

Policy Statement CBA

PS26/9, PS26/10, PS26/11, PS26/12, PS26/13

Cost Benefit Analysis – Cryptoasset Regime

June 2026

Applying to:

PS26/9 – Crypto Admissions & Disclosures and MAR (DP24/4, CP25/41)

PS26/10 – Crypto Regime: Stablecoins Issuance

PS26/11 – Crypto Regime: Regulated Cryptoasset Activities

PS26/12 – Crypto Regime: Prudential Requirements

PS26/13 – Crypto Regime: Applying the Handbook Standards

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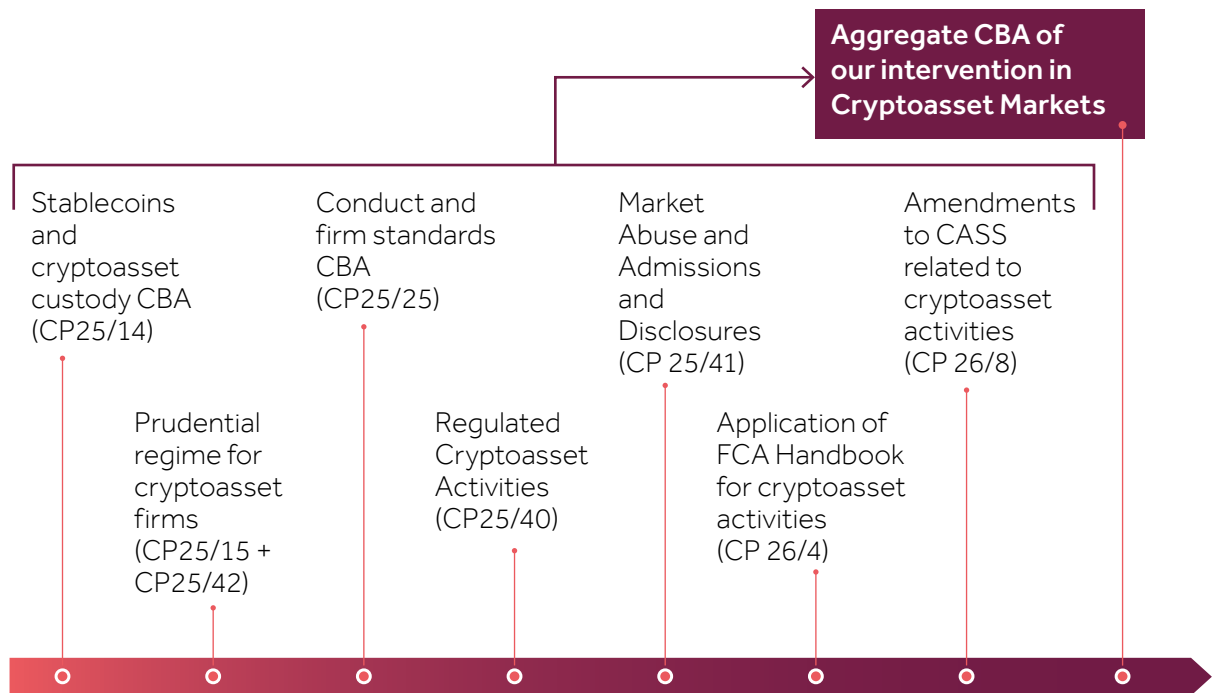
Contents

Summary	Page 4
Introduction.	Page 8
Drivers of Harm and Rationale for Intervention.	Page 10
Drivers of Harms.	Page 12
Our Intervention.	Page 12
Our Analytical Approach	Page 18
Summary of Impacts	Page 21
Benefits	Page 24
Costs	Page 31
Risk and Uncertainty	Page 44
Competition Assessment.	Page 46
Wider economic impacts, including on secondary objective.	Page 47
Monitoring and evaluation.	Page 48
Consultation with the FCA CBA Panel	Page 49

Summary

1. Cryptoassets are increasingly popular with UK consumers. Our Cryptoasset Consumer Research series indicates demand among UK adults doubled between 2020 and 2025 (from 4% to 8%), with consumers primarily motivated by large asset price rises and the potential opportunity to make money quickly. Average cryptoasset holdings among UK consumers are estimated at £2,250 as of 2025.
2. Wholesale firms and institutional investors are also expanding their involvement in cryptoasset markets. Many publicly listed firms now maintain dedicated cryptoasset treasuries or funds. In addition, we have observed strong interest in the potential for stablecoins in payments and wholesale settlement, with our recent regulatory sandbox programme receiving 20 applications.
3. While there has been growth in participation, cryptoasset markets are characterised by information asymmetries, misaligned incentives and behavioural biases, impacting cryptoasset firms and consumers. These factors have resulted in harm, with many consumers experiencing financial losses from being sold unsuitable products or as the victim of a fraudulent asset or scam.
4. Cryptoasset firms may face weak incentives to address these risks, given historically limited regulatory oversight and the potential impact on their profitability. Our assessment is that, without regulatory intervention, the harms we currently observe would likely continue indefinitely in UK cryptoasset markets, potentially increasing further if demand also continues to grow.
5. The Government has legislated to bring new cryptoasset activities within our regulatory remit (Cryptoassets Regulations). Through our intervention we are introducing requirements for the following cryptoasset activities:
 - Issuing a qualifying stablecoin
 - Safeguarding of qualifying cryptoassets
 - Operating a qualifying cryptoasset trading platform
 - Dealing as Principal or Agent in qualifying cryptoasset (Intermediation)
 - Arranging deals in qualifying cryptoassets (Intermediation)
 - Of which a subset will be: cryptoasset lending and borrowing
 - Arranging qualifying cryptoasset staking
6. In addition to activity-specific rules, firms will face prudential requirements associated with the activity they are authorised for. These prudential requirements are set out in CRYPTOPRU and COREPRU sourcebooks. Firms will also need to comply with wider FCA Handbooks (Cross-Cutting rules).
7. Firms within scope of our cryptoasset regime will also need to follow rules for:
 - The Market Abuse Regime for Cryptoassets (MARC)
 - Cryptoasset Admissions and Disclosures

8. We have previously consulted on proposed requirements across multiple CPs which included analyses of the expected impact of our rules. We are now publishing Policy Statements along with final rules. This CBA aggregates the impact of our rules for cryptoasset markets into a consolidated analysis and is intended to provide clarity to market participants on how our rules collectively will impact them. The analysis within this document summarises analyses within our previous CBAs, updated to account for firm feedback and new market data.



9. As discussed in our policy statements, feedback we received from firms indicated they expected some costs to be higher than our assessment, mostly relating to familiarisation and legal advice. We also received some feedback on our estimated firm population, suggesting that a greater number of firms may be in scope of our rules than we previously assumed¹. We have updated both elements within this CBA. We have also updated our analysis to reflect amendments between rules consulted on previously, and final rules. Changes made to the CBA have not required changes to the rules.
10. In this updated CBA, we collectively consider costs and benefits across the entirety of the cryptoasset regulatory regime we are introducing. This is intended to provide a holistic view of the aggregate impact our rules and avoid duplication and double counting across previously published cryptoasset CBAs.
11. Through our rules, collective quantified benefits accrue to consumers through increased regulatory protections, new potential opportunities to use stablecoins and reduced likelihood of harm. Other (non-quantified) benefits include improved regulatory clarity and increased trust in the UK as a jurisdiction that combines high regulatory standards with support for innovation.

¹ We have also consulted on proposed perimeter guidance in [CP 26/13](#)

- 12.** Costs to market participants across the regime are primarily driven by compliance, familiarisation and business model changes that our regulation will introduce for firms. Costs will be both one-off and ongoing, and firms may look to pass on higher operating costs to consumers in the form of increased prices or reduced quality of product offerings. We anticipate our rules may increase barriers to entry to firms initially, although over time expect that improved regulatory clarity will encourage market entry, supporting competition and innovation that benefits consumers.
- 13.** Our quantification indicates a net benefit of **£120m** over a 10-year appraisal period across our rules, primarily driven by the value consumers associated with increased regulatory protections and reduced risk of harm. This accounts for the cumulative costs and benefits estimated across our previously published CBAs, while also reflecting updated market assumptions (such as asset ownership) and the combined aggregate impact of our rules (and removing any duplication). The benefits and costs by each set of rules is shown below.

Table 1: Summary of the impact of our cryptoasset rules

Group Affected	Impact category	Rules	PV Benefits	PV Costs	
Firms	<i>Activity Specific Rules (Including prudential requirements)</i>	<i>Stablecoin Issuers</i>	-	£17m	
		<i>Cryptoasset Custodians</i>	-	£315m	
		<i>Trading Platforms</i>	-	£84m	
		<i>Intermediaries²</i>		£355m	
		<i>Lending and Borrowing³</i>		£85m	
		<i>Staking</i>		£85m	
	<i>FCA Handbook rules</i>	<i>SYSC (SM&CR, OP Res, Fin Crime)</i>			£66m
		<i>Consumer Duty</i>			£28m
		<i>Redress and Dispute Resolution</i>			£10m
		<i>Training and Competence</i>			£17m
		<i>COBs</i>			£2m
		<i>PRIN</i>			£1m
	<i>Further Requirements</i>	<i>Market Abuse Regime</i>			£190m
		<i>Admissions and Disclosures</i>			£40m
		<i>Regulatory Reporting</i>			£25m

² We group firms dealing as a principal or agent in qualifying cryptoassets, and arranging deals in qualifying cryptoassets together as "Intermediaries"

³ Note that "Lending and Borrowing" refers to a business model rather than activity. Firms providing these services in our regime will require authorisation for "Dealing as a Principal" or "Dealing as an Agent".

Group Affected	Impact category	Rules	PV Benefits	PV Costs
Firms	<i>Benefits to firms</i>	<i>Regulatory Clarity</i>	Reduced operational uncertainty and risk aversion from wider financial sector, and increased investment opportunities	
		<i>Increased Consumer Demand</i>	3-4m additional UK customers	
Consumers	<i>Overall Regime</i>	<i>Consumer value from improved regulatory protections</i>	£735m	-
		<i>Reduced Fraud and scams</i>	£135m	
	<i>Rules for Cryptoasset Custodians (PS 26/AA)</i>	<i>Reduced Custody losses</i>	£545m	
	<i>Rules for Stablecoin Issuers (PS 26/BB)</i>	<i>Reduced Cross-Border transfer fees</i>	£10m	
<i>Reduced retail payment fees</i>		£11m		
FCA	<i>Overall regime</i>	<i>Regime implementation, supervision and enforcement</i>		Ongoing supervision and monitoring costs
<i>Wider Economy</i>		<i>Applying MLR and Financial Crime rules to firms operating in UK cryptoasset markets</i>	Reduction in money laundering in the UK	
Total impacts			£1,435m	£1,315m
Net Impact			+£120m	

14. Our intervention supports our secondary competitiveness and growth objective, through providing regulatory clarity to firms, and allowing them to innovate with new cryptoasset products. We anticipate this may lead to future benefits, such as increased efficiencies for payments or wholesale settlement, which in turn we expect to positively impact UK competitiveness and economic growth.
15. Overall, we anticipate our rules for cryptoasset markets will deliver net benefits to consumers and the UK economy, while being proportionate to firms. Our intervention

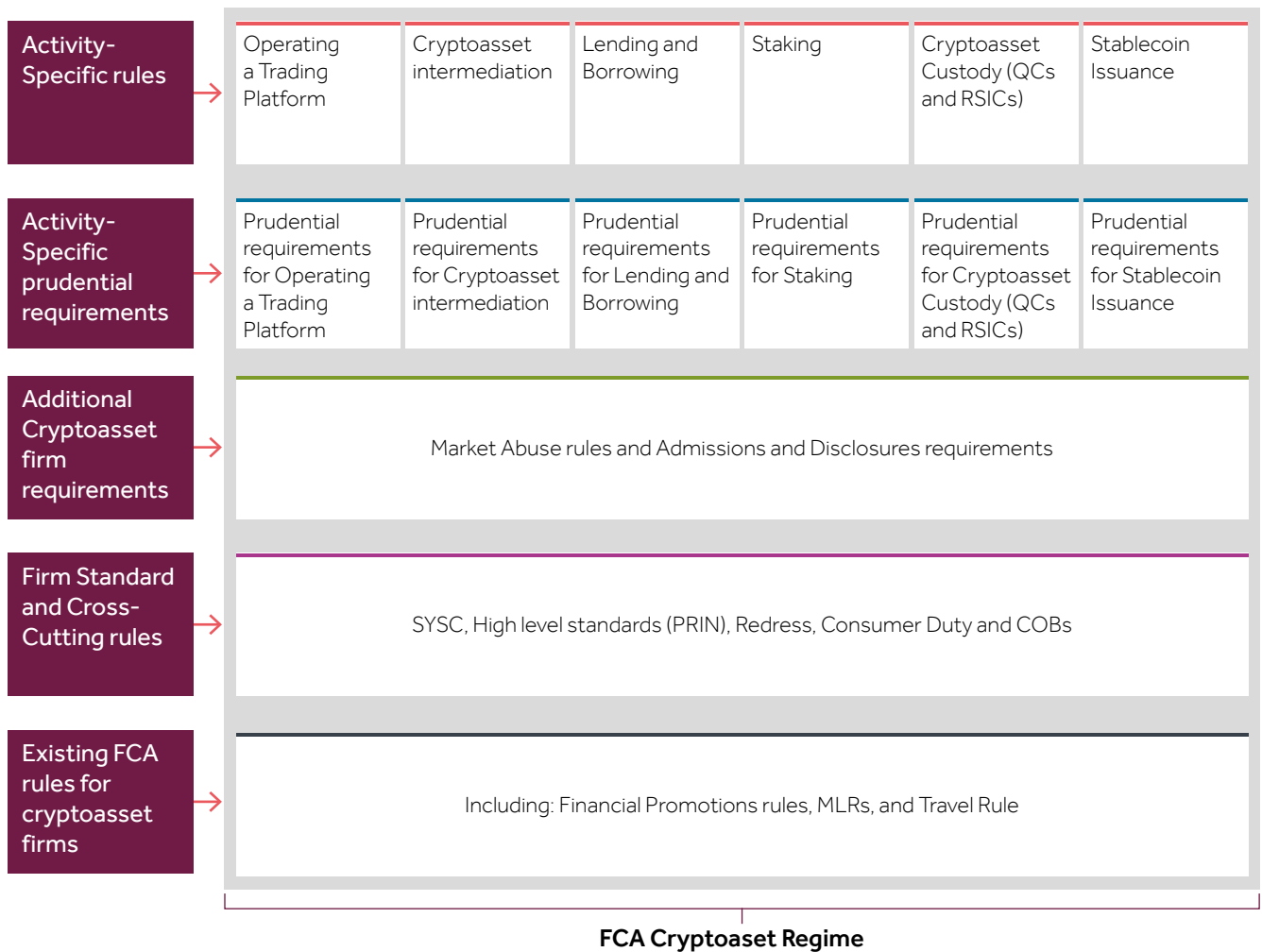
sets higher standards and improved protections for consumers who engage in cryptoasset markets. Our rules do not seek to entirely remove risk to consumers, and instead rebalance it between firms, retail investors, and other market participants. Our analysis indicates these benefits will be more substantial than the increased compliance costs to firms our rules will create.

Introduction

16. Cryptoassets are becoming more popular among UK consumers and firms operating in UK financial markets. As cryptoasset markets have expanded globally, they have developed many parallels to existing financial market infrastructure and instruments. This can mean, for many consumers, the user journey and experience is identical when purchasing cryptoassets as when investing in other financial products.
17. However, cryptoasset markets differ significantly from other investment products popular with UK consumers. Firms currently providing cryptoasset products and services face lower regulatory requirements than equivalent products provided by FSMA-regulated firms. This creates a risk of harm for consumers, who our research suggests are often unaware they have lower regulatory protections than when accessing other financial products.
18. To address these regulatory gaps, HM Treasury has introduced legislation establishing regulated activities associated with cryptoasset markets. As outlined in our Policy Statements, we are regulating cryptoasset markets through:
 - **Activity Specific Rules:** Firms undertaking specified cryptoasset activities will require FCA authorisation and must comply with activity-specific rules.
 - **Prudential Requirements:** Firms authorised for cryptoasset activities will face bespoke prudential requirements, which scale in size with the level of risk associated with the firm's activity.
 - **Cross-Cutting Rules:** As with other FSMA firms we regulate, authorised cryptoasset firms will need to comply with our wider FCA Handbook rules
 - **An Admission and Disclosure Regime⁴:** A set of requirements for disclosures by issuers or offerors at the point of admission to trading on a UK authorised trading platform
 - **A Market Abuse Regime for Cryptoassets⁵:** These rules prohibit insider dealing, unlawful disclosure of inside information and market manipulation
19. Firms will also generally need to continue to comply with existing regulatory requirements for cryptoassets, such as the travel rule and financial promotions. An illustration of how we anticipate our rules to apply to firms is set out below.

4 Regulated through the Designated Activities Regime, rather than FSMA

5 As above



20. There will be additional rules that apply to firms. COREPRU prudential requirements will apply across all activities. In addition, stablecoins classified as “systemic” will be required to comply with rules set out by the Bank of England.

21. This analysis estimates the cumulative impact of our rules for UK cryptoasset markets. We provide monetary values where it is reasonably practicable to do so. Where it is not, we provide a qualitative explanation of their impacts. This CBA is an update to our previously published cryptoasset CBAs (CP 25/14, CP 25/25, CP 25/40, CP 25/41 and CP 26/4), accounting for:

- Feedback received from responses to our consultation
- Feedback received from the FCA CBA Panel
- Minor amendments to our proposed rules
- Wider market developments

22. This CBA has the following structure:

- Drivers of Harm and Rationale for Intervention
- Our proposed intervention
- Baseline and key assumptions

- Summary of impacts
- Benefits
- Costs
- Competition assessment and wider economic impacts
- Monitoring and Evaluation

23. In addition to this analysis, we have also published a “market assessment” alongside this CBA, outlining how UK cryptoasset markets currently function in UK and global markets. This analysis can be found [here](#).

Drivers of Harm and Rationale for Intervention

Description of the harm

24. We have discussed across our previous Cryptoasset CBAs the harms we currently observe in UK markets, and the drivers of those harms. We did not receive substantial feedback on our identification of the harms in cryptoasset markets and so we believe our assessment remains valid. Harms include:

- **Unsuitable products being sold to UK consumers.** Firms may offer products which are poor quality or not appropriate to UK consumers. Our [consumer research](#) indicates 15% of UK cryptoasset owners regret their purchase of cryptoassets.
- **Limited redress.** Cryptoasset firms may not have redress mechanism to solve clients’ complaints. This can leave consumers relying on the firm to resolve any issues they experience, which may result in poor outcomes. [49% of UK consumers](#) say they would expect no recourse in the event something went wrong with their cryptoassets.
- **Limited consumer understanding of risks:** Our consumer research has highlighted many consumers do not undertake research prior to their purchase of cryptoassets and have poor awareness of financial protections that apply when engaging in cryptoasset markets. Firms may also not provide sufficient information to support adequate consumer understanding. For example, [12% of cryptoasset owners](#) currently believe they have FSCS protections for their investment.
- **Discriminatory trading practices:** Trading platforms may implement policies on their platform which bias against retail clients. This can result in harm with consumers operating in unfair markets. Analysis by NBER suggests 70% of trading on unregulated cryptoasset platforms is fake and used to distort prices⁶.
- **Poor execution quality:** Firms executing orders for retail clients in UK cryptoassets markets are not currently under any obligation to deliver good client outcomes.

6 https://www.nber.org/system/files/working_papers/w30783/w30783.pdf

Clients may unknowingly accept worse prices or unduly high costs when trading cryptoassets.

- **Mismanagement and/or inadequate safeguarding:** We have observed repeated instances of consumer harm materialising from firms' poor cryptoasset safeguarding practices. Poor internal controls and asset segregation at FTX resulted in \$9bn being owed to customers at the time of the firm's bankruptcy.
- **Conflicts of interest:** Firms often carry out multiple activities, which creates risks of conflicts of interest between the firm and its clients. Research by the SEC found \$4.8m daily additional costs to market participants due to Payment for Order Flow (PFOF) arrangements at one popular platform⁷.
- **Financial Crime:** Cryptoassets may be used for money laundering purposes. Chainalysis estimated \$154bn transfer to illicit wallet addresses using cryptoassets in 2025, with sanctions evasion being the most common category of transfer. Separately, the NCA has estimated \$1.4bn - \$5.1bn in cryptoasset money laundering via UK venues.
- **Disorderly Firm Failure:** The failure of a firm can disrupt market stability, leading to operational challenges and increased costs for those affected, hindering market development. When firms fail, consumers may suffer financial losses, loss of access to services, or loss of confidence in the financial system. Research by BIS suggests that between May and November 2022, the Cryptoasset market declined by \$450bn in value, with the median investor losing on average \$431⁸.

25. The above harms currently primarily impact individuals and firms who choose to engage in cryptoasset markets, and so their impact on the wider UK economy is limited. However, as cryptoassets have grown in popularity, the risk of harmful behaviour from firms spilling over and adversely impacting the wider UK financial services industry has increased. This is driven by several trends including:

- An overall trend of increasing cryptoasset ownership and the amount of cryptoassets owned by UK consumers since 2020.
- Greater interconnectedness between the existing financial sector and cryptoasset firms, particularly in relation to use of stablecoins.
- Use of strategic cryptoasset reserves by several publicly listed companies, which may increase their exposure to cryptoasset price shocks⁹.

26. Due to these trends, UK consumers (including those who do not own cryptoassets) are more exposed to negative shocks in cryptoasset markets than has historically been the case. This creates the risk of harmful side-effects to wider financial markets and the UK economy because of lack of regulation in cryptoasset markets.

27. Some of these harms may be mitigated by existing FCA regulation, such as our financial promotions requirements. However, we anticipate most of the harms above would continue to materialise in the absence of regulation addressing them, due to the drivers of harm, which are market failures, as discussed below.

⁷ <https://www.sec.gov/about/divisions-offices/division-economic-risk-analysis/staff-papers-analyses/how-does-payment-order-flow-influence-markets-evidence-robinhood-crypto-token-introductions>

⁸ <https://www.bis.org/publ/bisbull69.pdf>

⁹ While most of these are not UK firms, many are popular with retail investors (e.g. TSLA, GME)

Drivers of Harms

28. We believe the above harms materialise due to negative incentives and feedback loops in cryptoassets markets. The drivers of harm are market failures which include information imbalances, regulatory failures, optimism bias and other behavioural distortions:
- **Asymmetric information:** Many of the above harms materialise due to unknown, inaccurate or false market information which can lead to consumers engaging in cryptoasset markets in a way they would not have done if they had full information. Harm may also arise due to insiders trading with restricted or privileged information or through spreading disinformation. These forms of asymmetric information can disadvantage consumers to the benefit of firms.
 - **Concentration risk and misaligned incentives:** While consumers would benefit from a more transparent and risk-mitigating approach, firms may face weak incentives to do so, as it would likely increase their costs. Cryptoasset consumers exhibit evidence of herding behaviour by relying heavily on advice from peers. This has resulted in demand concentrated in key products and firms, creating weak competitive pressures for firms to prevent consumers experiencing harm.
 - **Behavioural biases:** Cryptoasset prices have risen significantly in recent years, and this appreciation has led to a “fear of missing out (FOMO)” within the sector. This has resulted in a strong culture of optimism in the sector, with recent asset price rises resulting in many consumers concluding that prices will continue to rise. Our consumer research indicates 22% of UK cryptoasset consumers consider themselves “risk averse”, despite owning cryptoassets which are explicitly classified as high-risk investment.
 - **Regulatory failures:** Many activities that are restricted in traditional financial markets, are permitted when conducted within the cryptoasset market. These activities can include individuals or firms engaging in insider dealing, providing false information, or other forms of market abuse.
 - **Externalities:** Fiat-referenced stablecoins are widely used within the cryptoasset sector and play a critical role as safe, risk-free assets. The failure of a prominent fiat-referenced stablecoin due to inadequate controls or backing assets could have significant effect on the cryptoasset market, leading to contagion and system failure, potentially impacting other consumers of cryptoasset products.
29. While global regulation of cryptoassets may partially mitigate some of these failures, in the absence of our rules, these harms would likely to continue to materialise and negatively impact UK consumers and firms.

Our Intervention

30. Our rationale for intervention and overall regulatory approach remains consistent with what we have set out in our previously published CBAs. Our rules for cryptoasset markets have been designed to align with our operational and strategic objectives, with a view to mitigate the risks cryptoasset firms may present. These are:

- a. Protecting Consumers
- b. Enhancing Market Integrity
- c. Promoting Competition

31. Our rules will achieve these objectives through reducing risk factors which drive harm, while encouraging innovation in UK financial services markets. These outcomes reflect the distinct risk profile of cryptoassets relative to traditional financial products, particularly the need for clearer risk communication, stronger operational safeguards, and proportionate conduct standards in less mature markets. Our rules also advance our Secondary International Competitiveness and Growth Objective, through creating a well-functioning cryptoasset market.

Intended outcomes

32. The outcomes we are seeking to achieve include:

- **Consumers being appropriately informed** of risks before investing in cryptoassets and using services.
- **Products which offer fair value**, are accessible, meet consumer needs and are sold fairly.
- **Cryptoassets used within our regime are not attractive financial crime including** fraud, money laundering, terrorist and proliferation financing or any other criminal activities.
- **Fair and transparent conditions for trades** executed for, or on behalf of, a client. Orders are executed in a way that serves the best interest of clients and adequately recorded.
- **The international competitiveness of the economy** of the UK is supported, as well as its growth in the medium to long term through firms encouraged to set up in the UK to offer cryptoasset products and services, and productivity improvements as a result of firms' adoption of new technology (DLT) increasing financial market efficiencies.
- **Well-run firms with appropriate standards** and sufficient resources, subject to clear proportionate standards we can supervise effectively.

Our rules

33. Our intervention is based on amendments to the Regulated Activity Order (RAO) expanding the scope of the FCA's perimeter to include additional regulated activities. This will bring the following activities within our regulatory remit:

1. Issuing a qualifying stablecoin
2. Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets
3. Operating a qualifying cryptoasset trading platform

4. Dealing as Principal or Agent in qualifying cryptoasset (Intermediation)
 5. Arranging qualifying cryptoasset staking
 6. Arranging deals in qualifying cryptoassets (Intermediation), including cryptoasset lending and borrowing
34. Firms will also need to comply with our prudential requirements, as specified through our new sourcebooks, CRYPTOPRU and COREPRU. These will minimise harms associated with disorderly firm failure by ensuring firms hold sufficient high-quality capital and liquid assets to continue operating their business and meet their liabilities.
35. HMT legislation has also introduced a **Market Abuse Regime for Cryptoassets** within the UK. Market participants will be required to comply with our MARC rules, which will include the monitoring of on-chain data, cross-platform information sharing of suspected market abuse and disclosure responsibilities for inside information
36. In addition, our rules will establish an **Admissions and Disclosures (A&D)** regime for Cryptoassets. These are a set out the requirements for market participants admitting tokens to UK regulated trading platforms, including providing cryptoasset disclosure documents (QCDD) and due diligence.
37. Furthermore, our intervention will apply existing FCA cross-cutting sourcebooks to firms carrying out regulated cryptoasset activities, as set out in [PS 26/13](#).
38. Our rules affect cryptoasset firms outside the UK if they have UK consumers. We have consulted on publishing perimeter guidance to support firms in understanding how our rules apply ([CP 26/13](#)). We have also consulted on location guidance for firms in [CP 26/4](#).

Rebalancing risk through our intervention

39. In identifying how our rules can support both FCA strategic and operational objectives, we considered our approach from a perspective of **“rebalancing risk”**. This approach recognises the important role risk-taking plays in driving innovation and delivering benefits for consumers in financial services markets, whilst also reducing harm where needed. In “rebalancing risk” we look to assess the relationship between the benefits being sought and the potential harm that could be caused in pursuing these benefits. This approach is not about accepting harm, but rather about ensuring we make balanced, risk-informed decisions that reflect the real-world complexity of dynamic markets, and allow us to be a smarter, more adaptive regulator.
40. As outlined in our drivers of harm section, risks in cryptoassets currently disproportionately fall on consumers who choose to engage with cryptoasset markets, where risks are currently more directly borne by consumers than in traditional finance. Our rules rebalance this risk distribution to place more of the risk burden on firms, in order to improve their incentives to act in consumers best interest. For example, our prudential requirements set a minimum “skin in the game” for firms, and expose firms to costs associated with poor firm management or excessive risk taking.

- 41.** At the same time, our rules will not completely reduce risk to consumers who choose to engage in cryptoasset markets. While our rules reduce their risks from poor firm behaviour, they will not protect from wider cryptoasset market developments or fluctuations in cryptoasset prices.
- 42.** While we expect applying our approach will significantly reduce the harms, we anticipate some harms will continue to occur, but that such harms will not be widespread or create systemic risk. In addition, we believe accepting that some harms will continue is necessary to ensuring our regulation is proportionate to firms and providing opportunities for growth which benefit consumers, financial markets and the wider economy. This has informed our overall interventions and consideration of a range of regulatory approaches, as discussed previously.

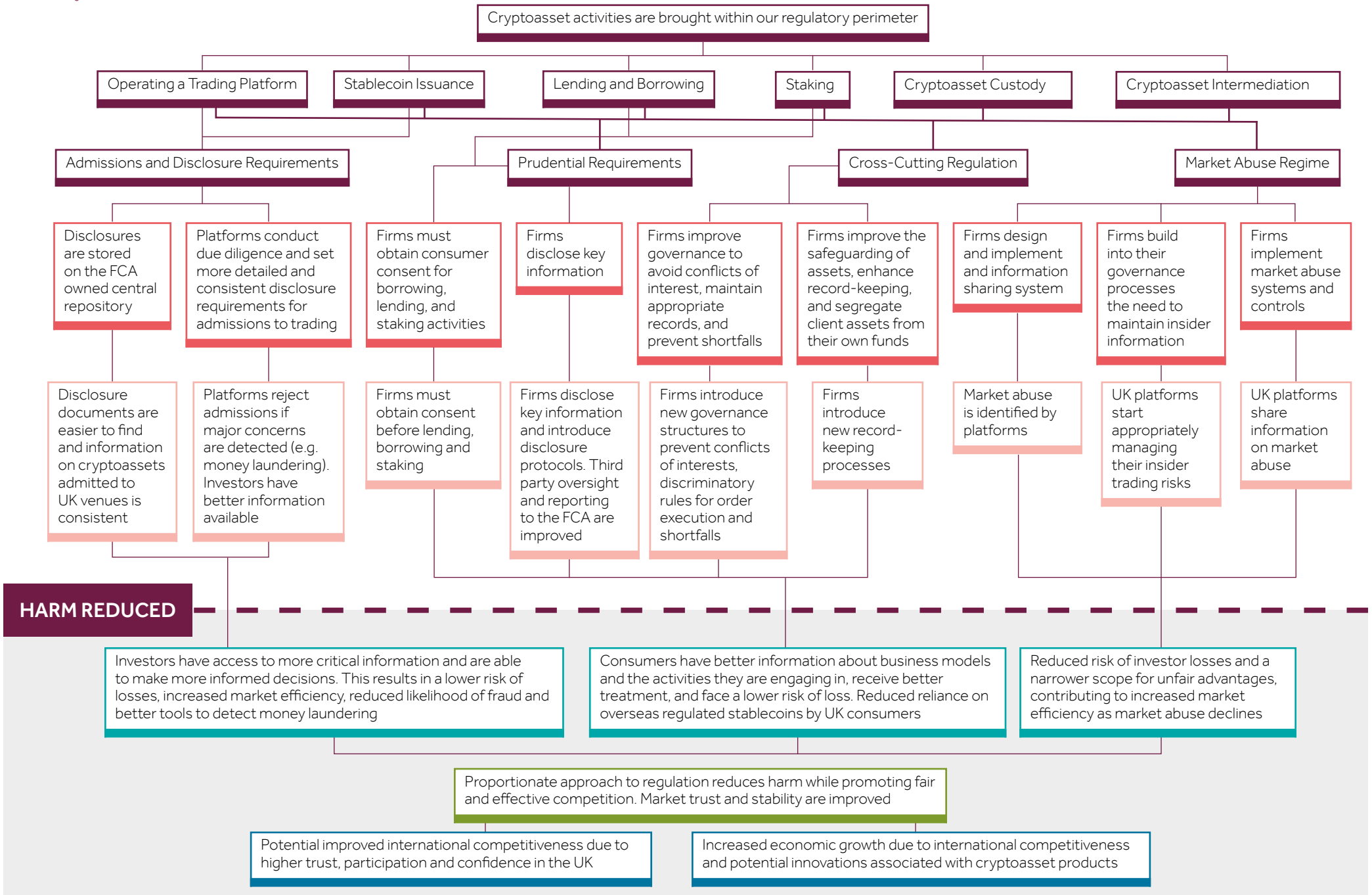
Addressing market failures through the proposed intervention

- 43.** Our intervention is intended to address the market failures present in UK cryptoasset markets. These market failures, which drive the harms we observe can be substantially mitigated through creating clear standards authorised firms must follow when operating within UK markets. How we anticipate this specific intervention will address the identified market failures is outlined below.

Market Failure	Addressed by our rules
<i>Asymmetric Information</i>	<ul style="list-style-type: none"> • Disclosure of relationships • Appropriate communications • Publication of pre and post-trade data • Non-discretionary matching rules for trading platforms
<i>Concentration risk and Misaligned Incentives</i>	<ul style="list-style-type: none"> • Mandatory segregation of client assets • Best execution policies • Restrictions on Payment for Order Flow • Restrictions on reuse of collateral in borrowing
<i>Behavioural Biases</i>	<ul style="list-style-type: none"> • Better access to information • Client categorisation requirements • Additional appropriateness assessments for certain activities
<i>Regulatory Failures</i>	<ul style="list-style-type: none"> • Improved regulatory clarity, including processes for admitting and rejecting admission of tokens to trading platforms • Prohibition on insider dealing, unlawful disclosure of inside information and market manipulation
<i>Externalities</i>	<ul style="list-style-type: none"> • Prudential rules which reduce systemic risk from firm failures

Causal chains

- 44.** Our causal chain demonstrates how we expect our regulatory intervention results in changes in the market which have knock-on effects which ultimately result in reduced harm for consumers. Nodes within the chain have been informed by relevant academic literature and our understanding of consumers, firms and markets that we have established through our surveys, behavioural experiments and industry engagement.
- 45.** Our key assumptions are:
- Introducing regulation provides greater clarity and regulatory certainty to firms, which results in increased market entry and engagement.
 - Market participants change their behaviour as a result of our intervention, including adjusting business models in line with our proposed requirements.
 - Consumers respond to increased regulation by increasing demand for cryptoasset products. Higher demand, combined with regulatory clarity to market participants, results in market entry, which promotes competition and innovation in the market.
 - Standards and governance rules create strong incentives for market participants to minimise fraud and scams on their platforms, while also helping to reduce money laundering in the UK.
 - Prudential requirements reduce likelihood of firm failure and further ensure that when firms fail, they do so in an orderly manner and have enough liquidity to meet ongoing obligations as they fall due, with minimal implications for market integrity or loss of client cryptoassets.
 - Consumers use disclosures to make more informed decisions when engaging in cryptoasset markets



Our Analytical Approach

46. In feedback to our published CBAs, we did not receive challenge to our analytical methodology and so our overall approach remains consistent with the approach we have set out previously.
47. We assess the impacts of our rules against a baseline, or 'counterfactual' scenario, which describes what we expect will happen in cryptoasset markets in the absence of our intervention. We compare a 'future' under our rules, with an alternative 'future' without our rules.
48. We consider the impact of our rules over a 10-year period with costs and benefits occurring from the time of implementation (2027). When estimating net present value of costs and benefits, we use a 3.5% discount rate as per Treasury's Green Book. Prices are provided in 2026 figures.
49. We consider the assumptions below as comprising our "central scenario" as they represent our best estimate of the likely costs and benefits, we expect to materialise from our proposals.

Data Sources

Surveys and engagement with market participants

50. To support estimating the costs and benefits of our rules, we sent surveys to firms we identified as potentially being in scope of our cryptoasset regime. In total, we received 90 responses from firms, who provided detailed costs estimates for complying with our rules. Firms who provided responses represent a significant share of firms we expect to be impacted by our rules and included responses from both larger and smaller firms.
51. In addition to conducting surveys, we have also engaged with market participants through our discussion and consultation papers. We have used feedback from firms on our previous CBAs to inform our assumptions within our analysis below.

Consumer data

52. Since 2019, the FCA has published a regular series of cryptoasset research notes based on survey data of UK cryptoasset consumers, with our most recent report published in December 2025. We use this survey data for understanding the current market, and how demand for products could change following regulation.
53. In December 2025, we published a research note outlining a behavioural experiment on consumer attitudes towards cryptoassets regulation. This research strengthens our understanding of the baseline, the behavioural biases of consumers and the likely demand-side response to our proposed intervention.

Market Data

- 54.** We use publicly available data sources to estimate prices and market capitalisation of popularly traded cryptoassets and stablecoins. These are primarily utilised for estimating prudential requirements for custodians and stablecoins issuers, in addition to our benefits estimation as outlined below.

Counterfactual

Baseline for current UK cryptoasset market

- 55.** We constructed this baseline by looking at evidence of the current cryptoasset market and extending this into the future. In the table below we provide the quantitative assumptions we have made in modelling the do-nothing counterfactual. We describe how we expect the do-nothing counterfactual would develop in the 'Counterfactual' section below.
- 56.** The cryptoasset market has evolved rapidly in recent years, more than doubling in size between 2020 and 2025. To account for this, we assume a counterfactual, where the market continues to grow (although with a lower ceiling than in our intervention).

Assumption	Current estimate	Estimate at end of appraisal period
UK Crypto ownership rate	8%	10%
Average UK Crypto Portfolio	£2,250	£2,250
Average Annual Custody Loss	0.7%	0.7%
Average loss to cryptoasset fraud/ scam crime	£1,000	£1,000
Annual cryptoasset fraud/ scam volume	17,000	17,000

- 57.** We assume that absent our proposed intervention, the harm we outlined earlier in this document will continue to the same frequency over the next 10 years.

Key Assumptions

- 58.** In order to estimate the impact of our proposed rules, we require assumptions for our analysis. These assumptions are based on our understanding of UK and global cryptoasset markets, but are subject to uncertainty, due to the novel and fast-evolving nature of cryptoassets.
- 59.** We assume full compliance with new rules by firms. In addition, we assume regulatory clarity results in increased entry by firms to UK cryptoasset markets.

Assumptions on number of firms affected.

60. We anticipate that firms of different sizes will incur different costs. Populations are based on survey responses in addition to our review of cryptoasset firms currently registered with the FCA and which may seek authorisation in the future⁶. Our population represents our estimate of how firms will be subject to the FCA's cryptoasset regime and is subject to significant uncertainty. Firms are classified by size as set out in our CBA Statement of Policy.
61. We assume that all firms will either seek authorisation as a Stablecoin Issuer, Custodian, Trading Platform or an Intermediary. We assume all trading platforms also operating as Cryptoasset Custodians. For Lending and Borrowing and Staking, we assume any firms conducting these activities are authorised as either a trading platform or intermediary firm. This is primarily intended to estimate prudential requirements for these firms.

Figure 1 – estimated firm population

	Small	Medium	Large	Total
Stablecoin Issuer	20	5	0	25
Trading Platform	0	7	3	10
Intermediaries	220	65	5	290
Total	240	77	8	325
Additional Activities				
Lending and Borrowing	0	5	10	15
Cryptoasset Custody	0	57	3	60
Staking	0	50	10	60

62. We assume larger firms will enter the market immediately, to avoid disruption to their current business operations. We assume most other firms will enter the regulated UK cryptoasset market gradually as they become familiar with our rules and requirements.
63. In estimating our firm population, we have considered utilised our perimeter guidance set out in CP 26/13 in assessing firms likely in scope of our rules.

Assumptions on Consumers

64. Following our intervention, we assume demand for cryptoassets increases. As outlined in our consumer research, a significant share (9%) of non-crypto owners indicate they would be more likely to purchase cryptoassets if it had regulatory protections. We assume these individuals enter the UK cryptoasset market after our cryptoasset regulatory regime has been established.
65. The type of users may change due to our intervention, with survey results indicating women and younger consumers more likely to invest in cryptoassets if regulatory protections are introduced. We assume any new users in the market hold similar portfolios as existing users, in both our proposed option and counterfactual.

Further assumptions

- 66.** Our survey data indicates most cryptoasset firms used by UK consumers are based internationally. Given uncertainty as to when international regimes will introduce regulation, we assume standards introduced internationally will not apply similar levels of protection for UK consumers as our proposed intervention.
- 67.** We also make the following assumptions:
- Benefits result from imposing new requirements to firms within the FCA's regulatory perimeter and not what other jurisdictions impose elsewhere.
 - The overall regulatory treatment of issuers of market participants aligns with IOSCO recommendations and jurisdictions (e.g. EU, Singapore) in the long-term. Therefore, the risks related to regulatory arbitrage are low.
 - Cryptoasset safeguarding failures in our appraisal period follow the trends in previous years
 - We assume 50% of authorised cryptoasset firms are currently authorised FSMA firms, and as a result incur lower familiarisation costs associated with FCA handbook rules
- 68.** And use the following terms:
- Unless stated otherwise, all references to 'average' are the mean average.
 - All price estimates are nominal in 2026 prices.
- 69.** We note that the per-participant estimates we set out in this CBA have been generated to increase the robustness of industry-level estimates. For the avoidance of doubt, individual firms may in practice bear costs greater or lower than the per-participant averages used to estimate overall costs to the industry. This will depend, among other things, on the participants' individual size, makeup, and current practices. Participants should consider our proposals in relation to their specific operation and provide feedback on this basis, supported by evidence where they believe costs differ.

Summary of Impacts

- 70.** This section aggregates benefits and costs associated with our intervention, the net present value (NPV) over the appraisal period and the net direct cost to firms. The benefits and costs include those incurred by firms, consumers, the FCA and wider society. Some costs and benefits are direct, others are indirect. Direct impacts are unavoidable whilst indirect impacts depend on how consumers and firms respond. Costs and benefits will be both one-off, and ongoing.
- 71.** The key expected benefits are:
- Consumers who engage in cryptoasset activities receiving regulatory protections, reducing their risk of harm.

- Increased opportunities for firms and consumers to use stablecoins, resulting in lower fees for payments and cross-border transfers¹⁰.
- Reduced fraud and scams using cryptoassets
- Reduction in money laundering
- A clearer regulatory framework for firms.

72. The key expected costs are:

- Firm familiarisation costs (including legal advice)
- Compliance costs to firms, including IT and personnel costs, which will be both one-off implementation and ongoing costs for firms to comply with the new requirements.
- Changes to business models because of our regulations.
- Authorisation and supervisory costs for the FCA to ensure new and existing firms meet the requirements.
- Reduced consumer investment in existing regulated financial products, due to substitution toward cryptoassets.

73. A summary of our expected costs and benefits, in our central scenario, is set out in the table below:

¹⁰ While stablecoins may be able to deliver significant future benefits, as discussed in CP 25/14, our CBA only captures the marginal impact of our rules

Total Impacts (10-year Present Value (PV))

Group Affected	Impact category	Rules	PV Benefits	PV Costs
Firms	<i>Activity Specific Rules (Including prudential requirements)</i>	<i>Stablecoin Issuers</i>	-	£17m
		<i>Cryptoasset Custodians</i>	-	£315m
		<i>Trading Platforms</i>	-	£84m
		<i>Intermediaries¹¹</i>		£355m
		<i>Lending and Borrowing¹²</i>		£85m
		<i>Staking</i>		£85m
	<i>FCA Handbook rules</i>	<i>SYSC (SM&CR, OP Res, Fin Crime)</i>		£66m
		<i>Consumer Duty</i>		£28m
		<i>Redress and Dispute Resolution</i>		£10m
		<i>Training and Competence</i>		£17m
		<i>COBs</i>		£2m
		<i>PRIN</i>		£1m
	<i>Further Requirements</i>	<i>Market Abuse Regime</i>		£190m
		<i>Admissions and Disclosures</i>		£40m
		<i>Regulatory Reporting</i>		£25m
	<i>Benefits to firms</i>	<i>Regulatory Clarity</i>	Reduced operational uncertainty and risk aversion from wider financial sector, and increased investment opportunities	
		<i>Increased Consumer Demand</i>	3-4m additional UK customers	25

11 We group firms dealing as a principal or agent in qualifying cryptoassets, and arranging deals in qualifying cryptoassets together as "Intermediaries"

12 Note that "Lending and Borrowing" refers to a business model rather than activity. Firms providing these services in our regime will require authorisation for "Dealing as a Principal" or "Dealing as an Agent".

Group Affected	Impact category	Rules	PV Benefits	PV Costs
Consumers	Overall Regime	Consumer value from improved regulatory protections	£735m	-
		Reduced Fraud and scams	£138m	
	Rules for Cryptoasset Custodians (PS 26/AA)	Reduced Custody losses	£545m	
	Rules for Stablecoin Issuers (PS 26/BB)	Reduced Cross-Border transfer fees	£11m	
		Reduced retail payment fees	£10m	
FCA	Overall regime	Regime implementation, supervision and enforcement		Ongoing supervision and monitoring costs
Wider Economy		Applying MLR and Financial Crime rules to firms operating in UK cryptoasset markets	Reduction in money laundering in the UK	
Total impacts			£1,435m	£1,315m
Net Impact				+£120m

74. The Estimated Annual Net Direct Cost to Business (EANDCB) from our proposals, affecting qualifying cryptoasset firms is set out in the table below.

Total (Present Value) Net Direct Cost to Business (10 yrs) EANDCB	Annual Total (Present Value) Net Direct Cost to Business EANDCB
£1,325m	£126m

Benefits

75. In this section, we outline the benefits we expect to materialise from regulating cryptoasset markets. Our benefits include both quantified and qualitative estimates, which we anticipate will accrue to both consumers and firms.
76. In feedback we received from firms to our CPs, firms challenged our assumption that benefits associated with stablecoins used for retail payments would be unlikely to occur

as a result of the marginal impact of our rules. We recognise that the stablecoins market has developed significantly in the past 18 months and so have chosen to update our analysis to reflect our expectation of a moderate uptake in stablecoins being used for retail payments over our appraisal period.

77. All other benefits remain consistent with our analysis previously published.

Benefits to Consumers

Improved regulatory protections (as assessed in [CP25/40](#))

78. Most consumers who currently engage in cryptoasset markets would welcome additional regulatory protections. Through our qualitative consumer interviews, we have identified that many of these consumers have concerns relating to the lack of regulatory protections in place, which can adversely affect them through stress or anxiety relating to their investment.
79. Our rules will provide significant value to these consumers currently engaging in cryptoasset markets, through increasing their regulatory protections, reducing discriminatory trading and making firms more responsible for ensuring they receive good outcomes.
80. To estimate the value consumers assign to regulatory protections, we conducted a behavioural experiment, as discussed in our research annex. On average, across our treatment groups, consumers invested **13% more** into cryptoassets when they were told it was regulated relative to the control group. We use this treatment effect as a measure of the value consumers associate with cryptoasset platforms they engage with being regulated, as a result of the protections and rules in place.

Table 4: Estimated benefits from improved regulatory protections

Variable	Value	Source
Number of UK Cryptoasset Consumers	5m (August 2025)	Cryptoasset Consumer Research (Wave 6)
UK consumers who access cryptoasset via Trading Platform or Intermediary (and will be impacted by our proposed rules)	4.5m (90%)	Cryptoasset Consumer Research (Wave 6)
Average portfolio size of this group	£2,450	Cryptoasset Consumer Research (Wave 6)
UK Consumers who say they would be unhappy due to lack of cryptoasset regulatory protections	2.1m (46%)	Cryptoasset Consumer Research (Wave 6)
Average treatment effect per consumer portfolio	+£320 (13%)	FCA Behavioural Research

Variable	Value	Source
Aggregate value associated with our rules from cryptoasset consumers who would like cryptoasset markets to be regulated	+£735m	FCA Estimate

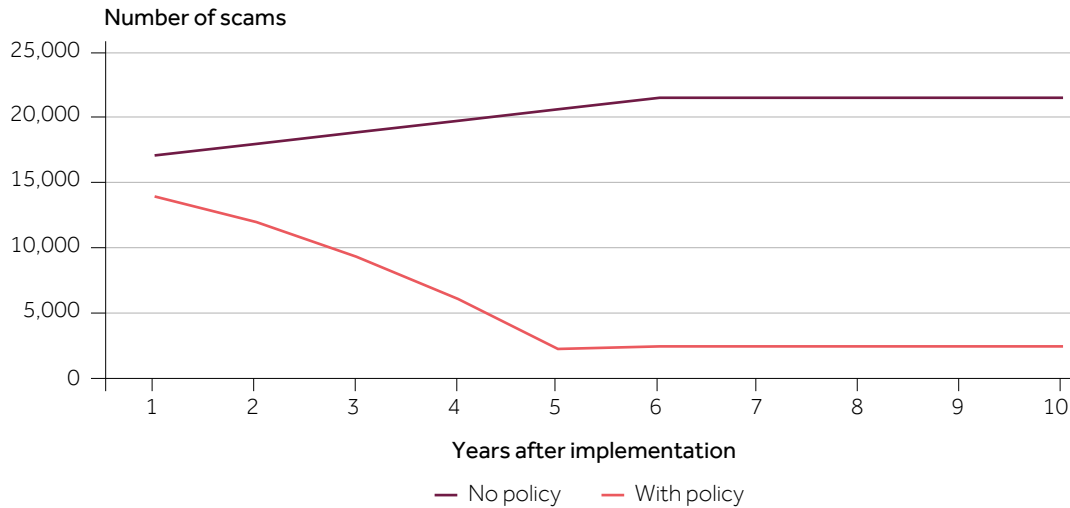
- 81.** We anticipate these benefits will be one-off and direct to existing consumers of cryptoasset products. While the actual funds use to purchase more cryptoasset products may be transferred from other household expenditure, our benefits estimation reflects consumers being more comfortable engaging with UK cryptoasset markets as a result of increased regulatory protections. We expect these benefits will materialise to consumers through our rules providing consumers with better information on products, and more support from firms in terms of redress, better pricing and avoiding hidden fees. The value of this benefit is limited to existing consumers of cryptoassets products, and only those who indicated via our consumer surveys that they would welcome additional regulatory protections.
- 82.** We recognise uncertainty in relation to how consumers will value improved regulatory protections from our rules. To account for this, we have conducted sensitivity analysis in our "Risks and Uncertainty" section below indicating the average value existing UK consumers would need to assign to improved regulatory protections in order for our rules to be net beneficial.

Reduced frauds and scams (as assessed in [CP25/25](#))

- 83.** Financial crime creates significant damage to society, though undermining market integrity and reducing consumers' and market participants' confidence and reducing it will result in significant society-wide benefits. Action Fraud data indicates an estimated 17,000 crypto-related scams in 2024¹³. Using survey and market data, we estimate an average loss of £1,000 per cryptoasset fraud/ scam
- 84.** We assume that the number of cryptoasset scams will gradually reduce following the implantation of our rules before reaching an equilibrium level. Our analysis assumes frauds and scams involving cryptoassets will be significantly reduced but not mitigated entirely.

¹³ FLS survey data suggests 300,000 adults affected by cryptoasset scams in 2024. Not all scams will be reported (of all instances of fraud/ scams, FLS data suggests only 13% reported to Action Fraud).

Figure 2 – Anticipated number of cryptoasset scams with/ without our intervention



- 85.** We estimate benefits of **£130m** NPV from a reduction in scams as result of our intervention, with an average annual undiscounted benefit of £16m under our new regime. We anticipate these benefits will be ongoing and both direct to cryptoasset consumers, and indirect to non-cryptoasset owners.

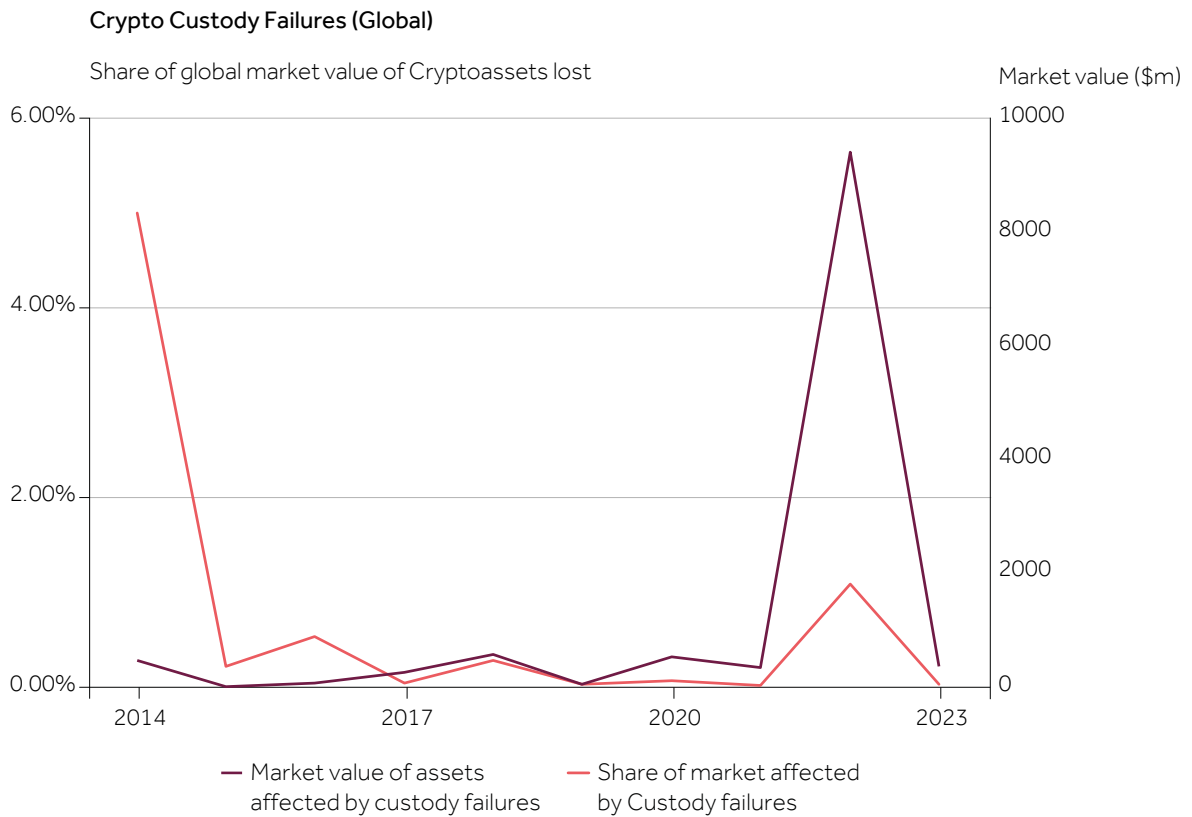
Reduced Money Laundering

- 86.** We anticipate our rules will significantly impact the ability of criminal actors to use cryptoasset for money laundering purposes when engaging via UK venues. The NCA has estimated that cryptoasset money laundering in the UK ranged between \$1.4bn and \$5.1bn in 2025.
- 87.** Due to challenges and uncertainty in identifying how much our rules will reduce money laundering flows (and whether there will be displacement), we have not quantitatively estimated the benefit of our rules. However, we anticipate this will be significant, and have provided an illustrative assessment in our breakeven analysis below indicating the potential impact our rules may have.

Improved Safeguarding of client cryptoassets (as assessed in CP25/14)

- 88.** Over our appraisal period, we expect significantly fewer cryptoassets held by UK consumers at custodians to be lost due to inadequate safeguarding than would be the case absent our intervention. The benefit consumers receive is the avoided losses they would incur if our safeguarding regime were not in place, reflecting that client assets are more likely to be returned as whole and as quickly as possible in the event of firm failure.
- 89.** To estimate the scale of avoided loss, we reviewed global cryptoasset custodian failures of cryptoassets over the period Q1 2014 – Q4 2023. Our analysis suggests that poor organisational arrangements and hacks are the most frequent reason for harm associated with custody failures. Across the period measured, an average of 0.7% of the market value of cryptoassets were lost due to custody failures within a year.

Figure 3 – Cryptoasset losses due to custody failures



Source: FCA Review of cryptoasset custody failures

- 90.** We assume our safeguarding rules reduce 60% of the losses consumers experience due to failures, as a result of better standards and safeguarding of client cryptoassets in compliance with our proposed rules. This estimate is based on our assessment of the causes of custody failures and a recognition that custody failures do not always result in significant losses to consumers. However, there remains a degree of uncertainty around this estimate.
- 91.** Our estimated benefits to consumers are £60m per year in avoided losses, with a PV of **£545m** over the course of our appraisal period. These avoided losses are the market value of cryptoassets UK consumers would have lost access to, in the absence of our safeguarding regime. There will be additional benefits we have not quantified, including improved mental wellbeing for UK consumers, in addition to higher levels of trust and confidence in UK cryptoasset market.
- 92.** We anticipate these benefits will be ongoing and direct to cryptoasset consumers who utilise custodial solutions.

Reduced Cross Border Transfer fees (as assessed in CP25/14)

- 93.** Stablecoins will allow UK consumers to benefit from increased opportunities for sending money, at potentially lower cost. An emerging application for stablecoins is in

remittances which are transfers that typically involve consumers sending small amounts overseas on a regular basis. The market for such cross-border transactions is dominated by two firms and fees are considered high¹⁴.

- 94.** To estimate the potential impact of regulated stablecoins for cross-border payments, we identify the potential reduction in fees paid by UK consumers for remittances. We assume that by the end of our appraisal period, 1.3% of UK remittances (both originating and receiving) are sent through regulated stablecoins, based on the share observed within the South American markets, where use of stablecoins for cross-border payments is common.
- 95.** Analysing market data, estimated fees when using regulated stablecoins for remittances are 3%, compared to 7.12% for non-stablecoin methods. This results in an estimated fee reduction of £5.1m, and assuming the benefit is split equally between those receiving and sending, **£2.5m** in reduced fees to UK consumers. Assuming this benefit of reduced fees occurs each year, scaled by our population of firms, this results in a **PV benefit of £11.4m** over our appraisal period in reduced fees paid for cross-border transactions due to use of regulated stablecoins.
- 96.** We anticipate these benefits will be ongoing and direct to cryptoasset consumers, and also indirect to non-cryptoasset consumers (who will benefit from increased competition driving down fees in cross-border payments).

Stablecoins used for retail payments (new for this CBA)

- 97.** By reducing reliance on intermediaries, stablecoins may be able to provide alternative payment services at lower cost, which may subsequently increase competition with existing payment providers such as card schemes. We expect any benefits of stablecoins used for retail payments to be initially accrued by merchants in the form of reduced costs, who may subsequently pass on savings to consumers through lower prices.
- 98.** While our proposed intervention will create use case for regulated stablecoins, it will not change the PSR/EMRs, meaning some regulatory uncertainty on the use of stablecoins for payments will remain. As such, when estimating the marginal impact of our proposed rules, we assume only a small share of UK adults will use stablecoins for retail payments.
- 99.** To estimate benefits relating to stablecoins for retail payments, we make the following assumptions:
- Based on market data, stablecoins result in 1% lower fees for retail payments relative to cards, which is captured between merchants and consumers.
 - 2% of UK adults indicate they own stablecoins in our survey data. Of these, 31% indicated they bought stablecoins to use as a means of payment, equivalent to around 350,000 individuals.
 - We assume that stablecoins will remain a niche use case for individuals using them, and that an average will be used for 10 payments per person per year. This is

14 One UNSDG aims for remittance fees to be below 3% by 2030 (compared to 7% average now)

significantly fewer payments than consumers use making credit or debit cards per year, and reflects limited current merchant acceptance.

- We assume stablecoin payments displace online payment alternatives, with the average spend being £65

100. Based on these assumptions, we estimate PV benefits of **£10.1m** over our appraisal period, spread across firms and consumers. We believe this represents a conservative estimate, as we have intentionally assumed a low uptake and frequency of payments made using stablecoins due to the uncertainty in how this market will develop.

101. We anticipate these benefits will be ongoing and indirect to merchants and UK consumers, who will benefit from lower prices, due to reduced fees.

Fewer fraudulent tokens admitted to UK platforms (as assessed in CP25/41)

102. Our baseline level of annual harm accruing to UK consumers as a result of scam tokens on centralised exchanges is estimated to at £0.8m annually. We anticipate our intervention will increase the number of consumers participating in the market we also increase the potential for harm among them. As such, we adjust our baseline level of harm to account for a greater number of participants in the market to £1.2m per year.

103. We assume our intervention will result in a 80% reduction in fraudulent tokens admitted to UK venues. This reflects our assessment of the impact of our rules, while recognising some harms will likely continue. This results in an annualised benefit of £0.9m, with a PV of **£8.3m** over the course of our appraisal period.

104. We anticipate these benefits to be ongoing and direct to UK consumers.

Benefits to Firms

105. We expect our new regime to have additional benefits for firms. While we do not quantify these, we anticipate they will have a monetary value, through allowing for improved firm efficiency and decision-making. These benefits include:

- **Enhanced regulatory clarity:** Our intervention will clarify standards, provide guidance, and reduce speculation over future regulatory actions, leading to lower uncertainty.
- **Reduced risk aversion from wider financial sector:** By applying Handbook rules to cryptoasset firms, we expect our regulation will enhance credibility within the UK cryptoasset market. This may increase engagement with non-cryptoasset firms and alleviate challenges some cryptoasset firms have raised in accessing banking services.
- **Greater consumer trust, entry of new consumers:** Our requirements will increase consumer confidence in firms, potentially leading to higher demand for cryptoasset products. This will result in increased revenue for UK cryptoasset firms from fees, as existing consumers increase their holdings, and new customers enter the market. This may further increase the competitiveness of UK markets relative to unregulated jurisdictions.

Costs

Cost to firms

- 106.** Costs will be both one-off and ongoing (which firms will incur in order to be compliant with our rules). As noted previously, the cost estimates below are subject to reporting inaccuracies and small sample size bias of our survey data.
- 107.** In feedback we received from firms, a common theme was the expectation that familiarisation costs would be higher than we had assessed in our CBAs. We have updated our assumptions to account for an assumed higher cost of familiarisation to firms. Total costs have also been updated to reflect a revised estimated firm population. We have also amended certain costs to account for minor changes to our final rules, as discussed in our relevant Policy Statements
- 108.** All other cost estimates remain consistent with the approach we set out in our previously published CBAs, in nominal prices.

Costs to Custodians (as assessed in CP25/14, CP25/25, and CP26/4)

- 109.** Authorised custodians will incur costs associated with segregating client assets and ensuring they have appropriate organisational frameworks in place to comply with our rules. Costs associated with introduced and applying our rules for custodians are outlined in the table below.

Table 5: Costs to Cryptoasset Custodians

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation with new rules</i>	£11k	£660k	£0	£0	£0.7m
<i>Segregation of Client Assets</i>	£405k	£24.3m	£235k	£14.1m	£102m
<i>Providing Client Statements</i>	£11k	£640k	£14k	£840k	£5.3m
<i>CASS Oversight Officer</i>	£43k	£2.6m	£85k	£5.1m	£30.7m
<i>Appointing an external auditor</i>	£11k	£660k	£31k	£1.7m	£10.9m

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Organisational Arrangements</i>	£64k	£3.8m	£180k	£10.8m	£63.4m
<i>Prudential Requirements</i>	£1,300k	£77.2m	£77k	£4.6m	£103.5m
Total Costs	£1.8m	£110m	£0.6m	£37.3m	£315m

Cost to Issuers of qualifying stablecoins (as assessed in CP25/14)

- 110.** Qualifying Stablecoin Issuers will need to comply with the specific requirements of our regime and will incur both one-off and ongoing costs as a result. Currently there is only one fiat-referenced stablecoin issuer located in the UK, and so for most firms all costs below are elective and assume that due to our intervention reducing regulatory uncertainty, stablecoin issuers establish within the UK.
- 111.** In the below table, we aggregate the estimated costs of all our regulated stablecoin issuance requirements for firms that will establish in the UK once we introduce our proposed regime.

Table 6: Costs to Stablecoin Issuers

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation with new rules</i>	£50k	£1,250k	£0	£0	£1.2m
<i>Managing of the Backing asset pool</i>	£10k	£0k	£23k	£0.6m	£2.5m
<i>Providing redemptions by next business day</i>	£67k	£1,660k	£14k	£0.2m	£3.2m
<i>Prudential Requirements</i>	£347k	£8.7m	£22k	£0.6m	£10.3m
Total Costs	£0.5m	£11.9m	£0.1m	£1.5m	£17m

Costs associated with Operating a trading platform (as assessed in CP25/40)

- 112.** Trading platforms are the most popular way for UK consumers to access cryptoasset markets. Our intervention will continue to permit direct retail access, while introducing protections for consumers. Firms will need to establish a UK branch, ensure they appropriately manage conflicts of interest and also provide post-trade transparency. Costs associated with introducing and applying our rules for trading platforms are outlined in the table below:

Table 7: Costs to Cryptoasset Trading Platforms

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation</i>	£10k	£0.1m	£0	£0	£0.1m
<i>Establishing a UK Branch (or subsidiary)</i>	£1.1m	£3.3m	£1.4m	£4.2m	£38.1m
<i>Complying with Intermediary principles</i>	£56k	£0.6m	£45k	£0.6m	£4.3m
<i>Identifying market makers and non-discrimination of retail trades</i>	£76k	£0.8m	£60k	£0.7m	£5.4m
<i>Managing conflicts of interest (including self-issued tokens)</i>	£125k	£1.2m	£60k	£0.6m	£6.3m
<i>Restrict credit lines to clients</i>	£26k	£0.3m	£20k	£0.2m	£1.9m
<i>Providing pre and post trade transparency</i>	£55k	£0.6m	£45k	£0.3m	£4.3m
<i>Recordkeeping</i>	£35k	£0.3m	£45k	£0.4m	£4.1m
<i>Prudential Requirements</i>	£0.3m	£3.0m	£194k	£1.6m	£19.2m
Total Costs	£1.9m	£8.5m	£2.0m	£9.1m	£84m

Costs associated with Cryptoasset Intermediation (as assessed in CP25/40)

- 113.** Intermediaries are the second most common way for UK consumers to access cryptoasset markets. Our rules will require firms to treat consumers fairly and not discriminate against them when handling orders. Costs associated with introduced and applying our proposed rules for cryptoasset intermediaries authorised within our regime are outlined in the table below:

Table 8: Costs to Cryptoasset Intermediaries

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation</i>	£3k	£0.9m	-	-	£0.9m
<i>Order Execution requirements</i>	£31k	£3.7m	£29k	£3.1m	£23.2m
<i>Preventing conflicts of interest</i>	£25k	£7.2m	£17k	£4.9m	£28.3m
<i>Restricting payments for Order Flow</i>	£45k	£5.2m	£35k	£4.1m	£28.5m
<i>Authorised Venues</i>	£59k	£17.1m	£67k	£19.4m	£128m
<i>Provision of trading data</i>	£36k	£3.6m	£17k	£1.4m	£14.0m
<i>Prudential requirements</i>	-	-	£78k	£22.6m	£129m
Total Costs	£0.2m	£37.5m	£0.2m	£50.6m	£355m

Costs associated with regulating Cryptoasset Lending and Borrowing (as assessed in CP25/40 and CP26/4)

- 114.** Our rules will permit use of Cryptoasset Lending and Borrowing business models, subject to restrictions to protect consumers from harm. Firms will need to conduct additional appropriateness tests and receive express consent from consumers, in addition to certain business practices being restricted. Costs associated with our rules for lending and borrowing are outlined below:

Table 9: Costs to firms offering cryptoasset lending and borrowing services

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per firm)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation</i>	£10k	£0.2m	-	-	£0.2m
<i>Additional appropriateness testing</i>	£39k	£0.6m	£35k	£0.5m	£5.1m
<i>Requiring express consent</i>	£40k	£0.6m	£35k	£0.5m	£5.0m
<i>Restrictions on collateral top-ups</i>	£55k	£0.8m	£45k	£0.7m	£6.6m
<i>Other restrictions on cryptoasset borrowing and lending</i>	£235k	£3.5m	£370k	£5.6m	£51.9m
<i>Prudential requirements</i>			£195k	£1.7m	£14.8m
Total Costs	£0.4m	£5.6m	£0.7m	£8.6m	£85m

Costs associated with regulating cryptoasset staking (as assessed in CP25/40 and CP26/4)

- 115.** Our rules will require firms to provide retail clients with information on staking services, obtain retail client's consent to key terms, provide an annual notification about the staking service and maintain appropriate records. Costs associated our rules for authorised staking firms are outlined below:

Table 10: Costs to firms offering cryptoasset staking services

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per market participant)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Familiarisation</i>	£5k	£0.2m	-	-	£0.2m
<i>Providing required information to retail consumers</i>	£32k	£0.9m	£15k	£0.4m	£3.8m

Regulatory Requirement	Transition Costs (per firm)	Transition Costs (population)*	Ongoing Costs (per market participant)	Ongoing Costs (population)*	Total population cost (10 year-PV)*
<i>Requiring Express consent</i>	£40k	£1.6m	£25k	£0.8m	£7.2m
<i>Segregating client assets</i>	£115k	£6.9m	£43k	£2.6m	£24.1m
<i>Record-Keeping requirements for Staking</i>	£105k	£6.3m	£100k	£5.9m	£44.7m
<i>Prudential Requirements</i>			£55k	£0.5m	£4.1m
Total Costs	£0.2m	£15.8m	£0.2m	£10.3m	£85m

Costs associated with our Market Abuse Regime for Cryptoassets (as assessed in CP25/41)

- 116.** We will require firms to establish information sharing mechanisms and insider lists in order to detect and prevent market abuse. This will involve maintaining insider lists and implementing systems and controls to monitor and detect market abuse.
- 117.** As discussed in the PS, we are making some changes around legitimate market practices. We are removing the 'legitimate reasons' exception to market manipulation. This change is intended to improve clarity and consistency in the application of the market abuse rules, and may reduce the investigative burden on firms because they will not need to assess whether this exception applies when considering the activity. Some firms may incur limited cost implications if they answered our cost survey on the basis that they could apply this exception more broadly. However, given the granularity of this change we do not consider it proportionate to quantify this rule change.
- 118.** Costs associated with introduced and applying our MARC rules are outlined in the table below:

Table 11: Costs to firms to comply with our Market Abuse regime

Regulatory Requirement	Transition Costs (per market participant)	Transition Costs (population)	Ongoing Costs (per market participant)	Ongoing Costs (population)	Total population cost (10 year-PV)*
<i>Familiarisation costs</i>	£7k	£2.4m			
<i>Information Sharing</i>	£282k	£845k	£149k	£446k	£4.7m
<i>Market Abuse Systems and Controls</i>	£77k	£24.6m	£36k	£11.6m	£124.8m
<i>Maintaining Insider Lists</i>	£13k	£4m	£7k	£2.1m	£22.3m
<i>Disclosing inside information</i>	£20k	£6.5m	£11k	£3.5m	£36.5m
Total Costs	£392k	£38.5m	£203k	£17.6m	£190m

Costs associated with Admissions and Disclosures (as assessed in CP25/41)

- 119.** Firms will need to produce disclosure documents for cryptoassets on the platforms, in addition to conducting due diligence on tokens they admit. Costs associated with introduced and applying our A&D rules are outlined i below:

Table 12: Costs to firms to comply with our Admissions and Disclosure requirements

Regulatory Requirement	Transition Costs (per impacted market participant)	Transition Costs (population)	Ongoing Costs (per impacted market participant)	Ongoing Costs (population)	Total population cost (10 year-PV)*
<i>Familiarisation Costs</i>	£8k	£2.5m			
<i>Disclosure Documents – CATPs</i>	£795k	£6.4m	£26k	£209k	£8.4m
<i>Disclosure Documents – Issuers/ Offerors</i>	£21k	£3.2m	£12k	£1.8m	£18.9m

Regulatory Requirement	Transition Costs (per impacted market participant)	Transition Costs (population)	Ongoing Costs (per impacted market participant)	Ongoing Costs (population)	Total population cost (10 year-PV)*
<i>Central repository/ NSM costs</i>	£51k	£410k	£28k	£221k	£2.3m
<i>Due diligence requirements</i>	£56k	£446k	£88k	£696k	£6.4m
<i>Admissions to Trading</i>	£31k	£249k	£16k	£127k	£1.3m
Total A&D costs	£1.5m	£10.7m	£170k	£3m	£40m

Cross-Cutting FCA Handbook rules (as assessed in [CP25/25](#) and [CP26/4](#))

- 120.** Our proposed rules will require firms to comply with Senior Managers, Systems and Controls (SYSC) Sourcebook, Redress and Dispute Resolution rules, COBS, PRIN, the Consumer Duty, Training and Competence and regulatory reporting requirements. Estimated costs for applying the duty are set out below:

Table 13: Costs to authorised cryptoasset firms to comply with cross-cutting rules

SYSC Area	Regulatory Requirement	Transition Costs (average per firm)	Transition Costs (population)	Ongoing Costs (per firm)	Ongoing Costs (population)	Total population cost (10 year-PV)*
<i>Senior Managers</i>	<i>Senior Manager Rules</i>	£12k	£1.9mm	£4k	£1.3m	£8.6m
	<i>Certification Regime</i>	£4k	£0.7m	£2k	£0.6m	£3.9m
	<i>Conduct Rules</i>	£3k	£0.5m	£1k	£0.3m	£2.2m
	Total SM&CR costs	£19k	£3.1m	£11k	£2.3m	£14m
<i>Financial Crime</i>	<i>Familiarisation</i>	£7k	£1.1m	£0	£0	£1.1m
	<i>Business model changes</i>	£9k	£1.5m	£0	£0	£1.5m
	Total FC compliance costs	£16k	£2.6m	£0	£0	£2.6m
<i>Operational Resilience</i>	<i>Familiarisation</i>	£48k	£7.7m	£10k	£3.2m	£24.1m
	<i>Training costs</i>	£5k	£0.8m	£6k	£1.9m	£10.6m
	<i>IT costs</i>	£39k	£6.3m	£7k	£2.2m	£17.7m
	<i>Reporting Operational Disruptions</i>	£0	£0	~£1k	£0.1m	£1.0m
	Total Operational Resilience costs to firms	£92k	£14.9m	£24k	£7.8m	£54m
<i>Applying the Consumer Duty</i>	<i>Familiarisation</i>	£3k	£0.6m			£0.6m
	<i>Training</i>	£1k	£0.1m			£0.1m
	<i>IT Project</i>	£100k	£19m			£19m
	<i>Change Project</i>	£22k	£4m	£3k	£0.5m	£8.4m
	Total Costs	£126k	£24m	£3k	£0.9m	£28m

SYSC Area	Regulatory Requirement	Transition Costs (average per firm)	Transition Costs (population)	Ongoing Costs (per firm)	Ongoing Costs (population)	Total population cost (10 year-PV)*
<i>Redress and Dispute Resolution</i>	<i>Familiarisation</i>	£25k	£4.0m			£4.0m
	<i>Training</i>	£3k	£0.5m			£0.5m
	<i>IT Project</i>	£2k	£0.4m			£0.4m
	<i>Case fees associated with FOS</i>			£3k	£0.9m	£5.1m
	Total Costs	£8k	£4.9m	£43k	£0.9m	£10m
<i>COBS and PRIN</i>	<i>Familiarisation</i>	£12k	£2m			£2m
	<i>Training</i>	£1k	£0.1m			£0.2m
	<i>IT project</i>	£2k	£0.3m			£0.4m
	Total Costs	£9k	£1.4m			£3m
<i>Regulatory Reporting</i>	<i>Familiarisation</i>	£9k	£1.5m			£1.7m
	<i>Training</i>	£2k	£0.3m			£0.3m
	<i>IT project</i>	£2k	£0.3m	£28k	£4.5m	£23.1m
	Total Costs	£13k	£2.1m	£28k	£4.5m	£25m
<i>Training and Competence</i>	<i>Familiarisation and gap analysis</i>	£1k	£0.2m			£0.2m
	<i>Annual Training</i>			£10k	£3.2m	£16.4m
	Total Costs	£1k	£0.2m	£10k	£3.2m	£17m
Total Cross-Cutting rules costs		£0.3m	£50.6m	£0.1m	£18.8m	£148m

How rules may impact Firms

- 121.** Firms will incur different costs on the basis of their business model and activities they are undertaking, in addition to experiencing different benefits. To illustrate the type of per-firm impacts we expect to materialise, we provide several hypothetical examples below.

Example 1: A Trading Platform headquartered overseas offering staking services entering the UK market

- 122.** This firm would need to comply with our specific rules for cryptoasset trading platforms, and cryptoasset custody (assuming it holds client cryptoassets). In addition, it will also need to comply with our rules for Staking, and Admissions and Disclosures for assets it offers on its platform. Furthermore, it will need to comply with our market abuse regime and our cross-cutting handbook rules. It will also need to establish a UK branch or subsidiary.

Table 14: Hypothetical example: How costs may impact cryptoasset trading platforms.

Regulatory Requirement	Transition Costs	Ongoing Cost	Total cost (10-year PV)
Operating a Cryptoasset Trading Platform	£1.8m	£2.0m	£12m
Custody of Cryptoassets	£1.9m	£0.5m	£6m
Staking rules	£0.2m	£0.2m	£2m
Admissions and Disclosures requirements	£0.8m	£0.2m	£3m
Market Abuse Rules	£0.4m	£0.2m	£2m
Cross-Cutting rules	£0.3m	£0.1m	£1m
Total Costs	£5.5m	£3.2m	£25m

- 123.** Trading platforms will benefit from our rules. As outlined in our behavioural research, improved regulatory protections will increase demand for Cryptoassets from retail consumers, which will result in increased revenue from fees. Platforms may also benefit from regulatory clarity, and reduced risk aversion from the wider financial sector.

Example 2: A FSMA authorised custodian becoming authorised for custody of qualifying Cryptoassets.

- 124.** This firm would need to follow our cryptoasset custody requirements. It would also need to comply with our market abuse regime for Cryptoassets (although not information sharing elements). As it would not be offering tokens to UK consumers, it would not

be impacted by our admissions and disclosures rules. In addition, as it is already FSMA authorised, we assumed no transition costs associated with implementing existing FCA handbook rules

Table 15: Hypothetical example: How costs may impact a FSMA custodian entering the cryptoasset market.

Regulatory Requirement	Transition Costs	Ongoing Cost	Total cost (10-year PV)
Custody of Cryptoassets	£1.9m	£0.5m	£6m
Market Abuse Rules	£0.2m	£0.2m	£2m
Cross-Cutting rules	£0.1m	£0.1m	£1m
Total Costs	£2.4m	£0.8m	£10m

- 125.** This hypothetical firm would likely benefit from improved regulatory clarity, allowing it to enter the UK cryptoasset market, and offer custody services. This could allow it to earn new revenue streams and benefit consumers through competing with existing cryptoasset custody providers.

Example 3: A Stablecoin Issuer

- 126.** This firm would need to comply with our rules for stablecoin issuers, admissions and disclosures, and certain aspects of our market abuse rules. It would also need to comply with cross-cutting handbook rules.

Table 16: Hypothetical example: How costs may impact a stablecoin issuer.

Regulatory Requirement	Transition Costs	Ongoing Cost	Total cost (10-year PV)
Stablecoin Issuance	£0.7m	£0.1m	£2m
Admissions and Disclosures	£0.8m	£0.2m	£3m
Market Abuse Rules	£0.2m	£0.2m	£2m
Cross-Cutting rules	£0.2m	£0.1m	£1m
Total Costs	£1.9m	£0.6m	£8m

- 127.** We anticipate our rules will significantly impact stablecoin issuers through the regulatory clarity they provide, which may further result in increased use cases for stablecoins, such as in retail payments or wholesale settlement. As such, stablecoin issuers are likely to benefit significantly as a result of our rules.

Costs to consumers

- 128.** Firm may pass on their additional costs to consumers through higher prices. This may be exacerbated if our intervention raises barriers to entry and reduces competition in the market. If firms cannot pass through costs, it may lead to them cutting operating costs by reducing the quality of their offering, which would also impact consumers.
- 129.** There is also a risk that because of the increased consumer protection under the new regime, consumers will assume that they have protection in areas they do not. This “halo effect” of regulation could result in consumers purchasing products which they would not do otherwise. This could include consumers assuming they have greater levels of regulatory protection than they do or believing that regulation will protect price levels of cryptoassets or reduce market volatility.
- 130.** We will take measures to address and minimise the above costs to consumers through FCA communication and engagement with consumers. We will ensure our communication is clear, to help consumers understand the regulatory protection our regime provides. However, costs may still materialise to consumers and while we do not consider it reasonably practicable to estimate these costs, we recognise they may be significant for some consumers.

Other Costs

- 131.** As noted above, we anticipate that our regulatory intervention will result in increased ownership of cryptoassets across UK consumers. This assumption is supported by our Consumer Research series, with our most recent publication (Wave 5, November 2024) indicating 26% of UK adults who currently don't own cryptoassets would consider purchasing cryptoassets if it were regulated.
- 132.** If new consumers who enter the UK cryptoasset market following our regulation exhibit similar preferences to existing consumers, then increased demand following regulation may result in wider economic impacts. For example, new consumers may choose to reduce their savings rate or increase their debt relative to the counterfactual in order to purchase cryptoassets, which could create longer-term economic costs. Similarly, if consumers substitute spending on traditional financial products to purchase cryptoassets, this reduced demand from retail consumers could adversely impact UK financial sector liquidity.

Costs to the FCA

- 133.** We will incur costs for authorising firms in the new regime. Authorisation colleagues estimate that the average numbers of hours that a case officer spends on one firm is around 40 hours, although that number can vary significantly depending on the size of the firm. Given uncertainty in relation to the number of firms that will apply, and for what activities they will request authorisation, we do not consider it reasonably practicable to quantify costs to the FCA.

- 134.** We will recover these costs from firms through charging authorisation fees. Firms may pass the cost of these on to consumers in the form of higher prices.
- 135.** There will also be costs associated with communication and publication of new rules. The FCA will incur additional costs to review the firms' safeguarding returns, auditors' safeguarding reports, and other regulatory returns. There may also be opportunity costs associated with FCA supervision and authorisation functions.

Risk and Uncertainty

- 136.** Our quantified benefits include an estimated value a subset of consumers would assign to improved regulatory protections that our rules introduce. We estimate these benefits to have a NPV of £735m, based on results from our consumer and behavioural insights, indicating how consumers could be anticipated to respond to improved regulatory protections. This represents approximately 52% of the quantified benefits of our rules.
- 137.** However, we recognise there is significant uncertainty in relation to expected consumer responses (as informed via self-reported surveys and online experiments), and the responses we will actually observe. It is possible the consumers will respond differently to our rules than our survey and behavioural experiments suggest, which would impact our estimate of the value consumers assign to improved regulatory protections. It is also possible that enhanced investment consumers reported may overlap with the benefits of reducing harm in cryptoasset markets elsewhere valued.
- 138.** To account for this uncertainty, we have conducted a **breakeven analysis** to contextualise the benefits scope of our proposals. This illustrates the benefits that would need to be realised for each UK cryptoasset consumer for the proposed changes to be net beneficial.
- 139.** To estimate the breakeven benefits, we used the total quantified costs that we estimate firms would incur over the 10-year appraisal period, in present value terms (£1,315m), net of our estimated benefits associated with wider impacts of our regime (improved safeguarding, reduced frauds and scams, etc), but without the £735m value we have assigned to "Improved regulatory protections". This results in a net impact of our rules of ~-£615m.
- 140.** We divided this by the total number of UK consumers who currently engaged in cryptoasset markets in our counterfactual scenario (9.3m). We estimate the breakeven benefit per year per consumers by dividing the breakeven benefit per consumer by the number of appraisal years (10 years), discounting future values.
- 141.** Results of our breakeven analysis are presented in the table below.

Group Affected	Rules	PV Benefits	PV Costs
Firms	<i>Activity Specific Rules</i>		£920m
	<i>FCA Handbook rules</i>		£133m
	<i>Market Abuse Regime</i>		£190m
	<i>Admissions and Disclosures</i>		£40m
	<i>Regulatory Reporting</i>		£25m
	Total Costs		£1,315m
Consumers	<i>Reduced Fraud and scams</i>	£135m	-
	<i>Reduced Custody losses</i>	£545m	
	<i>Reduced Cross-Border transfer fees</i>	£10m	
	<i>Reduced retail payment fees</i>	£11m	
	Total Benefits	£700m	
Total impacts		£700m	£1,315m
Net Impact			£-615m
Number of Current UK Cryptoasset Consumers			4.5m
Breakeven point (10 year PV)			£136
Breakeven point (annual)			+£13.60

- 142.** Our breakeven analysis suggests that our intervention will be net beneficial to consumers if it provides in excess of £136 of value to existing UK cryptoasset consumer over the course of our appraisal period. This is equivalent to £13.60 per consumer, per year. Given UK average cryptoasset portfolios were £2,250 as of August 2025, and that our research suggests most consumers would welcome additional regulatory protections, we consider it plausible consumers value the improved regulatory protections our rules introduce to be in excess of this amount.

Illustrative Impact: Reduction in Money Laundering

- 143.** Our rules will make it more challenging for criminals to use cryptoassets in UK markets for money laundering purposes. Estimating the magnitude of this reduction is challenging for several reasons:
- Identifying volumes: Money laundering is highly challenging to measure. The NCA have estimated volume of cryptoasset money laundering in UK venues was \$1.4bn - \$5.1bn in 2025, although noted that this was subject to a high degree of uncertainty.
 - Identifying impact: It is challenging to estimate how much our rules will reduce money laundering flows, as criminals may seek to subvert our rules or use alternative means of payments. Recent [academic research](#) suggesting applying regulation to financial markets can reduce money laundering flows by up to 15.3%

144. Based on these data sources, we may expect annual volumes of money laundering in the UK to reduce by up to 15% as a result of their rules. Using the range estimated by NCA, this would result in a £0.1bn -£0.4bn annual reduction in money laundering in the UK.

Competition Assessment

145. Our regime aims to reduce consumer harm by setting clear and proportionate standards for firms. These standards are designed to promote effective competition by ensuring a level playing field and enabling firms to compete on fair terms. While higher standards are necessary to reduce consumer harm, these regulatory requirements can act as barriers to entry for smaller firms, which may limit competition in the market. Longer term, we expect our intervention to strengthen both consumer protection and result in better informed consumers, which will support competition in UK cryptoasset markets by enhancing trust and driving fairer market outcomes.
146. We recognise trade-offs between competition and consumer protection, and that our intervention may result in lower levels of competition in UK cryptoasset markets in the short run than if we introduced lower standards for firms. Competition in the market may be impacted by:
- **Changes to product offerings:** Some of our requirements will restrict certain products from being offered to UK consumers or introduce additional frictions within the user journey. This may result in a reduction in consumer choice on authorised platforms than there would have been without our intervention. This in turn make it more difficult for some firms to compete using a larger range of products and services as a selling point
 - **Product Substitution:** Regulating cryptoassets is likely to increase market confidence and attract more consumers into the sector. This may shift activity away from traditional products, while increasing competition in cryptoasset markets.
 - **Disproportionate impacts on smaller firms:** Larger market participants may better absorb the impacts of higher regulatory burdens as they often have more mature compliance departments. This may have a disproportionate impact on small market participants. To mitigate against this, we have exempted smaller firms from some requirements (e.g. pre trade transparency and cross-platform information sharing) to reduce disproportionate impacts on smaller firms.
 - **Higher barriers to entry:** Regulatory requirements will lead to higher barriers to entry for new market participants, potentially reducing innovation within the industry. Given the set-up costs of running a CATP or an intermediary there are already high barriers to entry, so we do not expect these to significantly increase the barriers to entry relative to the counterfactual. However, cumulative compliance costs associated with our aggregate cryptoasset regime could still deter smaller or innovative firms.
 - **Firm entry and exit from the market:** Due to the increased regulatory cost there may be some market participants who choose to cease providing these services in the UK. We expect the ultimate impact of firm exit to be limited due to the current levels of concentration within the market. Over time, we expect our rules will result in increased firm entry due to greater regulatory clarity.

- 147.** The initial impact of our rules may be to increase market concentration in the short-term, as a result of increased barriers to entry. Concentration may reduce competitive pressures faced by firms, which could result in lower quality of products and/or higher prices.

Impact on consumer demand, market integrity and products

- 148.** We anticipate our rules will result in enhanced trust and engagement from improved consumer protection. Overall, we expect this will result in increased consumer demand and firm entry, despite regulatory changes of compliance costs and risk disclosures potentially reducing demand. Using insights from our consumer research, our assessment is enhanced consumer protection (e.g., transparency and disclosure rules) will be welcomed by most existing consumers, leading to high levels of consumer trust and engagement, while also attracting new consumers into the market. Clearer standards and rules will also reduce risks to firms considering entering the market. As such, we anticipate our intervention to result in an increase in competition in the UK cryptoasset market over time.
- 149.** In the longer term, depending on the uptake by consumers and the extent to which merchants accept stablecoins as a form of payment, this may provide for increased options for consumers in their payment methods or cross-border transactions. Firms may also look to use stablecoins for payments or settlement in wholesale markets, which may result in increased competition here.
- 150.** Overall, we believe the policy interventions strike a proportionate balance between improving outcomes for consumers and maintaining a competitive market. We will monitor the impact of our intervention on the degree of competition in UK cryptoasset markets

Wider economic impacts, including on secondary objective.

- 151.** Our proposals will help to support competitiveness and growth in the UK through supporting changes in Financial Services (FS) markets. Our rules will support UK competitiveness as a place to invest, while also improving productivity through the use of DLT in payments and wholesale markets. These changes will also allow for better allocation of risk, and better enable consumers to act as economic agents through better information driving improved decision-making.
- 152.** Specific ways in which we expect our rules to support growth include:
- **Increased innovation:** Our regulation provides greater clarity and legitimacy to cryptoasset market participants. We anticipate this will support an environment for increased innovation within UK financial services, benefitting competitiveness and growth.

- **Well-functioning and trusted financial markets:** Our rules for market participants reduce the likelihood of market disruption. Protecting consumers and market participants in this way builds confidence in UK institutions and provides a foundation for increasing investment in the UK, which, supports productivity and market growth.
- **Leading on international standards:** Our rules have been designed to be consistent with international peers, following recommendations for regulation of cryptoassets published by IOSCO. This will ensure the UK is an attractiveness place for cryptoasset firms to invest and for businesses to establish or raise capital.
- **An increase in financial services exports:** Our rules provide clarity to cryptoasset market participants, which we anticipate in the medium-to-long term, will lead to more firms establishing in the UK. We anticipate this will lead to an increase in FS exports to overseas markets, a key driver of UK growth.
- **Enabling consumers as economic agents:** Our consumer protections will build trust and confidence not only in cryptoasset markets, but in financial services more broadly. Where consumers trust that markets are fair, transparent and well-regulated, they are more likely to participate in financial markets, take informed decisions, and engage with a wider range of financial products

153. Our assessment suggests potential for our intervention to improve international competitiveness and growth in the medium-to-long term through the above factors. However, this is subject to a significant uncertainty and dependent on the extent to which crypto market participants establish in the UK. Growth is also dependent on several exogenous variables, in particular, the ability of DLT to create efficiencies at scale and compete with legacy financial infrastructure, and the development of international regulatory regimes.

Monitoring and evaluation

- 154.** As outlined in our causal chain, we anticipate our intervention will result in reduced harm to consumers who choose to engage with cryptoassets. We also expect our outcomes-based regulation will reduce uncertainty to market participants, and increase competition and UK's competitiveness.
- 155.** We intend to measure the effectiveness of our interventions through:
- Regulatory returns information submitted to the FCA by cryptoasset firms.
 - Survey data, including our Consumer Research series and FLS. These will allow us to track changes in attitudes, behaviour, and demand.
 - Monitoring competition within UK cryptoasset markets, as measured by the number of firms and our consumer research indicating how willing consumers are to shop around and compare prices.

Consumer outcomes

- 156.** We expect our rules to reduce consumer harm from their involvement in cryptoasset markets, through reduced scams, greater awareness, and enhanced information. Through our intervention, we expect that consumers will be better informed to make appropriate investment decisions.
- 157.** We will monitor this through our consumer research series, which includes measures of the following:
- Understanding of products
 - Scams, losses, and other negative experiences
 - Awareness of regulation and understanding of risks

Firm outcomes

- 158.** We expect our regulation will result in reduced uncertainty for firms. It may also increase demand for cryptoassets, as consumer confidence increases.
- 159.** To monitor the effect of these standards on firms, we will continue to gather information on the market. We will engage with firms to identify challenges to regulation and any improvements to enhance proportionality and appropriateness.

Consultation with the FCA CBA Panel

- 160.** We have consulted the CBA Panel in the preparation of this CBA in line with the requirements of s138IA(2)(a) FSMA. A summary of the main group of recommendations provided by the CBA Panel and the measures we took in response to Panel advice is provided in the table below. In addition, we have undertaken further changes based on wider feedback from the CBA Panel on specific points of the CBA. The CBA Panel publishes a summary of their feedback on their website, which can be accessed [here](#).

CBA Panel Main Recommendations	Our response
<ul style="list-style-type: none"> Develop the background economic note to provide a clearer map of the supply side of the market for cryptoasset services. The introduction of a dedicated background economic note represents a useful and innovative step in supporting the CBAs. The note could however do a more comprehensive job of describing the composition and competitive dynamics of the supply side of the cryptoasset market faced by UK consumers. This is especially important because evidence presented in the CBA shows that at present the majority of cryptoasset services used by UK consumers are supplied by firms domiciled in other jurisdictions. The proposed new regulations will apply at most only partially to such suppliers, with important consequences for the CBA. 	<p>We have added additional description of the wholesale side of UK cryptoasset markets within our description of markets, and highlighted use cases outside of retail consumers. This has included strengthening our assessment of supply side dynamics and providing a more comprehensive overview of how incentives and features of the market impact firm and consumer outcomes.</p>
<ul style="list-style-type: none"> Strengthen the economic analysis of the demand side of the market for cryptoasset services, reflecting the limitations of the evidence. The estimated effects of the proposed new regulations on UK consumer demand for cryptoasset services is a central driver of the quantified benefits, but is subject to significant uncertainty. The analysis would benefit from a more balanced and internally consistent account of how regulation may affect demand, recognising that some effects may increase demand (e.g. via halo effects) while others may reduce demand (e.g. via risk disclosures). This paper should acknowledge more explicitly that the evidence underpinning key demand-side effects rests on strong but uncertain assumptions, and thus that forecast benefits may represent upper limits rather than mid-point estimates. 	<p>We have updated our analysis of the demand side of the market to be more consistent and outlined how we expect firms and consumers to respond to our rules. Broadly, we expect regulation to result in an increased demand from consumers, as regulatory protections reduce perceived risk associated with cryptoassets (noting that they will remain classified as high-risk investments). While disclosure documents may deter some consumers, we anticipate this to have a smaller magnitude, and the overall impact of our rules to be increased demand from retail investors.</p>
<ul style="list-style-type: none"> Strengthen monitoring and evaluation to reflect uncertainty Given the high degree of uncertainty around both demand- and supply-side responses, monitoring and evaluation (M&E) of the CBA's analysis in the course of implementation is particularly important in this case. The FCA should set out a detailed and time-bound M&E plan, including clear metrics and review points, to ensure that the analysis is updated as real-world evidence comes in and the proposed regulation can be reviewed in a systematic manner accordingly. 	<p>We have updated our monitoring and evaluation to better reflect the risk and uncertainty within our rules.</p> <p>Within our Policy Statements, we have also set out specific metrics which we intend to monitor and track following implementation of our regime, and how we anticipate these link to our expected impacts. We intend to evaluate the impact of our rules and publish an evaluation paper of our findings at a future date.</p>

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