarded.	
...			
supplementary disclosure document	...		
<u>UK qualifying stablecoin</u>	a qualifying stablecoin issued by a <i>firm</i> (F):		
	(a)	<u>in respect of which F is issuing a qualifying stablecoin; and</u>	
	(b)	<u>where F has a <i>Part 4A permission</i> to carry on the activity in (a).</u>	

Part 2: Comes into force on [date 2]

App 1 Definitions relating to cryptoasset activities

The terms listed in column (1) of the table below, where they appear in bold in *PERG* 18 (other than headings and titles), have the meanings set out in column (2).

(1)	(2)
<u>Cryptoassets Amendment Regulations</u>	<u>The Financial Services and Markets Act 2000 (Cryptoassets) (Miscellaneous Amendments) Regulations 2026</u> [<i>Editor's note: insert SI number</i>].
qualifying cryptoasset borrowing	...

The terms listed below appearing in bold in *PERG* 2, *PERG* 8 and *PERG* 18 are no longer in bold, are italicised and have the meaning set out in the Glossary of definitions. Striking through indicates deleted text.

Act

admission to trading

arranging cryptoasset safeguarding

arranging deals in qualifying cryptoassets

arranging qualifying cryptoasset staking

cryptoasset

Cryptoassets Regulations

dealing in qualifying cryptoassets as principal

dealing in qualifying cryptoassets (as principal or agent)

Financial Promotion Order

issuing a qualifying stablecoin

operating a qualifying CATP

QCATP

qualifying cryptoasset

qualifying stablecoin

Regulated Activities Order

regulated activity

regulated cryptoasset activity

relevant specified investment cryptoasset

safeguarding cryptoassets

UK qualifying stablecoin

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Pub ref: 2-008652

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