

# Guidance consultation

## Application of the Consumer Duty to Cryptoasset Firms

GC26/2

January 2026

### 1. Introduction

- 1.1 This Guidance explains how firms involved in cryptoasset activities should apply the Consumer Duty (the Duty). The Duty requires firms to act to deliver good outcomes for all customers, including those in vulnerable circumstances. There are differences between cryptoasset and traditional finance markets, such as distribution structures, overseas product manufacturers, and unfamiliar terminology for retail customers. This Guidance aims to help cryptoasset firms understand our expectations. This is not exhaustive or comprehensive and should be read alongside the [Final non-Handbook guidance for firms on the Consumer Duty \(FG22/5\)](#) which contains a detailed overview of guidance on the Duty. In addition, firms may refer to the previous FCA [Guidance for firms on the fair treatment of vulnerable customers \(FG21/1\)](#).
- 1.2 This Guidance is relevant for:
  - Firms who intend to apply for a Part 4A authorisation in relation to any regulated cryptoasset activities and who intend to serve UK retail customers.
  - Financial Services and Markets Act 2000 (FSMA)-authorised firms already subject to the Duty who plan to apply for cryptoasset permissions through a variation of permission.

- 1.3 We are issuing this Guidance under section 139A of FMSA. This Guidance does not replace or substitute other applicable rules, guidance or law and does not require firms to act in a way that is incompatible with any legal or regulatory requirements. It provides further guidance to firms on how they should comply with their obligations under the Duty as set out in Principle 12 and PRIN 2A.
- 1.4 As highlighted in [FG22/5](#) and PRIN 2A.1.6G, the Duty is underpinned by the concept of reasonableness. Where relevant, we have included further detail on this in later chapters of this Guidance.

## 2. Scope of the Guidance

### The scope of the Duty and this Guidance

- 2.1 The Duty applies to firms undertaking *retail market business* for a retail customer in the UK. The new regulated cryptoasset activities (as contained within the Financial Services and Markets Act 2000 (Regulated Activities and Miscellaneous Provisions) (Cryptoassets) Order 2025) will fall within the scope of *retail market business* where a retail customer is involved.
- 2.2 The Duty applies with respect to activities carried on with retail customers located in the United Kingdom. However, if another rule or onshored regulation is relevant to the activity and has a different territorial scope then the Duty applies with that territorial scope.
- 2.3 The Duty applies to cryptoasset activities in the same manner as it does to existing regulated and ancillary activities. When a firm is undertaking cryptoasset activities or activities ancillary to these, this Guidance will supplement [FG22/5](#).
- 2.4 The Duty also applies where authorised firms communicate and approve financial promotions that are addressed to or disseminated in such a way that they are likely to be received by a retail customer. Further guidance on the application of the Duty to cryptoasset financial promotions can be found in [Finalised non-handbook guidance on Cryptoasset Financial Promotions \(FG23/3\)](#). However, elements of [FG23/3](#) which refer to persons relying on the Money Laundering Regulation (MLR) exemption to make financial promotions are not relevant for the cryptoasset regime where all persons carrying on cryptoasset activities will need to be authorised.

### How the Duty applies to different types of firms and business models

- 2.5 The Duty applies to products and services offered to 'retail customers' across the cryptoasset regime. However, below we cover areas where the Duty is disapplied or will apply in a different way:

## Cryptoasset manufacturers

2.6 The term 'manufacturer' is defined for PRIN (including PRIN 2A) as "a firm which:

- (a) creates, develops, designs, issues, manages, operates, carries out, or (for insurance or credit purposes only) underwrites a product; or
- (b) in relation to a closed product or an existing product:
  - (i) created, developed, designed or issued the product; or
  - (ii) manages, operates, carries out, or (for insurance or credit purposes only) underwrites the product".

2.7 For cryptoasset firms, examples of manufacturers would be the issuers of qualifying cryptoassets or stablecoins; a firm operating a cryptoasset lending and borrowing service; or a UK qualifying cryptoasset trading platform (QCATP) providing a service of trading on the UK QCATP.

2.8 Cryptoasset manufacturers (which includes cryptoasset creators) may sometimes fall outside of the scope of the Duty, for instance where cryptoassets are manufactured by unauthorised persons based outside of the UK or have no identifiable issuer (e.g. bitcoin). Otherwise, where manufacturers of cryptoassets are UK-authorised firms and those cryptoassets are offered to 'retail customers', they will be subject to the Duty.

## Cryptoasset distributors

2.9 The term 'distributor' is defined for PRIN (incl. PRIN 2A) as a firm which offers, sells, recommends, advises on, arranges, deals, proposes or provides a product. For cryptoasset firms, examples of distributors include cryptoasset intermediaries selling qualifying cryptoassets and UK QCATPs offering qualifying cryptoassets on their platform.

2.10 Distributors with Part 4A authorisation play a critical role in making sure cryptoassets are sold in a way that delivers good outcomes for retail customers, even where the manufacturer is unregulated or unknown. The Duty does not become inert in these cases. Distributors must take reasonable steps to comply with their distributor obligations, as outlined by PRIN 2A.3.13R and PRIN 2A.4.17R. This is set out in more detail under the Price and Fair Value and Products and Services sections of this Guidance.

## UK Qualifying Cryptoasset Trading Platform Operator (UK QCATP operators)

2.11 UK QCATP operators have many responsibilities such as admitting cryptoassets under the Admissions and Disclosures (A&D) regime, following the Market Abuse Regime for Cryptoassets (MARC) and making sure transactions are executed under the trading rules. Firms must comply with both the Duty and sector-specific rules relevant to their activities. The prescriptive rules in CRYPTO 6 - 8 for UK QCATPs are designed to make sure that UK QCATPs operate in a fair and predictable manner, and

the Duty is designed to achieve good outcomes for retail customers. While there may be circumstances where the Duty requires UK QCATP operators to take action related to trading which is also governed by the relevant CRYPTO rules, UK QCATP operators should consider the overarching principle of reasonableness when applying the Duty (set out in FG22/5 at paras. 4.13 – 4.19).

2.12 UK QCATP operators might suspend trading for a particular cryptoasset to combat market abuse. In line with the principle of reasonableness and the significant consequences of suspending trading, we would expect UK QCATP operators to intervene to halt trading on the basis of the Duty on a very exceptional rather than a regular basis.

2.13 Acting in accordance with CRYPTO 6 will not by itself satisfy a firm's Duty obligations with respect to other aspects of UK QCATP operator's functions. For example, operators are required to comply with their obligations under the Duty in how they market and distribute products and services to retail customers. This enables the Duty to apply in a tailored and effective way to the operator's individual interactions with retail investors using its platform.

### Transactions on a UK QCATP

2.14 Transactions taking place on a UK QCATP do so within a regulatory framework involving a multilateral trading system, market abuse obligations, multiple trading interests, and the venue's own rules (to be made in accordance with CRYPTO 6).

2.15 The rules under which trades are required to be executed were consulted on in CP25/40 and are designed to operate independently of the Duty. CRYPTO 6 requires UK QCATP operators to have their own non-discretionary rules which provide for fair and transparent trading between participants. As such, the Duty does not apply to the trades entered into by the users of a UK QCATP on that platform.

### Admissions and Disclosures (A&D) regime

2.16 The Duty applies to the Admissions and Disclosures (A&D) regime for UK issued qualifying stablecoins. However, for other qualifying cryptoassets in the A&D regime, the Duty does not apply. The A&D rules sit under the Designated Activities Regime (DAR), and we have chosen not to apply the Duty to these rules. On this basis, the designated activities covering public offers and admissions are excluded from the definition of *retail market business* where they are carried on in relation to a qualifying cryptoasset that is not a qualifying UK stablecoin. The A&D regime contains bespoke rules designed to align with Duty outcomes, and in particular consumer understanding. The Duty applies to other aspects of UK QCATPs' operations.

### 3. Cross Cutting Rules

3.1 Principle 12 requires that “a firm must act to deliver good outcomes to retail customers”. This Principle is supported and given effect through three cross cutting rules, requiring firms to:

- Act in good faith towards retail customers;
- Avoid causing foreseeable harm to retail customers; and
- Enable and support retail customers to pursue their financial objectives.

3.2 By applying the Duty, firms in the cryptoasset sector are expected to integrate customer interests at the core of their business models and support good consumer outcomes.

3.3 Each of the cross-cutting rules interact with one another and apply across the four Consumer Duty outcomes: Product and Services, Price & Value, Consumer Support and Consumer Understanding.

#### Acting in good faith

##### Duty Rules and Guidance

3.4 PRIN 2A.2.1R requires that “a firm must act in good faith towards retail customers”. PRIN 2A.2.1R to PRIN 2A.2.7G provide further rules and guidance on what this means in practice and are supplemented by paragraphs 5.6 to 5.19 of FG22/5.

3.5 In particular, PRIN 2A.2.2R states that “Acting in good faith is a standard of conduct characterised by honesty, fair and open dealing and acting consistently with the reasonable expectations of retail customers”.

##### Cryptoasset Guidance

3.6 Cryptoasset firms operate in a sector characterised by complexity, volatility, and rapid innovation. The cross-cutting obligation to ‘act in good faith’ is particularly important in the cryptoasset sector. Customers may find it challenging to understand concepts like blockchain and decentralised finance; the basis for the valuation of certain cryptoassets; the benefits and risks of ownership; and the lack of protections.

3.7 Given that cryptoasset firms may be new to FSMA regulation, consumers are less likely to understand the requirements on firms and the extent of protection provided. Acting in good faith means that firms should not exploit customers’ lack of understanding or behavioural biases and should ensure that information is presented in a way that considers varying levels of customer knowledge and experience.

3.8 Firms should embed good faith into their governance and decision-making processes. This includes, but is not limited to:

- Avoiding features that could mislead or disadvantage consumers, such as hidden fees (for example, gas-fee surges at execution, slippage, and inactivity fees) or complex redemption mechanisms (for example, multi-step stablecoin redemptions, or withdrawal processes requiring multiple token conversions).
- Communicating transparently about product features, risks and limitations, even where these are outside the firm's control (for example, withdrawal delays due to cold wallet storage).

3.9 Firms should not take advantage of customers with characteristics of vulnerability, such as low financial literacy. This includes targeting high-risk products (for example, cryptoassets with known vulnerabilities, a higher potential for scams, cryptoassets which purport to retain value with limited evidence to support those claims, etc.) and services at customers in vulnerable circumstances which are likely to result in poor outcomes.

3.10 Firms should consider at every step if they are misleading the customer and should be able to evidence how they are acting in good faith at each stage of the customer journey. In acting in good faith, firms should take appropriate action where they have identified that customers have suffered foreseeable harm as a result of an act or omission by the firm. Noting that, PRIN 2A.2.6R clarifies that firms do not have to rectify harm where the harm identified was the result of risks inherent in a product where the firm reasonably believed that the customer understood and accepted the risks.

### Example – poor practice

A firm charges fees on dormant accounts or accounts that they have decided to close, until the customer withdraws their funds or funds are extinguished. When deciding on the fees and charges associated with accounts, the firm did not consider whether the charges were fair and proportionate. It also did not take into account the customer's circumstances or assess whether the fees could cause foreseeable harm. For example, customers losing out by paying fees on their dormant accounts despite the firm not undertaking any ongoing activities or providing benefits. The firm also failed to provide clear, timely communication explaining why the charges applied and how customers could avoid them. This practice is likely to be inconsistent with the cross-cutting rules, particularly acting in good faith by failing to take account of customers' interests and is also likely to breach our price and value outcome rules.

### Avoiding causing foreseeable harm

#### Duty Rules and Guidance

3.11 PRIN 2A.2.8R requires that "a firm must avoid causing foreseeable harm to retail customers". PRIN 2A.2.8R to PRIN 2A.2.13G provide further rules and guidance on what this means in practice and are supplemented by paragraphs 5.20 to 5.36 of FG22/5.

3.12 The Duty is underpinned by the concept of reasonableness, meaning firms are responsible for addressing risks that are reasonably foreseeable at the time, based on what they know or could reasonably be expected to know.

### Cryptoasset Guidance

3.13 Some cryptoassets are inherently volatile and cryptoasset products can mean customers capital is at high risk. Firms are not required to avoid all harm; they are required to avoid causing foreseeable harm.

3.14 FG22/5 at paragraph 5.36 sets out that "we do not expect firms to protect their customers from risks that they reasonably believed the customer understood and accepted". Consumers cannot be protected from all harm or risks, such as losses from investments. Paragraph 4.11 of FG22/5 clarifies that the Consumer Principle does not guarantee that every customer will achieve good outcomes nor does it impose an open-ended duty on firms to prevent all potential harms.

3.15 Firms are not prevented from offering and providing high-risk investments to retail customers. We do expect firms to have a reasonable belief that customers understand the relevant risks as part of meeting the obligation to avoid causing foreseeable harm in relation to allowing customers access to cryptoasset products and services. Whether the belief is 'reasonable' includes consideration of the product design. Some cryptoassets may not have an identifiable manufacturer or may have a manufacturer which is not subject to the Duty. In such instances, when considering the "adequacy of the firm's product design", distributor firms should consider whether the product is properly suited to retail customers such that they are able to understand and accept the risks.

3.16 Firms should consider not only the underlying cryptoasset products and services when acting to avoid causing foreseeable harm, but also their wider customer journeys. For example, simple redemption processes and swift settlement can help customers avoid further harm if they need to sell cryptoassets. Other ways that firms could help customers to avoid foreseeable harm from volatile cryptoassets include:

- proactively reaching out to make retail customers aware of volatility, and
- reevaluating the target market of the product to make sure it is only being sold to retail customers for whom it is suitable.

### Example – good practice

A firm's governance should ensure decisions prioritise customer interests. For example, the board approved a cryptoasset lending product after reviewing risk disclosures and target market needs, documenting consumer outcomes and challenging risk assumptions. This approach supports cross-cutting obligations on avoiding foreseeable harm and aligns with products and services outcome rules.

## Example – poor practice

A firm distributes high-risk cryptoasset products through an online platform that allows retail customers to access products intended for sophisticated investors. The firm did not implement controls to prevent inappropriate sales, nor did it provide clear warnings or suitability checks before purchase. It also failed to review the distribution strategy as part of their regular product reviews for customer communications. This practice is likely to be inconsistent with the cross-cutting obligations, particularly to avoid causing foreseeable harm. It is also likely to breach our consumer understanding and products and services outcome rules.

## Enable and support customers to pursue their financial objectives

### Duty Rules and Guidance

3.17 PRIN 2A.2.14R requires that “A firm must enable and support retail customers to pursue their financial objectives”. PRIN 2A.2.14R to PRIN 2A.2.22G provide further rules and guidance on what this means in practice and are supplemented by paragraphs 5.37 to 5.48 of FG22/5.

### Cryptoasset Guidance

3.18 Cryptoasset firms operate in a high-risk, fast-evolving environment where retail customers may have diverse and sometimes speculative financial goals. In applying this objective, firms must both proactively and reactively focus on putting customers in a position to make decisions in line with their needs and financial objectives.

3.19 Firms should embed this rule into their product governance, customer support and communications strategies. This includes making sure that product features do not conflict with customers’ financial objectives, for example, diversification or capital preservation.

3.20 Firms should not frustrate or undermine customers’ financial objectives through poor design or exploitative practices. Communications must be clear, fair and not misleading.

### Good practices to emphasise

- Firms may consider providing tools that help retail customers assess whether a product and its features align with their financial objectives. This could include but is not limited to profit/cost calculators for staking and lending products, loan-to-value calculators for borrowing products, and scenario-based illustrations showing how products behave under stress. For example, how much customers could lose in large market crashes, and the effect of margin calls and stop-loss mechanisms.
- Firms that hold cryptoassets on behalf of customers could include interactive dashboards which show customers’ cryptoasset holdings and the relative allocations to different cryptoassets. This could help customers to track performance and adjust their portfolios to match their desired composition.

- Telling customers when products or services are not delivering their intended benefits so they can decide whether using them is still in line with their financial objectives. Firms consider the impact that characteristics of vulnerability can have on the needs of vulnerable customers and the information they might require to effectively decide whether a product fits with their financial objectives.
- Custody: Firms should disclose how long it may take for cryptoassets to be withdrawn from a custody service and where firms in other jurisdictions are involved, the impact this may have on firm failure. They should also disclose whether assets will be held on trust, transferred to third parties, or may be taken out of the trust for the delivery of an additional service (and in what circumstances).

### Poor practices to avoid

- Firms should avoid overemphasising speculative benefits (for example, yield, price appreciation, security) while downplaying risks such as volatility, liquidity constraints, protocol failure or risks from third parties involved in the distribution of the product or service. This is particularly important in interfaces and financial promotions.

### Example – good practice

A firm tells customers when a product is not functioning as expected so that they can decide whether using it remains in line with their financial objectives. For example, customers who have signed up to regular cryptoasset purchases that follow the practice of dollar cost averaging might not have security against losses when markets are in decline.

Firms can identify vulnerable customers and consider the impact that characteristics of vulnerability can have on their needs and the information they might require to effectively decide whether a product fits with their financial objectives.

### Example – poor practice

A firm has designed a cryptoasset borrowing product where complicated features, such as stop loss percentages and margin calls, are not likely to be understood by customers in the target market. When designing the product, the firm did not consider customers' needs, communicate clearly, or test whether customers could reasonably understand how these features work and the risks involved. This practice is likely to be inconsistent with the cross-cutting rules, particularly enabling and supporting customers to pursue their financial objectives, and avoid causing foreseeable harm. It is also likely to breach our consumer understanding outcome rules.

## 4 Four Outcomes

- 4.1 The 'four outcomes' are a suite of rules and guidance setting more detailed expectations for firm conduct in 4 areas that represent key elements of the firm-customer relationship.

### The Product & Services Outcome

- 4.2 Under the Duty, firms must make sure that products and services are designed to meet the needs, characteristics and objectives of a defined target market and are distributed accordingly. This outcome applies across the product or service lifecycle.
- 4.3 PRIN 2A.3.1R to PRIN 2A.3.30E and FG22/5 provide detailed rules and guidance on how firms should apply the product and services outcome in practice. In this section, we focus on the specific nuances of the cryptoasset market, including defining the target market for cryptoasset products and role of unregulated manufacturers in the distribution chain.

### Guidance on the target market

#### Duty Rules and Guidance

- 4.4 PRIN 2A.3.4R requires that manufacturer firms specify the target market for each of their open products at a sufficiently granular level.
- 4.5 FG22/5 at paragraph 6.20 further highlights that firms may wish to test whether the target market has been identified appropriately by considering "if it would include any groups of customers for whose needs, characteristics and objectives the product or service is generally not compatible." In addition, paragraph 6.23 of FG22/5 states that for "more complex or niche products or services, firms should define target markets in more detail, taking account of any increased risk of consumer harm associated with these products or services and their potential mis-sale."

#### Cryptoasset Guidance

- 4.6 Firms need to identify a target market for the products or services they provide.
- 4.7 While there is a wide range of different cryptoasset products and services, we consider that some cryptoasset products such as lending and borrowing are likely to be "more complex or niche" (see paragraph 6.23 of FG22/5). This is because they are likely to be challenging for most retail customers to understand and may have smaller target markets which they are suitable for.
- 4.8 Firms should carefully consider whether some products need a more defined target market and a particular distribution strategy. Target markets may differ significantly within products and services provided by the same firm.

4.9 In the process of defining a target market, firms should consider if the design of a cryptoasset product may adversely affect groups of retail customers in the target market, including groups of customers with characteristics such as vulnerability (see PRIN 2A.3.4R(4)(ii)). For example, leveraged cryptoasset products increase the probability of significant losses, and therefore are unlikely to be suitable for customers unable or unwilling to accept such losses.

## Manufacturer Responsibilities

4.10 Under PRIN 2A.3.4R, manufacturer firms must define a clear target market for each product or service. They must make sure product features, parameters and risk design are appropriate for the market segment. This includes risk appetite, financial sophistication, experience with cryptoassets, and characteristics of vulnerability.

4.11 There will be instances where firms may be acting as both manufacturers and distributors. For example, an intermediary conducting the regulated activity of dealing in cryptoassets as a principal may be a distributor of a cryptoasset product but would also be the manufacturer of an intermediary service. In these instances, distributors will need to comply with the relevant manufacturer and distributor requirements for the respective services or products.

## Distributor Responsibilities

4.12 Distributors must take all reasonable steps to understand the product and its risks, define an appropriate target market (where the manufacturer is unknown or unregulated by the FCA), and distribute accordingly.

4.13 Where the manufacturer is unregulated or unknown, distributors should:

4.13.1 Make a reasonable assessment of the product's risk profile and define a target market based on available information, both publicly available and private information provided by the manufacturer (for example, public disclosures, historical performance, consumer behaviour data). Firms may also find it useful to consider the prudential classification of cryptoassets set out in CP25/42 as a further indicator of the risks posed by different cryptoassets.

4.13.2 Use their judgement to estimate the likely reliability of that information. When relying on both unregulated manufacturer and publicly available information, distributors should not take it at face value and should consider its provenance. For manufacturers not subject to the Duty, but subject to regulatory regimes overseas that set out standards for the provision of product and service information, distributors may place greater reliance on the information they provide.

4.13.3 For cryptoassets themselves, consider the size of the market and its liquidity as relevant information in assessing the cryptoasset and its risks.

4.13.4 Consider whether a lack of manufacturer information or poor-quality manufacturer information is an indicator of increased risk. Firms should incorporate the assessment of this when determining the likely target market and distribution strategy. Firms may consider disclosing to customers that the manufacturer is unknown, if they feel it could increase their understanding.

### Good practices to emphasise

- Distribution must be consistent and align with the intended target market.
- Avoid distributing complex or high leverage cryptoasset products for retail customers for whom they are not designed.
- Consider whether to introduce appropriate friction into the customer journey (for example, disable one-click trading).
- Take proactive steps to avoid causing foreseeable harm on an ongoing basis, beyond initial design of distribution strategies. For example, monitor customer feedback or complaints to assess if the distribution strategy is working as intended.
- Undertake scenario analysis and evaluate likely customer outcomes in a range of market conditions before release.
- Use closed pilot phases or limited roll outs to collect data before full launch and proactively monitor outcomes after the launch, changing target market or frictions, if and as required.
- Provide customers with transparent, up-to-date indicators of product health such as liquidity status, market volatility and recent incidents.
- Modify, withdraw or discontinue products that no longer meet the needs, characteristics and objectives of their target market. If withdrawing or discontinuing products, firms should work to minimise harm to consumers no longer able to access these products, such as by providing them appropriate notice and making them aware of similar products which may meet their needs.

### Poor practices to avoid

- Defining a broad target market for cryptoasset products and services to all retail customers without considering whether aspects of the product or service may make it unsuitable for some customers in the target market.
- Failing to stress test smart contract risks, liquidity droughts or extreme volatility which may overexpose consumers.
- Manufacturing/distributing products despite evidence of structural defects without intervening.

### Example – good practice

A cryptoasset intermediary acts as a dealer and distributes an unbacked cryptoasset from an overseas manufacturer which is not subject to the Duty to retail clients. The

unbacked cryptoasset has a significant market size and liquidity. The intermediary recognises the increased difficulty of obtaining reliable information given that the manufacturer is not subject to the requirements of the Duty. The intermediary carefully assesses the information provided by the manufacturer and considers that it is regulated in a jurisdiction with reasonable regulatory standards for cryptoassets. It also analyses publicly available information from reputable sources to explore the past returns and volatility of the cryptoasset, alongside other relevant features. This analysis is carried out in relation to the Duty's products and services outcome requirements and is separate from the A&D process when a UK QCATP admits a qualifying cryptoasset to trading. However, the information available from the A&D process (such as the qualifying cryptoasset disclosure document) may assist the intermediary in gaining the necessary information to satisfy its Duty requirements.

As a result of this analysis, the intermediary considers that there is a target market for UK customers who understand the risks of the cryptoasset and have the financial resources and tolerance to bear those risks. The intermediary chooses a distribution strategy on this basis. This could include only proactively showing the product to a smaller proportion of customers based on the known or assumed attributes of the customer based on their engagement through the platform to date. The intermediary also highlights to customers that the cryptoasset manufacturer is not subject to the Duty and the increased risks which may result.

### Example – poor practice

A UK QCATP offers retail customers direct access to purchase and hold cryptoassets, including through credit card top-ups provided by a third party. Over time, the platform identifies that some customers—despite having limited financial resources—are using such credit to buy high-risk, unbacked cryptoassets. However, the firm fails to act on this insight, missing an opportunity to protect these customers.

Firms should carefully determine their target market for each product, recognising that individuals with limited financial means who use credit to buy volatile cryptoassets are unlikely to be suitable candidates for high-risk investments. Onboarding information and appropriateness assessments may help firms to identify when customers fall outside the intended target market.

In this case, the platform could have investigated why customers with limited resources were purchasing high-risk cryptoassets with credit and provided clear warnings about the dangers of using credit for such purchases. This might include illustrating the potential for greater financial losses. Additionally, firms must make sure they comply with the Duty, particularly the cross-cutting rule of avoiding causing foreseeable harm.

## Price & Value Outcome

- 4.14 The price and value outcome rules are designed to make sure the price the customer pays for a product or service is reasonable compared to the benefits (the nature, quality and benefits the customer will experience considering all these factors), overall offering fair value.
- 4.15 PRIN 2A.4.8R sets out the factors that must be included in a manufacturer's fair value assessment and is supplemented by Chapter 7

of FG22/5 which provides detailed guidance on how firms should apply the price and value outcome in practice.

4.16 FG22/5 at paragraph 7.21 further sets out that we do not expect firms to base assessments of value on external factors largely outside of their control. Cryptoasset prices are largely driven by global supply and demand and are often outside a firm's control. But firms retain responsibility for fees and charges such as trading spreads, custody fees, staking commissions, effective interest/yield rates and withdrawal costs. Cryptoassets may trade with significant volatility with prices varying dramatically day-by-day. The price at which cryptoassets are sold would not, by itself, represent poor value for money. Instead, we expect firms to consider the value of the charges they control in relation to the services they are offering, including any ongoing charges, within the context of overall costs for customers.

4.17 In this section, we focus on the specific nuances of the cryptoasset market, including the high volatility of some cryptoassets and role of unregulated manufacturers in the distribution chain.

## Guidance for manufacturers

### Duty Rules and Guidance

4.18 PRIN 2A.4.1R sets out that "value is the relationship between the amount paid by a retail customer for the product and the benefits they can reasonably expect to get from the product" and that "a product provides fair value where the amount paid for the product is reasonable relative to the benefits of the product".

4.19 Under PRIN 2A.4.2R "a manufacturer must: (1) ensure that its products provide fair value to retail customers in the target markets for those products; and (2) carry out a value assessment of its products and review that assessment on a regular basis appropriate to the nature and duration of the product".

4.20 A fair value assessment must begin with identifying the relevant use cases for the product in question and, therefore, defining the target market at a sufficiently granular level (PRIN 2A.3.4R). Then, among other things, firms must (i) describe and weigh the product's benefits and limitations for the different groups of customers within the target market (PRIN 2A.4.8R, see also PRIN 2A.4.10G), (ii) estimate the expected total price to be paid by customers, including all non-contingent and contingent fees and charges, as well as non-financial costs required from the customer (PRIN 2A.4.8R), and (iii) assess if the amount paid for the product is reasonable relative to the benefits of the product backed up by sound evidence so the firm can demonstrate the product delivers fair value.

### Cryptoasset Guidance

4.21 Manufacturers must assess fair value in line with the obligations in PRIN 2A.4. As with the entire Duty, the price and value outcome rules apply based on what is reasonable. The nature of the value assessment and the

data and insight firms use to inform that assessment will vary depending on the type of product or service, and the size and complexity of that firm.

- 4.22 The benefits that customers can derive from cryptoassets will vary significantly between the type of cryptoasset. UK issued qualifying stablecoins are designed so as to maintain a stable relationship with fiat currency and may have uses for payments, settlement, as a store of value and as an on and off ramp for accessing other cryptoassets. These benefits are to be considered against the various fees and charges (as well as non-financial frictions) of purchasing and holding a UK issued stablecoin.
- 4.23 Large capitalisation unbacked cryptoassets present a different value proposition. While typically acquired for investment purposes, with anticipated gains arising from price appreciation, these assets may also offer additional opportunities for financial returns through activities such as staking or lending.

### Example – good practice

A firm regularly reviews its fee structure for products and services to make sure charges are proportionate to the value provided. The firm benchmarks its fees against comparable services, considers the needs and circumstances of its target market, and publishes clear explanations of what customers receive for each charge. It also conducts consumer testing to confirm customers understand the cost-benefit relationship. This practice supports the price and value outcome rules and aligns with the cross-cutting rules, particularly acting in good faith and avoid causing foreseeable harm.

### Example – poor practice

A firm applies high withdrawal fees for customers moving funds from their platform, without assessing whether these charges are fair or proportionate. The firm does not explain why the fees apply, fails to consider the impact on customers with small balances, and provides no evidence that the charges reflect actual costs or added value. This practice is likely to breach the price and value outcome rules and is inconsistent with the cross-cutting rules, particularly avoiding causing foreseeable harm and enabling customers to pursue their financial objectives.

## Guidance for distributors

### Duty Rules and Guidance

- 4.24 We note that the Duty will often not apply to manufacturers of cryptoassets, given that cryptoassets traded in the UK may be manufactured by non-authorised firms based abroad. PRIN 2A.4.17R provides that where distributors distribute products where the manufacturer is not required to follow the price and fair value outcome, distributors must take “all reasonable steps” to comply with the general obligations for price and fair value in PRIN 2A.4.16R. Paragraph 7.36 in FG22/5 expands further on this, stating that distributors must ‘take all reasonable steps to understand the benefits of the product or service to

the target market, any limitations of the product and whether their or any other charges added along the line cause the product to become unfair value.'

## Cryptoasset Guidance

- 4.25 'All reasonable steps' is to be interpreted in light of the cryptoassets in question. For cryptoassets where the manufacturer is not subject to the Duty, but which is identifiable and operates in a regulated jurisdiction, distributors may be able to gain greater assurance from information provided by the manufacturer. In cases where the manufacturer is not identifiable, the distributor may need to rely on publicly accessible information.
- 4.26 In cases where assessing price and fair value is particularly challenging, distributors are required to apply the Duty and cannot rely on the absence of manufacturer information to justify proceeding without robust consideration. Even where a manufacturer has not undertaken a formal fair value assessment (FVA), distributors must form their own reasonable judgment – based on the information available – about whether the product can provide fair value to retail customers.
- 4.27 To do this, we expect distributors to determine whether the product provides fair value and consider all relevant information they can reasonably obtain, including any material provided by the manufacturer and other publicly available information about the product. In line with PRIN 2A.4.8R, distributors should assess:
  - The benefits the product is intended to provide, and whether these are credible based on available evidence.
  - The characteristics, objectives, and needs of the target market, making a reasonable assessment of the likely target market where none has been identified by the manufacturer. As part of this, distributors should consider whether certain groups – particularly those with characteristics of vulnerability – may be less likely to receive fair value. For example, a highly volatile cryptoasset may be less suitable for customers with low financial capability or limited financial resilience. Based on this, it might be appropriate not to include these groups in the target market.
  - The relationship between the price paid by the retail customer and the extent and quality of services the distributor provides, ensuring that any additional charges they introduce do not undermine the overall value offered. This is particularly important where the inherent value of the underlying asset is uncertain or finely balanced.
  - Whether the distribution arrangements, including any remuneration within the chain, could undermine fair value of the product.
- 4.28 Where, even after taking all reasonable steps, a distributor is unable to determine or substantiate the benefits of the product or service for its likely target market, this should be treated as a significant risk indicator. In such circumstances, the distributor should reassess whether the product remains compatible with the identified target market, including

whether distribution should continue at all. If distribution does continue, the distributor should clearly communicate limitations to customers in a way that supports consumer understanding and complies with the rest of their obligations under the Duty.

4.29 If a distributor cannot be satisfied, based on the information reasonably available, that the product or service can deliver fair value to customers in the target market, it must not proceed with distribution. Distributors remain responsible for conducting and evidencing a robust FVA, regardless of market complexity or limited manufacturer information. They must act promptly where uncertainty or risk could undermine fair value, taking appropriate steps to protect customers (which may include ceasing distribution altogether). Distributors must apply their own judgment to determine the most effective action.

## Consumer Understanding

4.30 The consumer understanding outcome rules are designed to make sure customers are given the information they need, at the right time, and presented in a way they can understand. This is an integral part of firms creating an environment in which customers can pursue their financial objectives.

4.31 Firms should consult PRIN 2A.5 and Chapter 8 of FG22/5 for detailed rules and guidance in how firms should apply the consumer understanding outcome in practice.

4.32 In this section, we focus on the importance of the consumer understanding outcome in ensuring that retail customers are able to take responsibility for their decisions by being enabled to understand the products and services they access, their features and risks, and the implications of any decisions they make.

## Duty Rules and Guidance

4.33 FG22/5 at paragraph 8.1 states that "Consumers can only be expected to take responsibility where firms' communications enable them to understand their products and services, their features and risks, and the implications of any decisions they must make". Given the high-risk nature of some cryptoasset products and services, the consumer understanding outcome plays a crucial role in the effectiveness of the cryptoasset regime.

## Cryptoasset Guidance

4.34 Firms are expected to support customer understanding throughout the product or service lifecycle, from marketing, to sale, and post-sale service. It is about making sure customers can understand communications and are supported in their decision making.

4.35 FG22/5 at paragraph 8.9 states that 'Firms should "put themselves in their customers' shoes" when considering whether their communications equip customers with the right information, at the right time, to understand the product or service in question and make effective decisions'.

4.36 Paragraph 8.10 of FG22/5 further states that firms should 'avoid designing or delivering communications in a way that exploits consumers' information asymmetries or behavioural biases.' Consumers often see cryptoasset products as exciting and innovative, and media attention and online influencers can reinforce this perception. Cryptoasset firms should therefore be cautious of potential behavioural biases that make consumers more likely to invest in cryptoassets. They should avoid communications which encourage customers to invest in cryptoassets without full possession of relevant information.

4.37 Given the significant risks associated with some cryptoasset products and the fact that many retail customers will not be as familiar with cryptoasset products as traditional finance products, the consumer understanding outcome plays an important role in making sure that customers are supported to make effective decisions about the risks they may be taking by being equipped with the relevant information at the appropriate time throughout the life of the product.

### Good practices to emphasise

- Cryptoasset firms are expected to test, monitor and adapt communications so customers really understand the products. This could include analytics to monitor how customers interact with risk warnings, disclosures, and educational content to understand how effective they are before adapting communications accordingly.
- Critical information should be provided in good time to support timely consumer decisions. For example, risks such as the unavailability of Financial Services Compensation Scheme (FSCS) protection, potential losses and changes in fees/pricing.
- For more complex products (like lending and borrowing and leveraged positions) firms should consider providing additional tools to aid consumer understanding (such as sandbox simulations of using the product). Or they should consider taking steps to assess whether the product is appropriate for the client or whether these products are suitable for a narrower range of retail consumers.
- When complaints suggest a lack of understanding of a product or service, firms should review the information they have provided and identify if changes could help to improve consumer understanding.
- Custody: Support should include help with understanding wallet structures, withdrawal timelines and safeguarding arrangements including how assets are held for the benefit of consumers and the protections afforded when the assets are held on trust.

### Poor practices to avoid

- Using dense legal language or blockchain jargon in promotional materials. Not disclosing risks prominently enough.
- Failing to communicate with customers at appropriate times, such as when variations are made to contracts or customers' circumstances change.

## Example – good practice

A cryptoasset firm provides clear disclosures explaining the risks of investing in a cryptoasset, before customers commit to a purchase. The firm uses plain language summaries at the start of the customer journey, supported by detailed technical documents for those who want more information. It also tests customer comprehension through short quizzes before allowing access to high-risk products, ensuring customers understand volatility, potential losses, and liquidity risks. This practice supports the consumer understanding outcome rules by enabling informed decisions. It also aligns with the cross-cutting rules, particularly acting in good faith and avoid causing foreseeable harm.

## Example – poor practice

A firm presents complex product terms and risk disclosures in lengthy, jargon-heavy documents without clear summaries or explanations. When designing customer communications, the firm did not consider whether customers could realistically understand the information. The firm did not test comprehension or provide layered content that highlights key risks and features. It also failed to use plain language or visual aids to make critical points clear. Customers are likely to proceed without fully grasping the risks involved. This practice is likely to be breach our consumer understanding outcomes rules. It is also likely to be inconsistent with the cross-cutting rules, particularly enabling and supporting customers to pursue their financial objectives and avoiding causing foreseeable harm.

## Consumer Support

- 4.38 The consumer support outcome rules are designed to make sure firms provide support, that customers are given the information they need, at the right time, and presented in a way they can understand. This is an integral part of firms creating an environment in which customers can pursue their financial objectives.
- 4.39 Firms should consult PRIN 2.6 and Chapter 9 of FG22/5 for detailed rules and guidance in how firms should apply the consumer support outcome in practice.

## Duty Rules and Guidance

- 4.40 Under PRIN 2A.6.2R, firms must design and deliver support such that it meets the needs of retail customers and ensures that they can use the product as reasonably anticipated. It also requires firms to include appropriate friction in their customer journeys to mitigate the risk of harm and ensure that customers do not face unreasonable barriers during the lifecycle of a product.
- 4.41 As set out in paragraph 9.7 of FG22/5, consumer support goes beyond initial onboarding and should be maintained throughout the customer's journey.

## Cryptoasset Guidance

- 4.42 In the cryptoasset sector, our rules mean making sure that support is accessible, responsive, and tailored to the risks and complexity of the products and services offered. Firms should make sure there is post-sale support and customers are not waiting excessively long for help. Firms should be available to offer help with product changes across all channels customers use.
- 4.43 Firms should offer timely and effective support across all channels, especially during incidents such as wallet freezes, staking failures, or protocol upgrades. The support provided should be accessible to customers with characteristics of vulnerability, including those with limited digital literacy or a lack of financial resilience.
- 4.44 In the context of cryptoassets, this means no frictions in accessing private keys, exporting transaction history, switching, or withdrawing to self-custody. Firms may consider publishing typical withdrawal timelines by network and investigating outliers. Firms should also avoid unreasonable barriers to exit, such as hidden fees, complex withdrawal processes, or delays in redeeming staked assets.
- 4.45 Staking: Where applicable, firms should provide support for customers who are impacted by slashing events or other protocol changes, including guidance on recovery options.

## Good practices to emphasise

- Informing customers promptly about outages, wallet freezes, or protocol changes; offering guidance and support on next steps.
- Making sure customers can easily redeem, transfer, or exit products without hidden fees or complex procedures.
- Providing a dedicated, easily accessible channel for customers to report suspected vulnerabilities, scams or security incidents, with clear response times set out.

## Poor practices to avoid

- A custodian imposes opaque and extended withdrawal holds during market stress without updates or escalation routes.
- Requiring multiple steps or long delays to access help, especially during critical events like margin calls or significant market volatility.
- Making it difficult for customers to cancel accounts, transfer assets, lodge complaints, or raise queries with the firm.
- Designing interfaces that highlight yields or gains while obscuring risks or support options.
- Failing to assist customers after onboarding, especially for ongoing services like staking or custody.

- Relying solely on digital interfaces without alternatives for customers with accessibility needs.

### Example – good practice

A firm offers multiple, free support channels including live chat, email, and phone, with clear response time expectations published on its website. The firm trains support staff to handle complex queries about crypto products and provides escalation routes for urgent issues. It also monitors customer feedback and adjusts processes to ensure timely and fair assistance, especially for customers with characteristics of vulnerability. This practice is likely to support the consumer support outcome rules by removing barriers to help and aligns with the cross-cutting rules, particularly enabling and supporting customers to pursue their financial objectives and acting in good faith.

### Example – poor practice

A firm restricts customer support to an online ticketing system with response times exceeding five business days. The firm charges additional fees for priority support and does not provide alternative channels for urgent issues. Customers experiencing account lockouts or transaction errors face delays that could lead to financial harm. This practice is likely to breach the consumer support outcome rules and is inconsistent with the cross-cutting rules, particularly avoid causing foreseeable harm and enabling customers to pursue their financial objectives.