

Policy Statement

PS26/10

Crypto Regime

Stablecoin issuance

June 2026

This relates to

Consultation Papers 25/14 and 25/41 which are available on our website at www.fca.org.uk/publications

Telephone:

+44 (0) 20 7066 1000

Email:

cp25-14@fca.org.uk

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 0207 066 1000



Sign up for our **news and publications alerts**

See all our latest press releases, consultations and speeches.

Contents

	Summary	Page 4
Chapter 1	Introduction	Page 5
Chapter 2	Joint regulation of systemic stablecoins	Page 6
Chapter 3	Backing assets.	Page 8
Chapter 4	Segregation and the statutory trust	Page 15
Chapter 5	Requiring an unconnected third party to safeguard qualifying stablecoin backing assets.	Page 19
Chapter 6	Record-keeping and reconciliations	Page 23
Chapter 7	Redemption	Page 28
Chapter 8	Third parties	Page 32
Chapter 9	Disclosures.	Page 34
Chapter 10	Other issues	Page 43
Chapter 11	Cost Benefit Analysis	Page 47
Annex 1	List of non-confidential responses.	Page 58
Annex 2	Abbreviations used in this paper.	Page 59
Appendix 1	Made rules (legal instrument)	

Summary

In this policy statement, we set out our final rules for non-systemic UK-issued qualifying stablecoins, covering issuance, backing assets, redemption, safeguarding and disclosures. These rules are intended to establish an appropriate baseline for stablecoin issuance and to support stability, consumer confidence and market integrity.

Consultation feedback was broadly supportive of the policy objective, with respondents recognising the case for robust standards on backing, redemption and safeguarding. Respondents nevertheless raised concerns regarding proportionality, operational complexity and international competitiveness, particularly in relation to the composition of backing assets, redemption timelines and the treatment of third-party arrangements.

In light of this feedback, we have largely maintained the proposed framework, while making targeted refinements to improve clarity, operability and proportionality. These changes include:

- Simplifying the backing asset composition requirement by removing the need to estimate redemption forecasts.
- Confirming statutory trust arrangements for backing assets.
- Removing unallocated backing fund accounts.
- Adjusting redemption timelines so that KYC checks are completed before the redemption period begins.
- Making changes to permit limited intragroup custody subject to safeguards.
- Allowing a 5% excess in the backing asset pool.
- Clarifying the application of redemption requirements in the secondary market.
- Making sure holders can access historical disclosures.
- Strengthening obligations to make prospective holders aware of their withdrawal rights.

Chapter 1

Introduction

- 1.1** UK-issued qualifying stablecoins could become a new money-like form of digital instrument – potentially bringing cheaper and faster transactions, enhanced competition with existing forms of payments and settlement, positive outcomes for consumers and businesses, and economic growth.
- 1.2** In this document, we refer to UK authorised stablecoin issuers carrying on the regulated activity under Article 9M as 'UK stablecoin issuers' and stablecoins issued within scope of that activity as 'UK-issued qualifying stablecoins'.
- 1.3** Trust is central to the use of stablecoins. Our final rules will create a framework that enables firms to issue UK-issued qualifying stablecoins that can be trusted as money-like instruments. Our first step towards this is to regulate issuers as set out in this policy statement. This is informed by the feedback to CP25/14 and learnings from the Stablecoins Cohort in our Regulatory Sandbox, where 4 stablecoin issuers tested the policy. This was a world first and let us test how practical the policy is. We have also considered the recommendations set out in the Financial Services Regulation Committee (FSRC) report on the regulation of stablecoins.
- 1.4** We are developing an appropriate regulatory approach for different stablecoin use cases, including payments and wholesale settlement. For example, alongside the Bank of England (the Bank) we will allow certain stablecoins to be used for settlement within the [Digital Securities Sandbox \(DSS\)](#). This is so we can assess their potential for longer-term use in the steady state regulatory environment after the DSS concludes. As outlined in the Payments Forward Plan, the government and authorities are undertaking a programme on Modernising Payments Regulation (MPR) that will see stablecoin payments brought into future payment regulations alongside other tokenised payments such as tokenised deposits.
- 1.5** Our Stablecoins Payments Policy Sprint in March 2026 provided clear insights and feedback on where stablecoins can add value to payments, both cross-border and domestic. We are feeding the output into our conversations with the Treasury and we will consult on proposed rules in due course as part of the MPR programme.
- 1.6** We have also made a number of minor technical and drafting improvements which are not specifically referred to, including to align with the made version of the Cryptoassets Regulations.¹ We have done so being cognisant of the balance between the mitigation of risk and the viability of stablecoin issuer businesses. We have sought to encourage safe and responsible innovation in the UK stablecoin market and remain open to new technological developments.

1 The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102).

Chapter 2

Joint regulation of systemic stablecoins

2.1 Under the Banking Act 2009 (the Act), the Treasury is responsible for recognising UK systemic stablecoin issuers as payment systems or service providers using digital settlement assets. Before doing so, it must consult with the FCA, Bank, PSR and where relevant the PRA.

How a stablecoin issuer is recognised as systemic

2.2 The Treasury must be satisfied that any deficiencies in design or disruption to the operation of the system or services would be likely to:

- threaten the stability of, or confidence in, the UK financial system, or
- have serious consequences for business or other interests throughout the United Kingdom.

2.3 In considering whether to recognise a payment system or service provider, the Treasury must have regard to the following list of factors set out in the Act:

- For a payment system, the number and value of the transactions that the payment system presently processes or is likely to process in the future, or for a service provider, the value of the services in relation to payment systems that the service provider presently provides or is likely to provide in the future.
- The nature of the transactions that the payment system processes or the nature of the services in relation to payment systems that the service provider provides.
- Whether those transactions or their equivalent could be processed by other payment systems or whether those services or their equivalent could be provided by others.
- The relationship between the payment system and other systems or the relationship between the service provider and operators of payment systems that use digital settlement assets and other service providers.
- For a payment system, whether the payment system is used by the Bank in the course of its role as a monetary authority.

2.4 A stablecoin issuer may be designated by HMT and brought into the Bank's remit where it is an operator of a systemic payment system, it is a systemic service provider, or because it provides essential services to a systemic payment system.

2.5 UK stablecoin issuers that the Treasury recognises as systemic will be jointly regulated by us and other authorities.

Moving from FCA-only to joint regulation

- 2.6** A UK stablecoin issuer could be recognised by the Treasury as systemic at launch but could also start as non-systemic regulated only by the FCA, and be recognised as systemic later. In this instance, a firm would have to transition from being solo regulated to jointly regulated by the FCA and the Bank.
- 2.7** This means firms will need to ensure they comply with both Bank and FCA rules where appropriate safely and without disruption. This includes some of the following requirements that the Bank set out in its [June 2026 policy statement](#) and draft rules:
- Backing asset composition moving to a maximum of 70% UK sovereign debt with remaining maturity of less than 6 months and a minimum of 30% central bank deposits.
 - Per-coin temporary issuance guardrails of £40 billion; and Capital requirements for the issuer.
 - Redemption within a T+0 timeframe.
- 2.8** Alongside this policy statement we and the Bank have published our approach to joint regulation of systemic stablecoin issuers on how this transition will work in practice, including how each authority's rules will be applied as part of joint regulation and the approach to supervision. This includes a consultation on how the Bank's draft rules are applied during a transitional period for firms moving from being solo regulated by the FCA to joint regulation, as well as the proportionate requirements that the Bank would apply to firms recognised as systemic at launch under the 'step-up' regime.

Chapter 3

Backing assets

Backing assets composition

- 3.1** Backing assets help ensure the stability of the value of UK-issued qualifying stablecoins. In CP25/14, we proposed that UK stablecoin issuers should hold 'core backing assets' in their backing pool, consisting of short-term deposits and short-term government debt instruments. We proposed UK stablecoin issuers be required to hold a minimum proportion of their backing assets in on-demand bank deposits, known as the on-demand deposit requirement (ODDR). We proposed the ODDR be 5% of the backing pool and apply to all UK stablecoin issuers.
- 3.2** We also proposed that UK stablecoin issuers could hold expanded backing assets² in the backing pool. They would need to notify us and meet additional conditions, including having sufficient systems and controls, skills and expertise to mitigate risk stemming from holding the expanded range of assets. We proposed that UK stablecoin issuers would need to have a robust risk management framework and comply with the backing asset composition ratio (BACR).
- 3.3** We proposed that the BACR would be calculated as follows:
- Add the peak estimated daily redemption amount (DRA) over a 14-day forward time horizon and the 'core backing asset requirement',
 - Then divide by the total value of assets in the backing pool, and
 - Express it as a percentage.
- 3.4** The 'core backing asset requirement' (CBAR) required issuers to subtract their estimated DRA from the actual DRA for each day over the preceding 180 redemption days. Issuers then had to identify the maximum absolute daily error across those 180 days, which is the largest positive value (for actual DRA less forecast DRA). We also proposed a variable multiplier to the maximum absolute daily error, that would be determined by how well an issuer estimated DRA in the 180-day period.
- 3.5** This would produce a minimum percentage of the backing asset pool that an issuer would need to hold as core backing assets for any given token. Part of the BACR would be the 5% ODDR described in paragraph 3.1 above. UK stablecoin issuers would be required to calculate the BACR every 14 redemption days.
- 3.6** We asked respondents for feedback on four questions:

Question 3: Do you agree with our proposals for requirements around the composition of backing assets? If not, why not?

² In CP25/14 we stated that the following instruments can be part of the "expanded" backing assets pool: longer dated government debt, PDCNAV (public debt constant net asset value) MMFs, and repurchase agreements.

Feedback

- 3.7** We received 63 responses to this. 40% of respondents supported our proposal, 17% were neutral and 43% unresponsive. Almost all respondents agreed with the underlying principle that UK-issued qualifying stablecoins should be fully backed by low-risk, secure and liquid assets. Overall, the feedback is balanced and we have taken this into account in deciding our response.
- 3.8** A number of respondents asked us to clarify whether tokenised versions of already permissible backing assets can be included.
- 3.9** Supportive respondents highlighted that:
- They agreed with our approach to core backing assets, which were viewed as low-volatility and highly liquid instruments that appropriately underpin the par-value redemption model.
 - The approach to expanded backing assets provides proportionate flexibility compared with other jurisdictions, while remaining consistent with our safeguarding standards.
 - The requirement to notify us before using expanded backing assets and the two-tier structure (core and expanded assets) strikes the right balance between supervisory oversight and operational flexibility.
- 3.10** Respondents who did not support the proposals or raised concerns noted that:
- The T+1 redemption requirement (see Chapter 7) could limit the practical use of expanded backing assets, as some assets might not be able to be liquidated within the proposed timeframe.
 - The set of eligible backing assets should be expanded to include other high quality and liquid instruments. Among those, respondents suggested other categories of money market funds (MMFs) such as Low Volatility Net Asset Value (LVNAV) and non-UK Undertakings for Collective Investment in Transferable Securities (UCITS) MMFs.

Our response

We are keeping the same range of permissible backing assets we consulted on. We consider they strike the right balance between commercial viability and consumer protection. They provide sufficient flexibility in the backing asset pool for firms to adopt a variety of strategies and manage liquidity without threatening the stability of UK-issued qualifying stablecoin and their status as a money-like instrument. Our view remains that the introduction of more eligible backing assets such as Low Volatility Net Asset Value MMFs could increase the volatility of the backing asset pool and threaten a UK-issued qualifying stablecoin's stability.

In relation to the redemption requirement, firms need to consider the liquidity requirements in the backing pool and ensure that they can meet redemptions within the T+1 timeframe. They will also need to comply with the BACR if they hold expanded backing assets. We do not consider that the redemption requirements mean expanded backing assets are of limited practical use to firms. In our view they give firms an appropriate amount of flexibility without prejudicing their ability to comply with other requirements.

We will review the operation of the rules in due course and consider if it remains appropriate as more stablecoins operate in the UK.

Our rules do not prevent the use of tokenised versions of backing assets. Firms will need to ensure their use complies with Client Assets Sourcebook (CASS) 16 and any applicable custody requirements.

Question 4: Do you have any views on our overall proposed approach to managing qualifying stablecoin backing assets? Particularly: i) the length of the forward time horizon; ii) the look-back period; iii) the threshold for a qualifying error.

Feedback

- 3.11** We received 41 responses to this question, 52% of which supported our proposal, 17% were neutral and 31% did not support it.
- 3.12** Supportive respondents highlighted that the backing asset composition ratio (BACR) is a prudent baseline to ensure UK stablecoin issuers can meet redemption requests. They also said that the ratio is an appropriate safeguard to promote resilience and confidence in UK stablecoin issuers' ability to honour redemptions.
- 3.13** Respondents who did not support the proposals or raised concerns said that the BACR is overly burdensome or insufficiently tailored to the individual circumstances of different UK stablecoin issuers. They also said that the BACR calculation is complex and there is a heavy operational burden associated with implementing and applying it.
- 3.14** Respondents also raised a concern that relying on forward-looking daily redemption estimates could lead to disproportionately high ratios for some UK stablecoin issuers. We received similar feedback from stablecoin firms admitted to the Stablecoin Sandbox. They stated that forward-looking calculations might have a greater impact on smaller UK stablecoin issuers. It was also noted that new entrants and UK stablecoin issuers with limited historical data may struggle to produce accurate redemption estimates, increasing the risk of errors.

Our response

We agree with the feedback that the BACR calculation can be simplified while still delivering a prudent minimum proportion of core backing assets in the backing pool. We recognise that the requirement to estimate the DRA over a forward time horizon introduced complexity and implementation challenges to UK stablecoin issuers.

As a result, our final rules provide a simplified version of the BACR as compared to our proposal in CP25/14.

Similar to the proposal in CP25/14, the BACR remains applicable only to UK stablecoin issuers that utilise expanded backing assets. As with the initial proposal, the BACR requires them to calculate a minimum proportion of the total backing pool that needs to be held in core backing assets for any individual token issuance.

Likewise, the aim of the BACR remains unchanged. It is intended to support prudent risk management by providing a baseline for sufficient liquidity in the backing pool to meet redemption requests and minimise the need for forced sales of assets under stress.

Our final rules remove the peak estimated daily redemption amount component. We have simplified the calculation of the BACR and clarified its relationship with the ODDR. Firms will have to calculate a core backing asset requirement (CBAR), which will be equal to the higher of:

- 5% of the backing asset pool; or
- the highest daily redemption percentage in the past 180 redemption days (or since CASS 16 applied to the qualifying stablecoin product if there haven't been 180 redemption days).

The CBAR is determined by reference to firms' historic individual redemption needs, where this exceeds the minimum 'floor' of 5% of the backing asset pool. It is the minimum percentage of the backing asset pool that an issuer will need to hold as core backing assets in addition to the ODDR. The ODDR must be held in on-demand deposits, whereas the CBAR must be held in core backing assets (which may include on-demand deposits). On-demand deposits held to satisfy the ODDR cannot also be used to satisfy the CBAR.

The BACR is the requirement to comply with both the ODDR and CBAR. UK stablecoin issuers will be required to calculate the BACR on every redemption day. We initially proposed the calculation be performed every 14 redemption days and have increased the frequency to mitigate risk from UK stablecoin issuers no longer estimating their near future redemption needs. The revised frequency helps ensure that the BACR remains aligned with the redemption needs of the relevant stablecoin. Due to the changes, we also considered it appropriate to rename BACR as the Backing Asset Composition Requirement.

Compared to the proposal in CP25/14, our final rules on the BACR will reduce complexity and firm burden and be more proportionate for UK stablecoin issuers who hold expanded backing assets in the backing asset pool. For UK stablecoin issuers, this will improve consistency and make implementation of the BACR more streamlined, including for new entrants and UK stablecoin issuers with limited historical data.

As the stablecoin industry grows in the UK, we will monitor the continued relevance and appropriateness of the BACR.

Question 5: What alternative ways would you suggest for managing redemption risk, which allow for firms to adopt a dynamic approach to holding backing assets?

Feedback

- 3.15** We received 34 responses, covering many different suggestions for how UK stablecoin issuers can manage redemption risk while adopting a more dynamic approach to the composition of their backing asset pool.
- 3.16** Most respondents agreed with our objective to manage redemption risk by requiring UK stablecoin issuers to have sufficient high-quality liquid assets in their backing pool to meet redemption requests within the timeframe, with some of these assets held in on-demand bank deposits.
- 3.17** However, many believed that UK stablecoin issuers should have more flexibility in determining the right amount of on-demand bank deposits and core backing assets in their pool to meet redemption demands. These respondents suggested that the ODDR and BACR could be made more dynamic. They also suggested that alternative dynamic requirements could be adopted, allowing UK stablecoin issuers to vary the level of on-demand bank deposits and core backing assets based on their individual risk profiles and redemption needs.
- 3.18** Some respondents suggested the ODDR be replaced with a requirement for UK stablecoin issuers to hold on-demand bank deposits based on past peak redemptions. Others mentioned that redemption risk is better managed through governance, stress-testing and public disclosure requirements, rather than through minimum proportions of deposits and assets. Some proposed that UK stablecoin issuers should be able to mix assets of varying liquidity in the backing pool, with the resulting liquidity risk mitigated through applying liquidity weights across all assets in the backing pool. A few respondents believed that large UK stablecoin issuers should be able to rely on internal liquidity models to determine the composition of their backing asset pool.

Our response

We have considered these suggestions together with the feedback to questions 3 and 4. It informed our decision to simplify the BACR, described in our response to the feedback received to question 4 above.

Beyond our changes to the BACR, we do not consider it appropriate at the outset of the regime to introduce the suggestions we received for more dynamic or issuer-specific calibration into the backing asset pool. Introducing such mechanisms would make the regime more complex to operationalise and supervise, and at this stage our objective is to manage risk while maximising certainty.

We believe that setting minimum requirements for core backing assets is essential to the regulatory framework. Our final rules set relatively low minimum requirements using simple metrics while accounting for individual firm redemption risk characteristics.

Overall, the rules on backing asset composition give firms scope to use a range of backing assets. Firms may apply dynamic risk management approaches to assets outside of the BACR if they choose to.

We will monitor how well our rules are working for firms and consumers and may develop them in due course.

Question 6: **Do you think that a qualifying stablecoin issuer should be able to hold backing assets in currencies other than the one the qualifying stablecoin is referenced to? What are the benefits of multi-currency backing, and what risks are there in both business-as-usual and firm failure scenario? How might those risks be effectively managed?**

Feedback

3.19 We received 49 responses to this question, with 50% of respondents in support of the proposal, 15% neutral and 35% unsupportive. However, the majority of respondents noted multi-currency backing will introduce significant foreign exchange (FX) risks and make the reconciliation process more complex.

3.20 Supportive respondents highlighted that:

- Multi-currency backing will result in lower regulatory arbitrage for qualifying stablecoins operating across jurisdictions.
- The proposal would enable our regime to be more competitive internationally and for UK-issued qualifying stablecoins to have a greater international outreach. Respondents noted this could reduce unnecessary FX and operational costs, support global liquidity management, and allow UK stablecoin issuers to compete more effectively with other issuers.

- Diversification across currencies could enhance reserve resilience and reduce concentration risk, particularly where highly liquid currencies are used.

3.21 Respondents who raised concerns noted that there are potential benefits to multi-currency backing, but that the benefits did not outweigh the risks. They were concerned that:

- Holding backing assets in currencies other than the reference currency exposes UK stablecoin issuers to FX volatility, which can undermine the stablecoin's value relative to its peg and weaken certainty of redemption at par, particularly during periods of market stress.
- Multi-currency backing will significantly increase operational and governance complexity and would require continuous hedging, valuation and oversight of currencies.
- Redemption risks could arise from liquidity constraints where backing assets held in different currencies cannot be converted quickly or efficiently enough to meet the required redemption timeline.

Our response

We have considered the feedback and decided that a UK-issued qualifying stablecoin should only be backed by assets in the denominated currency.

We acknowledge that allowing backing assets to be held in multiple currencies could provide additional benefits. Such benefits could include greater international outreach and competition, as well as supporting global liquidity management.

However, we want UK-issued qualifying stablecoins to be trusted as a money-like instrument. This could be undermined by the FX risk connected to multi-currency backing, as consultation paper (CP) responses highlighted, which could weaken the stablecoin's ability to maintain its peg.

A backing asset pool denominated in multiple currencies could complicate operations and liquidity management for UK stablecoin issuers. The FX risk might destabilise the UK-issued qualifying stablecoin, and the issuer's ability to redeem within our mandated timeframe.

Chapter 4

Segregation and the statutory trust

- 4.1** One of the key features of our regime is that backing assets are held on a 1:1 basis to secure the value of UK-issued qualifying stablecoins. A mismatch may arise between the backing assets and the qualifying stablecoins that have been minted, for example, due to valuation changes, technological errors, fraud or third-party failures. This could lead to a 'run' on the stablecoin, causing the secondary market value to further decrease, and result in tokenholder losses and disruption in both the cryptoasset and traditional finance markets.
- 4.2** To address these risks of harm, we proposed rules for the safeguarding of backing assets which build on our existing Client Assets Sourcebook (CASS). The proposals were designed to protect the backing asset pool so it remains separate from the issuer's own assets and ring-fenced from general creditor claims should an issuer experience financial difficulties or enter insolvency.
- 4.3** We proposed that:
- The backing asset pool must be subject to a statutory trust for the benefit of qualifying stablecoin tokenholders.
 - Firms that issue more than one UK-issued qualifying stablecoin product must hold a separate backing asset pool for each stablecoin, under separate trusts, to prevent co-mingling and reduce contagion risk.
 - All minted qualifying stablecoins must be fully backed, including those held by the issuer.

Feedback

- 4.4** We asked respondents for feedback on the following question:

Question 7: Do you agree that qualifying stablecoin issuers should hold backing assets for the benefit of qualifying stablecoin holders in a statutory trust? If not, please give details of why not.

- 4.5** We received 54 responses to our statutory trust proposal, with 52% supportive, 17% neutral, and 31% unsupportive.
- 4.6** Supportive respondents highlighted that:
- A statutory trust provides clear legal separation and robust protection for backing assets in insolvency.
 - Fiduciary duties and segregation within a trust structure strengthen consumer protection and market confidence.

- Alignment with familiar CASS 7 arrangements offers clarity and consistency across safeguarding regimes.

4.7 Respondents who did not support the proposal raised concerns that:

- Statutory trusts may pose cross-border challenges in jurisdictions where trust law is not recognised or applied differently, including constraints on accessing custodians willing or able to hold assets on trust.
- An outcomes-based approach could provide greater flexibility and avoid restricting market developments or competition.
- Requiring separate trusts for each UK-issued qualifying stablecoin could introduce unnecessary complexity compared to omnibus accounts supported by strong record-keeping.
- Alternative approaches – such as non-statutory trusts, contractual segregation, or special purpose vehicles (SPVs) – could deliver the intended outcomes with fewer constraints.

Our response

We are proceeding with our proposal that the backing asset pool must be held on statutory trust for the benefit of tokenholders. Requiring qualifying stablecoins to be fully backed for the benefit of tokenholders enhances consumer protection. It also provides a mechanism for segregating assets belonging to the issuer from those held for the benefit of tokenholders.

As trustee, the issuer will be subject to fiduciary duties which are relevant both in business as usual and where an issuer experiences financial difficulties. These duties reinforce that the backing assets must be managed in accordance with the trust arrangement and not just in a way that benefits the issuer's own interests. This is especially important in a stress scenario. The trust also ensures a clear separation from the firm's own assets. The backing asset pool will not form part of the firm's estate so will not be subject to the claims of its general creditors. This is an important feature of an effective safeguarding regime to protect consumers.

We have also considered alternative structures that respondents suggested, including contractual segregation and the use of SPVs. While these approaches can achieve a degree of separation, we do not consider they would provide adequate protection in all cases.

Contractual segregation relies on the issuer putting in place arrangements to restrict how assets are held and used, the effectiveness of which may depend on how those arrangements are implemented and enforced, particularly in a stress scenario. It also does not protect the backing asset pool from the issuer's general creditors on failure. An SPV can hold assets in a separate legal entity, but this relies on the effectiveness of the corporate structure and its governance arrangements and may introduce additional legal and

operational complexity. It also does not protect the backing asset pool from the SPV's creditors if it were to fail. In contrast, a statutory trust provides a robust and well-understood legal mechanism for ring-fencing the backing assets, by establishing clear ownership rights over those assets. This applies consistently and provides certainty over how the assets will be treated in the event of firm failure.

We therefore consider that a statutory trust provides greater clarity and predictability of outcome for tokenholders, which better supports the stability of UK-issued qualifying stablecoins.

Rules relating to the terms on which a firm holds the money and assets within the statutory trust in the event of firm failure or other pooling event will be consulted on via a subsequent consultation.

Following concerns about the feasibility of accessing custodians able or willing to operate trust-based arrangements we have amended our requirements on who can act as a custodian (see chapter 6) and will monitor this as the market develops.

We are maintaining the requirement to have separate trusts for each UK-issued qualifying stablecoin product. We consider this necessary to mitigate the risk that shortfalls or failures in respect of one product affect tokenholders of another. Maintaining distinct backing asset pools under separate trusts ensures that each pool is isolated, reducing the risk of contagion between products in the event of firm failure.

Feedback

4.8 We asked for feedback on the following question:

Question 8: Do you agree with our proposal that qualifying stablecoin issuers are required to back any stablecoins they own themselves? If not, please provide details of why not.

4.9 We received 43 responses to our proposal, with 72% supportive, 9% neutral and 19% unsupportive.

4.10 Supportive respondents highlighted that:

- Backing all minted stablecoins, including those held by the issuer, preserves 1:1 integrity and avoids supply-reserve mismatches.
- Consistent treatment of issuer-held and publicly held tokens enhances transparency and reduces reconciliation risks.
- Full backing helps prevent unbacked tokens entering circulation due to operational error or compromise.

4.11 Respondents who did not support the proposal raised concerns that:

- Backing requirements should apply only when tokens are issued, not merely minted.
- Requiring backing for testing, operational or other out-of-circulation tokens introduces cost and operational burden.
- Rigid pre-issuance backing could distort reserve reporting or constrain legitimate liquidity and settlement practices.
- Strong controls (for example, segregated wallets or smart contract restrictions) could prevent unbacked tokens entering circulation without mandating full backing of all pre-issuance balances.

Our response

We are proceeding with the requirement that UK stablecoin issuers must fully back all UK-issued qualifying stablecoins from the point at which they are minted, including those they own themselves.

Qualifying stablecoins are designed to be fungible and capable of immediate circulation. If unbacked stablecoins enter the market, this could undermine confidence in the stablecoin's ability to maintain its 1:1 peg, negatively impacting consumer protection and market integrity.

The backing requirement will apply by reference to the stablecoin pool, which includes all minted tokens until they are removed from the pool. Tokens that are permanently removed from circulation through burning are excluded from the stablecoin pool and therefore do not need to be backed. Firms can therefore avoid the need to back tokens that are not intended to be circulated by burning them.

While strong controls, such as segregated wallets, may reduce the risk of unbacked stablecoins entering circulation, they do not provide an equivalent level of assurance to full backing. Requiring all minted stablecoins to be backed ensures that there is no distinction, for safeguarding or reconciliation purposes, between issuer-held and publicly held tokens, and reduces the risk of supply-reserve mismatches.

Chapter 5

Requiring an unconnected third party to safeguard qualifying stablecoin backing assets

- 5.1** We consulted on proposals to require UK stablecoin issuers to appoint third-party custodians unconnected to their group to safeguard assets in the backing asset pool, while the issuer would continue to act as trustee and retain legal responsibility for them. The intention was to mitigate conflicts of interest, while recognising potential trade-offs, such as wider contagion risk, if there are a small number of third parties offering custody services for backing assets.
- 5.2** We also proposed that UK stablecoin issuers must:
- Apply due skill, care and diligence when selecting third-party custodians.
 - Ensure appropriate information sharing arrangements are in place with custodians to enable the issuer to comply with our rules.
 - Review and, where appropriate, diversify custodian arrangements.
 - Maintain records of custodian appointments and reviews.
 - Obtain signed acknowledgement letters confirming that backing assets are held on trust for tokenholders.

Feedback

- 5.3** We asked respondents for feedback on the following question:
- Question 9: Do you agree with our proposal to require third parties appointed to safeguard the backing asset pool to be unconnected to the issuer's group?**
- 5.4** We received 52 responses to our proposal, with 36% supportive, 4% neutral and 60% unsupportive.
- 5.5** Supportive respondents highlighted that:
- Independence reduces conflicts of interest and strengthens protection in the event of issuer or group-level financial distress and/or failure, helping ensure backing assets are held exclusively for the benefit of tokenholders and reducing contagion risk.
 - Clear separation between the issuer and custodian enhances transparency, accountability and confidence in safeguarding arrangements.

5.6 Respondents who did not support the proposal raised concerns that:

- A blanket prohibition on custodians that are part of the same group as the issuer is unnecessarily restrictive, given that conflicts can be managed through governance, functional separation, oversight and audit controls similar to those used under existing CASS and MiFID regimes.
- The limited number of external custodians willing or able to support stablecoin reserve models could increase concentration risk, raise operational costs and limit issuer choice.
- Permitting intragroup custodians may offer additional benefits where integrated group-wide infrastructure supports functions, such as wallet management, Know Your Customer / Anti-Money Laundering (KYC/AML) monitoring, audit and incident response, more efficiently than external custodians.

Our response

We have amended our proposal to allow the use of intragroup custodians. We recognise that, where appropriate controls are in place, intragroup custodians can support effective safeguarding of the backing asset pool.

To mitigate risks from conflicts of interest or contagion:

- We have introduced a 20% limit on the value of the backing asset pool that may be safeguarded by intragroup custodians. This is consistent with the approach taken in CASS 7 to the diversification of client money deposits, which seeks to address a similar risk.
- Consistent with CASS 7, firms may be exempt from and exceed the 20% limit when, following an assessment, they can demonstrate that compliance would be disproportionate considering:
 - the low value of the backing asset pool;
 - the nature, scale and complexity of its business; and
 - the safety offered by the third-party custodians.

Firms must notify us before they begin relying on this exemption, which will be considered by FCA supervision. Firms must also keep their assessment under periodic review and, if they decide to continue relying on the exemption following this review, they must promptly give us notice.

Firms will also have to comply with other controls that apply to the appointment of all custodians, including:

- Senior Management Arrangements, Systems and Controls (SYSC) 10 obligations to identify, prevent, manage and monitor conflicts of interest.
- Periodically reviewing the need for diversification in respect of third-party arrangements, across all third-party custodians that hold backing assets, including intragroup custodians.

- Adhering to a prudent custody policy in respect of expanded backing assets that should avoid excessive concentration with any single custodian or group.
-

Feedback

5.7 We asked respondents for feedback on the following question:

Question 10: Do you consider signed acknowledgement letters received by the issuer with reference to the trust arrangement to be appropriate? If not, why not? Would you consider it necessary to have signed acknowledgement letters per asset type held with each unconnected custodian?

5.8 We received 43 responses to our proposal, with 65% of respondents supportive, 12% neutral and 23% unsupportive.

5.9 Supportive respondents considered acknowledgement letters a useful way to ensure custodians formally recognise the trust arrangement and the safeguarding obligations that arise from it. Others emphasised that a single custodian-level letter would be sufficient and more proportionate than requiring separate letters for each asset type.

5.10 Respondents who did not support the proposal raised concerns that signed letters may be burdensome, particularly for custodians in jurisdictions without trust law frameworks. They said digital or contractual alternatives could be equally effective. Some also questioned the value of per-asset-type letters and the practicality of obtaining prescribed forms from all custodians, especially where multiple instruments or cross-border arrangements are involved.

Our response

We are proceeding with the requirement for UK stablecoin issuers to obtain an acknowledgement letter from each custodian before holding backing assets with them.

The final rules clarify that, in line with existing CASS requirements, UK stablecoin issuers must obtain a single signed letter per custodian covering all relevant accounts held with that custodian. Electronic acknowledgement letters are still permitted, as referred to in CASS 16 Annex 2.12G, providing the mandatory wording in CASS 16 Annex 1R is used.

Firms must obtain an acknowledgement letter from each custodian before holding any backing assets with them. They must also ensure that the acknowledgement letters remain accurate and up to date, and review them at least annually, as well as whenever they become aware that something referred to in a letter has changed. We have combined the acknowledgement letter templates to make them easier to use.

Chapter 6

Record-keeping and reconciliations

6.1 Accurate books and records are essential to ensure that UK-issued qualifying stablecoins are backed by the correct amount of backing assets at all times. To support this, we proposed requirements for UK stablecoin issuers to:

- Maintain accurate records and accounts showing the amount that should be safeguarded in each backing asset pool for each UK-issued qualifying stablecoin product.
- Conduct internal reconciliations at least once each business day, comparing internal records of the amount held in each backing asset pool with the amount that should be held.
- Conduct external reconciliations at least once each business day, comparing their internal records with those of third parties holding backing funds or backing assets.
- Value each backing asset pool in the reference currency and keep up-to-date records of reconciliation outcomes.
- Ensure that, where multiple third parties hold components of the backing asset pool, they can receive sufficient information from each party to complete daily reconciliations.
- Address any discrepancies identified through reconciliations as soon as possible and, in any event, by the end of the business day on which the discrepancy is identified.
- Notify us without delay where a shortfall cannot be resolved within that timeframe.
- On receipt of payment for UK-issued qualifying stablecoins, temporarily hold these funds in segregated 'unallocated backing funds' accounts, pending completion of daily reconciliations and allocation either to backing assets or the firm's own funds, with restrictions on how and when such money could be used while it is held as 'unallocated backing funds'.

Feedback

6.2 We asked respondents for feedback on the following question:

Question 11: Do you agree with our proposals for record-keeping and reconciliations?

6.3 We received 44 responses to our proposals on record-keeping and reconciliations, with 68% supportive, 18% neutral and 14% unsupportive.

6.4 Supportive respondents highlighted that:

- Daily reconciliations help ensure continued alignment between the number of UK-issued qualifying stablecoins in issue and the assets held in each backing asset pool.

- Robust and accurate records of valuations, movements and pool composition are fundamental to safeguarding arrangements.
- Reconciling internal records with those of third-party custodians (when they are used) and with the issuer's own record of what should be safeguarded provides an end-to-end check that supports transparency and market confidence.
- Retaining complete records of each reconciliation, including any discrepancies and actions taken, makes oversight more effective.

6.5 Respondents who did not support the proposals or raised concerns noted that:

- Daily reconciliations may create operational burden, particularly for firms with multiple third-party custodians or complex backing asset pools.
- Obtaining complete and timely information from all third parties each business day may be challenging.
- Holding customer money temporarily as unallocated backing funds did not have a clear purpose that warranted the additional steps in firms' processes.
- They would welcome further clarity on how reconciliations should be structured where UK stablecoin issuers do not maintain client-specific records and must instead reconcile against the amounts that should be safeguarded.
- Reconciling redeemed UK-issued qualifying stablecoins back into the backing asset pool requires clear interaction between the CRYPTO rules and the CASS 16.4 reconciliation requirements.

Our response

We are proceeding with most of our proposals for record-keeping and reconciliations. Daily internal and external reconciliations are essential to ensuring that the value of each backing asset pool aligns with the value of the relevant stablecoin pool, given the continuous nature of minting and burning and the importance of maintaining 1:1 backing.

The final rules therefore require firms to maintain clear and accurate records of what should be safeguarded and what is held, including the valuation and location of assets, and to retain complete records of each reconciliation and any discrepancies identified. Reconciliations must compare the amount that should be safeguarded with the assets held in each backing asset pool, including records maintained by third-party custodians, providing an end-to-end reconciliation framework.

Issuers are responsible for obtaining the information necessary to complete daily external reconciliations and for maintaining complete and accurate safeguarding records, including where multiple third parties are involved. They must have a contract in place with the third party that facilitates this.

We have removed the requirements around unallocated backing funds and unallocated backing funds accounts. Under our original proposal, funds had to be placed into unallocated backing funds accounts then transferred into backing funds accounts or firms' own accounts. This was to ensure that such funds were protected at all times, including prior to allocation, by requiring them to be held on trust for the benefit of tokenholders. We consider that this objective can be met without the concept of unallocated backing funds.

In the final rules, firms must place these funds into backing funds accounts or invest them in relevant assets accounts, then remove any excess at the next reconciliation. This simplifies the process and provides greater certainty over the status of those funds. As a result of this change, we have also removed references to unallocated backing funds accounts from the acknowledgement letter template.

In addition to our finalised CASS 16 rules for record-keeping and reconciliations, our final rules for regulatory reporting of backing assets are detailed in Chapter 12 of [PS26/13](#).

Feedback

6.6 We proposed that UK stablecoin issuers must address any discrepancies identified through reconciliation, including by removing excesses or topping up shortfalls as soon as possible and, in any event, by the end of the business day on which the discrepancy is identified. We proposed that they must notify us if they cannot resolve a shortfall within that timeframe.

6.7 We asked respondents for feedback on the following question:

Question 12: Do you agree with our proposals for addressing discrepancies in the backing asset pool? If not, why not?

6.8 We received 47 responses, with 57% supportive, 17% neutral and 26% unsupportive.

6.9 Supportive respondents highlighted that:

- Resolving discrepancies quickly and requiring issuers to top up shortfalls promptly are important to maintain confidence in the stablecoin's backing and reduce the risk of a run, supporting market integrity.
- Clear processes for reconciling and documenting discrepancies support transparency and supervisory oversight.

6.10 Respondents who did not support the proposals or raised concerns noted that:

- Excesses could result from ordinary valuation movements or timing mismatches, and therefore a blanket requirement to remove all excesses within one business day may be burdensome.

- Strict timelines can be difficult where settlement cycles or valuation points differ across assets or custodians, and firms would benefit from greater clarity on how temporary discrepancies arising from such timing differences should be treated.
- It would be helpful to understand how we would approach situations where a firm is unable to resolve a shortfall immediately despite its best attempts.

Our response

We are proceeding with our proposal requiring UK stablecoin issuers to resolve shortfalls by the end of the business day on which they are identified. We have clarified that discrepancies may be addressed either by paying funds into a backing funds account or by investing in, or transferring assets into, a backing assets account.

Some respondents queried whether short-lived timing or settlement differences should warrant remediation on the same day that any related shortfalls are identified. Shortfalls should be resolved promptly, regardless of cause. The risks of consumer harm and undermining confidence in the stablecoin's backing are increased the longer shortfalls are left unresolved, particularly if the backing asset pool is insufficient to promptly meet redemption requests.

We have amended our proposal to require UK stablecoin issuers to withdraw any excess from the backing asset pool on the same business day it is identified. We will now allow firms to retain a limited excess, of up to 5% of the value of the relevant stablecoin pool (as determined by an internal reconciliation). This excess will be held within the backing asset pool so will be subject to the statutory trust. This applies only following internal reconciliations because this is the point at which a firm determines what should be held in the backing asset pool.

Allowing a limited excess to remain in the backing asset pool means that the firm will need to transfer assets out of the pool less frequently. The 5% cap places a clear limit on the size of any excess, ensuring that the backing asset pool remains appropriately aligned with the relevant stablecoin pool. Firms will also need to clearly record any excess held.

This reduces potential operational complexity from frequent withdrawals, while ensuring that any excess remains small, clearly identifiable and subject to the statutory trust, preserving clear ownership rights and legal certainty for tokenholders.

We recognise this approach introduces some flexibility, diverging from CASS principles around exactness that apply to other business models. However, we consider this appropriate given the additional role played by the backing asset pool of underpinning the value of the stablecoin and ensuring it maintains its peg to the relevant fiat currency. Trust and confidence in stablecoins depend on tokenholders' expectation that they can redeem at par on demand. Allowing firms to retain small excesses makes sure that there are backing assets available if needed to meet those requests, while providing proportionate flexibility.

We are proceeding with our proposal that firms must investigate and take prompt action to resolve discrepancies identified through external reconciliations, unless they arise solely from timing differences.

Where a firm is unable to, or materially fails to, identify and resolve any discrepancies – whether relating to a shortfall or where greater than the permitted 5% excess – the firm must notify us without delay so that supervisors can understand the nature of the issue and consider any appropriate next steps.

Chapter 7

Redemption

Redemption timeline

- 7.1** The ability to redeem a UK-issued qualifying stablecoin at par value is likely to support stability and confidence in all UK-issued qualifying stablecoins as well as being a key element of consumer protection. A clear right to redemption is likely to support stability and confidence in the qualifying stablecoin and the wider market.
- 7.2** In CP25/14 we proposed UK stablecoin issuers must always provide tokenholders with the right to redeem UK-issued qualifying stablecoins at par value. We also specified that a payment order must be placed to an account in the name of the holder at the latest by the end of the next business day (T+1) following receipt of a full redemption request. In our CP, we proposed AML/KYC checks would need to be carried out as part of the redemption process within the T+1 timeframe.
- 7.3** We asked respondents the following question:

Question 13: Do you agree with our proposed rules and guidance on redemption, such as the requirement for a payment order of redeemed funds to be placed by the end of the next business day following a valid redemption request? If not, why not?

Feedback

- 7.4** We received 52 responses to our proposal, with 38% of respondents supporting our proposal, 14% neutral and 48% of respondents unresponsive.
- 7.5** Supportive respondents highlighted that:
- The approach is pragmatic in balancing firms' operational capabilities with consumer protection and liquidity risk management.
 - It is consistent with the treatment of other money-like instruments and as such supports the policy objective.
- 7.6** Respondents who did not support the proposals or raised concerns noted that:
- The T+1 requirement is too stringent and does not allow for financial crime-related obligations to be carried out effectively. This is particularly true for extreme cases such as large redemptions and for tokenholders based abroad.
 - The proposal is misaligned compared to redemption rules put forward in other jurisdictions, where prescriptive timeline requirements have not been mandated yet. This could make the UK stablecoin regime unattractive to firms.

- The proposed rule does not consider how UK-issued qualifying stablecoins' business models currently operate and the operational challenges and costs of complying with this rule.

Our response

We have considered the feedback from [CP25/14](#) and the lessons learned from the Stablecoins Sandbox Cohort and have decided to amend our policy.

In our final rules, the T+1 redemption timeline will now commence when UK stablecoin issuers receive the UK-issued qualifying stablecoin being redeemed in their wallet rather than a full redemption request.

This means AML/KYC-related obligations are completed before the T+1 timeline commences, so the checks do not take place within the T+1 timeline. We expect issuers would carry out these checks before accepting a stablecoin from someone to comply with their obligations under the money laundering legislation. However, we expect firms to fully comply with AML requirements, as well as the Consumer Duty (the Duty) and other regulations that ensure good customer outcomes.

We will still require UK stablecoin issuers to redeem any amount of UK-issued qualifying stablecoin within T+1. We believe the universal right to redemption within T+1 will increase trust and confidence in UK-issued qualifying stablecoins. The timeline will not apply if it would lead to a breach of the money laundering legislation.

While UK stablecoin issuers must comply with AML obligations as part of the redemption process, we expect them not to create unreasonable barriers or put sludge practices in customer journeys. In addition, the Duty applies in relation to any redemption fees charged to tokenholders, who are retail customers, of UK-issued qualifying stablecoins. If UK stablecoin issuers charge redemption fees, we expect the issuer to assess whether its fees align with the Duty's price and value outcome.

We also remind firms that Regulation 39 in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs) on reliance on authorised third parties allows them, whenever appropriate, to place reliance on KYC checks performed by a limited set of other firms.

Contract between issuer and holder of a qualifying stablecoin

- 7.7** In [CP25/14](#) we consulted on rules requiring UK stablecoin issuers to have a contract in place with a holder of a qualifying stablecoin which clearly states the conditions of redemption. In our CP we asked the following question:

Question 14: Do you believe qualifying stablecoin issuers would be able to meet requirements to ensure that a contract is in place between the issuer and holders, and that contractual obligations between the issuer and the holder are transferred with the qualifying stablecoin? Why/why not?

Feedback

- 7.8** We received 44 responses to our question, with 39% of respondents supportive of our proposal, 22% neutral and 39% unsupportive.
- 7.9** Supporters mentioned the necessity for a contractual relationship to exist, adding that contract-related conditions need to be transferable and enforceable under English law. In addition, a subset of respondents proposed various legal mechanisms that could provide for legally enforceable obligations between the issuer and those that obtain UK-issued qualifying stablecoins on the secondary market. These legal mechanisms included deed polls, clear terms and conditions on the issuer's website as well as novation, assignment and open offer.
- 7.10** Respondents who did not support the proposals or raised concerns noted that UK stablecoin issuers should not have contractual arrangements with each holder. UK stablecoin issuers do not have visibility over tokenholders of a UK-issued qualifying stablecoin in the secondary market, which makes identifying all tokenholders challenging.
- 7.11** Respondents that did not support the proposals also said that a UK-issued qualifying stablecoin is a bearer instrument that is transferable peer-to-peer without consent or knowledge of the issuer. This raises privity of contract issues as tokenholders cannot be made aware of rights and obligations linked to a UK-issued qualifying stablecoin prior to acquiring it or receiving it from another holder.

Our response

We have amended our proposals. The issuer will still be required to have a contract in place with anyone to whom it issues stablecoins. The contract must incorporate the conditions of redemption, and the issuer's obligations to redeem must pass effectively in law from one holder to the next.

While the feedback that we received was mixed those that were supportive highlighted there are several legal mechanisms that could ensure these obligations transfer between holders. We are not mandating which legal mechanisms UK stablecoin issuers should use. UK stablecoin issuers may rely on any effective legal mechanism that suits their business model and achieves our stated outcome.

We consider that these legally enforceable obligations are needed to ensure the right of redemption can be effectively exercised by all holders, including those that obtain the stablecoin on the secondary market. This supports and upholds the universal rights of redemption for all tokenholders.

Chapter 8

Third parties

- 8.1** We consulted on rules relating to UK stablecoin issuers who appoint third parties to carry out one or more parts of the issuance activity.
- 8.2** We proposed that the issuer must carry out due diligence on third parties before using them, taking reasonable steps to make sure any third party they appoint has sufficient experience and competence to carry on the activity. We also said that they must have a contract with third parties that sets out clear roles and responsibilities between them and ensures sufficient information sharing arrangements to allow the issuer to comply with our rules.
- 8.3** We asked respondents in [CP25/14](#) for feedback on the following question:

Question 15: Do you agree with our proposed requirements for the use of third parties to carry out elements of the issuance activity on behalf of a qualifying stablecoin issuer? Why/why not?

Feedback

- 8.4** We received 48 responses to our question, with 64% supportive of our proposal, 19% neutral and 17% unsupportive.
- 8.5** Respondents generally supported allowing UK stablecoin issuers to use third parties, noting operational flexibility and competitiveness benefits. Many agreed UK stablecoin issuers must remain responsible for meeting regulatory requirements and should not be able to outsource liability.
- 8.6** Those respondents who did not support the proposals or raised concerns noted that existing SYSC outsourcing rules already cover most third-party risks and questioned the need for bespoke rules. They highlighted risks of duplication, uncertainty over what constitutes outsourcing, and overlap with normal technology arrangements.
- 8.7** A small number of respondents felt the proposed scope of issuer responsibility was too wide, capturing routine third party activity beyond core functions and it conflicted with decentralised system design. They suggested limiting responsibility to critical processes or allowing liability to reflect third-party misconduct.
- 8.8** Several respondents sought greater clarity on whether third parties would require authorisation for any activities and how roles should be defined where multiple actors could be considered an issuer.

Our response

We are proceeding with our original policy proposal.

Bespoke outsourcing rules for UK stablecoin issuers outsourcing one or more parts of the regulated issuance activity to third parties are necessary so that clients are not exposed to avoidable harm, such as loss or delay arising from weak controls, fraud or insolvency of third parties.

UK stablecoin issuers outsourcing one or more parts of the issuance activity must ensure there is a contract in place governed by UK law, and have effective arrangements to ensure the third party is meeting their obligations. These rules complement and align with outsourcing SYSC and Dispute Resolution: Complaints Sourcebook (DISP) obligations which apply to issuers. For firms arranging other outsourcing arrangements (that are not one of the three limbs of the issuance activity outlined in 9M (a)-(c) in the Regulations) the due diligence obligations in SYSC 8 and SYSC 2 apply.

Allowing UK stablecoin issuers to outsource issuance activities to third parties builds on the distributor chain many existing qualifying stablecoins are already purchased or sold through. For example, UK stablecoin issuers can contractually arrange for a third party (eg exchange or custodian) to undertake redemption on their behalf. This would enable redemption at par value to take place across the market where tokenholders are already customers, eg where third parties may already have onboarded the tokenholders and undertaken AML/KYC on the individual and the wallet.

Appointing third parties does not alter the obligations owed by the issuer to tokenholders. The appointment must be supported by due diligence, clear contractual terms, and ongoing governance and conduct oversight. These measures ensure that UK stablecoin issuers remain fully responsible and that outsourcing does not undermine statutory trust protections or the rights of tokenholders.

Firms should also review the requirements for financial crime and operational resilience in [PS26/13 Application of the FCA Handbook for Regulated Cryptoasset Activities](#).

Chapter 9

Disclosures

9.1 In CP25/14 we consulted on rules requiring UK stablecoin issuers to disclose information about a UK-issued qualifying stablecoin. In CP 25/41 we consulted on rules that replaced the disclosure rules in CP 25/14.

9.2 In CP25/41 we also consulted on rules for admitting UK-issued qualifying stablecoins to trading on a UK qualifying cryptoasset trading platform (UK QCATP), including requirements for a UK Stablecoin Qualifying Cryptoasset Disclosure Document (QCDD).

9.3 We asked respondents in CP25/14 for feedback on the following questions:

Question 16: Do you agree with our proposals on the level of qualifications an individual needs to verify the public disclosures for backing assets? If not, why not?

Question 17: Do you agree with our proposals for disclosure requirements for qualifying stablecoin issuers? If not, why not?

9.4 We asked respondents in CP25/41 for feedback on the following questions:

Question 16: Do you agree that a UK-issued qualifying stablecoin disclosure document should be made available to prospective holders before the UK-issued qualifying stablecoin can be sold or subscribed to? If not, please explain why.

Question 17: Do you agree with our proposed rules for withdrawal rights of prospective holders of UK-issued qualifying stablecoins?

Question 18: Do you agree third parties should be able to request admission to trading on a CATP, using the UK-issued qualifying stablecoin disclosure document prepared by the UK stablecoin issuer? If not, please explain why.

Question 19: Do you agree with our approach that the information required in website disclosures and UK-issued qualifying stablecoin disclosure documents is the same?

Question 20: Do you agree that issuers of UK-issued qualifying stablecoins update the QCDD as frequently as they update their website disclosures?

Scope, frequency and updating of disclosures

- 9.5** In CP25/14 we proposed UK-issued qualifying stablecoin website disclosures must be updated at least every 3 months for information that is likely to change more frequently. This includes information on the number of stablecoins in circulation and the value of the backing asset pool. For information that is likely to be more static, such as risks to holders and redemption fees, this information must be updated when it becomes inaccurate. We also proposed that a firm must obtain an annual independent review of the accuracy of statements made in the previous 12 months regarding the 1:1 ratio between the UK-issued qualifying stablecoin backing asset pool and the stablecoin pool.

Feedback

- 9.6** We received 41 responses, with 61% supportive, 29% neutral and 10% unsupportive.
- 9.7** Most respondents supported the proposals but sought clarification on the practical operation. In particular, respondents sought confirmation that firms could make disclosures more frequently than the minimum requirement. Respondents also asked us to clarify key definitions and triggers, including what would constitute an inaccuracy requiring an update.
- 9.8** A small number of respondents who did not support the proposals raised concerns the disclosure package could become overly prescriptive or risk the disclosure of commercially sensitive information, particularly if interpreted as requiring near real-time reporting. These respondents said this could inhibit innovation or create disproportionate costs. Some respondents also suggested the burden of periodic updates could fall more heavily on smaller UK stablecoin issuers and be better addressed through more outcomes-based requirements, including reliance on the Duty.
- 9.9** Respondents who were neutral raised operational and presentational questions. These included how firms should handle versioning or access to historic disclosures, how website disclosures should link to or sit alongside other information such as terms and conditions. Some respondents also asked whether we intended to provide a standard template.

Our response

Following feedback from CP25/14 and the lessons learnt from the Stablecoins Sandbox Cohort on the need to allow for increased flexibility of disclosures, we are clarifying our original policy proposal. We consider the requirements proportionate, as they rely on information firms already need to hold to meet other obligations.

Frequency and timing of disclosures

Firms must update their backing asset information, and information on the number of stablecoins in circulation, at least once every 3 months. This sets a minimum baseline. Firms can choose to update their backing asset information more frequently in accordance with these rules, for example where it better supports consumer understanding or market confidence.

As soon as practicable following the annual independent review of backing asset statements referred to in the section above, firms must publish a statement prepared by the person conducting the independent review with the outcome, date of review and their qualifications.

Firms must update other general disclosure information when it would otherwise become inaccurate or misleading in line with firms' obligations under the Duty retail customer outcome on consumer understanding. In practice, this means firms should consider, and keep track of, when a change occurs to the stablecoin product, and whether a reasonable person could be misled if the information in the disclosures were not updated. This will require firms to have governance and review processes in place to ensure inaccuracies are identified and corrected promptly.

Firms will be required to retain disclosures for 5 years and provide earlier versions on request to tokenholders.

Level of detail required for assets

Firms are only required to disclose backing asset information by reference to asset types such as on-demand deposits, government debt instruments by maturity, Public Debt Constant Net Asset Value (CNAV) MMF, and repurchase agreements (repos). Firms do not need to break this down into individual assets or positions within each type.

We are clarifying that the core backing assets for 'on demand deposits' can include central bank money held with the Bank. We are not requiring the Bank to issue acknowledgement letters for these deposits.

Format

We will not prescribe a specific format or template for website disclosures. Firms are best placed to decide how best to present information clearly for their target market, provided all required content is included.

Firms may choose how to structure and display disclosures, provided the information remains clear and accessible.

Assurance, verification and governance of disclosures

- 9.10** In CP25/14 we proposed that UK stablecoin issuers must obtain an annual independent review of the accuracy of statements made in the previous 12 months regarding the 1:1 ratio between the UK-issued qualifying stablecoin backing asset pool and the stablecoin pool and consulted on the qualifications an independent reviewer must have to verify backing asset disclosures.

Feedback

- 9.11** We received 40 responses to our question, with 70% of respondents supportive of our proposal, 18% neutral and 12% unsupportive. Most respondents agreed with our proposals and supported the need for qualified professionals to undertake the independent review to ensure transparency and accountability.
- 9.12** Some cautioned against limiting eligibility to Companies Act auditors, noting the relevance of digital asset, custody, valuation and systems-assurance expertise, including non-UK qualifications. Respondents also sought clarity on the applicable assurance standard and its interaction with other audits.
- 9.13** A minority suggested alternative approaches, including on-chain verification, reliance on existing financial statements, or more frequent oversight.
- 9.14** Respondents who were neutral asked for clarification on who should sign quarterly attestations, noting international approaches that involve senior executives as well as independent reviewers.

Our response

Following feedback, we are proceeding with our original policy proposal of an annual independent review with clarifications.

The annual independent review of statements relating to the 1:1 ratio between the stablecoin pool and the backing asset pool must be prepared in line with a reasonable assurance engagement by a person with the qualifications we set out in CP25/14. This approach will enable professionals who are experienced in such engagements, including those with crypto-specific technical skills, to undertake the independent review of backing assets.

Firms will need to determine which senior management function (SMF) is responsible for the quarterly disclosure declaration, for example the Compliance Officer (SMF 16) or CASS oversight officer.

We do not consider that the alternative approaches suggested, such as including on-chain verification or reliance on existing financial statements, provide the same level of assurance to the market or tokenholder that an independent review would provide. We considered that more frequent oversight was disproportionate as firms are responsible for the information they disclose and under an obligation to keep it up to date.

Website disclosures and stablecoin Qualifying Cryptoasset Disclosure Documents (Stablecoin QCDDs)

9.15 In CP25/41 we proposed that a UK-issued qualifying stablecoin disclosure document (Stablecoin QCDD) should be made available to prospective tokenholders before sale or subscription, in addition to being publicly available. We also proposed that UK stablecoin issuers should set out the withdrawal rights to prospective tokenholders of UK-issued qualifying stablecoins. We proposed the information required in a UK-issued qualifying stablecoin QCDD be the same as website disclosures required in CP25/14. We proposed UK stablecoin issuers should maintain and update UK-issued qualifying stablecoin QCDDs at the same frequency as website disclosures.

Feedback

- 9.16** On making disclosures available to prospective holders we received 24 responses, with 88% supportive and 12% unsupportive.
- 9.17** On withdrawal rights we received 20 responses to our question, with 85% supportive and 15% unsupportive.
- 9.18** On whether the information required in website disclosures and UK-issued qualifying stablecoin QCDDs should be the same, we received 22 responses, with 86% supportive, 5% neutral and 9% unsupportive.
- 9.19** On aligning frequency of updates for website disclosures and UK-issued qualifying stablecoin QCDDs, we received 22 responses, with 72% supportive, 5% neutral and 23% unsupportive.
- 9.20** Several respondents sought clarification on what 'made available' means, when the information should be provided, and who is responsible for disclosure content. A small number of respondents raised concerns about safeguarding counterparty disclosures, duplication with contracts, and alignment with disclosures for other cryptoassets.
- 9.21** Most respondents supported withdrawal rights applying only in limited circumstances. Some respondents raised concerns about appropriateness for near-instant settlement, while others emphasised withdrawal rights should not apply once a UK-issued qualifying stablecoin has been issued, transferred or used.
- 9.22** On website disclosure & UK-issued qualifying stablecoin QCDD consistency, some respondents asked that the Digital Token Identifier (DTI) be linked to the FCA register to ensure clear and consistent identification of UK-issued qualifying stablecoin products. Some also suggested that UK-issued qualifying stablecoin QCDDs be required to have a version identifier and change history, so that market participants can easily identify the current disclosure without needing to compare multiple sources.

- 9.23** A small number of respondents who disagreed with proposals thought requiring both website disclosures and a UK-issued qualifying stablecoin QCDD is duplicative. Some suggested the Protected Forward Looking Statement (PFLS) rules should apply to UK-issued qualifying stablecoin QCDDs, to allow firms to disclose price actions and technology updates. Some also proposed UK stablecoin issuers should be required to disclose post-issuance secondary monitoring for AML/CFT purposes.

Our response

Following feedback from CP25/14, CP25/41 and the lessons learnt from the Stablecoins Sandbox Cohort on the need to allow for increased flexibility of disclosures, we are proceeding with our original policy proposal with clarifications.

Website disclosure & QCDD content and availability

Website disclosures as a minimum must contain the same information as the UK-issued qualifying stablecoin QCDD plus the additional information specified in our rules. However, UK stablecoin issuers can choose to publish additional information as part of website disclosures beyond information required by our rules and can exercise discretion over the format while being mindful of their obligations under the Duty.

We do not believe the contract requirement between the issuer and a tokenholder and the disclosures are duplicative as they serve different purposes. Disclosures ensure tokenholders and prospective tokenholders have the information they need to support decision-making. The contract between the issuer and tokenholder is a legally binding agreement that sets out enforceable rights and obligations between an issuer and a holder. Through our Stablecoins Sandbox we have observed how there can be some overlap in practice in that stablecoin issuers could reference the right for redemption for all tokenholders in the UK-issued qualifying stablecoin QCDDs alongside steps involved in processing a redemption request and links to their terms and conditions.

Requiring the disclosure of firms holding backing assets supports market transparency and confidence in an issuer's safeguarding arrangements. We are now setting a threshold so only those holding more than 20% of the asset pool have to be disclosed. We consider this to be a more proportionate approach, as it excludes firms safeguarding only small amounts.

We are not extending Protected Forward Looking Statements (PFLS) to UK-issued qualifying stablecoin QCDDs and are not mandating additional AML/CFT disclosures. UK-issued qualifying stablecoins are designed to maintain a 1:1 to value and do not fit the profile of speculative investments that PFLS are designed to provide information on to assist consumers making investment decisions.

We do not consider it proportionate to require public disclosure of post issuance monitoring findings as it adds limited benefit and risks misinterpretation while placing considerable compliance burdens on firms. Additionally, firms are responsible for the accuracy and completeness of Stablecoin QCDDs and website disclosures.

We do not consider it necessary for firms to provide a detailed change history as part of the Stablecoin QCDD. Each will need to include a clear publication date and will be made available through a central repository, allowing users to identify the most recent version. Firms will also be required to provide previous versions to holders, and relevant former holders, on request.

Aligning frequency of updates

We are proceeding with aligning the frequency of updating information that appears in both the website disclosures and stablecoin QCDDs. This should reduce duplication and ensure consumers and market participants receive consistent information regardless of where they access it.

We recognise that, in limited circumstances for operational or technological reasons, it may not be possible for UK stablecoin issuers to amend website disclosures and stablecoin QCDDs at exactly the same time. Our rules will require firms to do so as far as reasonably practicable. Responsibility for updating both website disclosures and UK-issued qualifying stablecoin product QCDDs rests with the issuer.

Withdrawal rights

We have maintained the position that withdrawal rights will apply only in limited circumstances for UK-issued qualifying stablecoins. They arise only where a person has entered into an agreement to buy or subscribe to a UK-issued qualifying stablecoin that is contingent on the UK-issued qualifying stablecoin being admitted to trading in the future, and where the relevant UK-issued qualifying stablecoin disclosure document is updated to reflect circumstances that arose before admission to trading on a UK QCATP.

The withdrawal rights do not apply once a UK-issued qualifying stablecoin has been issued, transferred or used by a holder, and they do not operate as an ongoing redemption right.

We also acknowledge that in the limited circumstances outlined, prospective tokenholders need to be able to understand when a disclosure document has been updated and what has changed. To address this, we will require the entity (whether an issuer, intermediary or UK QCATP) that offered the agreement to buy or subscribe to inform the prospective holder when the UK-issued qualifying stablecoin QCDD has been updated.

This will ensure prospective tokenholders are not bound to proceed with the purchase or subscription of a UK-issued qualifying stablecoin without having the opportunity to consider the updated information.

Disclosing an identifier for a UK-issued qualifying stablecoin

Our rules will require firms to include the name of the qualifying stablecoin product and any relevant digital identifiers in their website disclosure and QCDD. That could be one or more DTI under ISO 24165, including those for relevant equivalent groups, or an alternative identifier.

Admission to trading and third-party applications

9.24 In CP25/41 we proposed allowing third parties to seek admission of a UK-issued qualifying stablecoin to a UK qualifying cryptoasset trading platform (UK QCATP) using an existing issuer-prepared Stablecoin QCDD. We also set out expectations for UK QCATPs' admission processes, including transparency of rules and the ability to request further information where necessary for an admission decision.

Feedback

9.25 We received 22 responses to this proposal, with 95% supportive, 5% were neutral, and no respondents unsupportive.

9.26 Some sought clarification on:

- How responsibility is split between the UK-issued qualifying stablecoin issuer (for the content and accuracy of the Stablecoin QCDD) and the UK QCATP (for admission decisions and due diligence).
- How UK stablecoin issuers are notified and can make representations where a third party applies for admission of a UK-issued qualifying stablecoin to trading.
- Whether UK QCATPs should avoid requesting issuer-like or duplicative disclosures, beyond what is necessary for their own admission process.

Our response

Following feedback we are proceeding with our original policy proposal with clarifications. For all other qualifying cryptoassets the requirements for the admission and disclosure to a UK QCATP are set out in [PS26/9 Admissions & Disclosures and Market Abuse Regime for Cryptoassets](#).

For the purpose of regulation 12 (Responsibility for disclosure documents) of the Cryptoassets Regulations, the UK-issued qualifying stablecoin issuer remains solely responsible for the content, accuracy, and updating of the UK-issued stablecoin QCDD. Responsibility does not transfer to a UK QCATP or any other third party.

While a UK QCATP cannot reject a UK-issued qualifying stablecoin solely because it disagrees with the accuracy of the issuer's QCDD, UK QCATPs retain the right to request further information for admission decisions but must not charge a fee. The information contained in a UK-issued qualifying stablecoin QCDD covers the legislative requirements, and additional information needs to support stability and confidence of the UK-issued qualifying stablecoin.

UK QCATPs must publish clear admission rules, including processes for third party applications and UK-issued qualifying stablecoin issuer representation.

Where a third party applies for admission, the issuer must be notified and their representations given careful consideration.

This approach ensures a fair and predictable admission process, maintains clear accountability with the issuer for disclosure content, and preserves the UK QCATP's role in making admission decisions.

Chapter 10

Other issues

10.1 This chapter covers additional areas on which we received feedback.

UK-issued qualifying stablecoins interest pass back

Interest and income on backing assets

- 10.2** In CP25/14 we proposed to prohibit UK stablecoin issuers from passing interest or income from the backing asset pool to stablecoin tokenholders. We also stated that interest and other benefits originating from the backing assets cannot be passed by the issuer to a third party and then onto a consumer. This is in line with the approach taken by other international jurisdictions including the EU and the US.
- 10.3** We want to make sure UK-issued qualifying stablecoins are trusted as a money-like instrument suitable for payments. Passing on interest and other benefits originating from the backing asset pool could result in them being seen as an investment.
- 10.4** We also note that our proposals do not permit UK stablecoin issuers to pay interest or yield arising from backing assets to tokenholders from UK-issued qualifying stablecoins. Where such features are present alongside a right of redemption, the arrangement may constitute a collective investment scheme or alternative investment fund.
- 10.5** We received few challenges to our proposal regarding prohibiting UK stablecoin issuers from passing interest or income on the backing asset pool to tokenholders when we consulted in CP25/14. In light of this, we are maintaining the position in our final rules that UK stablecoin issuers are not permitted to pass interest or income from the backing assets pool to tokenholders.

Third party rewards

- 10.6** Our final rules do not prohibit third parties from paying rewards to their own customers from their own account. This includes, for example, transaction-based rewards, or reward points. However, any such arrangement must not involve interest or income from the backing asset pool being passed on in breach of our rules.

Next steps on rewards

- 10.7** We are proceeding with our original policy proposal of prohibiting issuers from paying interest or income from the backing asset pool to tokenholders. Firms can pay rewards to tokenholders from their own account based on, for example, usage or transaction volumes.

- 10.8** However, we acknowledge that our position on this has been raised by several firms and associations at events throughout the year. Most recently, it was discussed at our Stablecoins Payments Sprint in March.
- 10.9** We will be conducting additional work to explore the competition and economic implications of offering interest further. This does not imply our position on prohibiting interest is due to change.

Multi-currency stablecoins

- 10.10** Multi-currency stablecoins (those pegged to two or more currencies) were not included in the final version of the Cryptoassets Regulations³.
- 10.11** In CP25/14 we proposed that multi-currency stablecoins should be held to standards similar to those applied to UK stablecoin issuers of single currency UK-issued qualifying stablecoins, unless there is a specific reason to deviate from them.
- 10.12** We asked respondents for feedback on the following question:

Question 2: **Do you agree that issuers of multi-currency qualifying stablecoins should be held to similar standards as issuers of single-currency qualifying stablecoins unless there is a specific reason to deviate from this? Please explain why? In your answer please include:**

- i. Whether you agree with our assessment of how multi-currency stablecoins may be structured, and whether there are other models.**
- ii. Whether there are specific rules proposed which do not work for multi-currency qualifying stablecoins and explain why.**
- iii. Whether there are any additional considerations, including risks and benefits, we should take into account when applying our regulation to multi-currency qualifying stablecoins.**

Feedback

- 10.13** We received 46 responses to this question, with 54% supportive, 22% neutral and 24% unsupportive.
- 10.14** Respondents in agreement said that similar core expectations should apply around redemption, segregation of backing assets, transparency, and the rights of tokenholders.

³ The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102).

10.15 Respondents who did not support the proposal believed that a different approach to multi-currency stablecoins is required. They provided the following reasons:

- A more flexible approach would be necessary. This approach should be supported by specific rules or guidance on the operation of 'par' redemption, 1:1 backing arrangements and the management of foreign exchange (FX) risks.
- The standards applied in FCA rules are tailored to single currency stablecoins. They suggested that, even with adjustments, it is difficult to apply these to tokens with unique design features and no clear 'par' value. Multi-currency stablecoins also present different risks and are inherently more unstable.
- Some respondents noted that multi-currency assets should not be considered stablecoins, as they present different risks, levels of fungibility and ease of exchange compared to single currency stablecoins.
- Several respondents mentioned that the additional step of currency conversion involved in multi-currency stablecoin redemptions, and the associated FX fluctuations, would make T+1 requirements difficult to meet.

Our response

Under the Treasury's final legislation multi-currency stablecoins are out of scope of being regulated as qualifying stablecoins, so we will not address them in our stablecoin rules.

Other questions in CP25/14 that are covered in other Policy statements

Question 1: Do you agree that the Consumer Duty alone is not sufficient to achieve our objectives and additional requirements for qualifying stablecoin issuers are necessary?

10.16 Feedback on the proposed scope of the Consumer Duty and final guidance on its application to UK stablecoin issuers are discussed in [PS26/13](#).

Question 21: Do you agree with our proposed approach for reconciliations? If not, why not? In particular:

- i.** Do you foresee operational challenges in applying our requirements? If so, please explain.
- ii.** Do you foresee challenges in applying our proposed requirements regarding addressing shortfalls? If so, please explain.

Question 22: Do you agree with our proposed approach regarding organisational arrangements? If not, why not?

Question 23: Do you agree with our proposed approach regarding key management and means of access security?

Question 24: Do you agree with our proposed approach to liability for loss of qualifying cryptoassets? In particular, do you agree with our proposal to require authorised custodians to make clients' rights clear in their contracts?

Question 25: Do you agree with the requirements proposed for a custodian appointing a third party? If not, why not? Do you consider any other requirements would be appropriate? If not, why not?

10.17 Feedback on the proposed scope of regulating custody of cryptoassets and final guidance on its application to UK stablecoin issuers are discussed in PS26/11 Crypto Regime: Regulated Cryptoasset Activities, which include the final CASS 17 Rules.

Question 26: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons

Question 27: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

10.18 Feedback on the proposed scope of the CBA and on its application to UK stablecoin issuers are discussed in our updated [CBA](#).

Chapter 11

Cost Benefit Analysis

- 11.1** In CP25/14, we set out our cost benefit analysis (CBA) of the expected impact of our proposals for stablecoin issuers (including prudential requirements as set out in CP25/15).
- 11.2** In the CBA, our causal framework set out the expectation that introducing a regulatory regime for stablecoin issuance would reduce uncertainty for market participants, thereby enabling entry by firms that were previously unwilling to operate within this market. Our proposed rules were designed to reduce potential harms associated with stablecoins (through backing asset and redemption requirements) while giving sufficient confidence to market participants to encourage consumer adoption. Our analysis assessed the marginal benefits that could arise from increased market entry and the potential efficiencies that stablecoins could deliver.
- 11.3** Table 1 below summarises the key quantified and unquantified costs and benefits of our proposals to both consumers and firms that were included within the CP CBA. The primary quantified costs related to prudential requirements, which impose an opportunity cost on the use of capital for firms that are issuing stablecoins. Other quantified costs include those associated with compliance, such as training for staff managing the backing asset pool and familiarisation with new rules.
- 11.4** Non-quantified impacts included those associated with business model restrictions and rules, such as limits on the backing asset pool firms are permitted to use, and next day redemption requirements. These impacts were unquantified as, at the time of producing the CBA, we did not observe any stablecoin issuers located in the UK that would be in scope of our rules. As such, we deemed these impacts as being “elective” as firms would only issue a stablecoin from the UK if they would comply with their requirements (and so these business model restrictions primarily impacted our estimate of the future firm population of stablecoin issuers).
- 11.5** Benefits primarily related to reduced cross-border exchange fees, which we assessed stablecoins could create. Assuming a gradual adoption rate over a 10-year period, we estimated a present value (PV) of benefits of up to £11.2m in reduced fees paid by consumers for cross-border transactions due to availability and use of qualifying stablecoins.
- 11.6** We identified other benefits, such as increased payments efficiency and faster wholesale settlement, which stablecoins could create by reducing reliance on intermediaries. We noted that these benefits could be significant but were conditional on further regulatory changes (such as changes to the Payment System Regulations) to reduce uncertainty and allow for greater adoption. As such, we did not quantify these potential benefits, due to the uncertainty and conditionalities involved.

Table 1

		Benefits	Costs
Total	One-off		£6.9m
	Ongoing (annual)	£2.5m	£0.8m
	10-year PV	£11.9m	£9m
Consumers	Reduced cross border fees	£11.9m	
	Increased payments sector efficiencies	Reduced fees for merchants, lower prices for consumers	
	Improved regulatory protections	Current holders of stablecoins to value benefit of increased regulation	
Firms	Familiarisation and legal costs		£0.1m
	Next day redemption requirements		£1.2m
	Management of backing asset pool		£0.6m
	Prudential requirements		£7.1m
	Stablecoins for wholesale settlement	Improved liquidity through atomic delivery verses payment (DvP)	
Total impacts		£11.9m	£9m
Net present value		£2.9m	

Our response to feedback on the CBA

11.7 We asked:

Question 1: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons.

Question 2: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

11.8 In total we received 23 responses to question 28 and 18 responses to question 29. Respondents included:

- 3 Legal and consulting firms
- 3 Private individuals
- 6 Crypto native firms and fintechs
- 9 Industry associations
- 1 Not-for-profit
- 1 Independent panels
- 1 Traditional financial service firm
- 1 Professional services firm

11.9 As our CBA in CP 25/14 assessed impacts to both stablecoin issuers and cryptoasset custodians, we have focused only on responses that related to stablecoin issuance in our assessment below (responses relating to Cryptoasset custodians are discussed in PS 26/11).

Baseline and Counterfactual assumption

11.10 Several respondents questioned the assumptions used to construct our baseline. Feedback included:

- Firms queried how we arrived at our assumption of 10 stablecoin issuers operating in the market over the course of our appraisal period.
- One firm also stated that it is not possible to accurately make the assumptions contained in the CBA because the market and business models are rapidly changing.
- A small number of firms also raised queries about our consumer adoption rates, and how these assumptions had been generated.

Our Response

Assumption on Firm Numbers

Our estimate of firm numbers in CP 25/14 was based on several key assumptions, including:

- 1.** That firms would require regulatory certainty in order to issue a stablecoin in the UK (as evidenced by the lack of stablecoins currently within the UK).
- 2.** That our proposed rules for stablecoin issuers would create restrictions on certain stablecoin issuance business models and so limit some firms from entering into the UK market.

This regulatory-driven market entrant assumption informs our estimates of the firm population, where we assumed that our rules will result in a small number of issuers (10) emerging gradually within the market. This approach to estimating firm population is consistent with feedback received on the CP and CBA, where some respondents suggested our rules on backing assets and redemption periods would create barriers to entry and limit firm uptake.

In this PS, we have made small changes to our proposed rules for stablecoin issuers in order to make it easier for firms to operate their business. In the time since publication, we have also seen significant increase in interest for stablecoin issuers from firms, with our regulatory sandbox receiving 20 applications in November 2025. Based on these changes and the increasing interest from firms, we have revised our firm population estimates upwards, from 10 to 25 firms. We believe this represents a credible future firm population for stablecoin issuers (and note that as of April 2026, ESMA lists 38 stablecoin issuers authorised under MiCa). Updated costs estimates are presented in table 2 below.

Assumption on adoption rates

Our estimates of how consumers will adopt and use stablecoins are based on our extensive series of consumer surveys and qualitative interviews with consumers. These have provided insights into how consumers are likely to respond to regulation and how this will affect stablecoin adoption. As such, we have chosen not to change our adoption rate estimates. In addition, feedback we received from firms suggested significant opportunities for stablecoins to be used within wholesale markets, and we have updated our assumptions on adoption rates to reflect this potential uptake.

Assessment of costs

- 11.11** Many respondents raised concerns about the cost implications of the rules, and how these had been estimated. Their views included:
- The CBA does not sufficiently account for the cost of duplicated systems (off-chain books, manual reconciliations, third-party oversight) in environments where on-chain transparency could provide similar assurances.
 - One respondent challenged our assumption that “our intervention results in fiat-referenced stablecoins being issued from the UK” arguing that that the complexity and materiality of the proposed rules is likely to discourage an emergence.
- 11.12** Several respondents stated that operational costs, especially for smaller firms, appear to have been underestimated. Firms argued that the necessary IT systems are expensive to operate and staff will be required for the relevant processes. Firms did not provide an indication of what these costs would be.

- Many firms indicated strong disagreement with our assumption that most costs would be “elective” for firms, arguing that our proposed rules would create strong barriers to entry and limit cost effectiveness for firms.
- It was also suggested that familiarisation costs were understated, with firms likely to need to hire additional compliance and legal staff to implement new governance and monitoring processes.
- One firm also argued that prudential costs had been underestimated, and that the actual capital requirements under the K-factor could be significantly higher in reality.
- Several firms indicated that key costs have been missed entirely, such as: expenses associated with reconciliations and transaction costs for redemptions, including, gas fees, payment rails fees, and costs of AML checks.
- Some respondents expressed alternate views to the above, arguing that the CBA correctly identifies the key cost drivers for firms, and that costs seemed proportionate and a credible baseline.
- One respondent agreed with our assessment that a “halo effect” for digital assets could result in significant costs.

Our Response

Assumptions on Costs

The CBA acknowledged bringing stablecoin issuance into our regulatory perimeter is subject to significant uncertainty and limited data availability. This required us to make several simplifying assumptions for our analysis in relation to how the stablecoin market will grow and develop in the UK both under our proposed regime, and a hypothetical “counterfactual” scenario where we did not introduce our proposed regulatory requirements for issuers.

Within our CBA, we assumed firms would require regulatory clarity to enter the UK market, which was not provided in the “do nothing” baseline. We based this assumption on the then present state of the UK stablecoin market, where at the time of producing the CBA, uptake among consumers was low and limited to overseas issuers, and there were no stablecoin issuers operating from the UK. This assumption was also informed by extensive engagement with firms via discussion papers, industry roundtables and cost survey data requests, where lack of regulatory clarity was cited as a key barrier to firms issuing a stablecoin from the UK.

This assumption on regulation driving firm entry is related to our description of certain costs as being “elective”. In our CBA, we compare our estimated impacts to a hypothetical scenario where we do not regulate and so UK stablecoin issuers do not emerge. When comparing costs and benefits of our intervention, we do not compare to a further hypothetical where we regulate stablecoin issuance but adopt a lighter touch approach in relation to backing asset composition or next day redemption requirements. These alternative approaches are discussed within the CP, in addition to our reasons for not proceeding with them.

For the CBA, our requirements under FSMA only require an assessment of the costs and benefits of the rules we are proposing, which is the approach we have undertaken within our analysis.

We remain of the view that costs to stablecoin issuers can be considered "elective" given the limited number of stablecoin issuers operating in the UK currently, and the expectation that regulatory clarity will increase firm entry, and mean that any firm entering into the regime will be aware of the requirements they face before doing so. The primary impact of our rules on backing assets and redemption policies is via our estimates of the future firm population, rather than business operational costs to firms.

Duplication costs

We recognise that for some firms, the systems our rules will require them to put in place may run parallel to similar systems they have already in place. Our rules are not intended to require firms to run multiple systems, and are instead designed to ensure that they are able to sufficiently comply with our rules and enable adequate monitoring and supervision. Our cost estimates are based solely on the requirements for firms set by our rules, and not intended to capture costs associated with processes that firms may already have in place. As such, we have not changed our cost estimates to account for potential duplication across current and future systems.

Magnitude of costs

As stated within our CBA, per-firm estimates correspond to the mean cost, and do not capture the potentially wide range of costs that a particular firm may incur. We recognise that individual firms may in practice bear costs greater or lower than the per-firm averages used to estimate overall costs to the industry. This will depend, among other things, on the firm's individual size, makeup, and current practices.

In our CBA, we estimated familiarisation costs of £11k to firms, assuming a gap analysis would be required, and that firms would incur a higher rate of costs due to the novelty of our regime and cryptoasset business models. These cost estimates are informed using the FCA's standardised cost model, where we assumed firms would need to become familiar with 200 pages of consultation paper text, and 100 pages of legal text.

Based on the feedback received, we have chosen to increase familiarisation costs to firms, recognising that the challenge of adapting business models from a non-FSMA to a FSMA regulated environment may require additional legal advice for firms. We have assumed firms will need to become familiar with a similar volume of text, but that they now incur costs at a higher rate, equivalent to a legal/ compliance team of 4 staff reviewing the necessary legal text. This results in an increased familiarisation cost estimate of £50k average per firm, as outlined in table 2 below.

We have also updated our cost estimates to reflect the change for the K-SII from 2% to 1%, which impacts prudential costs. We have not altered other cost estimates, on the basis that we did not receive sufficient feedback on how our cost estimates were inaccurate.

Missing costs

Our CBA is intended to reflect only the costs of our regulatory requirements, and commercial costs firms will incur in the ordinary operation of their business. As such, while we recognise completing redemptions will incur costs to firms such as payment and gas network fees, we consider these as costs firms would occur in our counterfactual, noting that all major stablecoin issuers currently offer redemptions to clients. Similarly, firms should already be assigning resource to appropriately manage the backing asset pool as part of their business model, and so we do not consider this a marginal impact of our rules.

Assessment of Benefits

11.13 We received a variety of feedback from respondents on our assessment of benefits, with responses including:

- Many respondents indicated they agreed that a well-defined and robust regulatory framework for fiat-referenced stablecoins can bring long-term benefits for market integrity, user confidence, and international credibility, even if some of those benefits are not easily quantified.
- Several respondents also queried why the CBA did not include an estimate of the impact on retail payments, suggesting there was a lack of vision for the potential use and benefit of stablecoins.
- One firm agreed with our estimate of benefits to cross-border transfers as being “significant” but suggested FCA monitoring via returns will be needed.
- One respondent challenged our assertion that our regulatory requirements would improve consumer trust.
- Some respondents questioned our CBA focus on “consumers” and argued that many of the economic benefits would flow from the use of stablecoins in retail and wholesale payments. The respondents also suggested that our CBA significantly underestimated the broader economic benefits of the use of stablecoins as a settlement asset in wholesale markets or in retail payments.

Our Response

Stablecoins in payments

We acknowledge that there are strong potential benefits associated with stablecoin use cases, particularly in relation to wholesale settlement and retail payments. We did not attempt to quantify these benefits within our CBA given significant uncertainty as to how and when they may materialise.

In addition, as stated within our CBA, our assessment is that the potential benefits within retail payments and wholesale settlement from stablecoins will not solely materialise due to the introduction of rules for stablecoin issuance, and instead will require further legislative and potential regulatory action (such as changes to the Payments Services Regulations 2017 or guidance on the use of stablecoins as a settlement asset). Our CBAs are intended to only capture the marginal impacts of our proposed intervention relative to a hypothetical counterfactual of not intervening.

Our assessment is that attributing benefits in retail payments and wholesale settlement to our introduction of rules for stablecoin issuance would overestimate the marginal impact of our intervention, which is why we have chosen not to quantify these benefits within our CBA.

However, we recognise that we have observed increased demand for stablecoins from both firms and consumers in recent months. Our assessment is that it is likely that, even in the absence of further regulatory intervention, some consumers and merchants will accept stablecoins for retail payments (although we assume adoption will be low).

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 on average will be used for 10 payments per person per year.
- We assume stablecoin payments displace online payment alternatives, with the average spend being £65.
- Consumer and merchant adoption aligns with stablecoin issuer entry, with benefits scaled accordingly (as set out in our CBA).

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.

Consumer trust

In relation to consumer trust and benefits, recent behavioural research produced by the FCA concluded that consumers associate strong benefits to regulatory protections and increase their trust towards products and assets that are regulated. As such, we believe our assertion that consumers will benefit from increased regulatory protections to remain valid.

Wider economic impacts

11.14 Several firms suggested in their feedback that there would be additional knock-on impacts which could materialise due to our proposed rules:

- Some respondents suggested that our rules would have an adverse impact on innovation, by restricting firm business models and reducing incentives to adopt new technologies.
- Two firms indicated that increased stablecoin adoption could adversely impact commercial bank deposit balances and, therefore, lead to an increased cost of credit for UK consumers and businesses.
- It was suggested there are risks associated with an on-aggregate systemic amount of stablecoin issuance by non-systemic parties.
- Many firms also suggested that by being overly restrictive on rules, the FCA's stablecoin regime could negatively affect competition in UK cryptoasset markets, through creating barriers to entry. It was also suggested this may lead to reduced UK international competitiveness and subsequent lower economic growth.

Our response

Our rules are designed to encourage innovation in financial markets through being technology agnostic and outcomes focused, while protecting consumers and mitigating financial crime. By providing regulatory clarity to firms and consumers, our rules offer opportunity to increase innovation in the UK financial sector through creating efficiencies for payments and cross-border transactions. We are also looking to support innovation through the use of our regulatory sandbox, where we've selected 4 companies to test how their stablecoin services work with our proposed regulation in a safe environment.

We also acknowledge that there may be additional risks associated with the increased use of stablecoins in financial markets and payments. It is possible that greater consumer adoption for stablecoins could draw household funds out of bank deposits and into stablecoins. Banks could see a reduction in retail deposits, forcing them to rely on costlier wholesale funding. This could weaken bank balance-sheet resilience and possibly raise the cost of credit provision. Similarly, while stablecoins could increase efficiency for wholesale settlement, reducing reliance on intermediaries can increase volatility, which may result in increased risks.

Our assessment of these risks is that they will remain of low likelihood following the introduction of our rules for stablecoin issuance, as we do not expect our rules to lead to an immediate increased demand for stablecoins for payments or settlement (as discussed above). However, we will continue to monitor these risks and look to mitigate against them as we develop our wider stablecoin regime.

Updated cost estimates

11.15 In Table 2 below, we provide an update of Cost estimates based on the changes made between our CP and Policy Statement, namely:

- An increased firm population.
- Higher familiarisation costs associated legal fees.

Table 2

Regulatory requirement	Transition costs (per firm)	Transition costs (population)	Ongoing costs (per firm)	Ongoing costs (population)	Total population cost (PV across 10 year appraisal period)
Familiarisation with new rules	£50k	£1.2m	£0	£0	£1.2m
Managing of the backing asset pool	£10k	£0.3m	£25k	£0.6m	£2.5m
Providing redemptions by next business day	£0.1m	£1.6m	£14k	£0.2m	£3.2m
Prudential requirements	£0.3m	£7.4m	£22k	£0.6m	£10.3m
Total costs	£0.5m	£10.3m	£0.1m	£1.3m	£17.1m

11.16 Our updated summary table is provided below:

Table 3

		Benefits	Costs
Total	One-off		£10.3m
	Ongoing (annual)	£4.8m	£1.3m
	10-year PV	£22.1m	£16m
Total impacts		£22.1m	£17.1m
Net present value		£5m	

11.17 As seen above, total costs have increased, driven by an increased number of firms which we expect to be within scope of the regime, increasing the opportunity cost associated with our prudential requirements. We expect non-quantified benefits, particularly in wholesale markets, to be significant. For example, as of Q1 2026, there was a daily average of £896bn in Real-Time Gross Settlement (RTGS) volumes processed in the UK. Stablecoins offer the opportunity to disrupt existing settlement systems and offer significant cost savings to market participants. As such, we expect the net impact of our rules to be positive and exceed costs to firms.

Annex 1

List of non-confidential responses

Association for Financial Markets Europe

BCP Technologies

Ijeoma Okoli

Paul Gary Harrald

Payments Association

Rebuilding Society

Shift Markets

Suleiman Garba

UK Finance

Annex 2

Abbreviations used in this paper

Abbreviation	Description
AML	Anti-Money Laundering
BACR	Backing Asset Composition Requirement (formerly Backing Asset Composition Ratio)
CASS	Client Assets Sourcebook
CBA	Cost Benefit Analysis
CBAR	Core Backing Asset Requirement
CNAV	Constant Net Asset Value
CP	Consultation Paper
Cryptoassets Regulations	The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026
DISP	Dispute Resolution Sourcebook
DRA	Daily Redemption Amount
DSS	Digital Securities Sandbox
DTI	Digital Token Identifier
FCA	Financial Conduct Authority
FX	Foreign Exchange
FSRC	Financial Services Regulation Committee
KYC	Know Your Customer
LVNAV	Low Volatility Net Asset Value
MLRs	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MMF	Money Market Fund

Abbreviation	Description
MPR	Modernising Payment Regulation
ODDR	On-demand Deposit Requirement
PDCNAV	Public Debt Constant Net Asset Value
PFLS	Protected Forward Looking Statements
PRA	Prudential Regulation Authority
PS	Policy Statement
PSR	Payments Systems Regulator
PV	Present Value
QCDD	Qualifying Cryptoasset Disclosure Document
QCATP/CATP	(Qualifying) Cryptoasset Trading Platform
Repo	Repurchase Agreement
RTGS	Real-Time Gross Settlement
SI	Statutory Instrument
SMF	Senior Management Functions
SPV	Special Purpose Vehicle
SYSC	Senior Management Arrangements, Systems and Controls Sourcebook
The Treasury	His Majesty's Treasury
UCITS	Undertakings for Collective Investment in Transferable Securities

Appendix 1

Made rules (legal instrument)

GLOSSARY (CRYPTOASSETS) INSTRUMENT 2026**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”), including as applied by article 98 (Application of section 137B of the Act to backing assets for qualifying stablecoin) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102)) as applied by paragraph 3 (FCA rules) of Part 1 (Application and modification of the 2000 Act) of Schedule 6 (Application and modification of legislation) to the Payment Services Regulations 2017 (SI 2017/752) and paragraph 2A (Authority rules) of Part 1 (Application and modification of legislation) of Schedule 3 (Application and modification of legislation) to the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) section 71N (Designated activities: rules);
 - (b) section 137A (The FCA’s general rules);
 - (c) section 137B (FCA general rules: clients’ money, right to rescind etc.);
 - (d) section 137R (Financial promotion rules); and
 - (e) section 137T (General supplementary powers);
 - (f) section 213 (The compensation scheme);
 - (g) section 214 (General);
 - (h) section 226 (Compulsory jurisdiction); and
 - (i) paragraph 13 (FCA’s rules) of Part III (The Compulsory Jurisdiction) of Schedule 17 (The Ombudsman Scheme);
 - (2) the following provisions of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102):
 - (a) regulation 6 (“Qualifying cryptoasset disclosure document” and “supplementary disclosure document”);
 - (b) regulation 9 (Designated activity rules: qualifying cryptoasset public offers and admissions to trading);
 - (c) regulation 12 (Responsibility for disclosure documents);
 - (d) regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document);
 - (e) regulation 15 (Withdrawal rights);
 - (f) regulation 21 (Designated activity rules: market abuse in qualifying cryptoassets and related instruments);
 - (g) regulation 23 (Exclusions: insider dealing);
 - (h) regulation 26 (Public disclosure of inside information);
 - (i) regulation 27 (Public disclosure of inside information: delayed disclosure);

- (j) regulation 30 (Systems and procedures for trading relevant qualifying cryptoassets and related instruments);
 - (k) regulation 31 (Insider lists for relevant qualifying cryptoassets and related instruments);
 - (l) regulation 32 (Cases in which sharing of information authorised or required);
 - (m) regulation 34 (Legitimate cryptoasset market practice);
 - (n) regulation 36 (Disapplication or modification of rules); and
 - (o) paragraph 8 (“Protected forward-looking statement”) of Part 2 (Further exemption relating to forward-looking statement) of Schedule 2 (Compensation: exemptions); and
- (3) the other rule making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument is one of a series of instruments which introduce or amend provisions of the Handbook relating to cryptoassets. These instruments all come into force on 25 October 2027, immediately after one another, in the following order:

- (1) Glossary (Cryptoassets) Instrument 2026;
- (2) Cryptoassets (Stablecoins) Instrument 2026;
- (3) Cryptoassets (Admission of Qualifying Cryptoassets to Trading and Offers of Qualifying Cryptoassets to the Public) Instrument 2026;
- (4) Cryptoassets (Market Abuse) Instrument 2026;
- (5) Cryptoassets (Intermediaries) Instrument 2026;
- (6) Cryptoassets (Trading Platforms, Transparency and Records) Instrument 2026;
- (7) Cryptoassets (Lending, Borrowing and Staking) Instrument 2026;
- (8) Cryptoassets (Safeguarding) Instrument 2026;
- (9) Cryptoassets (Client Assets Consequential) Instrument 2026;
- (10) Cryptoassets (Conduct and Firm Standards) Instrument 2026; and
- (11) Cryptoassets (COREPRU and CRYPTOPRU) Instrument 2026.

Amendments to the Handbook

D. The Glossary of definitions is amended in accordance with the Annex to this instrument.

Notes

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

Citation

F. This instrument may be cited as the Glossary (Cryptoassets) Instrument 2026.

By order of the Board
25 June 2026

Annex

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>admission criteria</i>	(in <i>CRYPTO</i> 3) the criteria a <i>retail UK QCATP operator</i> is required to establish by <i>CRYPTO</i> 3.2.5R.
<i>arranging (bringing about) deals in qualifying cryptoassets</i>	the <i>regulated activity</i> specified in article 9Y(1) of the <i>Regulated Activities Order</i> (Arranging deals in qualifying cryptoassets), which is, in summary, making arrangements for another <i>person</i> (whether as <i>principal</i> or agent) to <i>buy, sell, subscribe for or underwrite a qualifying cryptoasset</i> .
<i>arranging cryptoasset safeguarding</i>	the <i>regulated activity</i> specified in article 9N(1)(b) of the <i>Regulated Activities Order</i> (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets).
<i>arranging deals in qualifying cryptoassets</i>	the <i>regulated activity</i> specified in article 9Y of the <i>Regulated Activities Order</i> (Arranging deals in qualifying cryptoassets), which is, in summary, making arrangements for either or both of the following: <ul style="list-style-type: none"> (a) for another <i>person</i> (whether as <i>principal</i> or agent) to <i>buy, sell, subscribe for or underwrite a qualifying cryptoasset; and</i> (b) with a view to a <i>person</i> who participates in the arrangements for the <i>buying, selling, subscribing for or underwriting of a qualifying cryptoasset, whether as principal or agent</i>.
<i>arranging qualifying cryptoasset safeguarding</i>	the <i>regulated activity</i> specified in article 9N(1)(b) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the <i>Regulated Activities Order</i> , but only in relation to <i>qualifying cryptoassets</i> .
<i>arranging qualifying cryptoasset staking</i>	the <i>regulated activity</i> specified in article 9Z6 (Qualifying cryptoasset staking) of the <i>Regulated Activities Order</i> , which is, in summary, making arrangements on behalf of another (whether as <i>principal</i> or agent) for <i>qualifying cryptoasset staking</i> .

<i>authorised cryptoasset firm</i>	an <i>authorised person</i> who has a <i>Part 4A permission</i> to carry on a <i>regulated cryptoasset activity</i> .
<i>backing asset composition requirement</i>	the requirement in <i>CASS 16.2.25R</i> .
<i>backing asset pool</i>	<p>(a) a pool of <i>money</i> and/or <i>assets</i> held by a <i>firm</i> in connection with a <i>qualifying stablecoin</i> with a view to maintaining the stability or value of that <i>qualifying stablecoin</i>; and</p> <p>(b) any additional sum held in excess of the requirement in <i>CASS 16.2.1R(3)</i> in accordance with <i>CASS 16.4.16R</i>.</p>
<i>backing asset pool acknowledgement letter</i>	a letter in the form set out in <i>CASS 16 Annex 1</i> .
<i>backing assets account</i>	an account in which a <i>qualifying stablecoin issuer</i> holds <i>assets</i> in the <i>backing asset pool</i> .
<i>backing funds account</i>	an account in which a <i>qualifying stablecoin issuer</i> holds <i>money</i> in the <i>backing asset pool</i> .
<i>blockchain validation</i>	<p>(in accordance with article 9Z6 (Qualifying cryptoasset staking) of the <i>Regulated Activities Order</i>) the validation of transactions on:</p> <p>(a) a blockchain; or</p> <p>(b) a network that uses distributed ledger technology or other similar technology,</p> <p>and includes proof of stake consensus mechanisms.</p>
<i>burning</i>	the process by which a <i>cryptoasset</i> is permanently removed from circulation on a blockchain or other network that uses distributed ledger technology or other similar technology.
<i>client cryptoasset</i>	<p>a <i>qualifying cryptoasset</i> which is either:</p> <p>(a) required to be held in trust under <i>CASS 17.3.3R</i> by a <i>firm</i> to which that <i>rule</i> applies; or</p> <p>(b) part of an <i>operational surplus</i>.</p>
<i>client cryptoasset discrepancy record</i>	a <i>firm's</i> record setting out details of each discrepancy relating to its safeguarding of <i>client cryptoassets</i> that it identifies under <i>CASS 17.5.11R</i> , as required under <i>CASS 17.5.11R(2)</i> .

<i>client cryptoasset reconciliation</i>	the process set out at CASS 17.5.10R.
<i>client cryptoasset reconciliation record</i>	a <i>firm's</i> record setting out details of each <i>client cryptoasset reconciliation</i> which it performs under CASS 17.5.10R, as required under CASS 17.5.10R(4).
<i>client cryptoasset third party due diligence record</i>	a <i>firm's</i> record of the grounds upon which an appointment of a third party under CASS 17.6.3R or CASS 17.6.8R met the requirements of CASS 17.6.3R(1) or CASS 17.6.8R(2), as required by CASS 17.6.11R(1).
<i>client cryptoasset third party governance record</i>	a <i>firm's</i> record of its <i>governing body's</i> , or its <i>governing body's</i> delegate's, approval under CASS 17.6.9R(1) or (3), as required under CASS 17.6.11R(5).
<i>client cryptoasset third party review record</i>	a <i>firm's</i> record of the conclusions of any periodic review performed under CASS 17.6.5R or CASS 17.6.8R(4), as required under CASS 17.6.11R(3).
<i>client cryptoasset trust exemption consent record</i>	a record of a <i>firm's client's</i> written consent under CASS 17.3.5R(4) or CASS 17.3.6R(1)(c) for the <i>firm</i> to use the exemption at CASS 17.3.5R(1) or CASS 17.3.6R(1) respectively, as required under CASS 17.3.11R(4).
<i>client cryptoasset trust exemption record</i>	a record of a <i>firm's</i> reasons for concluding that it is necessary for the exemption at CASS 17.3.6R(1) to be used, as required under CASS 17.3.6R(3).
<i>client cryptoasset trust record</i>	a <i>firm's</i> record of a trust that it has created under CASS 17.3.3R, as required under CASS 17.3.19R.
<i>core backing asset requirement</i>	the requirement in CASS 16.2.27R.
<i>core backing assets</i>	(a) <i>on-demand deposits</i> ; and (b) <i>short-term government debt instruments</i> .
CRYPTO	the Cryptoassets sourcebook.
<i>cryptoasset</i>	as defined in section 417 (Definitions) of the <i>Act</i> , any cryptographically secured digital representation of value or contractual rights that: (a) can be transferred, stored or traded electronically; and (b) uses technology supporting the recording or storage of data (which may include distributed ledger technology).

<i>cryptoasset inside information</i>	‘inside information’ as defined in regulation 18 (Inside information) of the <i>Cryptoassets Regulations</i> .
<i>cryptoasset insider</i>	a <i>person</i> who possesses inside information, as described in regulation 22(4) and (5) (Prohibited use of inside information (insider dealing)) of the <i>Cryptoassets Regulations</i> .
<i>cryptoasset insider dealing</i>	using inside information as prohibited by regulation 22 (Prohibited use of inside information (insider dealing)) of the <i>Cryptoassets Regulations</i> .
<i>cryptoasset insider list</i>	<p>a list, as required by regulation 31(1)(a) (Insider lists for relevant qualifying cryptoassets and related instruments) of the <i>Cryptoassets Regulations</i>, of all <i>persons</i> specified in <i>CRYPTO</i> 4.12.2R, who:</p> <ul style="list-style-type: none"> (a) have access to <i>cryptoasset inside information</i>; and (b) are working for those <i>persons</i> under a contract of employment, or otherwise performing tasks through which they have access to <i>cryptoasset inside information</i>, such as advisers, accountants or credit rating agencies.
<i>cryptoasset intermediary</i>	<p>an <i>authorised person</i>, other than a <i>UK QCATP operator</i>, that carries out any of the following activities:</p> <ul style="list-style-type: none"> (a) in relation to <i>qualifying cryptoassets</i>: <ul style="list-style-type: none"> (i) <i>dealing in qualifying cryptoassets as principal</i>; (ii) <i>dealing in qualifying cryptoassets as agent</i>; and (iii) <i>arranging deals in qualifying cryptoassets</i>; and (b) in relation to <i>related instruments</i>: <ul style="list-style-type: none"> (i) <i>dealing in investments as principal</i>; (ii) <i>dealing in investments as agent</i>; (iii) <i>arranging (bringing about) deals in investments</i>; and (iv) <i>making arrangements with a view to transactions in investments</i>.
<i>cryptoasset market abuse</i>	any activity prohibited by the following provisions in the <i>Cryptoassets Regulations</i> :

	<ul style="list-style-type: none"> (a) regulation 22 (Prohibited use of inside information (insider dealing)); (b) regulation 24 (Prohibition on the disclosure of inside information); and (c) regulation 28 (Prohibition of market manipulation).
<i>cryptoasset market manipulation</i>	‘market manipulation’ as defined in regulation 19 (Market manipulation) of the <i>Cryptoassets Regulations</i> .
<i>cryptoasset means of access record</i>	a firm’s record setting out details of each <i>means of access</i> it controls at any particular point in time, as required under CASS 17.4.8R.
<i>cryptoasset safeguarding arrangement record</i>	a firm’s record of <i>arranging qualifying cryptoasset safeguarding</i> , as required under CASS 17.7.3R(1).
<i>cryptoasset safeguarding class</i>	<p>a class of <i>cryptoasset</i> in which all the <i>cryptoassets</i>:</p> <ul style="list-style-type: none"> (a) are fungible with each other; (b) are instances of the same single product; (c) share the same name or identifier code; and (d) exist on: <ul style="list-style-type: none"> (i) the same blockchain; or (ii) the same network that uses distributed ledger technology or other similar technology.
<i>cryptoasset safeguarding rules</i>	CASS 17.
<i>cryptoasset unlawful disclosure</i>	the behaviour described in regulation 24 (Prohibition on the disclosure of inside information) of the <i>Cryptoassets Regulations</i> .
<i>Cryptoassets Regulations</i>	The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102).
<i>dealing in qualifying cryptoassets (as principal or agent)</i>	<p>one or both of the following activities:</p> <ul style="list-style-type: none"> (a) <i>dealing in qualifying cryptoassets as principal</i>; and (b) <i>dealing in qualifying cryptoassets as agent</i>.

<i>dealing in qualifying cryptoassets as agent</i>	the <i>regulated activity</i> , specified in article 9W (Dealing in qualifying cryptoassets as agent) of the <i>Regulated Activities Order</i> , which is, in summary, <i>buying, selling</i> , subscribing for or underwriting <i>qualifying cryptoassets</i> as agent.
<i>dealing in qualifying cryptoassets as principal</i>	the <i>regulated activity</i> , specified in article 9T (Dealing in qualifying cryptoassets as principle) of the <i>Regulated Activities Order</i> , which is, in summary, <i>buying, selling</i> , subscribing for or underwriting <i>qualifying cryptoassets</i> as principal.
<i>digital token identifier</i>	<p>an identifier:</p> <ul style="list-style-type: none"> (a) which is a digital token identifier available on the Digital Token Identifier Foundation Registry; or (b) if there is no digital token identifier available for the purposes of (a), which clearly describes the <i>qualifying cryptoasset</i> and is each of the following: <ul style="list-style-type: none"> (i) unique; (ii) neutral; (iii) reliable; (iv) open source; (v) accessible; and (vi) subject to a governance framework.
<i>expanded backing assets</i>	<p>in relation to a <i>backing asset pool</i>, the following <i>assets</i>:</p> <ul style="list-style-type: none"> (a) <i>long-term government debt instruments</i>; (b) units in a <i>fund</i> which is authorised as a <i>public debt CNAV MMF</i> under the <i>Money Market Funds Regulation</i> or the <i>EU MMF Regulation</i> and which meets the following conditions: <ul style="list-style-type: none"> (i) all <i>assets</i> held within the <i>fund</i> are denominated in the <i>reference currency</i> of the <i>qualifying stablecoin</i>; and (ii) <i>assets</i> which are a debt security represent a claim on the <i>UK</i> government or the central government of a <i>Zone A country</i>; and

- (c) *assets, rights or money held as a counterparty to a repurchase transaction (whether as a repurchase agreement or reverse repurchase agreement):*
 - (i) that has a maximum maturity up to and including 7 days;
 - (ii) that concerns *long-term government debt instruments* or *short-term government debt instruments*; and
 - (iii) in relation to which the other counterparty is limited to one of the following:
 - (A) a *UK credit institution*;
 - (B) a *MIFIDPRU investment firm*;
 - (C) a *designated investment firm*;
 - (D) a ‘UK Solvency II firm’ as defined in chapter 2 of the PRA Rulebook: Solvency II Firms Insurance General Application; or
 - (E) a *third country person* with a main business comparable to any of the entities referred to in (A) to (D).

EU MMF Regulation

the *EU* version of Regulation (EU) No. 2017/1131 of the European Parliament and the Council of 14 June 2017 on money market funds.

FCA-owned centralised repository

(in *CRYPTO*) the system identified by the *FCA* on its website as the centralised repository for information relating to *qualifying cryptoassets*.

issuing a qualifying stablecoin

the activity defined in article 9M (Issuing qualifying stablecoin) of the *Regulated Activities Order*.

large CATP operator

a *firm* which:

- (a) operates a *UK QCATP*;
- (b) has average revenue, to be calculated at 12-month intervals, of more than or equal to £10m a year, for the 3 previous years, having regard to:
 - (i) all its activities, including but not limited to operating a *UK QCATP*; and

	(ii) where applicable, revenue arising from periods when the business was carried on by or in any predecessor entity.
<i>legal entity identifier</i>	(in <i>CRYPTO</i>) a 20-character alphanumeric code that uniquely identifies legally distinct entities which engage in financial transactions.
<i>legitimate cryptoasset market practice</i>	a market practice that is specified in <i>CRYPTO</i> 4.11.
<i>LEI</i>	a <i>legal entity identifier</i> .
<i>long-term government debt instrument</i>	a debt security representing a claim on the <i>UK</i> government or the central government of a <i>Zone A country</i> with a residual maturity of more than 365 <i>days</i> .
<i>making arrangements with a view to transactions in qualifying cryptoassets</i>	the <i>regulated activity</i> specified in article 9Y(2) of the <i>Regulated Activities Order</i> (Arranging deals in qualifying cryptoassets), which is, in summary, making arrangements with a view to a <i>person</i> who participates in the arrangements for the <i>buying, selling, subscribing for, or underwriting of a qualifying cryptoasset</i> , whether as <i>principal</i> or agent.
<i>means of access</i>	a private cryptographic key, part or parts of a private cryptographic key or some other means of which, in either case, a <i>person</i> would need possession or knowledge to bring about a transfer of the benefit of a <i>cryptoasset</i> to another <i>person</i> .
<i>minting</i>	the process of putting a <i>cryptoasset</i> on a blockchain or other network using distributed ledger technology or similar technology in a transferrable form.
<i>offer of a qualifying cryptoasset to the public</i>	has the same meaning as in regulation 5 (“Offer of a qualifying cryptoasset to the public”) of the <i>Cryptoassets Regulations</i> .
<i>on-demand deposit</i>	a <i>deposit</i> the terms of which require that the sum of <i>money</i> paid will be repaid, with or without interest or a premium, on demand.
<i>on-demand deposit requirement</i>	the requirement in <i>CASS</i> 16.2.1R(4).
<i>operational surplus</i>	one or more <i>qualifying cryptoassets</i> or <i>relevant specified investment cryptoassets</i> which a <i>firm</i> is using in accordance with <i>CASS</i> 17.3.20R.

<i>operating a qualifying CATP</i>	the <i>regulated activity</i> in article 9S (Operating a qualifying cryptoasset trading platform) of the <i>Regulated Activities Order</i> which is, in summary, the operation of a <i>qualifying cryptoasset trading platform</i> .
<i>person responsible for the offer</i>	<p>(in accordance with regulation 3(3) (Interpretation: qualifying cryptoasset public offers and admissions to trading) and regulation 17(1) and (5) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the <i>Cryptoassets Regulations</i>):</p> <p>(a) in relation to the <i>offer of a qualifying cryptoasset</i> to the public:</p> <p style="margin-left: 40px;">(i) the <i>person</i> making the offer; or</p> <p style="margin-left: 40px;">(ii) where the offer is being made on behalf of another, the <i>person</i> on whose behalf the offer is being made;</p> <p>(b) in relation to the <i>admission to trading</i> of a <i>qualifying cryptoasset</i> on a <i>UK QCATP</i>:</p> <p style="margin-left: 40px;">(i) the <i>person</i> requesting or obtaining <i>admission to trading</i>; or</p> <p style="margin-left: 40px;">(ii) where, of its own motion, a <i>UK QCATP operator</i> admits a <i>qualifying cryptoasset</i> to trading on a <i>UK QCATP</i> operated by it, that <i>UK QCATP operator</i>; or</p> <p>(c) in relation to a <i>related instrument</i>, the <i>person</i> who is, for the purposes of the <i>Market Abuse Regulation</i>, the offeror of that instrument.</p>
<i>per-trust operational surplus record</i>	a <i>firm's</i> record, in relation to a trust created by it under <i>CASS 17.3.3R</i> , of the reasons for it being necessary for the <i>firm</i> to use an <i>operational surplus</i> for that trust, as required under <i>CASS 17.3.20R(4)</i> .
<i>per-trust/class cryptoasset resource</i>	the amount of a particular class of <i>client cryptoasset</i> that a <i>firm</i> is required to confirm under <i>CASS 17.5.7R</i> that it is safeguarding for <i>clients</i> under a particular trust in accordance with <i>CASS 17.3.3R</i> .
<i>per-trust/client/class cryptoasset requirement</i>	the amount of a particular class of <i>client cryptoasset</i> that a <i>firm</i> is required to hold for a particular <i>client</i> under a particular trust in accordance with <i>CASS 17.3.3R</i> , as calculated at <i>CASS 17.5.6R</i> .

<i>pre-issued stablecoin</i>	a <i>qualifying stablecoin</i> that first entered circulation prior to 25 October 2027.
<i>proprietary token</i>	a <i>qualifying cryptoasset</i> that is not a <i>UK qualifying stablecoin</i> and that is either: <ul style="list-style-type: none"> (a) a <i>qualifying cryptoasset</i> issued by a <i>qualifying cryptoasset firm</i> or a member of its <i>group</i>; or (b) a <i>qualifying cryptoasset</i> over which a <i>qualifying cryptoasset firm</i> or a member of its <i>group</i> has material control or holdings of its supply.
<i>public debt CNAV MMF</i>	(a) in relation to a <i>regulated money market fund</i> , has the meaning given in article 2(11) (Definitions) of the <i>Money Market Funds Regulation</i> ; or <ul style="list-style-type: none"> (b) in relation to a money market fund authorised under the <i>EU MMF Regulation</i>, has the meaning given in article 2(11) (Definitions) of the <i>EU MMF Regulation</i>.
<i>QCATP</i>	a <i>qualifying cryptoasset trading platform</i> .
<i>QCATP operator</i>	a <i>qualifying CATP operator</i> .
<i>QCDD</i>	a document which is a <i>qualifying cryptoasset disclosure document</i> for the purposes of Chapter 1 (Qualifying cryptoasset public offers and admissions to trading) of Part 2 (Markets in cryptoassets: designated activities) of the <i>Cryptoassets Regulations</i> .
<i>qualifying CATP</i>	a <i>qualifying cryptoasset trading platform</i> .
<i>qualifying CATP operator</i>	a <i>firm</i> authorised to carry on the activity of <i>operating a qualifying CATP</i> .
<i>qualifying cryptoasset activity</i>	any of the following activities, specified in Part II of the <i>Regulated Activities Order</i> (Specified Activities): <ul style="list-style-type: none"> (a) <i>issuing a qualifying stablecoin</i> (article 9M (Issuing qualifying stablecoin)); (b) <i>safeguarding cryptoassets</i> (article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets)); (c) <i>arranging cryptoasset safeguarding</i> (article 9N(1)(b)); (d) <i>operating a qualifying CATP</i> (article 9S (Operating a qualifying cryptoasset trading platform));

- (e) *dealing in qualifying cryptoassets as principal* ((article 9T (Dealing in qualifying cryptoasset trading platform) (but disregarding the exclusion in article 9U (Article 9T exclusion: absence of holding out etc.)));
 - (f) *dealing in qualifying cryptoassets as agent* (article 9W (Dealing in qualifying cryptoassets as agent));
 - (g) *arranging deals in qualifying cryptoassets* (article 9Y (Arranging deals in qualifying cryptoassets)); or
 - (h) *arranging qualifying cryptoasset staking* (article 9Z6 (Qualifying cryptoasset staking)).
- qualifying cryptoasset best execution obligation* (in *CRYPTO* 5) the obligation of a *firm* under *CRYPTO* 5.4.1R, *CRYPTO* 5.4.10R, *CRYPTO* 5.4.13R and *CRYPTO* 5.4.16R.
- qualifying cryptoasset borrowing* the disposal of a *qualifying cryptoasset* from or via an *authorised cryptoasset firm* to a *person* subject to an obligation or right to reacquire the same or equivalent *qualifying cryptoasset* from the *person*, which may include the provision of *qualifying cryptoasset borrowing collateral* and/or payment of interest from the *person* to the *authorised cryptoasset firm*.
- qualifying cryptoasset borrowing collateral* the transfer (other than by way of sale) by a *retail client* of assets (including *qualifying cryptoassets*) or currency, or rights in respect thereof, subject to a right of the *retail client* to have transferred back to them the same or equivalent assets or currency where the assets or currency are transferred to secure the performance of the obligations of the *retail client* arising in connection with *qualifying cryptoasset borrowing*.
- qualifying cryptoasset custodian* an *authorised person* with *permission* to carry on the *regulated activity* of *safeguarding cryptoassets*.
- qualifying cryptoasset execution venue* (in *CRYPTO*):
- (a) a *qualifying cryptoasset trading platform*;
 - (b) a single dealer platform;
 - (c) a liquidity provider; or
 - (d) an entity that, in a *third country*, performs a similar function to the functions performed by any of the entities in (a) to (c).

<i>qualifying cryptoasset firm</i>	a <i>firm</i> with a <i>Part 4A permission</i> which includes a <i>qualifying cryptoasset activity</i> .
<i>qualifying cryptoasset lending</i>	the disposal of a <i>qualifying cryptoasset</i> from a <i>person</i> to or via an <i>authorised cryptoasset firm</i> subject to an obligation or right to reacquire the same or equivalent <i>qualifying cryptoasset</i> from the <i>authorised cryptoasset firm</i> , typically with compensation paid to that <i>person</i> by the <i>qualifying cryptoasset firm</i> in the form of yield.
<i>qualifying cryptoasset lending or borrowing</i>	one or both of the following services: <ul style="list-style-type: none"> (a) <i>qualifying cryptoasset lending</i>; and (b) <i>qualifying cryptoasset borrowing</i>.
<i>qualifying cryptoasset staking</i>	the use of a <i>qualifying cryptoasset</i> in <i>blockchain validation</i> .
<i>qualifying cryptoasset trading platform</i>	(in accordance with article 3(1) (Interpretation) of the <i>Regulated Activities Order</i>) a system which brings together, or facilitates the bringing together of, multiple third-party <i>buying</i> and <i>selling</i> interests in <i>qualifying cryptoassets</i> in a way that results in a contract for the exchange of <i>qualifying cryptoassets</i> for: <ul style="list-style-type: none"> (a) <i>money</i> (including <i>electronic money</i>); or (b) other <i>qualifying cryptoassets</i>.
<i>qualifying stablecoin</i>	the specified <i>investment</i> defined in article 88G (Qualifying stablecoin) of the <i>Regulated Activities Order</i> .
<i>qualifying stablecoin funds</i>	(a) <i>money</i> received by a <i>qualifying stablecoin issuer</i> in payment for a <i>qualifying stablecoin</i> in the course of carrying out the activity of <i>issuing a qualifying stablecoin</i> ; and <ul style="list-style-type: none"> (b) <i>money</i> that is equivalent in value to the consideration accepted by a <i>qualifying stablecoin issuer</i> when it accepts something other than <i>money</i> in payment for a <i>qualifying stablecoin</i> in the course of carrying out the activity of <i>issuing a qualifying stablecoin</i>.
<i>qualifying stablecoin issuer</i>	an <i>authorised person</i> with <i>permission</i> to carry on the <i>regulated activity</i> defined in article 9M (Issuing qualifying stablecoin) of the <i>Regulated Activities Order</i> .
<i>qualifying stablecoin product</i>	a category of <i>qualifying stablecoins</i> identifiable on the basis that:

	<ul style="list-style-type: none"> (a) each <i>qualifying stablecoin</i> within that category is fungible with each other <i>qualifying stablecoin</i> within that category; and (b) together all the <i>qualifying stablecoins</i> in that category represent a single product.
<i>qualifying stablecoin product identifier</i>	<p>the following identifiers in respect of a <i>qualifying stablecoin product</i> and the <i>qualifying stablecoins</i> within it:</p> <ul style="list-style-type: none"> (a) the name of the <i>qualifying stablecoin product</i> and, if different, that part of the name used by all <i>qualifying stablecoins</i> in the <i>qualifying stablecoin product</i>; and (b) any <i>digital token identifiers</i> relating to the <i>qualifying stablecoin product</i> (including those for equivalent groups on the Digital Token Identifier Foundation Registry).
<i>redemption day</i>	<ul style="list-style-type: none"> (a) a <i>business day</i>; or (b) any other <i>day</i> on which a <i>qualifying stablecoin issuer</i> is operating so as to be able to complete <i>redemptions</i>.
<i>redemption fee</i>	the fee a <i>qualifying stablecoin issuer</i> charges for carrying out <i>redemption</i> .
<i>redemption sum</i>	<p>the <i>reference value</i> of the sum total of <i>qualifying stablecoins</i> in respect of which a <i>redemption</i> request is received, less:</p> <ul style="list-style-type: none"> (a) any <i>redemption fee</i>; and (b) any currency exchange fees which may be incurred by the <i>qualifying stablecoin issuer</i> in meeting the <i>redemption</i> request in a currency chosen by the <i>holder</i> where that currency is different to the <i>reference currency</i>.
<i>reference currency</i>	the fiat currency to which a <i>qualifying stablecoin</i> is referenced.
<i>reference value</i>	the face value of a <i>qualifying stablecoin</i> , with reference to a unit of the fiat currency to which that <i>qualifying stablecoin</i> is referenced.
<i>regulated cryptoasset activity</i>	<p>the <i>regulated activities</i> in Chapter 2B (Cryptoassets) of Part II (Specified activities) of the <i>Regulated Activities Order</i>:</p> <ul style="list-style-type: none"> (a) <i>issuing a qualifying stablecoin</i>; (b) <i>safeguarding cryptoassets</i>;

- (c) *arranging cryptoasset safeguarding;*
- (d) *operating a qualifying CATP;*
- (e) *dealing in qualifying cryptoassets as principal;*
- (f) *dealing in qualifying cryptoassets as agent;*
- (g) *arranging (bringing about) deals in qualifying cryptoassets;*
- (h) *making arrangements with a view to transactions in qualifying cryptoassets; and*
- (i) *arranging qualifying cryptoasset staking.*

related instrument

(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*) a *financial instrument or specified investment* whose price or value depends on, or has an effect on, the price or value of a *relevant qualifying cryptoasset*, but does not include a *financial instrument or specified investment* which:

- (a) is a *relevant qualifying cryptoasset*; or
- (b) falls within article 2(1) (Scope) of the *Market Abuse Regulation*.

relevant dealer in principal

(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*) a *person* who carries on an activity of a kind described in article 9T (Dealing in qualifying cryptoassets as principal) of the *Regulated Activities Order* in relation to a *relevant qualifying cryptoasset*.

relevant issuer

(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*):

- (a) in relation to a *relevant qualifying cryptoasset*:
 - (i) the issuer of a *qualifying stablecoin*; or
 - (ii) in any other case, a *person* ('A') where:
 - (A) A offers a *qualifying cryptoasset*, or arranges for another to offer that *qualifying cryptoasset* to the public; and

	(B) that <i>qualifying cryptoasset</i> is created by, or on behalf of, A for sale or subscription; or
	(b) in relation to a <i>related instrument</i> , the issuer of that instrument.
<i>relevant qualifying cryptoasset</i>	(in accordance with regulation 17(1) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the <i>Cryptoassets Regulations</i>) a <i>qualifying cryptoasset</i> that has been <i>admitted to trading</i> , or is subject to an application seeking <i>admission to trading</i> , on a <i>UK QCATP</i> .
<i>relevant specified investment cryptoasset</i>	a <i>specified investment cryptoasset</i> which meets the definition at article 9N(5)(b) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the <i>Regulated Activities Order</i> .
<i>reportable post-trade transparency information</i>	information which a <i>transparency reporting firm</i> is required to report, as set out in <i>CRYPTO 7.3</i> .
<i>reportable pre-trade transparency information</i>	information which a <i>transparency reporting firm</i> is required to report, as set out in <i>CRYPTO 7.2</i> .
<i>retail UK QCATP</i>	a <i>UK QCATP</i> whose rules do not preclude <i>retail investors</i> from trading on the <i>UK QCATP</i> directly or through intermediaries.
<i>retail UK QCATP operator</i>	the operator of a <i>retail UK QCATP</i> .
<i>safeguarding cryptoassets</i>	the <i>regulated activity</i> specified in article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the <i>Regulated Activities Order</i> .
<i>safeguarding qualifying cryptoassets</i>	the <i>regulated activity</i> specified in article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the <i>Regulated Activities Order</i> , but only in relation to <i>qualifying cryptoassets</i> .
<i>safeguarding qualifying cryptoassets and relevant specified investment cryptoassets</i>	<i>safeguarding cryptoassets</i> .
<i>short-term government debt instrument</i>	a debt security representing a claim on the <i>UK</i> government or the central government of a <i>Zone A country</i> with a residual maturity of 365 <i>days</i> or fewer.

<i>specified investment cryptoasset</i>	<p>a <i>cryptoasset</i> that:</p> <p>(a) is a <i>specified investment</i> as a result of Part III (Specified investments) of the <i>Regulated Activities Order</i>:</p> <p style="margin-left: 40px;">(i) excluding article 88F (Qualifying cryptoassets); and</p> <p style="margin-left: 40px;">(ii) including where the <i>cryptoasset</i> is a right to, or an interest in, such a <i>specified investment</i> by operation of article 89 (Rights to or interests in investments); and</p> <p>(b) would be a <i>qualifying cryptoasset</i> if article 88F(4)(a) to (c) of the <i>Regulated Activities Order</i> were disregarded.</p>
<i>specified investment cryptoasset firm</i>	<p>an <i>authorised person</i> who:</p> <p>(a) has a <i>Part 4A permission</i> to carry on a <i>regulated activity</i> other than a <i>regulated cryptoasset activity</i>; and</p> <p>(b) carries on an activity under that <i>permission</i> in relation to <i>specified investment cryptoassets</i>.</p>
<i>stablecoin backing assets</i>	<i>assets</i> received or held by <i>firm</i> in its capacity as trustee under CASS 16.5.2R for the benefit of the <i>holders</i> of a <i>qualifying stablecoin</i> in respect of which that <i>firm</i> is the <i>qualifying stablecoin issuer</i> .
<i>stablecoin backing funds</i>	<i>money</i> received or held by a <i>firm</i> in its capacity as trustee under CASS 16.5.2R for the benefit of the <i>holders</i> of a <i>qualifying stablecoin</i> in respect of which that <i>firm</i> is the <i>qualifying stablecoin issuer</i> .
<i>stablecoin pool</i>	a number ('X') of <i>qualifying stablecoins</i> calculated in accordance with CASS 16.2.8R.
<i>stablecoin QCDD</i>	a <i>QCDD</i> produced in relation to a <i>UK qualifying stablecoin</i> .
<i>supplementary disclosure document</i>	a document which is a supplementary disclosure document for the purposes of Chapter 1 (Qualifying cryptoasset public offers and admissions to trading) of Part 2 (Markets in cryptoassets: designated activities) of the <i>Cryptoassets Regulations</i> .
<i>third-party custodian</i>	(a) a <i>person</i> who is authorised and supervised in the <i>UK</i> or in a <i>third country</i> for the activity of safeguarding for

	the account of another <i>person</i> of <i>assets</i> including <i>core backing assets</i> (excluding <i>on-demand deposits</i>) and <i>expanded backing assets</i> ; or
	(b) any <i>person</i> appointed to safeguard <i>core backing assets</i> (excluding <i>on-demand deposits</i>) or <i>expanded backing assets</i> in circumstances described in CASS 16.6.7R(2).
<i>transparency crypto intermediary</i>	a <i>firm</i> dealing in <i>qualifying cryptoassets</i> as <i>principal</i> when trading in <i>qualifying cryptoassets</i> otherwise than on a matched principal basis.
<i>transparency reporting firm</i>	a <i>firm</i> that is either: <ul style="list-style-type: none"> (a) a <i>UK QCATP operator</i>; or (b) a <i>transparency crypto intermediary</i>, to which <i>CRYPTO 7</i> applies.
<i>UK QCATP</i>	a <i>qualifying cryptoasset trading platform</i> , the operation of which requires <i>authorisation</i> .
<i>UK QCATP operator</i>	the operator of a <i>UK QCATP</i> .
<i>UK qualifying cryptoasset execution venue</i>	a <i>qualifying cryptoasset execution venue</i> , the operation of which requires <i>authorisation</i> .
<i>UK qualifying stablecoin</i>	a <i>qualifying stablecoin</i> issued by a <i>firm</i> (F): <ul style="list-style-type: none"> (a) in respect of which F is <i>issuing a qualifying stablecoin</i>; and (b) where F has a <i>Part 4A permission</i> to carry on the activity in (a).
<i>wrapped token</i>	a <i>qualifying cryptoasset</i> ('A') which: <ul style="list-style-type: none"> (a) relates to an underlying <i>qualifying cryptoasset</i> ('B'), where B is <i>minted</i> on a blockchain other than one on which A is used ('C'); and (b) is created specifically for the purpose of enabling B to be used on C.

Amend the following definitions as shown.

acknowledgement letter ...

	(2)	...
	(3)	<u>(in CASS 16) a backing asset pool acknowledgement letter (a letter in the form of the template in CASS 16 Annex 1).</u>
<i>acknowledgement letter fixed text</i>	...	
	(4)	...
	(5)	<u>(in CASS 16) the text in the template acknowledgement letter in CASS 16 Annex 1 that is not in square brackets.</u>
<i>acknowledgement letter variable text</i>	...	
	(4)	...
	(5)	<u>(in CASS 16) the text in the template acknowledgement letter in CASS 16 Annex 1 that is in square brackets.</u>
<i>admission to trading</i>	...	
	(2A)	...
	(2B)	<u>(in CRYPTO) admission of a qualifying cryptoasset to trading on a UK QCATP.</u>
	...	
<i>advertisement</i>	(1)	<u>(except in CRYPTO) has the meaning in regulation 3 of the Public Offers and Admissions to Trading Regulations – in summary, a communication which:</u>
	...	
	(2)	<u>(in CRYPTO) has the meaning in regulation 3 (Interpretation: qualifying cryptoasset public offers and admissions to trading) of the Cryptoasset Regulations – in summary, a communication which:</u>
	(a)	<u>relates to:</u>
	(i)	<u>a specific offer of a qualifying cryptoasset to the public; or</u>
	(ii)	<u>an admission, or proposed admission, of a qualifying cryptoasset to trading on a qualifying cryptoasset trading platform;</u>

- (b) aims specifically to promote the potential buying of, or subscribing for, a qualifying cryptoasset; and
- (c) is not a QCDD or supplementary disclosure document.

agreeing to carry on a regulated activity

the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II, Part 3A, or Part 3B of that Order other than:

...

(aa) ...

(ab) issuing a qualifying stablecoin;

(ac) operating a qualifying CATP;

...

algorithmic trading

(1) (except in CRYPTO 4.7 and CRYPTO 4.8) trading in financial instruments which meets the following conditions:

...

(2) (in CRYPTO 4.7 and CRYPTO 4.8) trading in qualifying cryptoassets or related instruments which meets the following conditions:

(a) where a computer algorithm automatically determines individual parameters of orders, such as whether to initiate the order, the timing, price or quantity of the order for how to manage the order after its submission; and

(b) there is limited or no human intervention; but

does not include any system that is only used for the purpose of routing orders to one or more qualifying cryptoasset trading platforms or trading venues (as applicable) or the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions.

approved bank

- (1) (except in *COLL* and *CASS 15* and *CASS 16*) (in relation to a *bank* account opened by a firm):
- ...
- ...
- (3) ...
- (4) (in *CASS 16*) (in relation to a *backing funds account* opened by a *firm*):
- (a) the *central bank* of a state that is a member of the *OECD* ('an *OECD* state');
- (b) a *credit institution* that is supervised by the *central bank* or other banking regulator of an *OECD* state; and
- (c) any *credit institution* that:
- (i) is subject to regulation by the banking regulator of a state that is not an *OECD* state;
- (ii) is required by the law of the country or territory in which it is established to provide audited accounts;
- (iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time);
- (iv) has a surplus of revenue over expenditure for the past 2 financial years; and
- (v) has an annual report which is not materially qualified.

asset

- ...
- (2) ...
- (3) (in *CRYPTO* and *CASS 16*) any property, right, entitlement or interest, excluding *money*.

client

- ...
- (B) in the *FCA Handbook*:

- (1) (except in *PROF*, in *MIFIDPRU 5*, in relation to a *credit-related regulated activity*, in relation to *regulated funeral plan activity*, in relation to a *home finance transaction* ~~and~~, in relation to *insurance risk transformation* and activities directly arising from *insurance risk transformation*, and in relation to issuing a qualifying stablecoin in *PRIN* and *SYSC 15A*) has the meaning given in *COBS 3.2*, that is (in summary and without prejudice to the detailed effect of *COBS 3.2*) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a *regulated activity*, or in the case of *MiFID* or equivalent *third country business*, an *ancillary service*:

...

...

- (12) ...

- (13) (in *PRIN* and *SYSC 15A* in relation to *issuing a qualifying stablecoin*):

(a) a *person* to whom a *firm* provides, intends to provide or has provided a service in the course of carrying on a regulated activity; and

(b) where not otherwise included in (a), the holder of a *qualifying stablecoin* which is issued by a *qualifying stablecoin issuer*.

client money

...

- (2A) (in *MIFIDPRU*, *FEES*, *CASS 6*, *CASS 7*, *CASS 7A* and *CASS 10* and, in so far as it relates to matters covered by *CASS 6*, *CASS 7*; and *COBS* and ~~*IPRU(INV) 11*~~) subject to the *client money rules*, *money* of any currency:

...

- (b) that, in the course of carrying on *designated investment business* that is not *MiFID business* or issuing a *qualifying stablecoin*, a *firm* holds for a *client*; or

	...
	...
<i>complaint</i>	...
	(2) (in <i>DISP</i> , except <i>DISP</i> 1.1 and (in relation to <i>collective portfolio management</i>) in the <i>consumer awareness rules</i> , the <i>complaints handling rules</i> , the <i>complaints record rule</i> , and in <i>CONRED</i> 5, <i>CONRED</i> 6, <i>CREDS</i> 9, in <i>SUP</i> 12 and , in <i>SUP</i> 15 <u>and in <i>SUP</i> 16</u>) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a <i>person</i> about the provision of, or failure to provide, a financial service, <i>claims management service</i> or a <i>redress determination</i> , which:
	...
	...
<i>controlled activity</i>	(in accordance with section 21(9) of the <i>Act</i> (The classes of activity and investment)) any of the following activities specified in Part 1 of Schedule 1 to the Financial Promotions Order (Controlled Activities):
	...
	(ia) ...
	(ib) <u>safeguarding cryptoassets (paragraph 7A);</u>
	(ic) <u>operating a qualifying cryptoasset trading platform (paragraph 7B);</u>
	(id) <u>arranging qualifying cryptoasset staking (paragraph 7C);</u>
<i>CRD credit institution</i>	(1) (except in <i>COLL</i> and , <i>FUND</i> <u>and <i>CASS</i> 16</u>) a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in the <i>UK</i> , excluding an <i>institution</i> to which the <i>CRD</i> does not apply under the <i>UK</i> provisions which implemented article 2 of the <i>CRD</i> (see also <i>full CRD credit institution</i>).
	(2) (in <i>COLL</i> and , <i>FUND</i> <u>and <i>CASS</i> 16</u>) a <i>credit institution</i> that:
	...
<i>customer</i>	...

- (B) in the *FCA Handbook*:
- (1) (except in relation to *SYSC 19F.2, ICOBS, retail premium finance, a credit-related regulated activity, regulated claims management activity, regulated funeral plan activity, regulated pensions dashboard activity, MCOB 3A, an MCD credit agreement, CASS 5, for the purposes of PRIN in relation to MiFID or equivalent third country business and issuing a qualifying stablecoin, DISP 1.1.10-BR, PROD 1.4 and PROD 4*) and in relation to *payment services* and issuing *electronic money* (where not a *regulated activity*) a *client* who is not an *eligible counterparty* for the relevant purposes.
- ...
- (10) ...
- (11) (in *PRIN* in relation to *issuing a qualifying stablecoin*) a *client* who is not an *eligible counterparty* for the relevant purposes.
- data protection legislation* (1) (except in *CRYPTO 4*) the General Data Protection Regulation (EU) No 2016/679 and the Data Protection Act 2018.
- (2) (in *CRYPTO 4*) has the same meaning as in section 3 (Terms relating to the processing of personal data) of the Data Protection Act 2018.
- designated investment* ...
- (4) ...
- (5) (in *COBS*) in addition and to the extent it does not fall within (1):
- (a) a *qualifying cryptoasset*; and
- (b) a *relevant specified investment cryptoasset*.
- designated investment business* (1) (except in *COMP*) any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:
- ...

- (t) ...
 - (u) issuing a qualifying stablecoin (article 9M (Issuing qualifying stablecoin));
 - (v) safeguarding cryptoassets (article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets));
 - (w) arranging cryptoasset safeguarding (article 9N(1)(b));
 - (x) operating a qualifying CATP (article 9S (Operating a qualifying cryptoasset trading platform));
 - (y) dealing in qualifying cryptoassets as principal (article 9T (Dealing in qualifying cryptoassets as principal)), but disregarding the exclusion in article 9U (Article 9T exclusion: absence of holding out etc.);
 - (z) dealing in qualifying cryptoassets as agent (article 9W (Dealing in qualifying cryptoassets as agent));
 - (za) arranging deals in qualifying cryptoassets (article 9Y (Arranging deals in qualifying cryptoassets)); and
 - (zb) arranging qualifying cryptoasset staking (article 9Z6 (Qualifying cryptoasset staking)).
- (2) (in COMP) any of the activities falling within (1) except:
- (a) issuing a qualifying stablecoin (article 9M);
 - (b) safeguarding cryptoassets (article 9N(1)(a));
 - (c) arranging cryptoasset safeguarding (article 9N(1)(b));
 - (d) operating a qualifying CATP (article 9S);
 - (e) dealing in qualifying cryptoassets as principal (article 9T), but disregarding the exclusion in article 9U;

- (f) dealing in qualifying cryptoassets as agent (article 9W);
- (g) arranging deals in qualifying cryptoassets (article 9Y); and
- (h) arranging qualifying cryptoasset staking (article 9Z6).

*eligible counterparty
business*

the following services and activities carried on by a firm:

- (a) *dealing on own account, execution of orders on behalf of clients* or reception and transmission of orders; ~~or~~
- (b) any *ancillary service* directly related to a service or activity referred to in (a); ~~or~~
- (c) ...
- (d) dealing in qualifying cryptoassets as principal;
- (e) dealing in qualifying cryptoassets as agent;
- (f) arranging deals in qualifying cryptoassets;
- (g) arranging qualifying cryptoasset staking;
- (h) issuing a qualifying stablecoin;
- (i) safeguarding cryptoassets; or
- (j) arranging cryptoasset safeguarding.

*execution of orders on
behalf of clients*

- (1) (except in CRYPTO and CRYPTOPRU) acting to conclude agreements to buy or sell one or more financial instruments on behalf of clients, including the conclusion of agreements to sell financial instruments issued by an investment firm or a credit institution at the moment of their issuance.
- ...
- (2) (in CRYPTO and CRYPTOPRU) acting to conclude agreements to buy or sell one or more qualifying cryptoassets on behalf of clients, including the conclusion of agreements to sell qualifying cryptoassets issued by a firm at the moment of their issuance.

- forward-looking statement* (1) (in PRM) has the same meaning as in paragraph 10(2) of Schedule 2 to the *Public Offers and Admissions to Trading Regulations*.
- (2) (in CRYPTO 3) has the same meaning as in paragraph 8(2) (“Protected forward-looking statement”) of Part 2 (Further exemption relating to forward-looking statement) of Schedule 2 (Compensation: exemptions) to the *Cryptoassets Regulations*.
- holder* ...
- (b) ...
- (c) (in relation to a *qualifying stablecoin*):
- (i) the person who has the right to *redeem* that *qualifying stablecoin*; or
- (ii) a person who is exercising the right in (i) until *redemption* is completed in respect of that *qualifying stablecoin*.

[*Editor’s note:* The definition of ‘market maker’ takes into account the changes introduced by the Short Selling Rules Sourcebook Instrument 2026, which comes into force on 13 July 2026, and the Commodity Derivatives (Ancillary Activity Exemption) Instrument 2025 (FCA 2025/61), which comes into force on 1 January 2027.]

- market maker* ...
- (5) ...
- (6) (in CRYPTO) a person who holds themselves out on a *qualifying CATP* on a continuous basis as being willing to *deal in qualifying cryptoassets as principal* by buying and selling *qualifying cryptoassets* against that *person’s* proprietary capital at prices defined by that *person*.
- material change* (in COBS 11 and CRYPTO 5.4) a significant event that could impact parameters of best execution, such as cost, price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.
- over the counter* (1) (except in CRYPTO) (in relation to a transaction in an *investment*) not *on-exchange*.
- (2) (in CRYPTO) in relation to a transaction in *qualifying cryptoassets* not on a *UK QCATP*.

- periodic statement* (1) (except in CRYPTO) a report which a *firm* is required to provide to a *client* pursuant to:
- ...
- (2) (in CRYPTO) a report which a *firm* is required to provide to a *client* pursuant to CRYPTO 9.
- personal transaction* a trade in a *designated investment* or *qualifying cryptoasset*, or in COBS 11.7A only, a trade in a *financial instrument*, effected by or on behalf of a *relevant person*, where at least one of the following criteria are met:
- ...
- proprietary trading* (in SYSC 27 (Senior managers and certification regime: (Certification regime) and COCON) *dealing in investments as principal* as part of a business of trading in *specified investments*. For these purposes *dealing in investments as principal* includes:
- (a) any activities that would be included but for the exclusion in Article 15 (Absence of holding out etc.), Article 16 (Dealing in contractually based investments) or, for a UK AIFM or UK UCITS management company, article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*;
- (b) *dealing in qualifying cryptoassets as principal*; and
- (c) any activities that would be included in (b) but for the exclusion in article 9U (Article 9T exclusion: absence of holding out etc.) of the *Regulated Activities Order*.
- protected forward-looking statement* (1) (in PRM) a *forward-looking statement* that satisfies the conditions set out in PRM 8.1.3R.
- (2) (in CRYPTO 3) a *forward-looking statement* that satisfies the conditions set out in CRYPTO 3.7.3R.
- qualifying cryptoasset* (1) (as defined in ~~paragraph 26F (Qualifying cryptoasset) of Schedule 1 to the *Financial Promotion Order*~~ article 88F (Qualifying cryptoasset) of *Regulated Activities Order*):
- ~~(1) Any cryptoasset (other than a cryptoasset fall in (2))~~
- (a) A *cryptoasset* which is:
- ~~(a)~~ (i) fungible; and
- ~~(b)~~ (ii) transferable;

- (iii) not solely a record of value or contractual rights, including rights in another *cryptoasset*; and
- (iv) not excluded by (c).
- (b) For the purposes of (1)(a)(ii), the circumstances in which a *cryptoasset* is to be treated as ‘transferable’ include where it confers transferable rights.
- (2) (c) A ~~cryptoasset~~ *cryptoasset* does not fall within (1) (1)(a) if it is:
 - (a) (i) ~~a controlled investment falling within any of paragraphs 12 to 26E or, so far as relevant to any such investment, paragraph 27 of Schedule 1 to the *Financial Promotion Order*; a specified investment *cryptoasset*, other than one specified by:~~
 - (A) article 74A (Electronic money) of the *Regulated Activities Order*; or
 - (B) article 88F (Qualifying cryptoassets) of the *Regulated Activities Order*;
 - (b) (ii) ~~electronic money (as defined in regulation 2(1) (Interpretation) of the *Electronic Money Regulations*)~~ electronic money;
 - (c) (iii) ~~fiat currency~~ currency of the *United Kingdom* or any other country or territory, including a central bank digital currency; or
 - (d) ~~fiat currency issued in digital form; or~~
 - (e) (iv) a ~~cryptoasset~~ *cryptoasset* that:
 - (i) (A) cannot be transferred or sold in exchange for ~~money~~ money or other ~~cryptoassets~~ *cryptoassets*, except by way of redemption with the issuer; and
 - (ii) (B) can only be used ~~in a limited way and meets one of the following conditions by the holder to:~~
 - (1) ~~it allows the holder to~~ acquire goods or services ~~only~~ from the issuer; or

(2) ~~it is issued by a professional issuer and allows the holder to acquire goods or services only within a limited network of service providers which have direct commercial agreements with the issuer; or~~

(3) ~~it may be used only to acquire a very limited range of goods or services.~~

(3) ~~For the purposes of this definition, a cryptoasset is any cryptographically secured digital representation of value or contractual rights that:~~

(a) ~~can be transferred, stored or traded electronically; and~~

(b) ~~uses technology supporting the recording or storage of data (which may include distributed ledger technology).~~

(2) (insofar as referring to the *controlled investment*, in accordance with article 2 (Interpretation: general) of the *Financial Promotion Order*) has the meaning given by article 88F (Qualifying cryptoassets) of the *Regulated Activities Order*, except that the condition as to the *cryptoasset* being transferable is to be taken as met if a communication made in relation to the *cryptoasset* describes it as being:

(a) transferable; or

(b) conferring transferable rights.

redemption

...

(2) ...

(3) (in relation to a *qualifying stablecoin*) the process by which a *qualifying stablecoin issuer* fulfils its obligation to the *holder* of a *qualifying stablecoin*, whether carried out directly or indirectly (for example, through a third party), to provide value in exchange for the *holder* returning a *qualifying stablecoin*.

regulated activity

...

(B) in the *FCA Handbook*:

- (1) (in accordance with section 22 of the *Act* (Regulated activities)) the activities specified in Part II (Specified activities), Part 3A (Specified activities in relation to information) and Part 3B (Claims management activities in Great Britain) of the *Regulated Activities Order*, which are, in summary:
- ...
- (aa) ...
 - (ab) issuing a qualifying stablecoin (article 9M (Issuing qualifying stablecoin));
 - (ac) safeguarding cryptoassets (article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets));
 - (ad) arranging cryptoasset safeguarding (article 9N(1)(b));
 - (ae) operating a qualifying CATP (article 9S (Operating a qualifying cryptoasset trading platform));
 - (af) dealing in qualifying cryptoassets as principal (article 9T (Dealing in qualifying cryptoassets as principal));
 - (ag) dealing in qualifying cryptoassets as agent (article 9W (Dealing in qualifying cryptoassets as agent));
 - (ah) arranging deals in qualifying cryptoassets (article 9Y (Arranging deals in qualifying cryptoassets));
 - (ai) arranging qualifying cryptoasset staking (article 9Z6 (Qualifying cryptoasset staking));
- ...
- (2) in *DISP*, except *DISP* 1.1, *DISP* 1.2, *DISP* 1.3 and *DISP* 1.9: (in accordance with the *FCA*'s power under section 226 of the *Act*) all of the activities included in (B)(1) as at ~~6 April 2026~~ 25 October 2027, unless expressly excluded in *DISP* 2.3.1R.

relevant person ...

(1) ...

(1A) (in CRYPTO 4) (in accordance with regulation 17(4) (Interpretation: market abuse in qualifying cryptoassets and related instruments) of the *Cryptoassets Regulations*) a person, in relation to a relevant qualifying cryptoasset or related instrument, who is:

- (a) a relevant issuer of that relevant qualifying cryptoasset or related instrument;
- (b) a person responsible for the offer of that relevant qualifying cryptoasset or related instrument;
- (c) a UK QCATP operator in relation to a relevant qualifying cryptoasset; or
- (d) a relevant dealer in principal.

...

restricted mass market investment any of the following:

...

(e) a qualifying cryptoasset other than one which is part of a qualifying stablecoin product that includes a UK qualifying stablecoin;

...

retail customer

...

(2) (in *PRIN* and *COCON*):

...

(g) ...

(h) where a firm is a qualifying stablecoin issuer, a customer who is not a professional client.

...

retail investor

(1) (in *GEN*, *COBS*, *COLL*, *DISC* and the Investment Funds sourcebook) a person meeting the criteria in *DISC* 1A.1.5R.

(2) (in CRYPTO 3) a person who is not a ‘qualified investor’ as defined by paragraph 9 of Part 2 (Supplementary provisions relating to Part 1) of Schedule 1 (Exceptions

from prohibition of offers to the public) to the *Cryptoassets Regulations*.

- retail market business* the *regulated activities* and *ancillary activities* to those activities, *payment services*, issuing *electronic money*, and activities connected to the provision of *payment services* or issuing of *electronic money*, of a *firm* in a distribution chain (including a *manufacturer* and a *distributor*) which involves a *retail customer*, but not including the following activities:
- ...
- (6) *insurance distribution activities* carried on by a *firm* in respect of a *group policy* that:
- ...
- (c) do not involve any direct contact between the *firm* and that *person*; and
- (7) the activities specified as designated activities under section 71K (Designated activities) of the *Act* by regulations 7 (Designated activities: public offers of qualifying cryptoassets) and 8 (Designated activities: admissions to trading on a qualifying cryptoasset trading platform) of the *Cryptoassets Regulations*, where:
- (a) the carrying on of those activities would involve the carrying on of *regulated activities* or *ancillary activities* to those activities; and
- (b) those activities are carried on in relation to a *qualifying cryptoasset* that is not a *UK qualifying stablecoin*.
- specified investment* (1) any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):
- ...
- (p) *rights to or interests in investments* (article 89);
- (r) a *qualifying cryptoasset* (article 88F); and
- (s) a *qualifying stablecoin* (article 88G).
- ...
- third country firm* (1) (in *SYSC*) either:
- ...

- (2) (in COBS and DISP) a firm which operates from an establishment in the United Kingdom and which:
- (a) if it is a body corporate or a partnership, is formed or incorporated under the law of a third country; or
 - (b) if not a body corporate or partnership, operates from a principal place of business in a third country.

[Editor's note: The definition of 'working day' takes into account the changes made by the Commodity Derivatives (Position Limits, Position Management and Perimeter) Instrument 2025 (FCA 2025/4), which comes into force on 6 July 2026, the Short Selling Rules Sourcebook Instrument 2026 (FCA 2026/16), which comes into force on 13 July 2026, and the Notification of Third Party Arrangements and Operational Incident Reporting Instrument 2026 (FCA 2026/6), which comes into force on 18 March 2027.]

working day (1) (in PRM, MAR 5-A, MAR 9 ~~and~~, MAR 10 and CRYPTO 3) (as defined in section 103 of the Act) any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 in any part of the *United Kingdom*.

...

CRYPTOASSETS (STABLECOINS) INSTRUMENT 2026**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”), including as applied by article 98 (Application of section 137B of the Act to backing assets for qualifying stablecoin) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102)):
 - (a) section 137A (the FCA’s general rules);
 - (b) section 137B (FCA general rules: clients’ money, right to rescind etc.);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance); and
 - (e) section 340 (Appointment);
 - (2) the following provisions of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102):
 - (a) regulation 6 (“Qualifying cryptoasset disclosure document” and “supplementary disclosure document”);
 - (b) regulation 9 (Designated activity rules: qualifying cryptoasset public offers and admissions to trading);
 - (c) regulation 12 (Responsibility for disclosure documents);
 - (d) regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document); and
 - (e) regulation 15 (Withdrawal rights); and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument is one of a series of instruments which introduce or amend provisions of the Handbook relating to cryptoassets. These instruments all come into force on 25 October 2027, immediately after one another, in the following order:
- (1) Glossary (Cryptoassets) Instrument 2026;
 - (2) Cryptoassets (Stablecoins) Instrument 2026;
 - (3) Cryptoassets (Admission of Qualifying Cryptoassets to Trading and Offers of Qualifying Cryptoassets to the Public) Instrument 2026;

- (4) Cryptoassets (Market Abuse) Instrument 2026;
- (5) Cryptoassets (Intermediaries) Instrument 2026;
- (6) Cryptoassets (Trading Platforms, Transparency and Records) Instrument 2026;
- (7) Cryptoassets (Lending, Borrowing and Staking) Instrument 2026;
- (8) Cryptoassets (Safeguarding) Instrument 2026;
- (9) Cryptoassets (Client Assets Consequential) Instrument 2026;
- (10) Cryptoassets (Conduct and Firm Standards) Instrument 2026; and
- (11) Cryptoassets (COREPRU and CRYPTOPRU) Instrument 2026.

Amendments to the Handbook

- D. The Client Assets sourcebook (CASS) is amended in accordance with Annex A to this instrument.

Making the Cryptoassets sourcebook (CRYPTO)

- E. The FCA makes the rules and gives the guidance in accordance with Annex B to this instrument.
- F. The Cryptoassets sourcebook (CRYPTO) is added to the Specialist sourcebooks block within the Handbook, immediately before the Critical Third Parties sourcebook (CTPS).

Notes

- G. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- H. This instrument may be cited as the Cryptoassets (Stablecoins) Instrument 2026.
- I. The sourcebook in Annex B to this instrument may be cited as the Cryptoassets sourcebook (CRYPTO).

By order of the Board
25 June 2026

Annex A

Amendments to the Client Assets sourcebook (CASS)

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

Insert the following new chapter, CASS 16, after CASS 15 (Payment services and electronic money: relevant funds). All the text is new and is not underlined.

16 Stablecoin backing assets

16.1 Application and purpose

Purpose

16.1.1 G The purpose of this chapter is to set out how a *firm* should manage and safeguard the *money* and *assets* it holds as a *backing asset pool*.

Who?

16.1.2 R Subject to CASS 16.1.3R, this chapter applies to a *firm* that is *issuing a qualifying stablecoin*.

16.1.3 R CASS 16.2.17R to CASS 16.2.31R apply to a *firm* that is *issuing a qualifying stablecoin* and that holds *expanded backing assets* in a *backing asset pool*.

What?

16.1.4 R This chapter applies to any *qualifying stablecoins* within a *qualifying stablecoin product* that includes a *UK qualifying stablecoin*.

16.1.5 G The definition of *qualifying stablecoin product* refers to a category of fungible *qualifying stablecoins* that make up a single product. A *qualifying stablecoin product* may include *pre-issued stablecoins*.

Where?

16.1.6 R This chapter applies to a *firm* carrying out the activity of *issuing a qualifying stablecoin* by way of business in the *UK*.

16.1.7 G This chapter applies whether or not the *person* to whom a *qualifying stablecoin* is issued, or who becomes the *holder* of that *qualifying stablecoin*, is in the *UK*.

16.2 Managing and safeguarding backing assets

16.2.1 R A *firm* must ensure that at all times, and separately in relation to each *qualifying stablecoin product*:

- (1) it holds in a *backing asset pool* either:
 - (a) *money*; or
 - (b) *money* and *assets*;
 - (2) the relevant *backing asset pool* is:
 - (a) held in such a way that the *money* and *assets* it contains are segregated from the *firm*'s own *money* and *assets* and any other *backing asset pools*; and
 - (b) held in accounts which are *backing funds accounts* or *backing assets accounts* that meet the conditions in CASS 16.2.3R or CASS 16.2.4R as appropriate;
 - (3) subject to CASS 16.4.16R, the value of the relevant *backing asset pool* is equal to the *reference value* of the *qualifying stablecoins* in that *qualifying stablecoin product* multiplied by the relevant *stablecoin pool*; and
 - (4) it holds at least 5% of the *backing asset pool* in *on-demand deposits* (the *on-demand deposit requirement*).
- 16.2.2 R A *firm* must not hold *electronic money* in a *backing asset pool*.
- 16.2.3 R A *backing funds account* must be an account in which the *firm* can hold *on-demand deposits* and which meets the following conditions:
- (1) it is provided by one of the following:
 - (a) a *central bank*;
 - (b) a *CRD credit institution*; or
 - (c) an *approved bank*;
 - (2) it is provided by another *person* (a 'third party') the appointment of which complied with the *rules* in CASS 16.6 (Appointment of third parties) and CASS 16.7 (Acknowledgement letters);
 - (3) it is expressly held in the name of the *firm*; and
 - (4) it includes in its title an appropriate description to distinguish the *money* in the account from the *firm*'s own *money* or *money* in the *backing asset pool* for another *qualifying stablecoin product*.
- 16.2.4 R A *backing assets account* must meet the following conditions:
- (1) it is used by a *firm* to hold *core backing assets* (excluding *on-demand deposits*) and *expanded backing assets*;

- (2) it is provided by a *third-party custodian* the appointment of which meets the conditions set out in *CASS 16.6* (Appointment of third parties) and *CASS 16.7* (Acknowledgement letters);
- (3) it is expressly held in the name of the *firm*; and
- (4) it includes in its title an appropriate description to distinguish the *assets* in the account from the *firm's own assets* and *assets* in the *backing asset pool* for another *qualifying stablecoin product*.
- 16.2.5 R For the purposes of *CASS 16.2.1R*, the value of a *backing asset pool* is the aggregate value calculated in the *reference currency* of:
- (1) all *money* held in a *backing funds account*; and
- (2) all *assets* held in a *backing assets account*.
- 16.2.6 R For the purposes of calculating the value of *assets* under *CASS 16.2.5R(2)*, a *firm* must ensure that:
- (1) any valuation of *assets* is performed with due skill, care and diligence;
- (2) to value the *assets*, it uses:
- (a) the *market value* of the relevant *assets*; or
- (b) where a *market value* is not available for an *asset*, an alternative measure of fair value, which may include an estimated value calculated on a best-efforts basis;
- (3) it bases calculations on its records at the close of business on the previous *business day*; and
- (4) it records the process by which it has calculated the value of *assets*, including which method of valuation has been used.
- 16.2.7 R For the purposes of *CASS 16.2.6R*, relevant *assets* in the context of a *repurchase transaction* are the *assets*, rights or *money* received or held as counterparty to that transaction.
- 16.2.8 R A *stablecoin pool* is a number (X) of *qualifying stablecoins* in the *qualifying stablecoin product* to which the relevant *backing asset pool* relates, calculated as follows:
- $$X = A - (B + C)$$
- where:
- A is the number of such *qualifying stablecoins* that have ever been *minted*;

- B is the number of such *qualifying stablecoins* that have ever been *burned*; and
 - C is the number of such *qualifying stablecoins* received in the course of carrying out, or in connection with, a *redemption* in the 24 hours preceding the point of calculation which have neither been recorded as part of the relevant *stablecoin pool* nor *burned*.
- 16.2.9 G For the purposes of carrying out the calculation in *CASS 16.2.8R*, a *firm* should include stablecoins which are part of the *qualifying stablecoin product* in question which were *minted* or *burned* at any point, including before 25 October 2027, and including those which may have been *minted*, *burned* or received in respect of a *redemption* by a *person* other than the *qualifying stablecoin issuer*.
- 16.2.10 R (1) A *firm* must at all times keep records of at least the following for each *qualifying stablecoin product*:
- (a) the total number of *qualifying stablecoins* that have ever been *minted*; and
 - (b) the total number of *qualifying stablecoins* that have ever been *burned*.
- (2) At least once in every 24-hour period a *firm* must calculate, and keep a record of, the value of C in *CASS 16.2.8R* for each *qualifying stablecoin product*.
- 16.2.11 G Records kept under *CASS 16.2.10R* may include records about activities carried out by a *firm* directly as well as activities carried out by a third party on behalf of that *firm*, or by any other *person* who may be involved in the *minting*, *burning*, recording or *redemption* of a stablecoin which forms part of a *qualifying stablecoin product*.

Interest and income

- 16.2.12 R (1) Save as set out in (3), a *firm* must not directly or indirectly pay interest or income to the *holder* of a *qualifying stablecoin*.
- (2) For the purposes of (1), interest or income includes any incentive the provision or amount of which is connected to the length of time for which a *person* is the *holder* of a *qualifying stablecoin*.
- (3) *Firms* may provide benefits that are unconnected to the length of time for which a *person* is the *holder* of a *qualifying stablecoin*, provided they do so in a manner which meets the conditions set out in Paragraph 3A of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 and Regulation 3A of the Alternative Investment Fund Managers Regulation 2013.

- 16.2.13 R A *firm* may keep interest or income accruing from a *backing asset pool* for its own account, provided that it does so in accordance with CASS 16.4 (Records and reconciliations) and any other legal or regulatory obligations to which the *firm* is subject.

Permissible backing assets in backing asset pools

- 16.2.14 R A *firm* must hold all *money* and *assets* in a *backing asset pool* in the denominated *reference currency* of the *qualifying stablecoin product*.
- 16.2.15 R Subject to CASS 16.2.16R, a *firm* may only hold *core backing assets* in a *backing asset pool*.

Conditions for holding expanded backing assets in a backing asset pool

- 16.2.16 R A *firm* may hold *expanded backing assets* in addition to *core backing assets* in a *backing asset pool* if it meets the following requirements:
- (1) it must notify the *FCA* of its intention to hold *expanded backing assets* using the *online notification and application system*;
 - (2) it must comply with the *rules* in CASS 16.2.17R to CASS 16.2.31R in respect of that *backing asset pool*; and
 - (3) it must ensure that *money* or *assets* held as counterparty under a *repurchase transaction* (whether as a repurchase agreement or reverse repurchase agreement) are not pledged or reused to engage in a further *repurchase transaction* or any other *investment*.

Expanded backing asset pool risk management

- 16.2.17 R A *firm* must have in place a robust risk management framework that enables it to identify, measure and manage risks in relation to the *backing asset pool*, including at least the following:
- (1) a liquidity risk management policy which:
 - (a) considers the nature and level of the liquidity risk to which the *money* or *assets* in the *backing asset pool* is or might be exposed;
 - (b) contains a clear statement of which *days* of the year will be *redemption days* and which will not;
 - (c) sets out how a *firm* will undertake liquidity stress testing, including:
 - (i) risk tolerance limits on liquidity positions;
 - (ii) the detailed methodology by which such limits will be calibrated; and

- (iii) the way in which the needs and availability of liquidity in the *backing asset pool* will be monitored;
 - (d) takes into account liquidity stress testing when considering potential measures which could be taken to strengthen the liquidity arrangements within the *backing asset pool*; and
 - (e) sets out the amount, type and profile of liquidity resource that it considers adequate to meet:
 - (i) the obligations in *CRYPTO 2.4.5R* and *CRYPTO 2.4.14R(3)* in relation to *redemption*; and
 - (ii) the *backing asset composition requirement*;
 - (2) a liquidity contingency funding plan, which describes the tools that will be used to monitor market conditions, and which addresses how additional liquidity would be sourced:
 - (a) in the event that the *firm* no longer meets its *backing asset composition requirement*; and
 - (b) in the event of wider market stress which may impact the number of *redemptions* anticipated; and
 - (3) a prudent custody policy which:
 - (a) addresses all aspects of who will provide custody for *assets* in the *backing asset pool*; and
 - (b) ensures prompt access to those *assets* when required.
- 16.2.18 G Stress testing under a liquidity risk management policy which meets the requirements of *CASS 16.2.17R(1)* should not result in a minimum holding of *core backing assets* that is lower than that required by the *backing asset composition requirement*.
- 16.2.19 G The liquidity contingency funding plan should outline strategies for addressing liquidity shortfalls and should set out which individual or individuals within the *firm* are responsible for its monitoring and execution. It should also describe the tools used to monitor market conditions to determine when exceptional circumstances might be present. The plan should include identified funding alternatives.
- 16.2.20 G A prudent custody policy should ensure against concentration of *assets* or *asset* classes with a particular custodian or group of custodians, and ensure appropriate diversification between custodians (including compliance with *CASS 16.6.8R*).
- 16.2.21 R All framework and policy documents in *CASS 16.2.17R* must make clear:

- (1) the identity of the *person* who is responsible for their monitoring and execution within the *firm*;
- (2) the way in which *senior managers* have oversight of their monitoring and execution; and
- (3) the frequency with which they will be reviewed and updated.

16.2.22 R A *firm* must have in place robust processes and systems to manage the *backing asset pool* effectively and prudently, including in line with its risk management framework, ensuring that risks associated with holding *expanded backing assets* are considered and addressed.

Governing body oversight: expanded backing assets

16.2.23 R A *firm's governing body* must oversee and approve:

- (1) its risk management framework required by *CASS 16.2.17R*; and
- (2) its processes and systems under that risk management framework relating to the effective and prudent management of the *backing asset pool* under *CASS 16.2.22R*.

16.2.24 R A *firm* must ensure that its *governing body's* oversight and approval of the matters in *CASS 16.2.23R* is appropriately documented and recorded.

Backing asset composition requirement

16.2.25 R A *firm* must ensure that, at all times, the percentage of *core backing assets* in the *backing asset pool* is at least equal to the sum of the *on-demand deposit requirement* and the *core backing asset requirement* (the *backing asset composition requirement*).

16.2.26 R A *firm* must calculate its *backing asset composition requirement* every *redemption day*.

Core backing asset requirement

16.2.27 R A *firm* must ensure that, at all times, it holds a minimum percentage of *core backing assets* in the *backing asset pool* calculated in accordance with *CASS 16.2.28R* in addition to the *on-demand deposit requirement* (the *core backing asset requirement*).

16.2.28 R The *core backing asset requirement* is calculated as the higher of:

- (1) 5%; and
- (2) the highest redemption percentage (see *CASS 16.2.29R*):
 - (a) for any of the previous 180 *redemption days*; or

- (b) for any *redemption day* since the *firm* became subject to *CASS 16* in respect of the *qualifying stablecoin product* if there have not been 180 *redemption days* since then.

16.2.29 R The redemption percentage in *CASS 16.2.28R(2)* is the value of completed *redemptions* on any given *redemption day* expressed as a percentage of the value of the *backing asset pool* on that same *day*.

Notification of breach

16.2.30 R Subject to *CASS 16.2.31R*, a *firm* must promptly notify the *FCA* if it ceases at any point to comply with *CASS 16.2.17R*.

16.2.31 R A *firm* does not need to notify the *FCA* under *CASS 16.2.30R* if the failure to comply with *CASS 16.2.17R* arises from a need to rebalance the percentage of *core backing assets* held within the *backing asset pool* following a *firm* calculating a new *backing asset composition requirement* on a given *day*, and less than 1 *business day* has elapsed since that *day*.

16.3 Holding backing assets

16.3.1 R *CASS 16.3.2R* is to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.

16.3.2 R A *firm* must:

- (1) maintain adequate arrangements to safeguard the rights and interests of *qualifying stablecoin holders* in a *backing asset pool*; and
- (2) prevent the use of any *money* or *assets* comprising a *backing asset pool* for its own account.

Segregation of assets for different qualifying stablecoin products

16.3.3 R A *firm* which is a *qualifying stablecoin issuer* in relation to more than 1 *qualifying stablecoin product* must ensure that the *backing asset pool* for each *qualifying stablecoin product* is:

- (1) kept separate and distinct from the *backing asset pool* held for any other *qualifying stablecoin product*;
- (2) held in different and distinct accounts from the *backing asset pool* for any other *qualifying stablecoin product*; and
- (3) managed independently from the *backing asset pool* for any other *qualifying stablecoin product*.

16.3.4 G *CASS 16.3.3R* requires separation of the *money* and *assets* in the *backing asset pool* for each *qualifying stablecoin product*. This would not prevent a *firm* engaging the services of the same *bank* or *third-party custodian* to hold the *money* or *assets* in a *backing asset pool* in connection with

different *qualifying stablecoin products* provided appropriate separation could be achieved.

Receipt of qualifying stablecoin funds

- 16.3.5 R *CASS 16.3.6R* is to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.
- 16.3.6 R A *firm* must promptly pay *qualifying stablecoin funds* into a *backing funds account* or invest them in *assets* held in a *backing assets account*.

16.4 Records and reconciliations

Policies and procedures

- 16.4.1 R All of the *rules* in this section are to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.
- 16.4.2 R (1) A *firm* must establish, implement and maintain adequate policies and procedures sufficient to ensure its compliance with this chapter, including in relation to any services provided through a third party.
- (2) The policies and procedures in (1) must include at least the following:
- (a) the frequency and method of the reconciliations the *firm* is required to carry out under this section;
 - (b) the resolution of reconciliation discrepancies under this section;
 - (c) the approach to the valuation of an *asset* for the purposes of *CASS 16.2.6R*; and
 - (d) the frequency with which the *firm* is required to review its arrangements in compliance with this chapter.

Records

- 16.4.3 R A *firm* must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish between:
- (1) the *money* and *assets* in the *backing asset pool* held for the *holders* of a *qualifying stablecoin*;
 - (2) the *money* and *assets* in the *backing asset pool* held for the *holders* of another *qualifying stablecoin* that forms part of a different *qualifying stablecoin product*; and
 - (3) its own *money* or *assets*.

- 16.4.4 R A *firm* must at all times maintain its records and accounts in a way that ensures their accuracy, particularly in relation to the *backing asset pool*, including:
- (1) the value of *money* and *assets* that should be held in the *backing asset pool* in one or more *backing funds accounts* or *backing assets accounts*;
 - (2) the location of *money* and *assets* in the *backing asset pool*;
 - (3) the identity of those providing *backing assets accounts* or *backing funds accounts*; and
 - (4) the value of the *money* and *assets* in the *backing asset pool*.
- 16.4.5 R For each internal safeguarding reconciliation and external safeguarding reconciliation, a *firm* must keep records of:
- (1) the time and date it carried out the relevant process;
 - (2) the actions it took in carrying out the relevant process;
 - (3) the outcome of its calculations of the amount safeguarded in the *backing asset pool* and the amount that should be safeguarded in accordance with *CASS 16*, including whether any discrepancies were identified; and
 - (4) the value of any excess held in the *backing asset pool* in accordance with *CASS 16.4.16R*.
- 16.4.6 R Unless otherwise stated, a *firm* must ensure that any record made under this chapter is retained for a period of 5 years starting from the later of:
- (1) the date the record was created; or
 - (2) if the record has been modified since the date it was created, the date it was most recently modified.

Internal safeguarding reconciliation

- 16.4.7 R An internal safeguarding reconciliation requires a *firm* to reconcile its internal records and accounts of the amount it safeguards in the *backing asset pool* for the *holders* of a *qualifying stablecoin* with its internal records and accounts of the amount it should safeguard in that *backing asset pool* (see *CASS 16.2.1R(3)*).
- 16.4.8 R In carrying out an internal safeguarding reconciliation, a *firm* must:
- (1) disregard any excess held in accordance with *CASS 16.4.16R* when calculating the amount it should safeguard in the *backing asset pool*; and

- (2) use the values contained in its internal records, and not records provided by third parties with which it has placed the *money* or *assets* in the *backing asset pool*.

16.4.9 R A *firm* must carry out an internal safeguarding reconciliation:

- (1) as regularly as necessary and at least once each *business day*; and
- (2) based on the most up-to-date records of the *firm*.

External safeguarding reconciliation

16.4.10 R An external safeguarding reconciliation is a reconciliation between a *firm*'s internal records and accounts and those of:

- (1) any *person* with whom a *firm* has a *backing funds account*; and
- (2) any *person* with whom a *firm* has a *backing assets account*.

16.4.11 G The purpose of an external safeguarding reconciliation is to ensure the accuracy of a *firm*'s internal records and accounts against those of any third parties that hold *money* or *assets* on behalf of that *firm* for the benefit of *holders* of a *qualifying stablecoin*.

16.4.12 R A *firm* must carry out an external safeguarding reconciliation as regularly as necessary and at least once each *business day*.

16.4.13 R When carrying out an external safeguarding reconciliation, a *firm* must:

- (1) compare:
 - (a) the balance of funds on each *backing funds account* as recorded by the *firm*, with the balance on that account as set out in the statement or other form of confirmation issued by the *person* with whom that account is held; and
 - (b) the balance of *assets*, investment by investment, on each *backing assets account*, with the balance of those *assets* as set out in the statement or other form of confirmation issued by the *person* with whom the account is held; and
- (2) promptly identify and resolve any discrepancies between those balances in accordance with CASS 16.4.21R.

16.4.14 G When carrying out the reconciliation described in CASS 16.4.13R in relation to *assets*, a *firm* is required to reconcile the quantity of *assets* it has recorded with the quantity of *assets* a third party has recorded, in addition to the value of those *assets*. An example would be that a *firm* should compare its records of the number of units in a particular money market fund with the number of units in that money market fund as set out in the

statements provided by the custodian of the units, in addition to the value of those units.

Identifying and resolving discrepancies

- 16.4.15 R When a *firm* becomes aware of a discrepancy between the value of a *backing asset pool* and the relevant *reference value* multiplied by the relevant *stablecoin pool*, the *firm* must:
- (1) determine the reason for that discrepancy; and
 - (2) subject to CASS 16.4.16R, ensure the discrepancy is resolved in accordance with paragraph (a) or (b) below:
 - (a) the *firm* must adjust the value of the *backing asset pool* by ensuring that either:
 - (i) any shortfall is paid into a *backing funds account* or invested in *assets* held in a *backing assets account*; or
 - (ii) any excess is withdrawn from a *backing funds account* or *backing assets account*; or
 - (b) the *firm* must adjust the value of the *stablecoin pool* by ensuring that either:
 - (i) any excess of *qualifying stablecoins* which have been *minted* but are not represented by *money* or *assets* in the *backing asset pool* are *burned*; or
 - (ii) any shortfall of *qualifying stablecoins* which has led to an excess of value in the *backing asset pool* is resolved by the *minting* of additional *qualifying stablecoins* with no corresponding adjustment to the *money* or *assets* held in the *backing asset pool*.
- 16.4.16 R (1) Where an internal safeguarding reconciliation identifies an excess, this *rule* applies to that part of the excess with a value of up to 5% of the relevant *reference value* multiplied by the relevant *stablecoin pool*.
- (2) The *firm* may:
- (a) withdraw none, some or all of that part of the excess in accordance with CASS 16.4.15R(2)(a)(ii); and
 - (b) retain none, some or all of that part of the excess in the *backing asset pool*.
- 16.4.17 G CASS 16.4.16R allows *firms* to hold an excess in the *backing asset pool* after an internal safeguarding reconciliation. Any such excess is part of the *backing asset pool* so is held on trust under CASS 16.5.2R and cannot be

withdrawn except in accordance with *CASS 16.4.15R* and *CASS 16.4.16R*. Under *CASS 16.4.8R(1)*, any such excess is ignored when calculating how much should be in the *backing asset pool* for the purposes of internal safeguarding reconciliations.

- 16.4.18 R The resolution of a discrepancy referred to in *CASS 16.4.15R* must be carried out as soon as possible, and in any event no later than the end of the *business day* on which the *firm* becomes aware of the discrepancy.
- 16.4.19 G *CASS 16.4.15R* sets out some of the steps that a *firm* must carry out to ensure that it is segregating the correct amount on aggregate of *money* and *assets* in the *backing asset pool*. Where a discrepancy is identified the *firm* must either adjust the amount in the *backing asset pool* or the value of the relevant *stablecoin pool* to address it (subject to *CASS 16.4.16R*).
- 16.4.20 G Where a discrepancy referred to in *CASS 16.4.15R* has arisen as a result of a breach of the requirements of this chapter, a *firm* should ensure it takes sufficient steps to avoid a recurrence of that breach.
- 16.4.21 R If a discrepancy is identified by an external safeguarding reconciliation carried out under *CASS 16.4.12R*, the *firm* must investigate the reason for the discrepancy and take all reasonable steps to resolve it without undue delay unless the discrepancy arises solely as a result of timing differences between the accounting systems of the *person* providing the statement or confirmation and that of the *firm*.

Notification requirements

- 16.4.22 R A *firm* must inform the *FCA* in writing without delay if:
- (1) its internal records and accounts of the *backing asset pool* are materially out of date, inaccurate or invalid so that the *firm* is no longer able to comply with the requirements in *CASS 16.4.3R* or *CASS 16.4.4R*;
 - (2) it will be unable to, or materially fails to, conduct an internal safeguarding reconciliation in compliance with *CASS 16.4.7R* to *CASS 16.4.9R*;
 - (3) it will be unable to, or materially fails to, adjust the value of the *backing asset pool* or *stablecoin pool* in accordance with *CASS 16.4.15R* to *CASS 16.4.18R*;
 - (4) it will be unable to, or materially fails to, conduct an external safeguarding reconciliation in compliance with *CASS 16.4.10R* to *CASS 16.4.13R*;
 - (5) it will be unable to, or materially fails to, identify and resolve any discrepancies in accordance with *CASS 16.4.21R*; or
 - (6) it becomes aware that, at any time in the preceding 12 *months*, the value of the *backing asset pool* was materially different from the

relevant *reference value* multiplied by the relevant *stablecoin pool*, except for any excess held in accordance with CASS 16.4.16R.

16.5 Backing asset statutory trust

- 16.5.1 G (1) Section 137B(1) of the *Act*, as applied by article 98 of the *Regulated Activities Order*, provides that *rules* may make provisions which result in a *firm* holding a sum or *asset* on trust.
- (2) This section creates a fiduciary relationship between a *firm* and the *holders* of a *qualifying stablecoin*.
- 16.5.2 R Separately, in relation to each *qualifying stablecoin product*, a *firm* holds as trustee *money* and *assets* which comprise the *backing asset pool* on the terms set out in CASS 16.5.4R.
- 16.5.3 G For the purposes of CASS 16.5.2R, *money* or *assets* include (but are not limited to):
- (1) *money* held in a *backing funds account*;
- (2) *assets* held in a *backing assets account*; and
- (3) rights in or under and any proceeds of any *asset* which a *firm* may purchase or instruct another to purchase, or *investment* which a *firm* may make or instruct another to make, with any *money* or *assets* owned by the *firm* or which it holds as trustee under CASS 16.5.2R, including but not limited to *core backing assets*, *expanded backing assets* and any right in or under or any *asset* or *money* held as a result of entering into a *repurchase transaction* in relation to any of those *assets*.
- 16.5.4 R Separately, for each trust created under CASS 16.5.2R which corresponds to a *qualifying stablecoin product*, a *firm* holds the *money* and *assets* specified in CASS 16.5.2R on the following terms:
- (1) for the purposes of meeting its obligations under, and on the terms of, the *rules* in CASS 16;
- (2) for the *holders* of that *qualifying stablecoin product*, with the value of each *holder's* proprietary claim being the *reference value* of the sum total of *qualifying stablecoins* in respect of which they are the *holder*;
- (3) [to follow]

[*Editor's note*: Rules relating to the terms on which a firm holds the money and assets specified in CASS 16.5.2R in the event of failure of the firm will be consulted on via a subsequent consultation.]

- 16.5.5 R A statutory trust under CASS 16.5.2R does not permit a *firm*, in its capacity as trustee, to use trust *money* or *assets* described in that *rule* to borrow or lend, except in so far as such borrowing or lending forms part of a *repurchase transaction* or forms the act of placing *money* into a *backing funds account*.
- 16.5.6 G The effect of this section, CASS 16.2.13R, CASS 16.4.15R and CASS 16.4.16R is that a *firm* can remove any excess from a *backing asset pool* following a reconciliation. This applies however the excess arises, including through the receipt of interest or income, an increase in the value of *assets* in the *backing asset pool* or the receipt of *redemption* requests. When an excess is removed from the *backing asset pool* in compliance with this chapter, it is no longer held on trust under this section.
- 16.6 Appointment of third parties**
- 16.6.1 R A *firm* must appoint:
- (1) one or more third parties to provide it with one or more *backing funds accounts*; and
 - (2) where it proposes to hold *assets* in addition to *money* in a *backing asset pool*, one or more third parties to provide it with one or more *backing assets accounts*.
- 16.6.2 R (1) A *firm* must exercise all due skill, care and diligence:
- (a) in the selection, appointment and periodic review of third parties that provide *backing funds accounts* or *backing assets accounts*; and
 - (b) in the arrangements for the holding and protection of *money* and *assets* in the *backing asset pool*.
- (2) A *firm* must consider the need for diversification as part of its due diligence under (1).
- 16.6.3 G A *firm* should ensure that its consideration of a third party under CASS 16.6.2R focuses on the specific legal entity in question and not simply that *person's group* as a whole.
- 16.6.4 G CASS 16.6.2R(2) requires *firms* to consider the need for diversification in respect of their arrangements with third parties generally. *Firms* will also need to comply with the requirement in CASS 16.6.8R in respect of *intra-group* third parties where it applies.
- 16.6.5 R When a *firm* selects, appoints, and conducts a periodic review of a third party, it must take into account:

- (1) the expertise and market reputation of the third party, with a view to ensuring the protection of *holders*' rights and interests as beneficiaries of the trust established by *CASS* 16.5; and
 - (2) any legal or regulatory requirements or market practices relating to the holding of *money* or *assets* in a *backing asset pool* that could adversely affect *holders*' rights or interests as beneficiaries of the trust established by *CASS* 16.5.
- 16.6.6 G In discharging its obligations under *CASS* 16.6.5R, a *firm* should also consider, as appropriate, together with any other relevant matters:
- (1) the third party's performance of its services to the *firm*;
 - (2) the arrangements the third party has in place for safeguarding the *money* or *assets* in a *backing funds account* or *backing assets account*, including market practices relating to the safeguarding of the *money* or *assets* that could adversely affect the rights of the *holders* of the relevant *qualifying stablecoin*;
 - (3) current industry standard reports – for example, 'Assurance reports on internal controls of service organisations made available to third parties' made in line with Technical Release AAF 01/20 of the Institute of Chartered Accountants in England and Wales and available at <https://www.icaew.com/technical/technical-releases/audit-technical-releases/tech-01-20-aaf-internal-controls>, or equivalent;
 - (4) the capital or financial resources of the third party;
 - (5) the amount of *core backing assets* or *expanded backing assets* placed with the third party as a proportion of the third party's capital and (where relevant) deposits;
 - (6) the extent to which *core backing assets* or *expanded backing assets* that the *firm* deposits or holds with any third party would be protected under a deposit protection scheme or other compensation scheme;
 - (7) the creditworthiness of the third party;
 - (8) to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the third party and affiliated companies; and
 - (9) the arrangements referred to in *CASS* 16.3.2R.
- 16.6.7 R (1) Subject to (2), a *firm* must only:
- (a) deposit *core backing assets* in the *backing asset pool* with a third party in a jurisdiction which specifically regulates and

supervises the safeguarding of *assets*, including *core backing assets* for the account of another *person* with a third party who is subject to such regulation; and

- (b) deposit *expanded backing assets* in the *backing asset pool* with a third party in a jurisdiction which specifically regulates and supervises the safeguarding of *assets*, including *expanded backing assets* for the account of another *person* with a third party who is subject to such regulation.

- (2) A *firm* may deposit *core backing assets* or *expanded backing assets* with a third party in a jurisdiction which does not regulate and supervise the safeguarding of *core backing assets* or *expanded backing assets* for the account of another *person* only where the nature of the *core backing assets* or *expanded backing assets*, or of the investment services connected with them, requires them to be deposited with a third party in that *third country*.

- (3) The requirements under (1) and (2) also apply when the third party has delegated any of its functions concerning the safeguarding of *core backing assets* or *expanded backing assets* to another third party.

16.6.8 R (1) Subject to *CASS 16.6.9R*, this *rule* applies where a *firm* holds any *money* or *assets* in a *backing asset pool* with one or more *persons* in the same *group* as the *firm*.

- (2) The *firm* must not hold more than a total of 20% of the value of the *backing asset pool* with all such *persons*.

16.6.9 R (1) *CASS 16.6.8R* does not apply if, following an assessment, the *firm* considers it can demonstrate it would be disproportionate to comply with that *rule* because of:

- (a) the low value of the *backing asset pool*;
- (b) the nature, scale and complexity of its business; and
- (c) the safety offered by the *persons*.

- (2) A *firm* must periodically review any assessment made under (1) which concludes that *CASS 16.6.8R* does not apply.

- (3) A *firm* must notify the FCA of the following in accordance with *CASS 16.6.11R*:

- (a) any assessment made under (1) which concludes that *CASS 16.6.8R* does not apply; and
- (b) the outcome of any periodic reviews under (2).

- 16.6.10 G A review under *CASS 16.6.9R(2)* should be carried out if the *firm* is still relying on *CASS 16.6.9R(1)* and:
- (1) the *firm* becomes aware of a change in circumstances that might have led it to a different conclusion on its previous assessment; or
 - (2) no such review has taken place for a year.
- 16.6.11 R (1) Where a *firm* considers that *CASS 16.6.8R* does not apply following an assessment under *CASS 16.6.9R(1)*, it must give the *FCA* notice of that decision before it starts relying on *CASS 16.6.9R(1)*.
- (2) When a *firm* decides whether to continue relying on *CASS 16.6.9R(1)* following a review under *CASS 16.6.9R(2)*, it must give the *FCA* notice of that decision promptly.
- 16.6.12 G *Firms* are reminded that they must also comply with any applicable requirements in *SYSC 10 (Conflicts of interest)*, including when using *third-party custodians* in the same *group*.
- 16.6.13 R (1) A *firm* must periodically review its arrangements with third parties, including whether it is appropriate to diversify (or further diversify) the third parties with which it deposits, holds or invests *money* or *assets* in the *backing asset pool*.
- (2) Where it concludes it is appropriate to do so, a *firm* must make adjustments accordingly to the third parties it uses and to the amounts of *money* or amounts or types of *assets* in the *backing asset pool* deposited, held or invested with them.
- 16.6.14 G *CASS 16.6.13R* requires *firms* to periodically review the need for diversification in respect of their arrangements with third parties generally. *Firms* will also need to comply with the requirement in *CASS 16.6.9R(2)* in respect of *intra-group* third parties where it applies.
- 16.6.15 G In discharging its obligations under *CASS 16.6.13R* to periodically review its arrangements with third parties, a *firm* should have regard to:
- (1) whether it would be appropriate to deposit *money* in the *backing asset pool* into *backing funds accounts* opened at a number of different *approved banks*;
 - (2) whether it would be appropriate to limit the amount of *money* or *assets* the *firm* holds with third parties that are in the same *group* as each other;
 - (3) whether risks arising from the *firm's* business model create any need for diversification (or further diversification);
 - (4) the market conditions at the time of the assessment;

- (5) the outcome of any due diligence carried out in accordance with *CASS 16.6.2R*; and
 - (6) the arrangements referred to in *CASS 16.3.2R*.
- 16.6.16 R (1) A *firm* must make a record of:
- (a) the grounds on which it satisfies itself as to the appropriateness of its selection and appointment of a third party under *CASS 16.6.2R*;
 - (b) each periodic review of its selection and appointment of a third party under *CASS 16.6.2R*, including its considerations and conclusions; and
 - (c) each periodic review that it conducts under *CASS 16.6.13R*, including its considerations and conclusions.
- (2) A record under (1) must be made on the date the selection is made or the review completed (as the case may be) and kept for either 5 years from that date or 5 years from the date that the *firm* ceases to use the third party, if later.

16.7 Acknowledgement letters

Purpose

- 16.7.1 G The main purposes of an *acknowledgement letter* are:
- (1) to put third parties on notice that the *holders* of a *qualifying stablecoin* in respect of which the *firm* is the *qualifying stablecoin issuer* have an interest in the *money* or *assets* that have been deposited with, allowed to be held by, or invested with that *person*;
 - (2) to ensure that a *backing funds account* or *backing assets account*:
 - (a) has been opened in the correct form, in accordance with and in compliance with the *rules* in *CASS 16*; and
 - (b) is distinguished from any account containing *money* or *assets* that are not part of the *backing asset pool*, including from any account containing *money* or *assets* which belong to the *firm*; and
 - (3) to ensure that a third party understands and agrees that it will not have any recourse or right against *money* or *assets* standing to the credit of a *backing funds account* or *backing assets account* in respect of any liability of the *firm* to the third party (or a *person* connected to the third party).

Requirement for, and content of, backing asset pool acknowledgement letters

- 16.7.2 R (1) For each appointed third party providing one or more *backing funds accounts* or *backing assets accounts*, a *firm* must complete and sign an *acknowledgement letter*, clearly identifying the account or accounts, and send it to the third party with which the relevant account or accounts are, or will be, opened, requesting the third party to acknowledge and agree to the terms of the letter by countersigning it and returning it to the *firm*.
- (2) A *firm* must not hold any *money* or *assets* in a *backing funds account* or *backing assets account* unless it has received a duly countersigned *acknowledgement letter* from the *person* with which the account is held, and the letter has not been inappropriately redrafted (see *CASS 16.7.7R*).

- 16.7.3 R *CASS 16.7.2R*:
- (1) applies separately in relation to each *qualifying stablecoin product*; and
- (2) does not apply to *backing funds accounts* provided by the Bank of England.

Backing asset pool acknowledgement letters template

- 16.7.4 R In drafting an *acknowledgement letter*, a *firm* must use the template in *CASS 16 Annex 1*.
- 16.7.5 R When completing an *acknowledgement letter*, a *firm*:
- (1) must not amend any of the *acknowledgement letter fixed text*;
- (2) subject to (3), must ensure the *acknowledgement letter variable text* is removed, included or amended as appropriate; and
- (3) must not amend any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*.
- 16.7.6 G *CASS 16 Annex 2* contains guidance on using the template for *acknowledgement letters*, including guidance on when and how a *firm* should amend the *acknowledgement letter variable text* that is in square brackets.

Countersignature of backing asset pool acknowledgement letters

- 16.7.7 R (1) If, on countersigning and returning the *acknowledgement letter* to a *firm*, a third party has also made amendments to:
- (a) any of the *acknowledgement letter fixed text*; or

- (b) any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*,

the *acknowledgement letter* will have been inappropriately redrafted and no longer comply with CASS 16.7.5R.

- (2) Amendments made to the *acknowledgement letter variable text* in the *acknowledgement letter* returned to a *firm* by a third party will not have the result that the letter has been inappropriately redrafted if those amendments:

- (a) do not affect the meaning of the *acknowledgement letter fixed text*;
- (b) have been specifically agreed with the *firm*; and
- (c) do not cause the *acknowledgement letter* to be inaccurate.

16.7.8 R A *firm* must use reasonable endeavours to ensure that any individual who has countersigned an *acknowledgement letter* that has been returned by a third party to the *firm* was authorised to countersign the letter on behalf of that third party.

16.7.9 R A *firm* must retain each countersigned *acknowledgement letter* it receives from the date of receipt until the expiry of a period of 5 years starting on the date on which the last account to which the *acknowledgement letter* relates is closed.

16.7.10 R A *firm* must also retain any other documentation or evidence it believes is necessary to demonstrate that it has complied with each of the applicable requirements in this section (such as any evidence it has obtained to ensure that the *individual* who has countersigned an *acknowledgement letter* that has been returned to the *firm* was authorised to do so).

Review and replacement of backing asset pool acknowledgement letters

16.7.11 R A *firm* must periodically (at least annually, and whenever it becomes aware that something referred to in an *acknowledgement letter* has changed) review each of its countersigned *acknowledgement letters* to ensure that they remain accurate.

16.7.12 R Whenever a *firm* finds that a countersigned *acknowledgement letter* contains an inaccuracy, the *firm* must promptly draw up a new replacement *acknowledgement letter* and ensure that the new *acknowledgement letter* is duly countersigned and returned by the relevant third party.

16.7.13 R Under CASS 16.7.12R, a *firm* must obtain a replacement *acknowledgement letter* whenever:

- (1) there has been a change in any of the parties' names or addresses or a change in any of the details of the relevant account(s) as set out in the letter; or
- (2) it becomes aware of an error or misspelling in the letter.
- 16.7.14 R If a *firm's backing funds account* or *backing assets account* is transferred to another third party, other than the Bank of England, the *firm* must:
- (1) promptly draw up and send out a new *acknowledgement letter* under CASS 16.7.2R; and
- (2) ensure that the new *acknowledgement letter* is duly countersigned and returned by the relevant third party.

16 Annex 1 Backing asset pool acknowledgement letter template

[*Editor's note:* The use of italics in the backing asset pool acknowledgement letter template indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

- 16 Annex 1.1 R [*Letterhead of qualifying stablecoin issuer, including full name and address of qualifying stablecoin issuer*]
 [*name and address of bank or third-party custodian*]
 [*date*]

Backing asset pool acknowledgement letter (pursuant to the rules of the Financial Conduct Authority)

We refer to the following account[s] which [*name of qualifying stablecoin issuer*], regulated by the Financial Conduct Authority (Firm Reference Number [FRN]), ('us', 'we' or 'our') [has opened] [or] [will open] with [*name of account provider*] ('you' or 'your'):

[*insert the account title[s], the account unique identifier[s] (eg, sort code and account number, deposit number or reference code) and (if applicable) any abbreviated name of the account[s] as reflected in the firm's systems*]

([collectively,] the 'backing asset pool account[s]').

For [each of] the backing asset pool account[s] identified above, you acknowledge that we have notified you that:

1. we are under an obligation to keep [money] [or] [assets] that make up the backing asset pool held in respect of [*insert qualifying stablecoin product identifier*] separate from other [money] [or] [assets];
2. we have opened, or will open, the backing asset pool account for the purpose of depositing [money] [or] [assets] which form part of that backing asset pool; and

3. we hold all [money] [or] [assets] standing to the credit of the backing asset pool account on trust for the holders of [*insert name of qualifying stablecoin product*] under the laws applicable to us.

For [each of] the backing assets pool account[s] above, you agree that:

4. you do not have any interest in, or recourse or right against [money] [or] [assets] in the backing asset pool account in respect of any sum owed to you, or owed to any third party, on any other accounts (including an account we use for our own [money] [or] [assets]). This means, for example, that you do not have any right to combine the backing asset pool account with any other account or any right of set-off or counterclaim against [money] [or] [assets] in the backing asset pool account;
5. you will title, or have titled, the backing asset pool account as stated above and that this title is different to the title of any other account containing [money] [or] [assets] that belong to us or to any third party; and
6. you are required to release on demand all [money] [or] [assets] standing to the credit of the backing asset pool account upon proper notice and instruction from us or a liquidator, receiver, administrator or trustee (or similar person) appointed for us in bankruptcy (or similar procedure), in any relevant jurisdiction.

We acknowledge that:

7. you are not responsible for ensuring compliance by us with our own obligations in respect of the backing asset pool account[s].

You and we agree that:

8. the terms of this letter will remain binding upon the parties, their successors and assigns, and, for clarity, regardless of any change in any of the parties' names;
9. this letter supersedes and replaces any previous agreement between the parties in connection with the backing asset pool account[s], to the extent that such previous agreement is inconsistent with this letter;
10. if there is any conflict between this letter and any other agreement between the parties in connection with the backing asset pool account[s], this letter will prevail;
11. no variation to the terms of this letter will be effective unless it is in writing, signed by the parties and permitted under the rules of the Financial Conduct Authority;
12. this letter is governed by the laws of [*insert appropriate jurisdiction*] [*qualifying stablecoin issuers may optionally use this space to insert additional wording to record an intention to exclude any rules of private international law that could lead to the application of the substantive law of another jurisdiction*]; and

13. the courts of [*insert same jurisdiction as previous*] have non-exclusive jurisdiction to settle any dispute or claim from or in connection with this letter or its subject matter or formation (including non-contractual disputes or claims).

Please sign and return the enclosed copy of this letter as soon as possible.

For and on behalf of [*name of qualifying stablecoin issuer*]

x _____

Authorised signatory

Print name:

Title:

ACKNOWLEDGED AND AGREED:

For and on behalf of [*name of account provider*]

x _____

Authorised signatory

Print name:

Title:

Contact information: [*insert signatory's phone number and email address*]

Date:

16 Annex 2 **Guidance on the use of the acknowledgement letter template**

Introduction

16 Annex 2.1 G This annex contains guidance on the use of the template *acknowledgement letter* in CASS 16 Annex 1.

General

16 Annex 2.2 G Under CASS 16.7.2R, *qualifying stablecoin issuers* are required to have in place a duly signed and countersigned *backing asset pool acknowledgement letter* for *backing funds accounts* and *backing assets accounts* (other than for such accounts provided by the Bank of England).

16 Annex 2.3 G For each account, a *qualifying stablecoin issuer* is required to complete, sign and send to the *approved bank* or *third-party custodian* ('the counterparty') an *acknowledgement letter* identifying that account, in the form set out in CASS 16 Annex 1.

16 Annex 2.4 G When completing an *acknowledgement letter* using the appropriate template, a *qualifying stablecoin issuer* is reminded that it must not amend any of the text which is not in square brackets (*acknowledgement letter fixed text*). A *qualifying stablecoin issuer* may remove and replace square

bracketed text (*acknowledgement letter variable text*) with the required information, as appropriate. The notes below give further guidance on this.

Clear identification of relevant accounts

- 16 Annex 2.5 G A *qualifying stablecoin issuer* is reminded that for each *backing funds account* or *backing assets account* it needs to have in place an *acknowledgement letter*. As a result, it is important that it is clear to which account or accounts each *acknowledgement letter* relates. The template in CASS 16 Annex 1 requires that the *acknowledgement letter* includes the full title and at least 1 unique identifier, such as a sort code and account number, deposit number or reference code, for each account.
- 16 Annex 2.6 G The title and unique identifiers included in an *acknowledgement letter* for an account should be the same as those reflected in both the records of the *qualifying stablecoin issuer* and the relevant counterparty, as appropriate, for that account. Where a counterparty's systems are not able to reflect the full title of an account, that title may be abbreviated to accommodate that system, provided that:
- (1) the account may continue to be appropriately identified in line with the requirements of CASS 16 (for example, 'account' may be shortened to 'acct' etc); and
 - (2) when completing an *acknowledgement letter*, such letter must include both the long and short versions of the account title.
- 16 Annex 2.7 G A *qualifying stablecoin issuer* should ensure that all relevant account information is contained in the space provided in the body of the *acknowledgement letter*. Nothing should be appended to an *acknowledgement letter*.
- 16 Annex 2.8 G In the space provided in the template letter for setting out the account title and unique identifiers for each relevant account, a *qualifying stablecoin issuer* may include the required information in the format of the following table:

[*Editor's note*: The use of italics in the following table indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

Full account title	Unique identifier	Title reflected in [name of counterparty] systems
[<i>stablecoin issuer stablecoin backing funds account/stablecoin backing assets account</i>]	[00-00-00 12345678]	[<i>stablecoin issuer stablecoin backing funds account/stablecoin backing assets account</i>]

- 16 Annex 2.9 G Where an *acknowledgement letter* is intended to cover a range of accounts, some of which may not exist as at the date the *acknowledgement letter* is countersigned by the counterparty, a *qualifying stablecoin issuer* should set out in the space provided in the body of the *acknowledgement letter* that it is intended to apply to all present and future accounts which:
- (1) are titled in a specified way; and
 - (2) possess a common unique identifier or which may be clearly identified by a range of unique identifiers (eg, all accounts numbered between XXXX1111 and ZZZZ9999).
- 16 Annex 2.10 G For example, in the space provided in the template letter in CASS 16 Annex 1 which allows a *qualifying stablecoin issuer* to include the account title and a unique identifier for each relevant account, a *qualifying stablecoin issuer* should include a statement to the following effect:

[*Editor's note:* The use of italics in the following table indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

'Any account open at present or to be opened in the future which contains the term[s] [*'stablecoin backing funds'*] [or] [*'stablecoin backing assets'*] [or] [*insert appropriate abbreviation(s) of the term(s) 'stablecoin backing funds' and/or 'stablecoin backing assets' as agreed and to be reflected in the third party's systems*] in its title and which may be identified with [the following [*insert common unique identifier*]] [an account number from and including [*XXXX1111*] to and including [*ZZZZ9999*]] [*clearly identify range of unique identifiers*].'

Signatures and countersignatures

- 16 Annex 2.11 G A *qualifying stablecoin issuer* should ensure that each *acknowledgement letter* is signed and countersigned by all relevant parties and individuals (including where more than one signatory is required).
- 16 Annex 2.12 G An *acknowledgement letter* that is signed or countersigned electronically should not, for that reason alone, result in a breach of the *rules* in CASS 16.7. However, where electronic signatures are used, a *qualifying stablecoin issuer* should consider whether, taking into account the governing law and choice of competent jurisdiction, it needs to ensure that the electronic signature and the certification by any person of such signature would be admissible as evidence in any legal proceedings in the relevant jurisdiction in relation to any question as to the authenticity or integrity of the signature or any associated communication.

Completing a backing asset pool acknowledgement letter

- 16 Annex 2.13 G A *qualifying stablecoin issuer* should use at least the same level of care and diligence when completing an *acknowledgement letter* as it would in managing its own commercial agreements.
- 16 Annex 2.14 G A *qualifying stablecoin issuer* should ensure that each *acknowledgement letter* is legible (eg, any handwritten details should be easy to read), produced on the *qualifying stablecoin issuer's* own letter-headed paper, dated and addressed to the correct legal entity (eg, where the counterparty belongs to a group of companies).
- 16 Annex 2.15 G A *qualifying stablecoin issuer* should also ensure that each *acknowledgement letter* includes all the required information (such as account names and numbers, the parties' full names, addresses and contact information, and each signatory's printed name and title).
- 16 Annex 2.16 G A *qualifying stablecoin issuer* should similarly ensure that no square brackets remain in the text of each *acknowledgement letter* (eg, after having removed and replaced square bracketed text as appropriate) and that each page of the letter is numbered.
- 16 Annex 2.17 G A *qualifying stablecoin issuer* should complete an *acknowledgement letter* so that no part of the letter can be easily altered (eg, the letter should be signed in ink rather than pencil).
- 16 Annex 2.18 G In respect of the *acknowledgement letter's* governing law and choice of competent jurisdiction (see paragraphs (12) and (13) of the template *acknowledgement letter*), a *qualifying stablecoin issuer* should agree with the counterparty and reflect in the letter that the laws of a particular jurisdiction will govern the *acknowledgement letter* and that the courts of that same jurisdiction will have jurisdiction to settle any disputes arising out of, or in connection with, the *acknowledgement letter*, or its subject matter or formation.
- 16 Annex 2.19 G If a *qualifying stablecoin issuer* does not, in any *acknowledgement letter*, utilise the governing law and choice of competent jurisdiction that is the same as either or both:
- (1) the laws of the jurisdiction under which either the *qualifying stablecoin issuer* or the counterparty are organised; or
 - (2) as is found in the underlying agreement(s) (eg, banking services agreement) with the relevant counterparty,
- the *firm* should consider whether it is at risk of breaching CASS 16.6.2R or CASS 16.6.5R.

Authorised signatories

- 16 Annex 2.20 G A *qualifying stablecoin issuer* is required under CASS 16.7.8R to use reasonable endeavours to ensure that any individual who has countersigned

an *acknowledgement letter* returned to the *qualifying stablecoin issuer* was authorised to countersign the letter on behalf of the relevant counterparty.

- 16 Annex 2.21 G If an individual who has countersigned an *acknowledgement letter* does not provide the *qualifying stablecoin issuer* with sufficient evidence of their authority to do so, the *qualifying stablecoin issuer* is expected to make appropriate enquiries to satisfy itself of that individual's authority.
- 16 Annex 2.22 G Evidence of an individual's authority to countersign an *acknowledgement letter* may include a copy of the counterparty's list of authorised signatories, a duly executed power of attorney, use of a company seal or bank stamp, and/or material verifying the title or position of the individual countersigning the *acknowledgement letter*.
- 16 Annex 2.23 G A *qualifying stablecoin issuer* should ensure it obtains at least the same level of assurance over the authority of an individual to countersign the *acknowledgement letter* as the *qualifying stablecoin issuer* would seek when managing its own commercial arrangements.

Third-party administrators

- 16 Annex 2.24 G If a *qualifying stablecoin issuer* uses a third-party administrator to carry out the administrative tasks of drafting, sending and processing an *acknowledgement letter*, the following text should be inserted to confirm that the *acknowledgement letter* was signed by the third-party administrator on behalf of the *qualifying stablecoin issuer*:

[*Editor's note*: The use of italics in the table below indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

'Signed by [<i>name of third-party administrator</i>] on behalf of [<i>qualifying stablecoin issuer</i>]'

- 16 Annex 2.25 G In these circumstances, the *qualifying stablecoin issuer* should first provide the third-party administrator with the requisite authority (such as a power of attorney) before the third-party administrator will be able to sign the *acknowledgement letter* on the *qualifying stablecoin issuer's* behalf. A *qualifying stablecoin issuer* should also ensure that the *acknowledgement letter* continues to be drafted on letter-headed paper belonging to the *qualifying stablecoin issuer*.

Naming

- 16 Annex 2.26 G A *qualifying stablecoin issuer* must ensure that each of its accounts uses a name which corresponds to the appropriate term in the *Glossary*. This means that all accounts should include the term 'stablecoin backing funds' or 'stablecoin backing assets' in their title.

16 Annex 2.27 G All references to the term ‘stablecoin backing funds account’ or ‘stablecoin backing assets account’ in an *acknowledgement letter* should also be made consistently in either the singular or plural, as appropriate.

Amend the following as shown.

Sch 1 Record keeping requirements

...

Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<i>CASS</i> 15.8.37R(1)(a)
<u><i>CASS</i> 16.2.6R(4)</u>	<u>Value of the <i>backing asset pool</i></u>	<u>Process used to calculate the value of <i>assets</i></u>	<u>When a valuation is carried out</u>	<u>Not specified (see default provision <i>CASS</i> 16.4.6R)</u>
<u><i>CASS</i> 16.2.10R(1)</u>	<u>Number of <i>qualifying stablecoins</i></u>	<u>The number of <i>minted</i> and <i>burned</i> <i>qualifying stablecoins</i> in the <i>qualifying stablecoin product</i></u>	<u>At all times</u>	<u>Not specified (see default provision <i>CASS</i> 16.4.6R)</u>
<u><i>CASS</i> 16.2.10R(2)</u>	<u>Redeemed <i>qualifying stablecoins</i></u>	<u>The number of <i>qualifying stablecoins</i> received in the last 24 hours in the course of <i>carrying out</i>, or <i>in connection with</i>, a <i>redemption</i> which have not been recorded as part of the relevant</u>	<u>At least once in every 24-hour period</u>	<u>Not specified (see default provision <i>CASS</i> 16.4.6R)</u>

		<u>stablecoin pool or burned</u>		
<u>CASS 16.2.24R</u>	<u>Expanded backing assets</u>	<u>Governing body's oversight and approval of an expanded backing asset risk management framework</u>	<u>When carried out</u>	<u>Not specified (see default provision CASS 16.4.6R)</u>
<u>CASS 16.4.3R</u>	<u>Backing asset pool and other money or assets</u>	<u>Such records and accounts as are necessary to enable a firm to distinguish between money and assets in each backing asset pool and its own money and assets</u>	<u>Maintain up to date records</u>	<u>Not specified (see default provision CASS 16.4.6R)</u>
<u>CASS 16.4.4R</u>	<u>Composition of each backing asset pool</u>	<u>The value of money and assets that should be held; the location of money and assets; the identity of those providing backing assets accounts or backing funds accounts; and the value of money and assets in the backing asset pool</u>	<u>Maintain up to date records</u>	<u>Not specified (see default provision CASS 16.4.6R)</u>
<u>CASS 16.4.5R</u>	<u>Internal safeguarding reconciliations and external safeguarding reconciliations</u>	<u>The time and date the firm carried out the relevant process; the actions the firm took in carrying out the</u>	<u>When reconciliation carried out</u>	<u>Not specified (see default provision CASS 16.4.6R)</u>

		<p>relevant process; <u>the outcome of the <i>firm's</i> calculations of the amount safeguarded and the amount that should be safeguarded, including whether any discrepancies were identified; and the value of any excess held in the <i>backing asset pool</i> in accordance with <u>CASS 16.4.16R</u></u></p>		
<u>CASS 16.4.6R</u>	<p><u>Default record keeping requirement for <i>CASS 16</i></u></p>	<p><u>Refer to the <i>rule</i> concerned</u></p>	<p><u>Refer to the <i>rule</i> concerned</u></p>	<p><u>Five years from the later of:</u> <u>(1) the date the record was created;</u> <u>or</u> <u>(2) the date the record was most recently modified</u></p>
<u>CASS 16.6.16R(1)</u>	<p><u>Use of third parties in respect of the <i>backing asset pool</i></u></p>	<p><u>Grounds upon which the <i>firm</i> satisfied itself as to the appropriateness of its selection and appointment of a third party; its periodic reviews of the selection and appointment of a third party; and its periodic reviews of its arrangements</u></p>	<p><u>When selection made or review completed</u></p>	<p><u>Five years from the later of:</u> <u>(1) the date of selection or review; or</u> <u>(2) the date the <i>firm</i> ceases to use the third party</u></p>

		<u>with third parties</u>		
<u>CASS 16.7.9R</u>	<u>Acknowledgement letters</u>	<u>Countersigned acknowledgement letters</u>	<u>When received</u>	<u>Five years from when the last account the letter relates to is closed</u>
<u>CASS 16.7.10R</u>	<u>Requirements relating to acknowledgement letters</u>	<u>Documentation or evidence to demonstrate compliance with requirements</u>	<u>When identified</u>	<u>Not specified (see default provision CASS 16.4.6R)</u>

...

Sch 2 Notification requirements

Sch 2.1 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<u>CASS 13.10.21R(6)</u>
<u>CASS 16.2.16(1)R</u>	<u>Intention to hold expanded backing assets</u>	<u>That the firm intends to hold expanded backing assets</u>	<u>Decision to hold expanded backing assets</u>	<u>Before the firm holds expanded backing assets</u>
<u>CASS 16.2.30R(1)</u>	<u>Failure to comply with CASS 16.2.17, subject to CASS 16.2.31R</u>	<u>The fact of this issue</u>	<u>The firm's risk management framework is not compliant</u>	<u>Promptly</u>
<u>CASS 16.4.22R(1)</u>	<u>The firm no longer being able to comply with CASS 16.4.3R or CASS 16.4.4R</u>	<u>The fact of this issue</u>	<u>The firm no longer being able to comply with CASS 16.4.3R or CASS 16.4.4R</u>	<u>Without delay</u>

<u>CASS</u> <u>16.4.22R(2)</u>	<u>The firm being unable to, or materially failing to, conduct an internal safeguarding reconciliation</u>	<u>The fact of this issue</u>	<u>The firm being unable to, or materially failing to, conduct an internal safeguarding reconciliation</u>	<u>Without delay</u>
<u>CASS</u> <u>16.4.22R(3)</u>	<u>The firm being unable to, or materially failing to, adjust the value of the backing asset pool or stablecoin pool</u>	<u>The fact of this issue</u>	<u>The firm being unable to, or materially failing to, adjust the value of the backing asset pool or stablecoin pool</u>	<u>Without delay</u>
<u>CASS</u> <u>16.4.22R(4)</u>	<u>The firm being unable to, or materially failing to, conduct an external safeguarding reconciliation</u>	<u>The fact of this issue</u>	<u>The firm being unable to, or materially failing to, conduct an external safeguarding reconciliation</u>	<u>Without delay</u>
<u>CASS</u> <u>16.4.22R(5)</u>	<u>The firm being unable to, or materially failing to, identify and resolve any discrepancies</u>	<u>The fact of this issue</u>	<u>The firm being unable to, or materially failing to, identify and resolve any discrepancies</u>	<u>Without delay</u>
<u>CASS</u> <u>16.4.22R(6)</u>	<u>The firm becoming aware that in the preceding 12 months the value of the backing asset pool was materially different from the relevant reference value multiplied by the relevant stablecoin pool</u>	<u>The fact of this issue</u>	<u>The firm becoming aware that in the preceding 12 months the value of the backing asset pool was materially different from the relevant reference value multiplied by the relevant stablecoin pool</u>	<u>Without delay</u>

<u>CASS 16.6.9R(3)(a)</u>	<u>Any assessment which concludes that CASS 16.6.8R does not apply</u>	<u>The fact of this issue</u>	<u>The <i>firm</i> carrying out an assessment which concludes that CASS 16.6.8R does not apply</u>	<u>Before the <i>firm</i> starts relying on CASS 16.6.9R(1)</u>
<u>CASS 16.6.9R(3)(b)</u>	<u>The outcome of any periodic review of an assessment which concludes that CASS 16.6.8R does not apply</u>	<u>The fact of this issue</u>	<u>The <i>firm</i> reviewing an assessment which concludes that CASS 16.6.8R does not apply</u>	<u>Promptly</u>

Annex B

Cryptoassets sourcebook (CRYPTO)

In this Annex all the text is new and is not underlined. Insert the following new sourcebook, the Cryptoassets sourcebook (CRYPTO).

1 Reference table for CRYPTO provisions

1.1 Reference table for CRYPTO provisions

[*Editor's note:* The FCA will, in due course, produce a table to sit in CRYPTO 1.1.1G which will assist firms carrying out those regulated activities at article 9M to 9Z11 of the Regulated Activities Order to identify the rules and guidance that are relevant to their activities.]

1.1.1 G [to follow]

2 Stablecoins

2.1 Application and purpose

- 2.1.1 G (1) This chapter of *CRYPTO* contains *rules* and *guidance* relating to *qualifying stablecoin* activities.
- (2) *CRYPTO 2* is relevant to *qualifying stablecoin issuers*.
- (3) *CRYPTO 2* applies as described in this section unless the application provisions of a section or a *rule* make it clear that the section or *rule* in question is applied differently.

Purpose

- 2.1.2 G The purpose of this chapter is to set out the detailed obligations which are specific to the activity of *issuing a qualifying stablecoin*.
- 2.1.3 G The detailed obligations which apply to the activity of *issuing a qualifying stablecoin* aim to ensure (among other things):
- (1) that the *holder* of a *qualifying stablecoin* will always have a claim for the *redemption sum* of their *qualifying stablecoin* against a *qualifying stablecoin issuer*;
- (2) that there is sufficient transparency by a *qualifying stablecoin issuer* about matters which are important to:
- (a) the stability of a *qualifying stablecoin*; and
- (b) the ability of a potential *holder* of a *qualifying stablecoin* to make an informed decision as to the risks, benefits, rights

and obligations associated with becoming a *holder* of that *asset*.

Who?

- 2.1.4 R This chapter applies to a *firm* that is *issuing a qualifying stablecoin*.

What?

- 2.1.5 R All the *rules* in *CRYPTO 2* apply in relation to any *qualifying stablecoins* within a *qualifying stablecoin product* that includes a *UK qualifying stablecoin*.
- 2.1.6 G The definition of *qualifying stablecoin product* refers to a category of fungible *qualifying stablecoins* that make up a single product. A *qualifying stablecoin product* may include *pre-issued stablecoins*.
- 2.1.7 R A *firm* which relies on another *person* (a ‘third party’) to carry out any part of the activity of *issuing a qualifying stablecoin* must ensure that all of the activities described in article 9M of the *Regulated Activities Order* are carried out in a way that complies with the *rules* in *CRYPTO 2* and *CASS 16*.

Where?

- 2.1.8 R This chapter applies to a *firm issuing a qualifying stablecoin* by way of business in the *UK*.
- 2.1.9 G *CRYPTO 2.1.8R* applies whether or not the *person* to whom a *qualifying stablecoin* is issued or who becomes the *holder* of that *qualifying stablecoin* is in the *UK*.

2.2 General requirements

Building a qualifying stablecoin

- 2.2.1 R A *firm* must understand and appropriately manage the risks associated with the design and build of a *qualifying stablecoin*.
- 2.2.2 R Subject to *CRYPTO 2.2.3R*, a process by which a *firm* can demonstrate that it understands and has appropriately managed the risks associated with the design and build of a *qualifying stablecoin* must be carried out before the *firm* offers a *qualifying stablecoin* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*).
- 2.2.3 R (1) In respect of *pre-issued stablecoins*, the process in *CRYPTO 2.2.2R* must be carried out as soon as is reasonably practicable after 25 October 2027.
- (2) Where a *firm* becomes a *qualifying stablecoin issuer* by assuming obligations to the *holder* of a *qualifying stablecoin* under the process in article 9M(4)(b) of the *Regulated Activities Order*, the

process in *CRYPTO* 2.2.2R must be carried out as soon as is reasonably practicable after that assumption.

2.3 Appointment of third parties

Application

- 2.3.1 G The general application of *CRYPTO* 2 is set out in *CRYPTO* 2.1.
- 2.3.2 R This section applies to activities that are critical for the performance of, or amount to part of, the *regulated activity* of *issuing a qualifying stablecoin*, including:
- (1) the making or accepting of an offer to buy or subscribe to a *qualifying stablecoin*;
 - (2) the *redemption of a qualifying stablecoin*; and
 - (3) the carrying out of activities designed to maintain the stable value of a *qualifying stablecoin*, other than the provision of accounts referred to in *CASS* 16.6.1R.
- 2.3.3 G In so far as a *firm* wishes to engage a third party to carry out activities not within scope of *CRYPTO* 2.3.2R, including *ancillary activities to issuing a qualifying stablecoin*, it should consider whether *SYSC* 8 (Outsourcing) applies to that outsourcing arrangement.

Purpose

- 2.3.4 G Where a *firm* carries on the activity of *issuing a qualifying stablecoin*, it may choose to appoint a third party to carry on one or more parts of that activity. This section sets out the *rules* that apply to such an appointment by a *firm* of a third party.

Appointing a third party: general requirements

- 2.3.5 R If a *firm* appoints a third party in circumstances in which this chapter applies, it must comply with the following conditions:
- (1) the appointment of a third party must not result in the delegation by *senior personnel* of their responsibility;
 - (2) the relationship and obligations of the *firm* towards the *holders* of a *qualifying stablecoin* under the *regulatory system* must not be altered;
 - (3) the conditions with which the *firm* must comply in order to be *authorised* and to remain so must not be undermined; and
 - (4) none of the other conditions subject to which the *firm's* *authorisation* was granted must be removed or modified.

- 2.3.6 G Where a *firm* appoints a third party in circumstances in which this chapter applies it remains fully responsible for discharging all of its obligations under the *regulatory system*.
- 2.3.7 G Where a *firm* appoints a third party to carry on part of the activity of *issuing a qualifying stablecoin*, the *firm* will be carrying on, and responsible for, all parts of the activity of *issuing a qualifying stablecoin*.
- 2.3.8 G Where a *firm* appoints a third party to carry on part of the activity of *issuing a qualifying stablecoin*, that appointment does not mean the third party will itself be *issuing a qualifying stablecoin* as it will not be carrying out all of the elements of that activity (as set out in article 9M of the *Regulated Activities Order*).
- 2.3.9 R A *firm* must not appoint or retain a third party to carry on the activity of *issuing a qualifying stablecoin* on its behalf, or part of that activity, unless the following conditions are met:
- (1) the *firm* has taken reasonable steps to ensure that the third party has sufficient experience in, and is competent to carry on, the activity for which it is engaged;
 - (2) the *firm* has assured itself that it can monitor and assess the quality of the service the third party is providing;
 - (3) the third party will provide a service of an appropriate standard; and
 - (4) any risks around the appointment of the third party are identified and adequately managed.
- 2.3.10 R A *firm* must review its arrangements with third parties annually, including at least whether:
- (1) the third party continues to have sufficient experience in, and be competent to carry on, the activity for which it is engaged;
 - (2) the *firm* is effectively monitoring the quality of the service that the third party is providing;
 - (3) the third party is providing a service of an appropriate standard; and
 - (4) any risks around the continued appointment of each third party are identified and adequately managed.
- 2.3.11 R (1) A *firm* must make a record of the grounds on which it satisfies itself as to the matters in:
- (a) *CRYPTO* 2.3.9R; and
 - (b) on each review, *CRYPTO* 2.3.10R.

- (2) A record under (1) must include a record of the *firm's* considerations and the conclusions it reached.
- (3) A record under (1) must be made on the date the selection is made or the review completed (as the case may be) and must be kept for either:
 - (a) 5 years from that date; or
 - (b) 5 years from the date the *firm's* relationship with that third party ends (if later).

2.3.12 R A *firm* must ensure that any *money* or *assets* it receives in exchange for a *qualifying stablecoin* in the process of carrying out the activity of *issuing a qualifying stablecoin* are received directly by the *firm* and not at any point received or held by a third party on the *firm's* behalf.

2.3.13 G A third party appointed by a *firm* to carry out part of the activity of *issuing a qualifying stablecoin* which involves offering or selling a *qualifying stablecoin* must not receive or hold *money* or *assets* on the *firm's* behalf, and a *firm* is expected to structure its arrangements with that third party so that this is not necessary.

2.3.14 R A *firm* must ensure that any third party acting on the *firm's* behalf prominently displays on its website and any other public communication a statement that it acts on the *firm's* behalf.

Appointing a third party: contractual requirements

2.3.15 R Where a *firm* appoints a third party to carry out all or part of the activity of *issuing a qualifying stablecoin*, it must have in place a contract with that third party which meets all of the following conditions:

- (1) it is governed by *UK* law;
- (2) it enables the *firm* to request, and obliges the third party to provide to the *firm*, information that is sufficient to enable the *firm* to meet the *rules* to which it is subject in the *regulatory system*;
- (3) it enables the *firm* to request, and obliges the third party to provide to the *firm*, information for the purposes of enabling the *firm* to make an informed assessment of whether it is compliant with its obligations under the *regulatory system*; and
- (4) it includes provisions requiring the third party to:
 - (a) promptly forward any complaint it receives relating to the activity of *issuing a qualifying stablecoin* to the *firm*;
 - (b) provide appropriate information on the *firm's* procedures for the handling of complaints on the third party's website and

in any other communications or medium through which the third party provides key information about the activity of the *firm* or features of the *qualifying stablecoin product* to *holders*; and

- (c) provide appropriate information on how the *holder* of a *qualifying stablecoin* may contact the *firm*, including making clear what role (if any) the third party plays in customer service on the third party's website and in any other communications or medium through which the third party provides key information about the activity of the *firm* or features of the *qualifying stablecoin product* to *holders*.

- 2.3.16 R Where a *firm* appoints a third party to act on its behalf in *redeeming* a *qualifying stablecoin*, it must have in place a contract with that third party which includes:
- (1) provisions setting out how the third party will handle, process, safeguard and segregate any *qualifying stablecoins* it receives in the course of the *redemption* process;
 - (2) provisions requiring the third party to promptly provide to the *firm*:
 - (a) information on the number of *redemptions* carried out by the third party on the *firm*'s behalf; and
 - (b) information on the monetary values of *redemptions* carried out by the third party on the *firm*'s behalf;
 - (3) provisions requiring the third party to provide information on expected *redemption* timeframes to customers seeking *redemption*, and specifying the information to be provided;
 - (4) provisions requiring the third party to *redeem qualifying stablecoins* in accordance with *CRYPTO* 2.4.14R, including in respect of timeframes;
 - (5) provisions requiring the third party to:
 - (a) immediately notify the *firm* in the event of exceptional circumstances which may require the suspension of *redemption*, as set out in *CRYPTO* 2.4.24R and *CRYPTO* 2.4.25G; and
 - (b) where it makes such a notification, immediately provide the *firm* with all information and/or documentation available to it about those exceptional circumstances;
 - (6) provisions prohibiting the third party from suspending its service of *redemption* unless either:

- (a) it has written agreement or instruction to do so from the *firm*; or
 - (b) continuing with *redemption* would be contrary to a legal requirement to which the third party is subject;
- (7) provisions requiring the third party to make available to the *firm* the public address or addresses to which *qualifying stablecoins* that are the subject of a *redemption* request are to be sent by the *holder*; and
 - (8) provisions requiring the third party to process *redemptions* in the order based on the fair and objective criteria the *firm* has determined under *CRYPTO 2.4.21R*.
- 2.3.17 R In the event that the *firm* receives a notification from a third party carrying out *redemption* on its behalf that there may be exceptional circumstances which require the suspension of *redemption*, it must consider whether the conditions in *CRYPTO 2.4.24R* are met.

2.4 Issuance and redemption

Application

- 2.4.1 G The general application of *CRYPTO 2* is set out in *CRYPTO 2.1*.

Purpose

- 2.4.2 G This section sets out requirements and guidance for *firms* in relation to *issuing a qualifying stablecoin*, including the *redemption* of a *qualifying stablecoin*.

Issuance

- 2.4.3 R A *firm* must not offer, or arrange for another *person* to offer, a *qualifying stablecoin* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*) other than in exchange for *money* or a *UK qualifying stablecoin*.
- 2.4.4 R Where a *firm* receives *money* or a *UK qualifying stablecoin* from a *person* for the purchase of a *qualifying stablecoin*, it must send a *qualifying stablecoin* to that *person*'s nominated blockchain address immediately and at *reference value*.

Redemption

- 2.4.5 R A *firm* must *redeem* a *qualifying stablecoin* it has issued at any time on receipt of a valid *redemption* request.
- 2.4.6 R A *firm* must ensure:
- (1) that there is a contract between the *qualifying stablecoin issuer* and any *person* to whom it issues a *qualifying stablecoin* which clearly

and prominently states the conditions of *redemption*, including any fees in relation to *redemption*; and

- (2) that the obligations it owes under that contract to redeem that *qualifying stablecoin* are effectively transferred in law along with the *qualifying stablecoin*, such that when the *qualifying stablecoin* transfers to a new *person*, that *person* acquires the same rights against the *firm* in respect of the *redemption* of that *qualifying stablecoin*.

2.4.7 G *CRYPTO* 2.4.6R does not require *qualifying stablecoin issuers* to enter into new bilateral contracts every time the *qualifying stablecoin* is transferred on the secondary market. There are a number of different mechanisms that could be used to comply with *CRYPTO* 2.4.6R(2). *Firms* could, for example, enter into a deed poll or provide for the legal assignment of the rights. The most appropriate model for a *firm* will depend on its particular circumstances and business model. *Firms* must ensure that whatever method they use is legally effective to ensure compliance with *CRYPTO* 2.4.6R(2).

2.4.8 R The conditions of *redemption* must not:

- (1) impose any minimum *redemption* quantity; or
- (2) impose conditions which are onerous or difficult for a *holder* to meet.

2.4.9 G (1) Examples of conditions which might be onerous or difficult to meet are:

- (a) a contractual requirement to have an account with a particular *UK credit institution* before *redemption* can be carried out; or
- (b) unreasonable restrictions to the payment methods made available to *holders* seeking *redemption*, such that the *holder* will incur unnecessary cost or difficulty in receiving or accessing their *redemption sum*.

- (2) Examples of conditions which would not be considered onerous or difficult to meet are reasonable and proportionate processes to comply with requirements under the *Money Laundering Regulations*.

2.4.10 R When a *qualifying stablecoin holder* enquires with a *firm* about *redemption*, the *firm* must provide appropriate information to that *qualifying stablecoin holder* about:

- (1) the payment methods the *firm* makes available for *redemption*; and

- (2) the likely timeframes within which the *qualifying stablecoin holder* will receive the *redemption sum* using those payment methods.
- 2.4.11 R The information in *CRYPTO 2.4.10R* must be provided before the *holder* confirms the preferred payment method by which they will receive the *redemption sum*.
- 2.4.12 G *CRYPTO 2.4.10R* and *CRYPTO 2.4.11R* apply to a *firm* even where that *firm* offers *redemption* through a third party. In these circumstances, one way of meeting these obligations is for a *firm* to ensure that a *qualifying stablecoin holder* receives information from a third party on the *firm's* behalf.
- 2.4.13 G In order to give a *holder* informed choice about which payment method to select, information about timeframes will not be appropriate unless it is based on research about past timeframes achievable by different payment methods, including recent historical data.
- 2.4.14 R On receipt of a valid *redemption* request, a *firm* must ensure that *redemption* is completed:
- (1) at the value of the *redemption sum*;
 - (2) unless the *holder* requests a different currency, in *money* (excluding *electronic money*) denominated in the *reference currency*; and
 - (3) as soon as practicable but no later than the end of the *business day* following the *day* on which the *qualifying stablecoin* is received.
- 2.4.15 G For the purpose of calculating the *redemption sum* in *CRYPTO 2.4.14R(1)*, the value of the *backing asset pool* is irrelevant.
- 2.4.16 R A *redemption* request is valid if it is made:
- (1) by the *holder* of a *qualifying stablecoin*; and
 - (2) in a manner which meets any terms and conditions in:
 - (a) the contract between the *qualifying stablecoin issuer* and *qualifying stablecoin holder*; or
 - (b) the mechanism used to comply with *CRYPTO 2.4.6R(2)*.
- 2.4.17 R Where the terms and conditions of the contract between the *qualifying stablecoin issuer* and the *qualifying stablecoin holder*, or of the mechanism used to comply with *CRYPTO 2.4.6R(2)*, do not meet the requirements of *CRYPTO 2.4.6R* or *CRYPTO 2.4.8R*, those terms and conditions are to be ignored when considering the validity of the *redemption* request under *CRYPTO 2.4.16R(2)*.

- 2.4.18 R Unless *CRYPTO* 2.4.19R applies, for the purposes of *CRYPTO* 2.4.14R(3), a *redemption* is completed when a payment order instructing the transfer of the *redemption sum* from the *firm* to the *holder* has been made.
- 2.4.19 R Where a *firm* operates a payment account for a *holder* and credits the *redemption sum* to that account without needing to transfer the *redemption sum* to another payment service provider, *redemption* is complete at the point the *firm* credits the *redemption sum* to the *holder's* payment account.
- 2.4.20 R The time limit in *CRYPTO* 2.4.14R(3) does not apply where:
- (1) the completion of a particular *redemption* request within that time limit would cause the *firm* to be in breach of any legal requirement or court order, including those contained in or made under the Terrorism Act 2000, the Proceeds of Crime Act 2002 or the *Money Laundering Regulations*;
 - (2) all of the following are met:
 - (a) the *holder* of the *qualifying stablecoin* requests *redemption* in a currency other than the *reference currency*;
 - (b) the currency exchange required to meet that request takes more time to carry out than meeting a request in the *reference currency*; and
 - (c) the *firm* has made clear to the *holder*, at the point at which the *holder* enquired about *redemption*, the likely timeframe within which *redemption* in the currency requested will be completed; or
 - (3) *redemption* of the *qualifying stablecoin* is suspended under *CRYPTO* 2.4.24R.

Order of redemptions

- 2.4.21 R A *firm* must complete *redemptions* in an order which is based on fair and objective criteria and which does not prejudice, directly or indirectly, the interests of any particular type of *holder*.

Security of redeemed stablecoins

- 2.4.22 R Where a *firm* receives a *qualifying stablecoin* in the course of carrying out, or in connection with, a *redemption*, it must within 24 hours either:
- (1) record that *qualifying stablecoin* as part of the relevant *stablecoin pool*; or
 - (2) ensure that the relevant *qualifying stablecoin* is *burned*.

- 2.4.23 G Where a *firm* records a *qualifying stablecoin* as part of the relevant *stablecoin pool* under *CRYPTO* 2.4.22R(1), it must ensure it adds any *money* or *assets* to the relevant *backing asset pool* necessary to ensure compliance with *CASS* 16.2.1R(3).

Suspension of redemption

- 2.4.24 R A *firm* must suspend all *redemption* where:
- (1) there is an exceptional circumstance which threatens the integrity of the relevant *qualifying stablecoin product* or the interests of the *holders* of the relevant *qualifying stablecoin product*;
 - (2) the *firm* has taken all reasonable steps to respond to the exceptional circumstance in such a way that does not involve suspending all *redemption*; and
 - (3) the *firm* concludes on a proper basis that temporarily suspending all *redemption* is necessary to protect the rights of *holders* of a *qualifying stablecoin* or the integrity of that *qualifying stablecoin*.
- 2.4.25 G Exceptional circumstances in *CRYPTO* 2.4.24R(1) are likely to include:
- (1) the failure of the underlying distributed ledger technology or other infrastructure on which the *qualifying stablecoin product* relies;
 - (2) the failure of a system upon which the *firm* or a third party relies to carry out *redemption*;
 - (3) a sudden loss of confidence in the relevant *qualifying stablecoin product* such that the *firm* or a third party who carries out *redemption* on behalf of the *firm* receives an exceptionally high number by volume or value of *redemption* requests; or
 - (4) the insolvency of the *firm*.
- 2.4.26 G Exceptional circumstances in *CRYPTO* 2.4.24R(1) are unlikely to include:
- (1) the suspension of trading of the relevant *qualifying stablecoin product* on a secondary market, unless that suspension of trading is caused by a sudden loss of confidence in that *qualifying stablecoin product* as set out in *CRYPTO* 2.4.25G(3); or
 - (2) the insolvency of a third party carrying out *redemption* on behalf of the *firm*, unless that insolvency threatens the integrity of the relevant *qualifying stablecoin product* or the interests of the *holders* of the relevant *qualifying stablecoin product*.
- 2.4.27 G (1) Where the exceptional circumstance in *CRYPTO* 2.4.24R(1) causes, or is caused by, an inability of the *firm* to resolve a shortfall in accordance with *CASS* 16.4.15R(2), reasonable steps for the

purposes of *CRYPTO* 2.4.24R(2) would include the *firm* exploring whether it can source additional resources or liquidity in order to continue to meet *redemptions*.

- (2) Where a third party carrying out *redemption* on behalf of a *qualifying stablecoin issuer* becomes insolvent in a way that amounts to an exceptional circumstance (eg, through threatening the interests of *holders*), reasonable steps for the purposes of *CRYPTO* 2.4.24R(2) would include the *firm* exploring whether *redemption* of the relevant *qualifying stablecoin product* can continue through other third parties or directly by the *firm*.

2.4.28 R A *firm* which suspends *redemption* must:

- (1) immediately notify the *FCA* as to:
- (a) the fact it has suspended *redemption*;
 - (b) the period of time for which it is anticipated that *redemption* will be suspended; and
 - (c) the reason why it has suspended *redemption*; and
- (2) immediately notify in writing all third parties who carry out *redemption* on the *firm's* behalf.

2.4.29 G All third parties who carry out *redemption* on behalf of a *firm* should be informed where a decision to suspend all *redemption* is taken.

2.4.30 R A *firm* that has suspended *redemption* must restart *redemption* as soon as possible, but no earlier than when:

- (1) a reconciliation has been completed which confirms that *CASS* 16.2.1R(3) is satisfied in respect of the *backing asset pool*; and
- (2) the *firm* has:
- (a) formulated a plan as to how and when it will restart *redemption*;
 - (b) promptly submitted the plan in (a) to the *FCA*, ensuring a reasonable period between submission and restarting *redemption*, and in any event not less than 5 *business days* unless a shorter period is agreed with the *FCA*; and
 - (c) assured itself that the reason notified to the *FCA* under *CRYPTO* 2.4.28R(1)(c) for the suspension of *redemption* has been remedied and is no longer likely to impact the *firm's* ability to meet *redemption* requests.

2.4.31 G The plan referred to in *CRYPTO* 2.4.30R(2) should at least cover the following:

- (1) the *firm's* forecast as to the anticipated number of *redemption* requests within the 14 *redemption days* which follow the restarting of *redemption*;
- (2) the proportion of the *backing asset pool* that is held, and that should continue to be held, in *core backing assets*, and the period over which any adjustments needed to that proportion of *core backing assets* will take place;
- (3) how proposed adjustments to the proportion of *core backing assets* could impact on the markets for *expanded backing assets* or *core backing assets* over the period set out in (2);
- (4) consideration as to how the *firm* meets, and will continue to meet, wider obligations under the *regulatory system*; and
- (5) an explanation as to how the *firm* has assured itself of the matter at *CRYPTO 2.4.30R(2)(c)*.

Redemption fees

2.4.32 R *Redemption* may be subject to a fee only where:

- (1) the fee is:
 - (a) stated in the contract between the *qualifying stablecoin issuer* and the *holder* of the *qualifying stablecoin* in accordance with *CRYPTO 2.4.6R(1)*; or
 - (b) provided for by the mechanism used to comply with *CRYPTO 2.4.6R(2)*; and
- (2) the fee is proportionate and commensurate solely with the operational costs actually incurred by the *qualifying stablecoin issuer* in respect of that *redemption* and does not include costs or losses incurred through the sale of *core backing assets* or *expanded backing assets*.

2.4.33 R A *firm* must not charge a fee for *redemption* that is greater than the value of the *qualifying stablecoins* to which that *redemption* request relates.

2.5 Stablecoin disclosures

Application

2.5.1 G The general application of *CRYPTO 2* is set out in *CRYPTO 2.1*.

Purpose

2.5.2 G This section sets out requirements for *firms* about:

- (1) the information that must be published online about a *qualifying stablecoin product*, including the type of information and the frequency with which this information must be reviewed and updated; and
- (2) the production, publication and updating of a *stablecoin QCDD*.

Relevance of other obligations

- 2.5.3 G The obligations set out in this section about the publication of information by *firms* are in addition to any other obligations imposed on a *firm* by the *regulatory system*. A *firm* should be aware that the publication of information in accordance with this chapter may also be subject to additional and overlapping obligations.

Obligation to publish information about a qualifying stablecoin

- 2.5.4 R If a *firm* is the *qualifying stablecoin issuer* of more than one *qualifying stablecoin product*, the *rules* in this section must be read as applying separately for each *qualifying stablecoin product*.
- 2.5.5 G The effect of *CRYPTO 2.5.4R* is that a *firm* must publish, review and update separate information for each *qualifying stablecoin product* it issues.

Website disclosures

- 2.5.6 R In respect of each *qualifying stablecoin product* for which a *firm* is the *qualifying stablecoin issuer*, it must publish and maintain the following information on its website:
- (1) the general information referred to in *CRYPTO 2.5.25R*;
 - (2) the *backing asset pool* information referred to in *CRYPTO 2.5.27R*;
 - (3) the *redemption* information referred to in *CRYPTO 2.5.30R*;
 - (4) the information on risks referred to in *CRYPTO 2.5.31R*;
 - (5) the review information referred to in *CRYPTO 2.5.32R* and *CRYPTO 2.5.37R*;
 - (6) the following identifying information:
 - (a) the name and *LEI* (where eligible) that is included on the *GLEIF* Global LEI Index of the *person* who is the *qualifying stablecoin issuer*; and
 - (b) the *qualifying stablecoin product identifier*; and
 - (7) so far as not referred to in (1) to (6), the information set out at regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure

document) of the *Cryptoassets Regulations* which is included in the *stablecoin QCDD*.

- 2.5.7 R A *firm* must ensure that the information published under *CRYPTO 2.5.6R*:
- (1) is easy for prospective readers to locate;
 - (2) is easy for prospective readers to access; and
 - (3) includes:
 - (a) the date and time of publication of each part of the information; and
 - (b) the last date and time each part of the information was updated or amended.
- 2.5.8 R A *firm* must ensure that the information that it publishes under *CRYPTO 2.5.6R* is clear, fair and not misleading.
- 2.5.9 G In complying with *CRYPTO 2.5.8R*, a *firm* should consider what is appropriate and proportionate, taking into account the means of communication and the fact that a *firm* should assume that the information it publishes will be read by *retail customers*.
- 2.5.10 G When publishing information on its website in accordance with *CRYPTO 2.5.6R*, a *firm* should:
- (1) explain or present information in a logical manner;
 - (2) use plain and intelligible language and, where use of jargon or technical terms is unavoidable, explain the meaning of any jargon or technical terms as simply as possible;
 - (3) make key information prominent and easy to identify, including by means of:
 - (a) headings and layout;
 - (b) display and font attributes of text; and
 - (c) design devices such as tables, bullet points, graphs, graphics, audio-visuals and interactive media;
 - (4) avoid unnecessary disclaimers; and
 - (5) provide an appropriate level of detail.
- 2.5.11 G The *rules* in this section do not require a *firm* to publish all the information listed in *CRYPTO 2.5.6R* together as a single document or webpage. A *firm* should choose the best format for publishing the information in line with the *rules* of this section and of the *regulatory system*.

- 2.5.12 G When publishing information on its website in accordance with *CRYPTO* 2.5.6R, a *firm* should consider whether to provide additional information to help support a reader's understanding. In doing so, a *firm* should ensure that it does not obscure the information referred to *CRYPTO* 2.5.6R.

Website disclosures: timing of publication

- 2.5.13 R Subject to *CRYPTO* 2.5.14R, a *firm* must comply with the requirements in *CRYPTO* 2.5.6R by the earliest of the following times:
- (1) when the corresponding *qualifying stablecoin* is offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*); or
 - (2) when the *firm* seeks to admit the *qualifying stablecoin* to trading on a *qualifying cryptoasset trading platform*.

- 2.5.14 R In relation to *pre-issued stablecoins*, a *firm* must comply with the requirements in *CRYPTO* 2.5.6R on the first *day* that *rule* comes into force.

Website disclosures: obligation to review and update

- 2.5.15 R A *firm* must update the following information on its website at least once every 3 *months*:
- (1) the information referred to in *CRYPTO* 2.5.25R(1) (the total number of *qualifying stablecoins*); and
 - (2) the information referred to in *CRYPTO* 2.5.27R (*backing asset pool* information).
- 2.5.16 R A *firm* must update the following information on its website if, and to the extent that, any of it becomes inaccurate:
- (1) the general information referred to in *CRYPTO* 2.5.25R(2) and (3);
 - (2) the *redemption* information referred to in *CRYPTO* 2.5.30R; and
 - (3) the information on risks referred to in *CRYPTO* 2.5.31R.

- 2.5.17 R A *firm* must have systems in place to regularly review the information listed in *CRYPTO* 2.5.16R to ensure any inaccuracies in the information it has published are promptly identified and corrected.

- 2.5.18 R The updates required by *CRYPTO* 2.5.15R and *CRYPTO* 2.5.16R must be published as soon as reasonably practicable.

- 2.5.19 G (1) The information that must be updated under *CRYPTO* 2.5.15R is not the same kind of information as that which must be updated under *CRYPTO* 2.5.16R.

- (2) The information referred to in *CRYPTO 2.5.15R* is likely to change frequently. *CRYPTO 2.5.15R* requires a *firm* to, at a minimum, update it once every 3 *months*.
- (3) The information referred to in *CRYPTO 2.5.16R* – being the remaining general information (the technology and third parties involved in issuing), the *redemption* information and information about risks – is likely to be more static. *CRYPTO 2.5.16R* requires a *firm* to update that information whenever it becomes inaccurate.
- 2.5.20 G The review information referred to in *CRYPTO 2.5.32R* and *CRYPTO 2.5.37R* is not caught by either *CRYPTO 2.5.15R* or *CRYPTO 2.5.16R*. That information is point-in-time and will instead be periodically produced in accordance with *CRYPTO 2.5.32R* and *CRYPTO 2.5.37R*.
- 2.5.21 G *CRYPTO 2.5.15R* requires information to be reviewed at least once every 3 *months*. *Firms* should consider whether to do so more frequently if there are any significant relevant changes, such as if they decide to hold *expanded backing assets*.
- 2.5.22 G In complying with *CRYPTO 2.5.15R*, a *firm* has discretion to align the timing with other obligations under the *regulatory system* or to accommodate other commercial or practical considerations. For example, a *firm* could update disclosures after 1 *month* if doing so assists in aligning with reporting or other obligations.

Website disclosure: obligation to retain and provide information

- 2.5.23 R (1) A *firm* must retain a copy of the information published in accordance with *CRYPTO 2.5.6R* for 5 years from the date it is no longer published on its website.
- (2) A *firm* must provide a copy of any information retained in accordance with this *rule* on request to the following without undue delay:
- (a) any *holder* of the *qualifying stablecoin*; and
- (b) any former *holder* in respect of the time when they were a *holder* of the *qualifying stablecoin*.
- 2.5.24 G *CRYPTO 2.5.23R(2)* does not prevent a *firm* from charging for the provision of the information. However, *firms* are reminded of *PRIN 2A.6.2R(4)*, under which they must ensure *retail customers* do not face unreasonable additional costs.

General information to be published

- 2.5.25 R The general information to be published for each *qualifying stablecoin product* is:

- (1) the total number of *qualifying stablecoins* which:
 - (a) are in circulation or subject to subscription (within the meaning of article 9M of the *Regulated Activities Order*);
 - (b) are being offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*) for the first time, but which have not yet been sold or subscribed; and
 - (c) have been *minted* but not yet offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*),

at a given point in time, selected in accordance with *CRYPTO* 2.5.29R;

- (2) a description of the technology used to support the recording or storage of data for the relevant *qualifying stablecoin* (such as the distributed ledger technology), including any protocol and consensus mechanism; and
- (3) the name of any *person* with whom the *qualifying stablecoin issuer* has made arrangements to:
 - (a) offer the *qualifying stablecoins* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*);
 - (b) undertake on behalf of the *qualifying stablecoin issuer* to redeem the *qualifying stablecoins*; and/or
 - (c) carry on activities on behalf of the *qualified stablecoin issuer* designed to maintain the stable value of the *qualifying stablecoin*.

2.5.26 R The *rule* in *CRYPTO* 2.5.25R(1) to publish the total number of *qualifying stablecoins* includes *qualifying stablecoins* that a *person* has arranged for another to sell or subscribe, offer for sale or subscription, or *mint* on its behalf.

Backing asset pool information to be published

2.5.27 R The *backing asset pool* information to be published for each *qualifying stablecoin product* is:

- (1) the name of any third party or third parties appointed by the *firm* with which it holds more than 20% of the value of the *backing asset pool*;

- (2) the value of the *backing asset pool* held by the *firm* at a point in time selected in accordance with *CRYPTO 2.5.29R*, expressed in terms of the *reference currency* and described with the following detail:
 - (a) the total value held;
 - (b) the value(s) held as *core backing assets*, broken down into the type(s) of asset(s); and
 - (c) if relevant, the value(s) held as *expanded backing assets*, broken down into the type(s) of asset(s); and
- (3) the value(s) referred to in (2)(b) and (c) also expressed as a percentage of the total value of the *backing asset pool*.

2.5.28 G *CRYPTO 2.5.27R*(2)(b) and (c) refer to the types of assets held. This means *firms* should publish the values for:

- (1) *on-demand deposits*;
- (2) *short-term government debt instruments*;
- (3) *long-term government debt instruments*;
- (4) units in a fund authorised as a *public debt CNAV MMF*; and
- (5) *assets, rights and money* held as a counterparty to a *repurchase transaction*.

2.5.29 R For the purposes of *CRYPTO 2.5.25R*(1) and *CRYPTO 2.5.27R*(2), the given point in time that a *firm* selects must be:

- (1) the same point in time for both of those *rules*; and
- (2) no more than 24 hours prior to the date when the *firm* intends to publish the information referred to in those *rules* which references the point in time selected.

Redemption information to be published

2.5.30 R The *redemption* information to be published for each *qualifying stablecoin product* is:

- (1) an explanation of any *redemption fee* that may be payable by a *holder*, including how such a fee will be calculated;
- (2) the steps that a *holder* must take in order to redeem the *qualifying stablecoin*, including a list of any information that a *holder* may be asked to provide as part of a *redemption* request;

- (3) a summary of the steps that will be taken by the *firm* or other parties involved in the *redemption* process following a request to *redeem*; and
- (4) the payment methods the *firm* makes available for *redemption*.

Risk information to be published

- 2.5.31 R A *firm* must publish information about risks associated with the *qualifying stablecoin product* and any steps taken by the *firm* to manage such risks, including:
- (1) risks associated with the technology used to support the *qualifying stablecoins*;
 - (2) risks to the interests of a *holder*, including those arising from any conflicts of interest; and
 - (3) risks to the ability of the *qualifying stablecoin issuer* to continue maintaining the stability or value of the *qualifying stablecoin product*.

Review information to be published

- 2.5.32 R Each time a *firm* updates the information in *CRYPTO 2.5.15R*, it must:
- (1) prepare a statement confirming whether the *backing asset pool* for that *qualifying stablecoin product* complies with *CASS 16.2.1R(3)*;
 - (2) have the statement approved by its *governing body* or an appropriate *senior manager*; and
 - (3) publish the approved statement.

Obligation to conduct and publish an independent review

- 2.5.33 R Subject to *CRYPTO 2.5.34R*, at least once every *12 months*, a *firm* must undertake an independent review of the statements it has published over the previous *12 months* in accordance with *CRYPTO 2.5.32R*.
- 2.5.34 R The first independent review under *CRYPTO 2.5.33R* must take place within *3 months* of the date a *firm* publishes its fourth statement under *CRYPTO 2.5.32R*.
- 2.5.35 R The independent review referred to in *CRYPTO 2.5.33R* must provide an opinion prepared in line with a *reasonable assurance engagement* as to whether the relevant statements published by the *qualifying stablecoin issuer* were accurate.
- 2.5.36 R The independent review referred to in *CRYPTO 2.5.33R* must be conducted by a *person* who, at a minimum:

- (1) is neither an *employee* nor an agent of the *firm*;
- (2) is not a member of the same *group* as the *firm*; and
- (3) meets (a), (b) or (c) below:
 - (a) is eligible for appointment as an auditor under chapters 1, 2 and 6 of Part 42 of the Companies Act 2006;
 - (b) has otherwise been appointed as an auditor under another enactment, and meets the requirements for appointment under that enactment; or
 - (c) is *overseas* and is eligible for appointment as an auditor under any applicable equivalent laws of the country or territory in which they are established.

- 2.5.37 R As soon as practicable following the independent review referred to in *CRYPTO 2.5.33R*, the *firm* must publish a statement prepared by the *person* conducting the independent review, confirming:
- (1) the date the independent review took place;
 - (2) the overall outcome of the independent review; and
 - (3) the relevant qualifications of the *person* who conducted the independent review.

Stablecoin qualifying cryptoasset disclosure documents

- 2.5.38 G Under regulation 6 of the *Cryptoassets Regulations*, the definition of a qualifying cryptoasset disclosure document can include a document whose publication is required by designated activity rules. For the avoidance of doubt, *CRYPTO 2.5.39R* to *CRYPTO 2.5.57G* are made under both regulation 9 of the *Cryptoassets Regulations* and related powers, and section 137A of the *Act* and related powers.
- 2.5.39 R A *firm* must:
- (1) publish a valid *stablecoin QCDD* (see *CRYPTO 2.5.43R*) on its own website; and
 - (2) upload the *stablecoin QCDD* in (1) to the *FCA-owned centralised repository*.
- 2.5.40 R For the purposes of regulation 12 (Responsibility for disclosure documents) of the *Cryptoassets Regulations*, the person responsible for a *stablecoin QCDD* is the *qualifying stablecoin issuer* of the *qualifying stablecoin product* it relates to (whether or not the *stablecoin QCDD* is published or distributed by another *person*).

- 2.5.41 R A *stablecoin QCDD* must:
- (1) be clearly headed '[name of qualifying stablecoin product] disclosure document';
 - (2) contain the material information set out at regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document) of the *Cryptoassets Regulations*;
 - (3) be written in English;
 - (4) be a single document in a format which is immutable;
 - (5) clearly state:
 - (a) the date and time of publication of each part of the document; and
 - (b) the last time each part of the document was updated or amended; and
 - (6) contain:
 - (a) the name and any *LEI* that is included on the *GLEIF* Global LEI Index of the *person* who is the *qualifying stablecoin issuer*; and
 - (b) the *qualifying stablecoin product identifier*.
- 2.5.42 G In the *FCA's* view, a *stablecoin QCDD* should not need to contain the same information in all cases as a *QCDD* relating to other *qualifying cryptoassets*. That is because of the nature of *UK qualifying stablecoins* and because they are subject to a greater degree of regulation by the *FCA*.
- 2.5.43 R For the purposes of *CRYPTO 2.5.39R*, a *stablecoin QCDD* is valid if it:
- (1) complies with *CRYPTO 2.5.41R*; and
 - (2) has been reviewed and updated where appropriate in accordance with *CRYPTO 2.5.48R* and *CRYPTO 2.5.49R*.

Stablecoin QCDD: timing of publication

- 2.5.44 R Subject to *CRYPTO 2.5.45R*, a *firm* must comply with the requirements in *CRYPTO 2.5.39R* by the earliest of the following times:
- (1) when the corresponding *qualifying stablecoin* is offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*); or

- (2) when the *firm* seeks to admit the *qualifying stablecoin* to trading on a *qualifying cryptoasset trading platform*.

- 2.5.45 R In relation to *pre-issued stablecoins*, a *firm* must comply with the requirements in *CRYPTO 2.5.39R* on the first *day* that the *rule* comes into force.

Stablecoin QCDD: provision of hyperlink to a cryptoasset trading platform

- 2.5.46 R A *firm* that seeks *admission to trading* of a *UK qualifying stablecoin* must provide the *UK QCATP operator* with a hyperlink to the relevant *stablecoin QCDD* on the *FCA-owned centralised repository* at the time that admission is sought.

- 2.5.47 R The hyperlink provided under *CRYPTO 2.5.46R* must be a permalink which leads to the latest available document on the *FCA-owned centralised repository* such that, so far as is within the *firm's* control, it automatically updates to the latest version of the *stablecoin QCDD* when updates are made to that document by the *firm* under *CRYPTO 2.5.48R* and *CRYPTO 2.5.49R*.

Stablecoin QCDD: obligation to review and update

- 2.5.48 R A *firm* must update its *stablecoin QCDD* at least once every 3 *months*.

- 2.5.49 R Any information referred to in *CRYPTO 2.5.16R* that is included in a *stablecoin QCDD* must be updated if, and to the extent that, any of it becomes inaccurate.

- 2.5.50 R A *firm* must have systems in place to regularly review the information referred to in *CRYPTO 2.5.49R* to ensure any inaccuracies in the information it has published are promptly identified and corrected.

- 2.5.51 R The updates required by *CRYPTO 2.5.48R* and *CRYPTO 2.5.49R* must be published and uploaded to the *FCA-owned centralised repository* as soon as reasonably practicable.

- 2.5.52 G *CRYPTO 2.5.48R* requires *stablecoin QCDDs* to be updated at least once every 3 *months*. *Firms* should consider whether to do so more frequently if there are any significant relevant changes, such as if they decide to hold *expanded backing assets*.

- 2.5.53 G In complying with *CRYPTO 2.5.48R*, a *firm* has discretion to align the timing with other obligations under the *regulatory system* or to accommodate other commercial or practical considerations. For example, a *firm* could update a *stablecoin QCDD* after 1 *month* to align with reporting or other obligations.

Stablecoin QCDD: obligation to retain and provide copies

- 2.5.54 R (1) A *firm* must retain a copy of any *stablecoin QCDD* published in accordance with *CRYPTO 2.5.39R* for 5 years from the date it is updated or removed from its website.
- (2) A *firm* must provide a copy of any *stablecoin QCDD* retained in accordance with this *rule* on request to the following without undue delay:
- (a) any *holder* of the *qualifying stablecoin*; and
 - (b) any former *holder* in respect of the time when they were a *holder* of the *qualifying stablecoin*.

- 2.5.55 G *CRYPTO 2.5.54R(2)* does not prevent a *firm* from charging for the provision of the *stablecoin QCDD*. However, *firms* are reminded of *PRIN 2A.6.2R(4)* under which they must ensure *retail customers* do not face unreasonable additional costs.

Information in website disclosures and stablecoin QCDDs

- 2.5.56 R Where information appears on a *firm's* website in accordance with *CRYPTO 2.5.6R* and in a *stablecoin QCDD* published by that *firm* in accordance with *CRYPTO 2.5.39R(1)*:
- (1) the information must be updated at the same time under *CRYPTO 2.5.15R* and *CRYPTO 2.5.48R*, or *CRYPTO 2.5.16R* and *CRYPTO 2.5.49R*; and
 - (2) the updates must be published and uploaded at the same time so far as reasonably practicable without delaying their publication in any location to do so.
- 2.5.57 G Under *CRYPTO 2.5.56R*, *firms* are required to align updates to their website disclosure and *stablecoin QCDDs* where they contain the same information. *Firms* are also required to try to align the publication and uploading of the updates, but should not delay publication to do so. However, they should align the timings as much as they can.

© Financial Conduct Authority 2026
12 Endeavour Square London E20 1JN
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk
All rights reserved

Pub ref: 2-008542.1

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 0207 066 1000



Sign up for our news and publications alerts