FINANCIAL CONDUCT AUTHORITY

Policy Statement

PS26/18

Cryptoasset Perimeter Guidance

September 2026

This relates to

Consultation Paper 26/13 which is available on our website at www.fca.org.uk/publications

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Chapter 1

Summary

1.1 From 25 October 2027, the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (the Cryptoasset Regulations) will introduce new regulated activities for cryptoassets into our perimeter.

1.2 Anyone wishing to carry on these activities by way of business in the UK will need to apply for FCA authorisation, unless there is a relevant exemption or they are able to use the savings or transitional run off provisions.

1.3 Once authorised, they will need to follow the rules in the FCA Handbook, supported by our guidance, which we published on 30 June 2026 in PS26/9, PS26/10, PS26/11, PS26/12, and PS26/13, and any subsequent publications. These rules and guidance form our core cryptoasset regime. Through this regime, we are strengthening consumer protections, enhancing the framework for tackling financial crime, and positioning the UK as a trusted, competitive home for responsible cryptoasset innovation.

1.4 In April 2026 we consulted on proposed changes to the Perimeter Guidance Manual (PERG) in the FCA Handbook (CP26/13) to help improve understanding of the scope of new regulated cryptoasset activities, clarify the regulatory perimeter, and when authorisation and permissions may be needed.

1.5 We received a considerable amount of feedback, which we have considered carefully. We are proceeding broadly as consulted on, with targeted clarifications. This policy statement (PS) summarises that feedback and explains our response and the changes reflected in the final PERG guidance.

1.6 During our consultation period, the Government published a draft statutory instrument with targeted amendments to the Cryptoasset Regulations. The Government has subsequently laid a statutory instrument (SI) before Parliament. This will affect certain business models and the type of permission(s) they may need, and therefore a small number of provisions within PERG. For example, some of these changes relate to the scope of the arranging and dealing activity and to activities carried on related to UK qualifying stablecoins (UKQS).

1.7 Please note that the guidance contained in this PS relates to legislation that has already been made, the Cryptoasset Regulations passed by Parliament on 4 February 2026, and does not yet include the new SI. We consider it to be most useful to issue the guidance in this PS now to assist those looking to apply for authorisation or additional permissions as relevant.

1.8 We plan to consult in early Q4 2026 on further amendments to PERG to clarify the new provisions in that new SI. We aim to publish our final amended guidance in early 2027.

Summary of feedback and our response

1.9 We received a total of 78 responses to CP26/13. We received additional feedback during the roundtables we organised and bilateral stakeholder engagement.

1.10 A majority (60%) generally supported our proposed perimeter guidance and agreed that it would clarify the application of the regulatory perimeter to regulated cryptoasset activities. Many welcomed the integration of cryptoasset perimeter guidance into the existing PERG framework.

1.11 Others expressed reservations about the proposed guidance and requested further clarity. Common themes for further clarity included the treatment of technical and infrastructure services, decentralised arrangements, territorial scope, and the interaction between the cryptoasset regime and other regulatory frameworks.

1.12 However, much of this feedback concerned the effect or consequences of the legislative framework itself, rather than our interpretation of it in our proposed guidance.

1.13 Feedback also included requests to narrow or change the scope of new regulated cryptoasset activities, change definitions of activities, introduce additional exclusions, or otherwise change the legislative framework. This is not something we can achieve through PERG.

1.14 PERG's purpose is to improve understanding of how we consider the relevant legislative provisions apply to cryptoasset activities and whether authorisation may be required. It is our interpretation of the regulatory perimeter set by Parliament in legislation.

1.15 We do not determine the scope of the regulatory perimeter by reference to preferred policy outcomes. PERG cannot be used to expand, narrow or otherwise alter the scope of the perimeter established in legislation. Only the courts can provide an authoritative interpretation of legislation. Any changes to the perimeter itself would require legislative changes.

1.16 Additionally, many respondents requested more worked examples and guidance on specific business models. PERG is general guidance which is intended to be broadly relevant to the majority. Perimeter assessments depend on the facts and circumstances of each case, and PERG is not the appropriate place to provide detailed guidance on individual business models, technological arrangements or use cases. We have therefore generally maintained our approach of providing clarity on the relevant statutory concepts and principles to ensure that the guidance remains flexible and relevant. Anyone can seek independent legal advice on how the perimeter might apply to their specific business models or ask us directly for individual guidance.

1.17 This PS summarises the feedback received across each chapter of CP26/13 and sets out our response, including where we have amended the guidance and where we have maintained our proposed approach. We do not consider the changes we have made to be significant, nor do they alter the compatibility statement or success measures set out in CP26/13.

Who this affects

1.18 This PS is relevant to:

- Those who are, or are considering, carrying on one or more regulated cryptoasset activities (set by the Cryptoasset Regulations), by way of business in the UK, which will commence on 25 October 2027, and who may require authorisation.
- Those seeking to become authorised person(s) under FSMA and who are planning to, or are considering, applying for Part 4A permission to carry on regulated cryptoasset activities or other regulated activities relating to cryptoassets in the UK.
- Those already authorised (or otherwise regulated) and who may have questions about the scope of their existing permissions and whether they require additional permissions.
- Those generally seeking to understand the scope of the cryptoasset perimeter.

1.19 This may include:

- Those registered under regulation 14A of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs).
- Those marketing cryptoassets to UK consumers under the Financial Promotions regime.
- Traditional finance firms considering entering, or interacting with, cryptoasset markets.
- Those that use, propose to use or interact with, qualifying stablecoins or qualifying cryptoassets.
- Issuers of electronic money and payment service providers, whose activities may intersect with the cryptoasset regime.
- Overseas parties and market participants with an interest in providing cryptoasset services to UK consumers or operating in the UK market.

1.20 This PS may also interest:

- Industry groups, trade bodies and representative organisations in the cryptoasset sector.
- Law firms, accountancy firms and other professional advisers providing services to cryptoasset firms.
- Auditors providing services to cryptoasset firms.
- Consumer groups and organisations representing consumer interests.
- Policy makers and other regulatory bodies, in the UK and internationally.
- Academics, think tanks, industry experts and commentators.

How it links to our objectives

1.21 The final guidance in this PS advances our strategic objective of ensuring markets function well, and our operational objectives of:

- **Consumer protection:** by helping to ensure that UK clients conducting regulated cryptoasset activities and accessing cryptoasset services engage with those that are appropriately authorised and are required to comply with the relevant cryptoasset rules. This is relevant both at the gateway and on an ongoing basis.
- **Market integrity:** by providing greater clarity on the scope of the regulatory perimeter, including when authorisation is required, which permissions apply to particular activities, and where exclusions may be relevant, thereby reducing uncertainty and the risk of inadvertent perimeter breaches.
- **Effective competition:** by helping participants correctly identify the permissions relevant to their business models and supporting the consistent regulatory treatment of those undertaking similar activities.

1.22 This guidance advances our secondary international competitiveness and growth objective by improving confidence in the UK as a jurisdiction in which cryptoasset activities can be carried out within a trusted market, supported by clear and proportionate requirements.

Next steps

What you need to do next

1.23 We want the commencement of the new regime to be as smooth as possible. We will provide support throughout the authorisation process and beyond. The steps below set out what is required and how we can help.

1.24 Anyone carrying out, or intending to carry out, regulated cryptoasset activities should familiarise themselves with the content of the policy statements, rules and guidance relevant to their business models and assess whether they will require FSMA authorisation or a variation of permission under the new regime.

1.25 Existing registrations or permissions will not convert automatically. Those currently authorised under FSMA, registered under the MLRs, authorised or registered under the Payment Services Regulations or Electronic Money Regulations will need to be appropriately authorised if they are carrying on one or more regulated cryptoasset activity by way of business in the UK that is not covered by an available exclusion or exemption.

1.26 Applicants should familiarise themselves with the application window, scheduled to open on 30 September 2026 and close on 28 February 2027 (for those wishing to make use of the savings provisions), and understand the implications of applying during or after this period, including the operation of the saving and transitional provisions. They should also consider seeking independent legal and compliance advice when preparing an application.

1.27 We will continue to support firms as they transition to authorisation under FSMA. We are currently offering a wide range of support, including information on our cryptoasset regime and webinars, as well as pre-application meetings (PASS), which are now available to book.

1.28 Dual-regulated firms should engage the Prudential Regulation Authority when applicable.

1.29 Once authorised, firms must continue to satisfy the threshold conditions and comply with all applicable regulatory requirements. This includes rules and any reporting requirements that apply to them, maintaining appropriate systems and controls, and engaging openly and cooperatively with us.

What we will do next

1.30 We intend to continue developing the wider cryptoasset regulatory framework as needed. This includes further considerations in areas such as decentralised finance (DeFi), distributed ledger technology (DLT), cryptoasset derivatives, stablecoins, audit requirements, saving and transitional provisions, and our approach to resolution in cryptoasset firm failures.

1.31 Our core cryptoasset regime remains settled as in our publications on 30 June 2026. We expect that updates to be introduced by subsequent publications would only address additional components building on top of our published rules.

Chapter 2

PERG 18: Introduction

2.1 This chapter sets out the feedback to our proposed guidance in the Introduction section of PERG 18 (previously PERG 19 in CP26/13).

Consultation proposal

2.2 We proposed guidance in the Introduction section to provide the context and overarching framework for assessing whether cryptoasset activities fall within our regulatory perimeter. It explained the key questions a person must consider when determining whether authorisation is required.

2.3 The purpose of the Introduction is to help persons apply the legislative framework established by Parliament to their own activities and determine whether permission(s) may be required and, if so, which permission(s).

When activities are carried on ‘by way of business’

2.4 The guidance set out that the Cryptoasset Regulations apply a narrower concept of the business element than that used for regulated activities more generally under FSMA. As a result, unless a person carries on the business of engaging in one or more of the activities, they will not be seen as carrying them on ‘by way of business’. This narrower test applies to some existing regulated activities and will be familiar to persons that, for example, carry on existing regulated activities in relation to securities or contractually based investments.

When activities are considered to be ‘in the UK’

2.5 The guidance stated that persons need to consider whether a regulated cryptoasset activity is being carried on ‘in the UK’ and explained how the Cryptoasset Regulations expand the circumstances in which an activity will be treated as occurring in the UK for the purposes of the regime. Notably, in certain circumstances this includes, for example, services provided to UK consumers from persons based outside the UK.

2.6 We asked respondents for feedback on the following question:

Question 1: **Do you agree with our proposed guidance set out in the Introduction section? If not, please explain why.**

Feedback

2.7 We received a total of 62 responses to Question 1.

2.8 Most respondents (68%) supported the proposed Introduction section. 16% expressed a neutral or unclear view, and 16% an unsupportive view. Respondents particularly welcomed the:

- Emphasis on clarity.
- Consistency with the 5-step framework for assessing whether authorisation is required.
- The decision-tree approach.
- The emphasis on assessing activities by reference to their substance and the role performed rather than the terminology used to describe them.

2.9 Requests for greater clarity included:

- On territorial scope and the application of the 'in the UK test' (42% of respondents). This included certainty on the treatment of overseas firms, cross-border operating models, group structures, and other circumstances where activities would have a sufficient UK nexus to fall within scope.
- On the interaction between the territorial framework and existing overseas business concepts (19%), including the Overseas Persons Exclusion (OPE) and overseas persons providing services into the UK.
- On the application of the cryptoasset-specific 'by way of business' test (18%), including how it differs from existing FSMA concepts and how it should be applied to non-traditional cryptoasset business models.
- On the treatment of software, interfaces, wallets, APIs and other technical infrastructure providers (18%). Respondents generally considered that providing technical infrastructure should not, in itself, amount to carrying on a regulated cryptoasset activity.
- On the application of the 'identifiable person' concept to decentralised arrangements (8%).

2.10 Several respondents (18%) requested additional worked examples and practical guidance to support the consistent application of the framework, including on decentralised business models, infrastructure providers and hybrid operating structures.

2.11 Some respondents (24%) considered that control, including custody and the ability to exercise discretion or influence outcomes, should be more significant factors in perimeter assessments.

Our response

We have considered the feedback and are proceeding with our proposals to introduce a new chapter of PERG 18. It will include the key considerations for assessing whether cryptoasset activities are regulated, including whether they are carried on in the UK, and whether they are carried on by way of business.

We recognise that the new cryptoasset regime introduces a number of novel concepts and that there is a desire for further explanation of the legislative framework within which the regulated cryptoasset activities operate.

We have therefore expanded the introductory sections of PERG 18 in several areas. In particular, we have added guidance on the application of the 'by way of business' test to regulated cryptoasset activities and expanded our discussion of the territorial scope of the regime to help determine whether activities are carried on in the UK.

We have also clarified the relationship between different legislative regimes that may apply to cryptoasset activities and added further guidance on several foundational concepts relevant to perimeter analysis more generally.

These changes are intended to help persons understand the statutory framework and the analytical approach relevant to assessing whether authorisation may be required.

Chapter 3

New specified investments (Qualifying cryptoassets and qualifying stablecoins)

3.1 This chapter sets out the feedback to our proposed guidance on the new specified investments of qualifying cryptoassets and qualifying stablecoins.

Consultation proposal

3.2 Our proposed guidance explained what qualifying cryptoassets and qualifying stablecoins are. It set out the conditions a cryptoasset must meet in order to be a qualifying cryptoasset (eg it must be fungible and transferable and not solely a record).

3.3 It also explained that certain assets are excluded from the definition of qualifying cryptoassets, including:

- electronic money
- fiat currency
- central bank digital currencies
- cryptoassets that can only be redeemed with the issuer and used to acquire goods or services from the issuer, or can only be redeemed with the issuer and used within a limited network.

3.4 Cryptoassets that fall within other specified investment categories are also excluded.

3.5 The guidance explained that a specified investment cryptoasset (SIC) is a qualifying cryptoasset that is also a specified investment, and that certain activities carried on in relation to SICs are regulated activities already within the perimeter.

3.6 We asked respondents for feedback on the following question:

Question 2: **Do you agree with our proposed guidance set out in the New specified investments section? If not, please explain why.**

Feedback

3.7 We received a total of 58 responses to Question 2.

3.8 59% of respondents were supportive of our proposed guidance in the new specified investment section, with 29% holding a neutral or unclear view, and 12% holding an unsupportive view. Respondents broadly supported the proposed guidance, particularly the clarity of definitions and distinction between qualifying cryptoassets and SICs.

3.9 Of those who discussed our stablecoin guidance, most (94%) were supportive, with the remainder giving a neutral or unclear view. Many agreed that the draft guidance helps to distinguish qualifying stablecoins from other cryptoassets.

3.10 Respondents requested further clarity on:

- The treatment of tokenised assets and other arrangements using DLT to record ownership interests or contractual rights (33% of respondents). This included clarity on the boundary between cryptoassets that function as assets in their own right and those that are 'solely a record' of value or contractual rights.
- The concepts of fungibility and transferability and how to assess them (19%), including more guidance on the treatment of contractual, technical and compliance-based restrictions on transfers.
- The treatment of algorithmic or hybrid stablecoin stabilisation methods (7%); transactions involving overseas issued stablecoins (7%); the use of stablecoins as payments (7%); and guidance on the Treasury's draft SI published in April 2026 (7%).

3.11 Several respondents (21%) raised questions about the practical application of the proposed classification framework to hybrid and evolving cryptoasset structures. They noted that certain cryptoassets may combine characteristics commonly associated with different categories of assets and requested greater clarity on their treatment, including tokenised baskets, synthetic exposure products, governance tokens and yield-bearing cryptoassets.

Our response

We have considered the feedback and decided to proceed broadly with the guidance as consulted on.

The majority of respondents supported the overall approach in the specified investment section. We continue to consider that our guidance is an appropriate framework for understanding how these concepts operate within the legislative framework established by Parliament.

We have made targeted amendments to the final guidance in response to consultation feedback where we think clarification would help readers apply the relevant statutory concepts. In particular, we have:

- Expanded the guidance on the distinction between qualifying cryptoassets and SICs.
- Clarified the treatment of cryptoassets that are solely records of rights or value.
- Included further guidance on hybrid token structures and the application of the relevant statutory definitions to those arrangements.

Chapter 4

New regulated cryptoasset activities

4.1 This chapter sets out the feedback to our proposed guidance on the new regulated cryptoasset activities. These are:

- Issuing qualifying stablecoins in the UK
- Safeguarding and arranging safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets
- Operating a qualifying cryptoasset trading platform (QCATP)
- Dealing in qualifying cryptoassets as principal
- Dealing in qualifying cryptoassets as agent
- Arranging deals in qualifying cryptoassets
- Arranging qualifying cryptoasset staking

4.2 The proposed guidance also covered cryptoasset lending and borrowing, which falls within scope of the dealing and/or arranging activities.

4.3 We address our proposals, feedback received and our response in further detail below for each of the above new regulated cryptoasset activities.

4.4 We asked respondents for feedback on the following question:

Question 3: **Do you agree with our proposed guidance set out in the New regulated cryptoasset activities section? If not, please explain why.**

Issuing qualifying stablecoins in the UK

Consultation proposal

4.5 In the proposed guidance, we clarified when issuing a qualifying stablecoin is regarded as 'carried on' in the UK, what it means to 'issue' for the purposes of this new regulated activity, and when a person 'carries on' just one element of the issuing activity. We also clarified who would be authorised to issue a qualifying stablecoin, and how redemption forms part of the activity of issuing a qualifying stablecoin (Article 9M of the Cryptoasset Regulations).

Feedback

4.6 We received a total of 28 responses to this topic. 57% of respondents supported our proposed guidance and agreed that it is a helpful framework for clarifying the circumstances in which the stablecoin issuance activity is carried on in the UK.

4.7 The remainder of responses (43%) expressed either neutral or unclear views.

4.8 The most common area of feedback was uncertainty over when a person would need to seek authorisation for the stablecoin issuance activity, particularly when a person does not undertake, or arrange for another to undertake, all 3 limbs of the regulated activity.

4.9 Respondents sought clarification on the distinction between electronic money (e-money) and qualifying stablecoins, and on the treatment of wrapped stablecoins. They also asked for additional guidance on the treatment of stablecoins that use hybrid stabilisation mechanisms.

4.10 Some respondents (18%) noted the Government's draft statutory instrument amending the Cryptoasset Regulations published in April 2026, as referred to in paragraph 1.6 above, and its relevance to our proposed guidance.

Our response

We have proceeded with our final guidance largely as proposed, adding clarification where appropriate.

We have clarified in PERG 18.4.5 that, in our view, products using hybrid stabilisation mechanisms (eg part backing assets and part algorithmic) are not qualifying stablecoins. We have also added new guidance to say that wrapped tokens relating to stablecoins are not in themselves automatically qualifying stablecoins.

The guidance proposed in PERG 19.5.2 (now PERG 18.5.2) on a person not undertaking all 3 limbs of the issuing activity was intended to highlight the effect of Article 9M(4)(b) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO). We have replaced this with new guidance in PERG 18.5.3 and PERG 18.5.6. This is a clarification, rather than a substantive change.

As referred to in CP25/14, we intend to consult on guidance on the distinction between e-money and qualifying stablecoins as part of the consultation referred to in paragraph 1.8 of this PS.

Safeguarding and arranging safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets

Consultation proposal

4.11 In the guidance we explained that the safeguarding activity includes 2 specified kinds of activities: a) the safeguarding of a qualifying cryptoasset or a relevant specified investment cryptoasset (RSIC) on behalf of another person, and b) arranging for a person to carry on that activity.

4.12 We set out that safeguarding cryptoassets may be carried on regardless of whether the cryptoasset is owned by the customer or the firm, provided it is done on behalf of another person and the firm has the requisite degree of control over the cryptoasset.

Feedback

4.13 We received a total of 45 responses to this topic.

4.14 51% of respondents supported our proposed guidance and particularly our control-based approach to safeguarding. They also supported our confirmation that the perimeter as set would exclude 'negative control' / fully non-custodial arrangements from the activity.

4.15 A number of respondents (55%) wanted more clarification on the practical application of the safeguarding control test to more advanced custody arrangements or in decentralised environments. In particular, how the 'requisite degree of control' applied to multi-party computation arrangements, key sharding and distributed custody models, recovery mechanisms and any other such technological set-ups where no single participant can unilaterally transfer a cryptoasset.

4.16 Almost half (49%) also requested clearer distinctions between regulated safeguarding activities and the provision of technical or infrastructure services. They argued that activities such as software development, validator operation, cloud infrastructure, APIs, connectivity tools, security services and similar technical functions should not, in themselves, amount to safeguarding or arranging safeguarding. 30% explicitly asked for a technical services exclusion to the safeguarding/arranging safeguarding activity.

4.17 On the scope of the 'arranging safeguarding' activity, respondents raised concerns over unclear boundaries with the potential capture of non-custodial software provision/interfaces and other such infrastructure providers. 40% wanted a clearer distinction between arranging safeguarding and facilitating user access to safeguarding services.

4.18 35% of respondents sought greater clarity on when tokenised securities and funds would be considered RSICs (a subset of SICs which are securities or contractually based investments), as opposed to falling outside scope because they are solely a record of value or contractual rights. They wanted more certainty on the circumstances in which safeguarding permissions would be required. Around 15% of respondents specifically referenced central securities depository (CSD) and registrar models. They wanted confirmation that using DLT as a register or record-keeping mechanism would not, in itself, result in an asset being treated as an RSIC. Respondents also wanted clarification that no additional safeguarding requirements would arise where ownership and entitlement continue to be determined through a legal register or similar record.

4.19 Two respondents disagreed with the need for a variation of permissions for persons already authorised under the Article 40 safeguarding and administering activity in relation to custody of RSICs.

4.20 15% of respondents also provided views on the temporary settlement exclusion from the safeguarding activity. They generally supported it but wanted more clarity on how the exclusion would apply in practice, particularly in relation to collateral transfers, payment processing arrangements, tokenised securities settlement and other infrastructure-related activities. Some also expressed concern that our reference to 24 hours may not prove flexible enough for all use cases that respondents considered should be in scope.

Our response

We have proceeded with our final guidance largely as proposed with some clarifications.

Our final guidance now refers to the table we published in PS26/11 regarding safeguarding arrangements which involve more than one party.

We have also amended the guidance to explain that there is no express exclusion from the safeguarding activity for technology providers. Persons involved in delivering cryptoasset safeguarding solutions will need to consider if they have the requisite degree of control. We explain in the final guidance how the concept of 'control' relates to the safeguarding activity. The 'holding out' exclusion in Article 9R(2) of the Cryptoasset Regulations may be available when those conditions are met.

We have expanded our explanation of the arranging cryptoasset safeguarding activity to include guidance on how it can be carried on by a person without them also carrying on the cryptoasset safeguarding activity. We also explain how the arranging cryptoasset safeguarding activity can be carried on by a person who is also carrying on the cryptoasset safeguarding activity.

We are not able to remove the need for a variation of permission as a consequence of the legislative changes to Article 40 of the RAO regarding RSICs. However, we have broadened our explanation of what these are and their relevance.

As we develop our proposals for safeguarding RSICs, taking account of feedback from our Tokenisation Call for Input, we may revisit the guidance on this topic.

We are still intending to consult on further guidance on the temporary settlement exclusion. We will consult on this as part of further PERG amendments responding to the Government's statutory instrument, as explained in paragraph 1.8 of this PS.

Operating a qualifying cryptoasset trading platform (QCATP)

Consultation proposal

4.21 The guidance explained when and how an operator may be operating a qualifying cryptoasset trading platform (QCATP). It also included examples of different types of operators and models, from different locations, outlining when authorisation is required and the different permissions required.

Feedback

4.22 We received a total of 29 responses to this topic.

4.23 Most respondents (69%) were supportive of our proposed guidance.

4.24 Some respondents (10%) requested further guidance on navigating the scope of operating a QCATP. These were requested when comparing the activity to operating a rewards platform, a lightning node pathway or a similar model such as a price comparison website or API connecting authorised persons to overseas liquidity, particularly where overseas liquidity or infrastructure providers are not themselves interacting with UK consumers.

4.25 7% of respondents requested clarity on the principles behind authorisation of a UK QCATP branch, asking for confirmation that this would be based on comparable home-state regulatory regimes. One respondent argued that competitiveness is reduced by prohibiting derivatives and exchange-traded notes from being traded on a UK QCATP alongside qualifying cryptoassets.

4.26 Two respondents raised concerns around rules allowing UK QCATPs to offer matched principal trading on their own platform and allowing principal dealing from within the same legal entity as the UK QCATP.

4.27 One respondent also pointed out that the definition included for operating a QCATP did not align with the Cryptoasset Regulations and was broader in scope, using the term 'facilitates the bringing together' which was removed from the final legislation. Respondents also requested worked examples and clarification on a number of complex business models, including groups, extra-territorial and technology infrastructures in blockchain environments, and the application of the digital securities sandbox.

Our response

We are broadly proceeding with our final guidance on QCATPs as proposed. Taking into account feedback about the term 'facilitates the bringing together' of trading interests, we made changes to our final guidance on the scope of what a QCATP is to align with its statutory definition.

More generally, our final guidance sets out the characteristics of a trading system to help firms differentiate these from other systems where the definition of a QCATP might not apply based on a range of factors.

The application of rules to a QCATP operator which carries on other regulated activities is more appropriately dealt with in other parts of our Handbook. For example, CRYPTO 6 addresses issues related to QCATP operators including matched principal trading and conflicts of interest.

Additionally, operating a QCATP is not an activity that falls within the scope of the Digital Securities Sandbox Regulations 2023.

Issues on the operation of UK QCATPs by third country firms and their authorisation are addressed in FG26/7 on the Approach to International Cryptoasset Firms (AICF). This guidance is additional to the material in the COND sourcebook on the application of threshold conditions.

PERG's purpose is not to address decisions on the scope of what is permitted to be traded on a QCATP as opposed to other forms of multilateral trading. As explained in paragraph 1.14, PERG gives guidance on how relevant legislative provisions apply to cryptoasset activities and whether authorisation may be required.

Intermediary activities of dealing as principal or agent, and arranging deals in qualifying cryptoassets

Consultation proposal

4.28 The guidance set out that new regulated cryptoasset activities of dealing and arranging mirror the existing RAO activities and operate in a similar way, although the crypto-specific exclusions differ. Dealing in qualifying cryptoassets as principal or agent covers a broad range of transactions relating to buying and selling qualifying cryptoassets but does not extend to SICs or linked financial instruments. Arranging deals in qualifying cryptoassets includes both making arrangements that bring about (or would bring about) specific transactions and making ongoing arrangements that facilitate trading.

4.29 A wide variety of models is included that facilitate or enable users to buy and sell qualifying cryptoassets. The scope can apply even where a person provides only part of the facilities for a transaction. Some exclusions apply, but there is not a particular exclusion from arranging deals in qualifying cryptoassets for 'technical services' – this is only for arranging the qualifying cryptoasset staking activity.

Feedback

4.30 We received a total of 62 responses to this topic.

4.31 Most respondents were neutral on our proposed guidance on intermediary activities overall.

4.32 However, many respondents (63%) were unsupportive of our guidance regarding the activity of arranging deals. Over half (59%) expressed concerns that it appeared to take too broad a view of the activity, and too narrow a view of the exclusions, such that some technical service providers could be within the perimeter.

4.33 Many (43%) requested greater clarity on the treatment of technical service providers. Around half of respondents (49%) suggested that the arranging perimeter should not apply to technical service providers without discretion or control over transactions. A quarter of respondents (26%) challenged the legislative approach of aligning the regulated activity of arranging deals in cryptoassets to the activity of arranging deals in investments (under Article 25 of the RAO).

4.34 A small number of respondents (4%) requested further clarity on the treatment of advice relating to cryptoassets.

Our response

Many of the concerns raised in relation to arranging deals in qualifying cryptoassets were directed at the breadth of the regulated activity itself rather than the content of the proposed guidance.

In particular, respondents expressed concern that the activity captures a wide range of intermediation and facilitation services, and suggested that the activity should be interpreted more narrowly or that additional exclusions should be available for certain business models and technical service providers.

The scope of regulated activities and exclusions is, however, determined by legislation. As explained above, PERG cannot be used to alter the perimeter established by Parliament or to create additional exclusions where none exist in legislation. Our role is to explain how we interpret and apply the perimeter.

As noted in paragraph 1.6, the Government has laid a new SI which makes changes to the scope of the arranging and dealing activity. While we have finalised this guidance on the basis of legislation in the form made at the time of publication, we will consult shortly on changes brought about by this SI.

We have nevertheless carefully considered the feedback received and, where appropriate, provided additional clarification in the final guidance on the distinction between activities that do amount to arranging and activities that are unlikely to do so.

In particular, we have expanded the guidance on the concept of services that 'add value' to an arrangement and clarified that this concept should not be applied in isolation. We have also provided further clarification on activities which are unlikely, in themselves, to amount to arranging, including the provision of information-only services.

These amendments are intended to provide greater certainty regarding the application of existing perimeter principles while remaining consistent with the legislative framework.

We have also clarified that advising on qualifying cryptoassets and managing qualifying cryptoassets are not new regulated cryptoasset activities introduced by the Cryptoasset Regulations.

Arranging qualifying cryptoasset staking

Consultation proposal

4.35 The guidance set out that the activity of arranging qualifying cryptoasset staking is focused on intermediation that enables staking to occur.

4.36 The guidance explained that activities which may fall within the perimeter include managing the end-to-end staking lifecycle, pooling customer assets to meet validator thresholds, and distributing staking rewards. Purely technical services are generally out of scope, where the conditions of the corresponding exclusion are met.

Feedback

4.37 We received a total of 43 responses to this topic, of which 83% supported the overall approach of the guidance, including clarifying our expectations for persons as they approach the gateway.

4.38 Consistent with feedback to the 'arranging' section above, the majority of respondents on arranging staking (79%) requested further clarity on the types of services excluded from the arranging staking activity. These respondents generally emphasised the importance of distinguishing between solely technical or infrastructure services, and activities involving intermediation. They noted concerns that certain technical services may be considered within scope of the staking activity.

4.39 Within this theme, respondents identified 4 key categories of services which they considered needed clarification:

- 39% of respondents suggested that dashboards and similar staking analytics or monitoring services should remain outside the scope of the activity where they provide information rather than arranging staking.
- 28% of respondents argued that validator node operators and related staking infrastructure providers should not amount to arranging staking.

- 28% of respondents specifically mentioned the treatment of non-custodial staking interfaces and access tools. They suggested that wallet connectivity, protocol access tools and similar services should not fall within scope of the activity where users retain full control over how their cryptoassets are staked.
- 21% of respondents proposed that providers of back-end infrastructure supporting other firms' own staking services should not fall within scope of the activity.

4.40 Around half of respondents (49%) raised concerns that references to services 'adding value' could be interpreted too broadly and that this should not, in itself, bring a service within scope of the activity. A smaller proportion of respondents (37%) said control, custody or discretion over arranging staking should determine the boundary of the activity, with indicators such as asset control, validator selection, setting terms and managing rewards demonstrating whether a firm is arranging staking.

4.41 Some respondents (26%) welcomed our guidance outlining that liquid staking tokens are unlikely to be 'solely a record' such that they are excluded from the definition of a qualifying cryptoasset.

4.42 A small number of respondents (7%) commented on the alignment of the guidance with the wording of Article 9Z9 of the Cryptoasset Regulations, which outlines the technical services exclusion for the staking activity. They suggested that referring to 'arranging qualifying cryptoasset staking' in our guidance rather than 'participating in qualifying cryptoasset staking' could unintentionally narrow the scope of the technical services exclusion.

Our response

We have broadly proceeded with our guidance as consulted on, providing further clarity where appropriate.

In response to feedback, we have made a number of targeted amendments to the final guidance. In particular, we have clarified that the provision of information or analytics alone, without any further involvement in relation to the staking of qualifying cryptoassets, is unlikely to amount to the regulated activity of arranging qualifying cryptoasset staking.

We have also expanded our guidance on the concept of services that 'add value' and clarified how that concept should be understood in the context of assessing whether a person is carrying on the activity. In addition, we have amended aspects of the guidance relating to the technical services exclusion to align more closely with the wording and structure of the legislation.

A number of respondents requested guidance on the regulatory treatment of particular staking models, technologies and operational arrangements. While we have considered this feedback carefully, PERG is intended to provide general guidance on the statutory concepts relevant to perimeter assessments rather than detailed guidance on every business model or technological implementation. Persons considering whether they will apply for qualifying cryptoasset staking activity authorisation should consider using our pre-application support service (PASS).

Whether a person is carrying on a regulated activity will depend on the facts and circumstances of the arrangements in question. We have therefore focused on clarifying the relevant principles and considerations that we consider most relevant to the assessment, rather than providing an exhaustive analysis of individual business models. This helps ensure that the guidance remains sufficiently flexible and relevant as staking technologies and business models evolve.

Cryptoasset lending and borrowing

Consultation proposal

4.43 The guidance clarified that cryptoasset lending and cryptoasset borrowing (L&B) are not standalone regulated cryptoasset activities. Instead, they will fall within the dealing, arranging, and/or safeguarding perimeter. The permissions needed will depend on the specific arrangements and the role each person plays within them.

Feedback

4.44 We received a total of 25 responses to this topic. 68% of them supported our proposed guidance. One commented that the treatment of cryptoasset L&B is a positive step for consumers and noted the significant losses seen in unregulated cryptoasset lending products.

4.45 Generally, respondents sought a greater level of detail, and several suggested worked examples to show how the perimeter analysis applies across common cryptoasset L&B structures, including both institutional and retail structures.

4.46 The most common theme respondents raised was regarding the UKQS interaction with the perimeter. 36% of respondents said the treatment of UKQS cryptoasset L&B may catch wholesale collateral, liquidity, settlement and payments-related arrangements. Respondents argued that these arrangements do not present the consumer-facing harms the regime is aimed at. Many of these respondents asked for a carve-out from the dealing and arranging perimeter for non-consumer UKQS lending, borrowing and collateral arrangements. One respondent also highlighted the potential issue of UKQS-denominated consumer credit. They said this will engage the consumer credit perimeter but noted its unsuitability for non-fiat lending.

4.47 Regarding wholesale or institutional models, a number of respondents also requested clearer differentiation between retail cryptoasset L&B products and wholesale collateral, liquidity and treasury arrangements, noting that institutional activities present different risks and policy considerations.

4.48 28% of respondents asked for clearer guidance on the boundary between cryptoasset L&B and the existing consumer credit regime. The concern raised by respondents is that specific models may amount to consumer credit or other credit-related activities, and what that means for persons in practice. Similarly, a number of respondents also requested clearer guidance on the boundary between, and the interaction with, safeguarding, particularly where persons retain control over assets or use title transfer arrangements. One respondent requested greater clarity on the boundary between cryptoasset L&B arrangements and SICs.

4.49 16% of respondents agreed with us that guidance should focus on the legal and economic substance of arrangements rather than labels such as 'cryptoasset lending', 'cryptoasset borrowing', 'earn' or 'yield'. However, some asked for more granular detail, and a graduated treatment of different business models.

4.50 12% of respondents argued that DeFi protocols, self-custodial models, dashboards and technology providers should not be within scope of the perimeter solely because they facilitate cryptoasset L&B, with regulatory treatment instead based on control, custody and intermediation. One respondent recommended additional guidance on the difference between centralised custodial lenders and self-custodial DeFi lending protocols.

Our response

We have carefully considered the feedback received and are proceeding broadly with the guidance as consulted on, while providing targeted clarification in a small number of areas.

As explained above, cryptoasset L&B are not standalone regulated cryptoasset activities. Whether a person requires authorisation in relation to a L&B arrangement depends on the particular activities it carries on, including whether it is carrying on a dealing, arranging and/or safeguarding activity.

Many of the concerns raised by respondents related to the scope and effect of those underlying regulated activities, and the regulatory consequences that follow from the legislative framework established by Parliament. PERG cannot be used to alter that framework or narrow the scope of regulated activities established in legislation.

We recognise that respondents sought greater certainty regarding the treatment of particular L&B arrangements, including collateral arrangements, treasury and liquidity management activities, decentralised arrangements and institutional market activity.

We have considered these responses carefully, and as explained earlier in this PS, perimeter guidance is intended to provide general guidance on the relevant statutory concepts and principles rather than detailed guidance on every business model or use case. Whether a person is carrying on a regulated activity will depend on the facts and circumstances of the arrangements in question.

We have, however, made targeted amendments to the final guidance where we consider further clarification would assist readers in applying the perimeter. In particular, we have clarified the distinction between cryptoasset L&B arrangements and regulated credit activities, and on certain principles relevant to assessing L&B arrangements within the existing legislative framework elsewhere in the final guidance.

Chapter 5

Exclusions

5.1 This chapter sets out the feedback to our proposed guidance on the exclusions in the Cryptoasset Regulations.

Consultation proposal

5.2 The proposed guidance set out that there are 2 general exclusions in the Cryptoasset Regulations: an exclusion for activities carried on for the sale of goods or supply of services (Article 9Z10), and an exclusion for activities that are incidental to a regulated profession or business (Article 9Z11). These exclusions are relevant for all the regulated cryptoasset activities.

5.3 The proposed guidance explained that not all of the general exclusions set out elsewhere in the RAO have been replicated (or replicated exactly) by Parliament for the regulated cryptoasset activities, and so persons should not assume that an exclusion which applies to a traditional regulated activity will apply in the same way, or at all, to a regulated cryptoasset activity.

5.4 We asked respondents for feedback on the following question:

Question 4: **Do you agree with our proposed guidance set out in the Exclusions relevant to the activities section? If not, please explain why.**

Feedback

5.5 We received a total of 61 responses to Question 4, with 52% of respondents supporting the proposed guidance on exclusions. 20% were neutral, and 28% were unsupportive of our guidance.

5.6 43% of respondents supported our approach, including the recognition that a tailored framework is appropriate to account for the specifics of cryptoassets and that persons should not assume that exclusions used in traditional markets will apply in the same way.

5.7 Some respondents (13%) challenged Parliament's decision not to create an Overseas Persons Exclusion (OPE) for regulated cryptoasset activities. Relatedly, a small number of respondents (5%) called for clarifications on how the exclusions could apply to overseas firms interacting solely with UK firms, such as overseas liquidity providers.

5.8 Four respondents asked for clarity that firms controlling qualifying cryptoassets or qualifying stablecoins temporarily as payments would benefit from the general exclusion to activities carried on for the sale of goods and/or supply of services.

5.9 Several respondents (15%) requested further guidance and worked examples on how the exclusions will apply in practice, especially for complex, multi-layered, or international business models and on how to distinguish technical services from regulated activities.

Our response

There are some existing regulated activity exclusions, used in traditional markets, which are not replicated for new cryptoasset activities. In some cases, tailored and new exclusions have been created specific to some of the new cryptoasset activities. As explained in the introductory section, we are unable to create, remove, or change exclusions through our perimeter guidance. On this basis, we are broadly proceeding with our guidance as consulted on.

The Government's new SI introduces new exclusions, including:

- Certain technical services are excluded from the arranging deals in qualifying cryptoassets activity.
- Certain activities involving UKQS are excluded from the activities of dealing in qualifying cryptoassets as principal, dealing as agent, and arranging deals in qualifying cryptoassets.
- Temporarily holding UKQS for payment transactions is excluded from the cryptoasset safeguarding activity.

We will consult on this as part of further PERG amendments responding to the new SI, as described in paragraph 1.8 of this PS.

Chapter 6

Interaction with the current cryptoasset framework for Money Laundering Regulations (MLRs)

6.1 This chapter sets out the feedback to our proposed guidance on the interaction of the perimeter with the current cryptoasset framework for anti-money laundering. This includes guidance for UK persons with a registration under the Money Laundering Regulations (MLRs) who, with the introduction of the new regulated cryptoasset activities in the Cryptoasset Regulations, will be required to obtain a permission under the FSMA regime.

Consultation proposal

6.2 The proposed guidance explained that the MLRs and the FSMA are not identical in scope due to different legislative intent and purposes and will continue to operate concurrently as the regimes do already. All persons will need to follow the obligations under the MLRs (where they act as a cryptoasset exchange provider or custodian wallet provider) and to be authorised under FSMA but will no longer need to separately undertake registration under the MLRs. The activities under the Cryptoasset Regulations and consequential amendments will operate concurrently with the scope of the MLRs. Persons will need to consider both regimes in line with their business model and activities.

6.3 It set out that persons should not assume that benefitting from an exclusion in the RAO, such as Article 9Z (arrangements not causing a deal) and Article 9Z1 (introducing), means they are also excluded under the MLRs. A person who benefits from an exclusion under the RAO will need to consider separately whether they are required to be registered under the MLRs.

6.4 We asked respondents for feedback on the following question:

Question 5: **Do you agree with our proposed guidance set out in the Interaction with the current cryptoasset framework for Money Laundering Regulations (MLRs) section? If not, please explain why.**

Feedback

6.5 We received a total of 51 responses to Question 5.

6.6 Most respondents (78%) were supportive of our proposed guidance. Several welcomed our proposed guidance, and the recognition of the difference in scope due to different legislative intent, clarifying firm expectations as they approach the gateway.

6.7 A number of respondents (20%) asked us to further clarify around the transition from MLR registration to FSMA authorisation, including timelines, sequencing of applications, and how to operate during the transition period. A further 6% of respondents emphasised the need for alignment with the guidance provided by the Joint Money Laundering Steering Group (JMLSG).

6.8 Several respondents (20%) highlighted the differences between the MLR and FSMA regimes, particularly where the MLR perimeter is broader. They emphasised the need for clearer guidance on scope differences, ongoing MLR obligations post-authorisation, and the operational complexity of implementing new FSMA requirements. Some respondents (7%) asked for further guidance on the interaction of the MLRs, perimeter and the payments reform.

Our response

We will proceed to apply the guidance on the interaction of FSMA with the MLRs as consulted on. This aligns with the majority of positive feedback.

In addition to the guidance outlined in PERG, the JMLSG provides guidance to persons undertaking regulated cryptoasset activities, including on the scope of application for the MLRs. We will continue to engage with the JMLSG to ensure continued alignment with our PERG guidance and the wider Cryptoasset Regulations.

Further support and guidance will be provided to persons as they transition into the scope of FSMA in conjunction with the MLRs. We will continue to provide support through Authorisations to ensure that persons are supported as they approach the gateway, as referenced in our introduction above.

Under the new regime, persons will also need to comply with our financial crime rules as in PS26/13. The FCA's Financial Crime Guide provides detailed information on what we expect for compliance with these rules.

Chapter 7

Consequential amendments

7.1 This chapter sets out the feedback to our proposed consequential amendments necessitated by the Cryptoasset Regulations to existing parts of PERG. This is namely PERG 1 (Introduction to the Perimeter Guidance Manual), PERG 2 (Guidance on regulated activities and authorisation) and PERG 8 (Guidance on the financial promotion perimeter).

Consultation proposal

7.2 We asked respondents for feedback on the following question:

Question 6: **Do you agree with our proposed guidance set out in PERG 1, PERG 2 and PERG 8? If not, please explain why.**

Feedback

7.3 We received a total of 49 responses to Question 6.

7.4 The majority of respondents (61%) supported our proposed consequential amendments to PERG 1, PERG 2 and PERG 8. They broadly agreed that integrating cryptoasset perimeter guidance into the existing PERG framework promotes consistency with established FSMA concepts and avoids the need for a separate interpretative structure.

7.5 Half of respondents (51%) identified areas where they felt additional clarity would make the guidance more user-friendly. 41% of respondents suggested worked examples would help clarify the boundary between financial promotions, mere communications and the arranging activity, especially where services provide a neutral or comparative activity (eg data, analytics or publication).

7.6 Some respondents (20%) suggested that clearer cross-referencing between cryptoasset-specific and existing PERG guidance would help apply existing PERG concepts consistently across the framework.

7.7 A number of respondents (20%) also called for greater alignment with parallel policy developments (eg financial promotions reforms).

7.8 Some respondents (14%) proposed that clearer articulation of how the financial promotions framework is reflected in PERG 8 would support consistent outcomes in applying the guidance across different forms of cryptoasset exposure.

Our response

We have carefully considered the feedback received and are proceeding broadly with the consequential amendments to existing parts of PERG as consulted on. The majority of respondents supported the proposed changes, which are intended primarily to update existing guidance to reflect the introduction of the new regime for cryptoassets. We continue to consider that the amendments we consulted on are an appropriate and coherent explanation of how our existing guidance applies in light of the new framework.

We have nevertheless made a small number of additions to improve clarity and consistency with PERG 18, including guidance to reinforce that the regulated activities of managing investments (Article 37 of the RAO) and advising on investments (Article 53 of the RAO) are not new regulated cryptoasset activities introduced by the Cryptoasset Regulations.

We have also included additional signposting in PERG 18 to remind readers to consider their obligations under the financial promotions regime, and that the regulated activities and financial promotions perimeters differ in scope.

We have therefore made only limited amendments to the consequential changes as set out in the guidance, principally to improve consistency and alignment across the PERG framework.

Annex 1

List of non-confidential respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

AAVE

ARGA Observatory

ARGA World

Asena Kolcu

Asset Reality Ltd

Auditchain Labs AG

The Bank of New York Mellon (BNY)

Binance

British Blockchain Association

Circle

Consumer Panel

Crypto.com

Digital Asset

Electronic Money Association

European Ethereum Institute

Evelyse Carvalho-Ribas

Everstake

Finray Technologies Limited

Fireblocks

Franklin Templeton

Global Blockchain Business Council

Global Sanctions Intelligence Group

Gunnercooke LLP

International Securities Lending Association

Kroll

Monee

Shenzu Spending

Solana Research Institute

Stabledrop

Stratalink Labs Ltd

The City of London Law Society

Zi Yang

Annex 2

Cost benefit analysis

1. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

2. However, FSMA does not require us to produce and publish a CBA for guidance (see section 139A on the power of the FCA to give guidance and section 139B on the meaning of general guidance). As set out in our Statement of Policy on CBAs we may produce a CBA for general guidance if a high-level assessment of the impact of the proposal identifies an element of novelty, which may be in effect prescriptive or prohibitive, that may result in significant costs being incurred.

3. For the proposals in CP26/13, and for the final guidance presented here, we did not think that there will be costs of more than minimal significance, as they relate only to familiarisation costs associated with reading the guidance. In addition, the guidance within this PS relates to perimeter guidance and not to guidance on FCA rules. Therefore, we have not undertaken a CBA.

Annex 3

Compatibility statement

Equality and diversity considerations

1. We have considered the equality and diversity issues that may arise from the final guidance in this PS. Overall, we do not consider that the guidance materially impacts any of the groups with protected characteristics under the Equality Act 2010.

Environmental, social and governance considerations

2. Some cryptoasset activities (eg including certain transactions involving Bitcoins) involve a significant use of energy. In developing the regime, we have considered the environmental, social and governance implications of our proposals and our duty under section 1B(5) and 3B(1)(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net zero emissions target under s.1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021. Overall, and given the FCA perimeter set out in the Cryptoasset Regulations, we do not consider that this guidance is relevant to contributing to those targets. We will continue to monitor how industry evolves and consider how our regime interacts with those targets.

Annex 4

Abbreviations used in this paper

Abbreviation	Description
API	Application Programming Interface
CASS	Client Assets Sourcebook
CBA	Cost Benefit Analysis
Cryptoasset Regulations	Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026
CP	Consultation Paper
CSD	Central Securities Depository
DLT	Distributed Ledger Technology
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
JMLSG	Joint Money Laundering Steering Group
L&B	Lending and borrowing
MLRs	Money Laundering, Terrorist Financing and Transfer of Funds (information of the Payer) Regulations 2017
OPE	Overseas Persons Exclusion
PASS	Pre-application Support Service
PERG	Perimeter Guidance Manual
PS	Policy Statement
QCATP	Qualifying Cryptoasset Trading Platform
RAO	Regulated Activities Order 2001
RSIC	Relevant Specified Investment Cryptoasset

Abbreviation	Description
SI	Statutory Instrument
SIC	Specified Investment Cryptoasset
The Treasury	His Majesty's Treasury
UKQS	UK Qualifying Stablecoin
UK	United Kingdom

Appendix 1

Made rules (legal instrument)

PERIMETER GUIDANCE (REGULATED CRYPTOASSET ACTIVITIES) INSTRUMENT 2026

Powers exercised

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

Commencement

B. Part 1 of Annex B to this instrument comes into force on 16 September 2026.

C. The remainder of this instrument comes into force on 25 October 2027, immediately after the Cryptoassets (COREPRU and CRYPTOPRU) Instrument 2026 (FCA 2026/45).

Amendments to the Handbook

D. The Prudential sourcebook for CRYPTOPRU Firms (CRYPTOPRU) is amended in accordance with Annex A to this instrument.

Amendments to material outside the Handbook

E. The Perimeter Guidance manual (PERG) is amended in accordance with Annex B to this instrument.

Notes

F. In the Annexes to this instrument, the notes (indicated by "**Note:**" or "*Editor's note*:") are included for the convenience of the reader but do not form part of the legislative text.

Citation

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

By order of the Executive Regulation and Policy Committee of the FCA
11 September 2026

Annex A

Amendments to the Prudential sourcebook for CRYPTOPRU Firms (CRYPTOPRU)

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

4 Sectoral own funds requirement for CRYPTOPRU firms

…

4.10 K-factor requirement for cryptoasset counterparty default (K-CCD)

Scope

…

4.10.2 G …

(3) ~~[to follow]~~ <u>*PERG* 18.6.6 sets out the *FCA's* general expectations regarding settlement of a spot *qualifying cryptoasset* transaction.</u>

…

…

Annex B

Amendments to the Perimeter Guidance manual (PERG)

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

[*Editor's note*: The terms that appear in bold in this Annex (other than headings and titles) have the meanings set out in PERG App 1.]

Part 1: Comes into force on 16 September 2026

1 Introduction to the Perimeter Guidance manual

…

1.2 Introduction

1.2.1 G …

(2) The activities which are *regulated activities* are specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the *Regulated Activities Order*): for example, *accepting deposits*, *managing investments*, *effecting contracts of insurance*, *dealing in investments as agent*. In general terms, a *regulated activity* is an activity, specified in the *Regulated Activities Order*, carried on by way of business in relation to one or more of the *investments* specified in the *Regulated Activities Order*. *PERG* 2 gives further general *guidance* on *regulated activities* and *specified investments*. <u>*PERG* 18 provides *guidance* on **regulated cryptoasset activities**, *qualifying cryptoassets*, **qualifying stablecoins** and **specified investment cryptoassets**.</u>

…

1.4 General guidance to be found in PERG

1.4.1 G *PERG* 1.4.2G has a table setting out the general *guidance* to be found in *PERG*.

1.4.2 G Table: list of general guidance to be found in *PERG*.

Chapter:	Applicable to:	About:
…		
PERG 17: Consumer credit debt counselling	…	…

PERG 18: Guidance on regulated cryptoasset activities	Any *person* who needs to know whether their activities in relation to **cryptoassets** will amount to *regulated activities*.	The scope of the **regulated cryptoasset activities** and related exclusions.

…

2 Authorisation and regulated activities

…

2.2 Introduction

…

2.2.4 G The rest of this chapter provides a high level guide through the questions set out in *PERG* 2.2.3G. It aims to give an overall picture but in doing so it necessarily relies on the reader referring to *UK* statutory provisions to fill in the detail (which can be extensive).

2.2.4A G In addition to the *regulated activities* referred to in *PERG* 1.2.1G(2), there are also several **regulated cryptoasset activities** in respect of which *authorisation* or exemption may be needed. These are set out in *PERG* 2 Annex 2.

2.2.4B G Any *person* who is concerned that their proposed activities may require *authorisation* for **regulated cryptoasset activities** will need to consider the questions set out in *PERG* 18.1.11, which are summarised in the decision tree in *PERG* 18 Annex 2. *Guidance* on these **regulated cryptoasset activities**, the *specified investments* to which they relate and the associated exclusions is set out in *PERG* 18.

…

2.3 The business element

…

2.3.2 G There is power in the *Act* for the Treasury to change the meaning of the business element by including or excluding certain things. They have exercised this power (see the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177), as amended from time to time). The result is that the business element differs depending on the activity in question. This in part reflects certain differences in the nature of the activities:

…

(2) Except as stated in *PERG* 2.3.2G(2A) and *PERG* 2.3.2G(3), the business element is not to be regarded as satisfied for any of the following *regulated activities* unless a *person* carries on the business of engaging in one or more of them:

…

(d) the *regulated activities* of advising on *P2P agreements*, *advising on a home finance transaction* and *arranging a home finance transaction*~~.~~; and

(e) all the **regulated cryptoasset activities**.

…

…

2.3.4B G …

2.3.4C G The business element is not to be regarded as satisfied for any **regulated cryptoasset activity** unless a *person* carries on the business of engaging in that activity. Further *guidance* on what this means for the **regulated cryptoasset activities** is set out in *PERG* 18.2.

…

2.4 Link between activities and the United Kingdom

…

2.4.3 G Section 418 of the *Act* (Carrying on regulated activities in the United Kingdom) takes this one step further. It extends the meaning that 'in the *United Kingdom*' would ordinarily have by setting out additional cases. The *Act* states that, in these cases~~,~~ – as set out in (3), (4), and (6) to (8) – a *person* who is carrying on a *regulated activity* but who would not otherwise be regarded as carrying on the activity in the *United Kingdom* is, for the purposes of the *Act*, to be regarded as carrying on the activity in the *United Kingdom*.

…

(5) …

(6) The case is where the *regulated activity* being carried on by a *person* ('A') is that of **issuing a qualifying stablecoin** (article 9M of the *Regulated Activities Order*), and all of the activities specified in the conditions set out in paragraph (2)(a) to (c) of that article are carried on by A, or on behalf of A, in the *United Kingdom*.

(7)

(a) The case is where:

(i) the *regulated activity* being carried on by a *person* ('A') is that of:

(A) **operating a qualifying CATP** (article 9S of the *Regulated Activities Order*);

(B) **dealing in qualifying cryptoassets as principal** (article 9T of the *Regulated Activities Order*);

(C) **dealing in qualifying cryptoassets as agent** (article 9W of the *Regulated Activities Order*); or

(D) **arranging deals in qualifying cryptoassets** (article 9Y of the *Regulated Activities Order*); and

(ii) A is involved in the sale or subscription of a *qualifying cryptoasset* to, or by, a consumer ('C').

(b) For this to be the case, there must be no *person* who:

(i) is an *authorised person* with a *Part 4A permission* to carry on the activity of **operating a qualifying CATP** (article 9S of the *Regulated Activities Order*) or **dealing in qualifying cryptoassets as principal** (article 9T of the *Regulated Activities Order*);

(ii) is carrying on that activity in relation to the sale or subscription of a *qualifying cryptoasset* to, or by, a consumer; and

(iii) in doing so, is acting as an intermediary between A and C.

(8) The case is where the *regulated activity* being carried on by a *person* ('A') is that of **safeguarding cryptoassets** (article 9N of the *Regulated Activities Order*) or **arranging qualifying cryptoasset staking** (article 9Z6 of the *Regulated Activities Order*). In this case:

(a) A must be carrying on that activity on behalf of a consumer; and

(b) A must not be carrying on that activity at the direction of another person authorised under Part 4A of the *Act* to carry on that *regulated activity*.

2.4.4 G …

2.4.4A G *Guidance* on the sixth, seventh and eighth cases, which relate to various **regulated cryptoasset activities**, is set out in *PERG* 18.3.

…

2.5 Investments and activities: general

2.5.1 G In addition to the requirements as to the business test and the link to the *United Kingdom*, two other essential elements must be present before a *person* needs *authorisation* under the *Act*. The first is that the *investments* must come within the scope of the system of regulation under the *Act* (see *PERG* 2.6). The second is that the activities, carried on in relation to those *specified investments*, are regulated under the *Act* (see *PERG* 2.7). Both *investments* and activities are defined in the *Regulated Activities Order* made by the Treasury under section 22 of the *Act*.

2.5.1-A G …

2.5.1-B G Note that for **regulated cryptoasset activities**, the two essential elements set out in *PERG* 2.5.1G also hold true in that the **cryptoassets** must come within the scope of the *specified investments* introduced by the **Cryptoassets Regulations**, and the activity or activities carried on in relation to them constitute one or more **regulated cryptoasset activities**. See *PERG* 18.4 and *PERG* 18.5 to *PERG* 18.11 for *guidance* on the *specified investments* and **regulated cryptoasset activities** (and associated exclusions), respectively.

…

2.6 Specified investments: a broad outline

2.6.1 G The following paragraphs describe the various *specified investments*, taking due account of any exclusion that applies.

2.6.1A G Certain kinds of **cryptoassets** may also constitute *specified investments* in respect of which activities carried on may be *regulated activities*. Where the *specified investments* are *qualifying cryptoassets* (including **qualifying stablecoins**) or **specified investment cryptoassets**, see the *guidance* set out in *PERG* 18.4. However, *guidance* in this section concerning *specified investments* is also relevant for determining whether a particular **cryptoasset** is a **specified investment cryptoasset** to which this section relates.

…

2.7 Activities: a broad outline

2.7.1 G The following paragraphs describe the various specified activities. The exclusions relating to activities are dealt with in *PERG* 2.8 and *PERG* 2.9.

2.7.1A G Note that where activities are carried on in relation to certain kinds of cryptoassets, those activities may constitute the *regulated activities* outlined below or **regulated cryptoasset activities**, depending on the nature of the cryptoassets. These **regulated cryptoasset activities** constitute *regulated activities* in respect of which *authorisation* or exemption may be required that are separate and additional to the *regulated activities* explained in this section. *Guidance* on these **regulated cryptoasset activities** and the exclusions relating to them is set out in *PERG* 18.5 to *PERG* 18.11.

2.7.1B G Where the **cryptoasset** in question is a **specified investment cryptoasset**, the relevant *regulated activities* that may be carried on in relation to them include *dealing in investments as principal*, *dealing in investments as agent* and *arranging (bringing about) deals in investments*. However, in line with article 40(4) of the *Regulated Activities Order*, as of 25 October 2027, the activity of *safeguarding and administering investments* is not a relevant *regulated activity* in relation to a **relevant specified investment cryptoasset**. Instead, the relevant *regulated activity* would be **safeguarding cryptoassets** (article 9N of the *Regulated Activities Order*). See *PERG* 18.6 for *guidance* on this activity. *Persons* who have a *permission* for *safeguarding and administration of assets (without arranging)* or *arranging safeguarding and administration of assets* (both in article 40) will require a variation of *permissions* if they intend to undertake **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** (article 9N(1)(a) and (b)).

…

Arranging deals in investments and arranging a home finance transaction

…

2.7.7A G There are ~~ten~~ 13 arranging activities that are *regulated activities* under the *Regulated Activities Order*. These are:

…

(9) *arranging (bringing about) a regulated sale and rent back agreement*, which includes arranging for another *person* (A) to vary the terms of a *regulated sale and rent back agreement* entered into on or after 1 July 2009 by A as agreement seller or agreement provider, in such a way as to vary ~~As~~ A's obligations under that agreement (article 25E(1)); ~~and~~

(10) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2))~~.~~;

(11) **arranging (bringing about) deals in qualifying cryptoassets** (article 9Y(1));

(12) **making arrangements with a view to transactions in qualifying cryptoassets** (article 9Y(2)); and

(13) **arranging qualifying cryptoasset staking** (article 9Z6).

…

2.7.7BC G …

2.7.7BCA G Detailed *guidance* on **arranging deals in qualifying cryptoassets** and **arranging qualifying cryptoasset staking** is set out in *PERG* 18.8 and *PERG* 18.10, respectively.

…

Managing investments

2.7.8 G …

2.7.8-A G The following *guidance* is relevant to *persons* managing **cryptoassets**. In line with *PERG* 2.7.8G(3), the *regulated activity* of *managing investments* is particularly relevant to **relevant specified investment cryptoassets**, which, by definition, are *securities* or *contractually based investments*. *Managing investments* in relation to *qualifying cryptoassets* is not introduced as a **regulated cryptoasset activity** under the **Cryptoassets Regulations**. A *person* managing *qualifying cryptoassets* should have regard to both the *guidance* in *PERG* 2.7.8G and the *guidance* at *PERG* 18.8.9.

…

Safeguarding and administering investments

…

2.7.10 G …

2.7.10A G In accordance with article 40(4) of the *Regulated Activities Order*, as of 25 October 2027, the activity of *safeguarding and administering investments* is not a *regulated activity* for which *authorisation* or exemption is needed when carried on in relation to **relevant specified investment cryptoassets**. The relevant *regulated activity* relating to safeguarding when carried on in relation to **relevant specified investment cryptoassets** would be **safeguarding cryptoassets** (article 9N). Detailed *guidance* on this activity is set out in *PERG* 18.6. Persons who have a *permission* for *safeguarding and administration of assets (without arranging)* (article 40) will require a variation of *permissions* if they intend to undertake **safeguarding cryptoassets** (article 9N(1)(a)).

…

Advising on investments

…

2.7.15 G The *regulated activity* of *advising on investments (except P2P agreements)* under article 53(1) of the *Regulated Activities Order* applies to advice on *securities*, *structured deposits* or *relevant investments*. It does not, for example, include giving advice about *deposits* (except *structured deposits*) or *qualifying cryptoassets*, or about things that are not *specified investments* for the purposes of the *Regulated Activities Order*. Giving advice on certain other *specified investments* is, however, regulated under other parts of the *Regulated Activities Order* (see *PERG* 2.7.16AG and *PERG* 2.7.17G(2)). Giving a *person* generic advice about *specified investments* (for example, invest in Japan rather than Europe) is not a *regulated activity* nor is giving information as opposed to advice (for example, listings or company news). However, the context in which something is communicated may affect its character; for example, if a *person* gives information on share price against the background that, when ~~he does~~ they do so, that will be a good time to sell, then this will constitute *advising on investments (except P2P agreements)*.

…

2.7.16AA G …

2.7.16AB G The *regulated activity* of *advising on investments (except P2P agreements)* under article 53(1) of the *Regulated Activities Order* may be relevant to *persons* advising on **specified investment cryptoassets**. However, this *regulated activity* does not apply in relation to advice on *qualifying cryptoassets*.

…

Regulated claims management activity

…

2.7.20N G …

Regulated cryptoasset activities

2.7.20O G There are several **regulated cryptoasset activities**. These include:

(1) **issuing a qualifying stablecoin** (article 9M);

(2) **safeguarding cryptoassets** (article 9N(1)(a));

(3) **arranging cryptoasset safeguarding** (article 9N(1)(b));

(4) **operating a qualifying CATP** (article 9S);

(5) **dealing in qualifying cryptoassets as principal** (article 9T);

(6) **dealing in qualifying cryptoassets as agent** (article 9W);

(7) **arranging deals in qualifying cryptoassets** (article 9Y); and

(8) **arranging qualifying cryptoasset staking** (article 9Z6).

Detailed *guidance* on these activities is set out in *PERG* 18.

Agreeing

2.7.21 G Agreeing to carry on most *regulated activities* is itself a *regulated activity*. But this is not the case if the underlying activities to which the agreement relates are those of *accepting deposits*, *issuing electronic money*, **issuing a qualifying stablecoin**, **operating a qualifying CATP**, *effecting* or *carrying out contracts of insurance*, *operating a multilateral trading facility*, *operating an organised trading facility*, *managing dormant asset funds*, the *meeting of repayment claims*, *dealing with unwanted asset money*, *managing a UK UCITS*, *acting as trustee or depositary of a UK UCITS*, *managing an AIF*, *acting as trustee or depositary of an AIF*, *establishing, operating or winding up a collective investment scheme*, *establishing, operating or winding up a stakeholder pension scheme* or *establishing, operating or winding up a personal pension scheme*. A *person* will need to make sure that it has appropriate *authorisation* at the stage of agreement and before it actually carries on the underlying activity (such as the *dealing* or *arranging*).

2.8 Exclusions applicable to particular regulated activities

2.8.1 Most *regulated activities* are subject to exclusions that are set out in the *Regulated Activities Order* directly following each activity. *PERG* 18 sets out *guidance* in relation to exclusions from **regulated cryptoasset activities**.

…

Regulated claims management activity

2.8.14D G …

Regulated cryptoasset activities

2.8.14E G The **regulated cryptoasset activities** are cut back by various exclusions. These are explained in *PERG* 18.

…

2.9 Regulated activities: exclusions applicable in certain circumstances

…

Overseas persons

…

2.9.17B G …

(8) …

(9) The exclusion for *overseas persons* described in *PERG* 2.9.17G does not apply to **regulated cryptoasset activities**. This means that a *person* carrying on a **regulated cryptoasset activity** by way of business in the *United Kingdom* will not be able to rely on that exclusion. Overseas persons should carefully consider whether, and if so on what basis, the activity is carried on in the *United Kingdom*, including any applicable provisions in section 418 of the *Act*, and whether any alternate exclusions or exemptions apply. Further *guidance* on the territorial scope of **regulated cryptoasset activities** is set out in *PERG* 18.

…

Managers of UCITS schemes and AIFs

2.9.22 G This exclusion applies to a *person* with a *Part 4A permission* to carry on the activity of *managing an AIF* or *managing a UK UCITS*. The exclusion means that activities carried on by the *person* in connection with, or for the purposes of, *managing a UK UCITS* or (as the case may be) *managing an AIF*, are excluded from being *regulated activities* (except the activities of *managing an AIF* and *managing a UK UCITS* themselves). In the *FCA's* view this is particularly likely to affect the following *regulated activities*:

…

(6) *advising on investments (except pension transfers and pension opt-outs)*; ~~and~~

(7) agreeing to carry on specified kinds of activity~~.~~; and

(8) **regulated cryptoasset activities**.

…

Insolvency practitioners

2.9.25 G This group of exclusions applies, in specified circumstances, to the *regulated activities* of:

…

(22) *providing credit information services*~~.~~; and

(23) **regulated cryptoasset activities**.

…

2.10 Persons carrying on regulated activities who do not need authorisation

…

Members of the professions

2.10.12 The *general prohibition* does not in certain circumstances apply to a *person* providing professional services that are supervised and regulated by a professional body designated by the Treasury under section 326 of the *Act* (Designation of professional bodies) (see *PROF*). Certain of the exclusions from *regulated activities* outlined in *PERG* 2.8 ~~and~~, *PERG* 2.9 and *PERG* 18 will be relevant to members of *designated professional bodies*. The regime outlined below applies only where no exclusion applies and a *person* will be carrying on a *regulated activity*.

…

2.10.14 G The *regulated activities* that may be carried on in this way are restricted by an Order made by the Treasury under section 327(6) of the *Act* (Exemption from the general prohibition) (the *Non-Exempt Activities Order*). Accordingly, under that section, a *person* may not by way of business carry on any of the following activities without *authorisation*:

(1) …

(1A) **issuing a qualifying stablecoin**;

(1B) **dealing in qualifying cryptoassets as principal**;

(1C) **arranging qualifying cryptoasset staking**;

…

…

2 Annex 1 Authorisation and regulated activities

Do you need authorisation?

…

PERG 18 Annex 2 sets out a list of questions for *persons* to consider in determining whether they are carrying on any **regulated cryptoasset activities**.

[*Editor's note*: The new text underlined above is to be inserted beneath the flow diagram in *PERG* 2 Annex 1.]

2 Annex 2 Regulated activities and the permission regime

…

2 Table

Table 1: Regulated Activities (excluding PRA-only activities) [See note 1 to Table 1]	
Regulated activity	**Specified investment in relation to which the regulated activity (in the corresponding section of column one) may be carried on**
…	
Designated investment business [see notes 1A, 1B and 1C to Table 1]	
…	
(pa) *providing basic advice on a stakeholder product* (article 52B) (p-a) *establishing, operating or winding up a personal pension scheme* (article 52(b))	…
(paa) **issuing a qualifying stablecoin** (article 9M) (pab) **safeguarding cryptoassets** (article 9N(1)(a)) (pac) **arranging cryptoasset safeguarding** (article 9N(1)(b)) (pad) **operating a qualifying CATP** (article 9S) (pae) **dealing in qualifying cryptoassets as principal** (article 9T), but disregarding the exclusion in article 9U (Absence of holding out etc) (paf) **dealing in qualifying cryptoassets as agent** (article 9W) (pag) **arranging (bringing about) deals in qualifying cryptoassets** (article 9Y(1)) (pah) **making arrangements with a view to transactions in qualifying cryptoassets** (article 9Y(2))	(in relation to (paa)) **qualifying stablecoins** (in relation to (pab) and (pac)) **qualifying cryptoassets** and **relevant specified investment cryptoassets** [see note 7A to Table 1] (in relation to (pad) to (pai)) *qualifying cryptoassets*

(pai) **arranging qualifying cryptoasset staking** (article 9Z6)	
…	

3 Table

Notes to Table 1
Note 1: In addition to the *regulated activities* listed in Table 1, article 64 of the *Regulated Activities Order* specifies that *agreeing to carry on a regulated activity* is itself a *regulated activity* in certain cases. This applies in relation to all the *regulated activities* listed in Table 1 apart from: *issuing electronic money* (article 9B); **issuing a qualifying stablecoin** (article 9M); **operating a qualifying CATP** (article 9S); *operating a multilateral trading facility* (article 25D); *operating an organised trading facility* (article 25DA); *managing a UK UCITS* (article 51ZA); *acting as trustee or depositary of a UK UCITS* (article 51ZB); *managing an AIF* (article 51ZC); *acting as trustee or depositary of an AIF* (article 51ZD); *establishing, operating or winding up a collective investment scheme* (article 51ZE); *establishing, operating or winding up a stakeholder pension scheme* or *establishing, operating or winding up a personal pension scheme* (article 52); and the *meeting of repayment claims* and/or ~~*managing dormant account funds (including the investment of such funds)*~~ *managing dormant asset funds (including the investment of such funds)* (article 63N).
Permission to carry on the activity of *agreeing to carry on a regulated activity* will be given automatically by the *FCA* in relation to those other *regulated activities* for which an applicant is given *permission* (other than those activities ~~in articles 9B, 51 and 52 detailed above~~ listed in Note 1).
…
Note 7: …

Note 7A:

A **relevant specified investment cryptoasset** is a **specified investment cryptoasset** that is a *security* or a *contractually based investment*.

…

…

…

8 Financial promotion and related activities

…

8.7 Engage in investment activity

…

8.7.2 G *Controlled activity* and *controlled investment* are defined in Schedule 1 to the *Financial Promotion Order* and are listed in *PERG* 8.36.3G and *PERG* 8.36.4G. Broadly speaking, *controlled activities* and *controlled investments* are similar to *regulated activities* and *specified investments* under the *Regulated Activities Order*. However, with *controlled activities*, the exclusions set out in the *Regulated Activities Order* do not, in most cases, apply. It is important to note, however, that there are certain differences between *controlled activities* and *regulated activities* and between *controlled investments* and *specified investments*. This is most notable where the financial promotion is about:

(1) certain credit agreements (see *PERG* 8.17 (Financial promotions concerning agreements for qualifying credit)); ~~and~~

…

(3) *contracts of insurance* other than *life policies* (see *PERG* 8.17A (Financial promotions concerning insurance distribution activities))~~.~~; and

(4) *qualifying cryptoassets*.

…

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

(1) acquire, dispose of or underwrite certain *investments* or exercise rights conferred by such an *investment* for such purpose or for the purpose of converting it; or

(2) receive or undertake investment services such as *dealing in investments as principal* or as agent, *managing investments*, *advising on investments* ~~or~~, *safeguarding and administering investments*, **safeguarding cryptoassets**, **operating a qualifying CATP** or **arranging qualifying cryptoasset staking**.

…

8.14 Other financial promotions

…

Promotions of qualifying cryptoassets by registered persons (article 73ZA)

8.14.40D G (1) …

(1A) As of 25 October 2027, the exemption is only available to a *person* within scope of regulation 53 of the **Cryptoassets Regulations**.

…

…

8.21 Company statements, announcements and briefings

…

Article 70: Promotions included in listing particulars, etc

8.21.20 G Article 70 applies to a *non-real time financial promotion* included in:

…

(4) any other document required or permitted to be published by *listing rules* or the *rules* in *PRM* (except an *advertisement*)~~.~~; or

(5) a **QCDD** or a **supplementary disclosure document**.

…

8.23 Regulated activities

…

8.23.3 G The *regulated activities* which are likely to be conducted in the circumstances referred to in *PERG* 8.23.2G are:

…

(2D) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2) of the *Regulated Activities Order* (Arranging regulated sale and rent back agreements)); ~~and~~

(3) agreeing to carry on either (1) or (2) (article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity))~~.~~;

(4) **making arrangements with a view to transactions in qualifying cryptoassets** (article 9Y(2) of the *Regulated Activities Order* (Arranging deals in qualifying cryptoassets)); and

(5) **arranging qualifying cryptoasset staking** (article 9Z6 of the *Regulated Activities Order* (Qualifying cryptoasset staking)).

…

8.25 Advice must relate to an investment which is a security or contractually based investment

…

8.25.2 G Article 53(1) does not apply to advice given on any of the following:

…

(8) any other physical property capable of having investment potential (for example, works of art, racehorses) unless investment is made through a *collective investment scheme*~~.~~; or

(9) *qualifying cryptoassets*.

…

8.32 Arranging deals in investments

…

8.32.12 G …

8.32.13 G Further *guidance* on the activity of **arranging deals in qualifying cryptoassets** and relevant exclusions is set out in *PERG* 18.8.

8.33 Introducing

…

8.33.7 G …

8.33.8 G Further *guidance* on the introducing exclusion for **arranging deals in qualifying cryptoassets** is set out in *PERG* 18.8.21.

8.34 The business test

…

8.34.3 G …

8.34.4 G The ‘by way of business’ test for **regulated cryptoasset activities** is explained in detail in *PERG* 18.2.

…

8.36 Illustrative tables

…

Controlled activities and controlled investments

…

8.36.3 G Table Controlled activities

…	
7.	…
7A.	Safeguarding cryptoassets and arranging cryptoasset safeguarding
7B.	Operating a qualifying cryptoasset trading platform
7C.	Arranging qualifying cryptoasset staking
…	

…

Insert the following new chapter, PERG 18, the following new annexes, PERG 18 Annex 1 and PERG 18 Annex 2, and the following new appendix, PERG App 1, after PERG 17 (Consumer credit debt counselling). All the text is new and is not underlined.

18 Guidance on regulated cryptoasset activities

18.1 Introduction

18.1.1 Question 1.1: Who does this chapter apply to?

This chapter is relevant to:

(1) a person who is considering carrying on activities in relation to **cryptoassets** in the *United Kingdom* which may constitute one or more **regulated cryptoasset activities** and is seeking *guidance* on whether *authorisation* may be required;

(2) a person who is seeking to become an *authorised person* under the **Act** and who is, or is considering, applying for *Part 4A permission* to carry

on **regulated cryptoasset activities** or other **regulated activities** relating to **cryptoassets** in the *United Kingdom*;

(3) a person who is already an *authorised person* (or otherwise regulated) and who may have questions about the scope of their existing *permissions* and whether they require additional *permissions*; and

(4) persons generally.

References in this chapter to a 'person' include bodies corporate, partnerships, individuals and unincorporated associations.

This chapter is intended to be accessible to persons who are unfamiliar with financial services regulation, as well as those with experience of the perimeter. It therefore includes introductory material explaining how the perimeter analysis is approached, before setting out *guidance* on particular cryptoasset investments and activities.

18.1.2 Question 1.2: What is the purpose of this guidance?

The purpose of this chapter is to give *guidance* about the circumstances in which *authorisation* may be required in relation to cryptoasset activities, including *guidance* on the new **regulated cryptoasset activities** that have been brought into the perimeter by the **Cryptoassets Regulations** and on the exclusions that may apply.

This chapter is intended to help readers navigate the perimeter by explaining, at a general level, how the *authorisation* requirement under the **Act** is approached and how the cryptoasset perimeter fits within that overall framework. It does this by:

(1) describing certain cryptoasset investments and concepts used in the **Cryptoassets Regulations**;

(2) describing the scope of the **regulated cryptoasset activities** and exclusions and how these interact with the wider perimeter; and

(3) signposting where other parts of *PERG* (in particular, *PERG* 1 and *PERG* 2) may be relevant.

18.1.3 Question 1.3: What is this status of this guidance?

PERG is issued as *guidance*. As explained at *PERG* 1.3.1G, it represents the *FCA's* views and does not bind the courts. This *guidance* reflects the *FCA's* interpretation and understanding of the perimeter set by Parliament in legislation and of how it applies to **regulated cryptoasset activities**.

In forming its views, the *FCA* takes account of the text, context and purpose of the relevant legislative provisions and any relevant case law. The *FCA's* interpretation of the perimeter is informed by established principles of statutory interpretation. The *FCA* does not determine the scope of the perimeter by reference to preferred policy outcomes.

This *guidance* sets out the *FCA's* view of how the statutory perimeter applies to **regulated cryptoasset activities** under the relevant legislation in place from time to time. It does not create, widen or narrow the **regulated activities**, **specified investments**, exclusions or exemptions set out in legislation. *PERG* can explain how the *FCA* interprets the legislation, but it cannot change the underlying legislation – for example, by creating a new exclusion that does not exist in the legislation itself.

18.1.4 Question 1.4: How does the FCA maintain and update this guidance?

The *FCA* keeps its general *guidance* under review and may amend or withdraw published or written *guidance* where necessary or appropriate. In particular, where changes are made to the **Act** or relevant secondary legislation, the *FCA* will consider whether any amendments to this *guidance* are needed to reflect those legislative changes. The *FCA* may also review its *guidance* in light of developing business practices, changing circumstances or case law.

Legislative provisions relevant to **qualifying cryptoassets** may be amended from time to time. This chapter reflects the *FCA's* understanding of the legislation at the relevant time and may be updated where legislative changes make this necessary. Readers should therefore monitor relevant legislative and case law developments and, where appropriate, seek their own legal advice where they are uncertain as to the effect of those developments on their activities.

18.1.5 Question 1.5: How should this guidance be used?

Although *PERG* 18 gives *guidance* about **regulated cryptoasset activities**, as explained at *PERG* 1.2.2G, it does not aim to, nor can it, be exhaustive. References have been made to relevant provisions in the **Act** or secondary legislation. However, since reproducing an entire statutory provision would sometimes require a lengthy quotation, or considerable further explanation, many provisions of the **Act**, or secondary legislation made under the **Act**, are summarised. This chapter should therefore be read alongside the **Act**, the **Cryptoassets Regulations** and other relevant secondary legislation, to which readers should refer for the precise scope and effect of any provision discussed in this chapter. Readers should consider seeking appropriate professional advice if doubt remains.

Cryptoasset business models vary significantly, and perimeter outcomes can depend on individual facts. This chapter is therefore intended to assist readers in identifying the relevant statutory principles and applying them to their own arrangements.

In particular, terminology in the cryptoasset sector can be used inconsistently. Whether an activity is regulated will generally depend on what a person does in substance and the role they perform in the relevant arrangements, rather than on the label used to describe the service. Contractual terms and other documentation may be relevant evidence of what a person does or undertakes to do, but labels will not of themselves be determinative.

Because the application of the perimeter often depends on the particular facts and circumstances, it is not possible for this *guidance* to address every business model, arrangement or technological structure. This chapter is intended to assist readers in analysing whether activities fall within the perimeter established by legislation. However, it is not intended to provide a definitive answer in every case, or address every possible business model or factual scenario.

The *guidance* therefore focuses on the statutory concepts and principles that the *FCA* considers relevant to the assessment, rather than attempting to provide an exhaustive treatment of all possible scenarios. It should not be read as eliminating all uncertainty or as addressing every question that may arise in relation to particular arrangements. It will always be the responsibility of any person to ensure they have the correct *permission(s)* (or are exempt) for the activities they intend carrying on.

18.1.6 Question 1.6: Is there anything else we should read?

Readers should familiarise themselves with the **Cryptoassets Regulations**, the **Act** and the **Regulated Activities Order**, in addition to reading this chapter of *PERG*.

Readers should also refer to the general perimeter material in *PERG* 1 and *PERG* 2. *PERG* 1 explains (among other things) the status of *FCA* perimeter *guidance*. *PERG* 2 provides a high-level route map through the main factors that determine whether *authorisation* is needed (including the ‘by way of business’ test, the link to the *UK* and the role of exclusions). *Guidance* specific to cryptoassets and cryptoasset-specific activities relevant to these considerations is set out in this chapter, but, to understand the broader context in which these considerations operate, reading *PERG* 1 and *PERG* 2 is helpful and necessary.

Where a cryptoasset is also a **specified investment**, the *guidance* in *PERG* 2 on **specified investments** and other **regulated activities** will often be relevant, because activities carried on in relation to **specified investments** can amount to **regulated activities** even where the asset is represented or recorded using cryptoasset technology. The *guidance* in *PERG* 13 may also be relevant for the purposes of determining whether a cryptoasset is a *financial instrument*, in its various forms.

Cryptoassets are also captured in other regimes, such as the *Money Laundering Regulations* and the **Financial Promotion Order**. While the perimeters of these different regimes may be similar, they are not identical, and so persons carrying on activities relating to cryptoassets should also consider whether their activities fall within the scope of these regimes. *PERG* 18.12 provides *guidance* on the *Money Laundering Regulations*. *PERG* 8 provides *guidance* on the *financial promotions* regime.

18.1.7 Question 1.7: What is the cryptoasset regulatory perimeter?

The regulatory perimeter is set by Parliament as contained in legislation. It determines which activities require *authorisation* under the **Act** and which do not.

In general terms, a person will usually need to be *authorised* under Part 4A of the **Act** if they are carrying on a **regulated activity** in the *United Kingdom* by way of business and no exclusion or exemption applies.

The **Cryptoassets Regulations** expand the perimeter by introducing new **regulated activities** relating to cryptoassets and by introducing new statutory concepts relevant to those activities, including '**qualifying cryptoassets**' and '**qualifying stablecoins**'. As a result, some cryptoasset activities which previously fell outside the perimeter may now require *authorisation* when carried on by way of business in the *UK* (unless an exclusion or exemption applies).

The **Cryptoassets Regulations** also use the term '**specified investment cryptoasset**' for a **cryptoasset** that is also a **specified investment** (other than a **qualifying cryptoasset**). Where a **cryptoasset** is a **specified investment cryptoasset**, activities carried on in relation to it may fall within the existing perimeter (as explained in *PERG* 2), as well as within any cryptoasset-specific provisions, where relevant.

The *guidance* in this chapter is intended to provide views on the new **regulated cryptoasset activities** introduced by the **Cryptoassets Regulations**. However, cryptoassets may also fall within other perimeters, such as the scope of the *Money Laundering Regulations* and/or the *financial promotions* regime (see *PERG* 18.1.8). It is not necessarily the case that because activities carried on in relation to cryptoassets are within the scope of one of these perimeters they will necessarily also be within the scope of any other perimeter(s) that include activities carried on in relation to cryptoassets. See also *PERG* 18.12 for *guidance* relating to the *Money Laundering Regulations*.

18.1.8 Question 1.8: How does this guidance relate to other regulatory regimes that apply to cryptoassets?

This chapter is concerned with the regulatory perimeter established by the **Act**, the **Regulated Activities Order** and the **Cryptoassets Regulations**. In particular, it provides *guidance* on whether activities involving cryptoassets may constitute **regulated activities** for which *authorisation* under Part 4A of the **Act** may be required.

Cryptoasset-related activities may also be subject to other legislative regimes. These include, for example, the **Financial Promotion Order**, the *Money Laundering Regulations* and other legislation that may apply depending on the nature of the activity carried on.

Although these regimes may apply to similar activities or use similar terminology, they serve different purposes and often rely on different statutory definitions, tests and conditions. The fact that a person, cryptoasset, communication or activity falls within the scope of one regime does not necessarily mean that it falls within the scope of another.

Accordingly, the fact that an activity is a **regulated cryptoasset activity** for the purposes of the **Regulated Activities Order** does not, of itself, determine whether:

(1) a communication relating to that activity is a *financial promotion* or relates to a **controlled activity** or **controlled investment** for the purposes of the **Financial Promotion Order**;

(2) a person is acting as a *cryptoasset exchange provider* or *custodian wallet provider* for the purposes of the *Money Laundering Regulations*; or

(3) any other legislative regime applies.

This chapter does not generally provide *guidance* on the scope of those other regimes, except where expressly stated. Persons should therefore consider the relevant legislation and any applicable *FCA guidance* relating to those regimes separately.

For *guidance* on the *financial promotion* regime, see *PERG* 8. For *guidance* on the intersection between **regulated cryptoasset activities** and the *Money Laundering Regulations*, see *PERG* 18.12.

18.1.9 Question 1.9: Why does it matter if a person is carrying on activities within the perimeter?

Whether a person's activities fall within the perimeter matters because the **Act** contains a *general prohibition* on carrying on **regulated activities** in the *UK* by way of business unless the person is an *authorised person* or an *exempt person*. In other words, if a person is carrying on a **regulated activity** in the *UK* by way of business and is not *authorised* (and no exemption applies), they may be acting unlawfully.

Contravention of the *general prohibition* is a criminal offence. In addition, a person may face other legal consequences arising from carrying on **regulated activities** without the required *authorisation*. The *FCA* has a broad range of powers at its disposal to address perimeter breaches and utilises them to address the harms caused by persons acting without the required *permission(s)*.

Another consequence of a breach of the *general prohibition* is that certain agreements may be unenforceable. This can apply to agreements entered into by persons who are in breach of the *general prohibition*. In some circumstances, it can also apply to agreements entered into by an *authorised person* where the agreement is made as a result of the activities of a person who was in breach of the *general prohibition*.

For these reasons, persons who are considering carrying on cryptoasset activities should consider at an early stage whether:

(1) their intended business model involves **regulated activities**;

(2) those activities are carried on in the *UK* or deemed to be carried on in the *UK*;

(3) the activities are carried on by way of business;

(4) any exclusions apply; and

(5) any exemptions apply.

This chapter (together with *PERG* 1 and *PERG* 2) is intended to help readers identify and work through those questions.

18.1.10 Question 1.10: How are cryptoasset activities different from, and how do they relate to, other regulated activities?

The **Cryptoassets Regulations** introduce a set of new **regulated activities** that are distinct from, and additional to, the **regulated activities** that already exist under the **Regulated Activities Order**.

The **regulated cryptoasset activities** include (among other things):

(1) **issuing a qualifying stablecoin**;

(2) **safeguarding cryptoassets**;

(3) **arranging cryptoasset safeguarding**;

(4) **operating a qualifying CATP**;

(5) **dealing in qualifying cryptoassets as principal**;

(6) **dealing in qualifying cryptoassets as agent**;

(7) **arranging deals in qualifying cryptoassets**; and

(8) **arranging qualifying cryptoasset staking**.

The **Cryptoassets Regulations** also introduce a new type of **specified investment** – namely, **qualifying cryptoassets** (which includes, as a subset, **qualifying stablecoins**). A cryptoasset that is itself a **specified investment cryptoasset** is not a **qualifying cryptoasset**. References to a **qualifying cryptoasset** also include a **qualifying stablecoin**, unless stated otherwise or the context clearly indicates otherwise.

This means that, depending on the asset and the activity, a person may need to consider:

(9) whether it is carrying on a **regulated cryptoasset activity** in relation to **qualifying cryptoassets**, **qualifying stablecoins** or **relevant specified investment cryptoassets** (as explained in this chapter); and

(10) whether it is carrying on an existing **regulated activity** (as explained in *PERG* 2) in relation to a **cryptoasset** that is also a **specified investment** (including a **specified investment cryptoasset**).

Some **regulated activities** which are commonly associated with traditional financial markets (for example, *managing investments* or *advising on investments*) are not introduced as new **regulated cryptoasset activities** by the **Cryptoassets Regulations**. However, those existing **regulated activities** may still be relevant where the activity is carried on in relation to **specified investments** (including **specified investment cryptoassets**).

The **Cryptoassets Regulations** also introduce a number of activity-specific exclusions and other modifications which are tailored to the **regulated cryptoasset activities**. Persons should therefore not assume that a similar exclusion which applies to an existing **regulated activity** will apply in the same way to a **regulated cryptoasset activity**. This chapter addresses the exclusions relevant to each **regulated cryptoasset activity**.

In addition, the **Cryptoassets Regulations** include provisions which affect the territorial analysis for certain **regulated cryptoasset activities**, including amendments to section 418 (Carrying on regulated activities in the United Kingdom) of the **Act**. Persons should therefore consider the territorial position for the particular activity in question, having regard to the *guidance* and activity-specific provisions set out in this chapter.

In many cases, it will be straightforward to identify when a person established in the *UK* is carrying on a **regulated cryptoasset activity** (for example, where a person operates a platform from premises in the *UK* and offers its users the ability to buy and sell **qualifying cryptoassets** on its platform). By contrast, individuals who trade periodically on their own account as customers of such services would not generally be expected to require *authorisation* solely by reason of making such trades. This will always depend on the facts and the perimeter tests described in this chapter. (See *PERG* 18.8.18 and *PERG* 18.11.1 in relation to the absence of holding out exclusion.)

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

Whether a person needs to be *authorised* generally depends on a number of factors that must be considered together. A helpful way to approach the perimeter is to ask the following questions:

(1) Is the person carrying on a **regulated activity** (which may be a **regulated cryptoasset activity**)?

(2) Is the activity carried on, or deemed to be carried on, in the *United Kingdom*?

(3) Is the activity carried on by way of business?

(4) Does an exclusion apply?

(5) Does an exemption apply?

PERG 18 Annex 2.1 sets out a decision tree to assist in determining whether a *Part 4A permiss*ion is required in connection with carrying on a **regulated activity** (which may include a **regulated cryptoasset activity**).

These questions are reflected in the general route map in *PERG* 2.2.3G and are also relevant when considering the **regulated cryptoasset activities** introduced by the **Cryptoassets Regulations**. What these concepts mean can vary depending on the activity in question. Reference to the *guidance* in *PERG* 2 as well as in this chapter will therefore be instructive.

In applying these questions, it is important to focus on the substance of what the person does and the role they perform in the arrangements.

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

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

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

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

For that reason, a functional assessment will often be required. Factors that may be relevant include the rights and obligations created by the arrangements, who contracts with the customer and how transactions are in fact executed or facilitated.

In this chapter (and in the **Cryptoassets Regulations**), terminology may be used for different purposes. In particular, in considering whether certain **regulated cryptoasset activities** are carried on ‘in the United Kingdom’, the legislation refers in places to a ‘UK consumer’. That term is used for the territorial analysis under section 418 of the **Act** and is not intended to map directly onto the client categorisation terminology used in the *FCA Handbook*.

18.1.13 Question 1.13: What does ‘consumer’ mean?

For the purposes of the relevant section 418 provisions, ‘consumer’ is a statutory concept. It focuses on whether the person is an individual in the

United Kingdom acting for purposes other than in the course of a trade, business or profession. This is therefore a test concerned with the nature of the person and the capacity in which they are acting, for the specific purpose of determining whether a **regulated activity** is treated as carried on in the *United Kingdom*.

By contrast, the *FCA Handbook* uses several terms in relation to consumer, client and customer for different sourcebooks. These are distinct from the term used in the **Act**, the **Regulated Activities Order** and the **Cryptoassets Regulations** in relation to **regulated cryptoasset activities**. The *FCA Handbook* uses client categorisation concepts such as 'client', 'retail client', 'professional client' and 'eligible counterparty' for the purpose of applying conduct and organisational requirements in the *FCA Handbook*. Those categories can apply to both individuals and non-individuals and are used for different regulatory purposes than the territorial concept of a 'UK consumer'.

As a result, the same individual may be a 'consumer' for the purposes of the territorial analysis under section 418 (for example, because they are acting outside any trade, business or profession), even though they may be categorised differently for other regulatory purposes under the *FCA Handbook* (for example, where an individual is treated as a professional client under the client categorisation rules). The section 418 'consumer' concept should therefore be applied for what it is: a statutory territorial concept, used to determine when certain **regulated cryptoasset activities** are treated as carried on in the *United Kingdom*.

18.1.14 Question 1.14: I intend to carry on regulated cryptoasset activities in the UK. How does the authorisation and registration process apply to me?

The process of applying for *Part 4A permission* is available on the 'How to apply for authorisation or registration' page of the *FCA* website. A list of the activities for which *permission* may be given can be found in *PERG* 2 Annex 2. Persons may find this helpful in providing an overview of the **regulated activities** for which *permission* may be needed. See also *PERG* 18.12 for *guidance* relating to *Money Laundering Regulations* registration.

18.1.15 Question 1.15: I am already an authorised person/payment institution/credit institution and I intend to carry on regulated cryptoasset activities. What should I do?

An *authorised person*, *authorised payment institution* or *credit institution* that wishes to conduct any **regulated cryptoasset activities** should consider the *guidance* in this chapter to determine what *permission(s)* it may need. Once determined, it will need to apply for *authorisation* under Part 4A of the **Act** or a Variation of Permission (VoP) to add any *permission* to carry on one or more of the **regulated cryptoasset activities** by way of business in the *UK*. It is not the case that simply by virtue of already being an *authorised person* a person will be able to carry on one or more of the **regulated cryptoasset activities** without seeking and obtaining the appropriate *permission(s)* for the specific activity or activities it intends to carry on.

Likewise, a firm with an existing *permission* that wishes to conduct any new activities in relation to **specified investment cryptoassets** should consider the *guidance* in this chapter and elsewhere in *PERG* to ensure it has the correct *permissions* for the **regulated activities** it intends to carry on.

Which *permissions* a firm requires will require a case-by-case assessment with reference to the particular facts. Ultimately it is a firm's responsibility to ensure it has the correct *permissions* for the activities it intends to carry on.

18.1.16 Question 1.16: I am registered under the Money Laundering Regulations for cryptoasset-related activities. What should I do?

A firm with existing registration under the *Money Laundering Regulations* as a *cryptoasset exchange provider* or *custodian wallet provider* should consider the *guidance* in this chapter to determine what *permission(s)* it may need. Once it has made that determination, the firm will need to apply for *authorisation* under Part 4A of the **Act** in order to carry on one or more of the **regulated cryptoasset activities** by way of business in the *UK* (unless an available exclusion or exemption applies to those activities). The firm will also need to notify the *FCA* within 30 days of the regime commencing if it intends to continue acting as a *cryptoasset exchange provider* or *custodian wallet provider*.

A firm that is registered as an Annex 1 financial institution under the *Money Laundering Regulations* and that proposes to undertake one or more **regulated cryptoasset activities** by way of business in the *UK* will be required to be *authorised* under Part 4A in respect of those **regulated cryptoasset activities** (unless an available exclusion or exemption applies to those activities). The firm must also notify the *FCA* if it intends, or begins, to act as a *cryptoasset exchange provider* or *custodian wallet provider* either before, or within 28 days of, doing so. A firm cannot be both an Annex 1 firm and an *authorised person* (see regulation 55(2) (Power to maintain registers) of the *Money Laundering Regulations*).

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

18.2.1 Question 2.1: How do I know if an activity is carried on 'by way of business'?

The consequence of the *general prohibition* is that only persons who carry on any **regulated activities** in the *UK* by way of business need to be *authorised* or exempt. *PERG* 2.3.3G provides *guidance* on factors that are relevant to the meaning of 'by way of business' in section 22 (Regulated activities) of the **Act**. These factors are relevant for considering when a **regulated activity** carried on in relation to **specified investment cryptoassets** will be carried on by way of business, as well as when a **regulated cryptoasset activity** is carried on by way of business. These include the degree of continuity of the activity, the existence of a commercial element, the scale of the activity and the proportion which the activity bears to other activities carried on by the same person but which are not regulated. The nature of the particular activity in question will also be relevant.

What 'by way of business' means can vary depending on the activity in question. For the new **regulated cryptoasset activities**, the **Cryptoassets Regulations** apply a narrower concept of what 'by way of business' means (see *PERG* 2.3.2G), such that a person will only be regarded as carrying on a **regulated activity** by way of business if they carry on the business of engaging in one or more such activities. In the *FCA's* view, this requires the **regulated activities** to represent the carrying on of a business in their own right and is a deliberately narrower test than the business test that would otherwise apply under the **Act**, reflecting the nature of cryptoasset markets and the identity and status of most of its participants, many of whom may be retail investors.

The requirement that a person carries on 'the business of engaging in' a **regulated activity** is not unique to **regulated cryptoasset activities**. Similar formulations already apply to various existing **regulated activities**, notably to any **regulated activities** carried on in relation to *securities*, *contractually based investments* or property of any kind, among others. The effect of this narrower test is that the relevant **regulated activity** must itself form part of the person's business, rather than merely occurring in the course of other activities carried on by that person, or merely because that person engages in cryptoasset markets.

In practical terms, the 'business of engaging in' formulation is intended to focus the perimeter on persons whose business model involves providing, performing, operating or otherwise being engaged in the relevant activity as an activity of their business (for example, as a service to paying customers), as opposed to persons who are merely using such services as a customer, or who participate in those cryptoasset activities on their own account as an occasional activity. As with the business element generally, the outcome will depend on the facts and on the substance of what the person does.

Whether a person carries on the business of engaging in a **regulated cryptoasset activity** is ultimately a matter of judgement having regard to all the circumstances. In assessing whether a person is carrying on the business of engaging in a **regulated cryptoasset activity**, relevant considerations are likely to include the same kinds of factors that are relevant to the 'by way of business' assessment generally, including the degree of continuity of the activity, whether it has a commercial element, the scale on which it is conducted, the extent to which the activity forms part of, or is incidental to, the person's overall business, and the particular activity being carried on. The consequence of the narrower test is that these considerations must be applied to the question of whether the person's business involves engaging in the relevant activity as part of its business model, rather than (for example) merely participating in the activity as an end-user.

Persons should therefore consider carefully the extent to which they may be carrying on the business of engaging in **regulated cryptoasset activities**, with reference to the specifics of their business model, to ensure they seek and obtain the correct *permissions* before carrying on any **regulated activities**.

The assessment must be undertaken separately in relation to each **regulated cryptoasset activity**. The fact that a person carries on one **regulated cryptoasset activity** by way of business does not necessarily mean that other activities undertaken by that person will satisfy the test.

Note that for the purposes of the *Money Laundering Regulations*, the meaning of 'by way of business' may not be the same as that introduced by the **Cryptoassets Regulations**. See *PERG* 18.12.11.

18.2.2 Question 2.2: Does merely using cryptoassets or participating in cryptoasset markets mean that I am carrying on a regulated cryptoasset activity by way of business?

No. The fact that a person buys, sells, holds, transfers, stakes or otherwise uses cryptoassets does not, of itself, mean that the person is carrying on a **regulated cryptoasset activity** by way of business. Whether a person is carrying on a **regulated cryptoasset activity** by way of business depends on the role that the person performs and the extent to which the relevant activity forms part of that person's business.

The **regulated cryptoasset activities** are generally directed at persons whose business involves providing, performing, operating or arranging the relevant activity. For example, a person who periodically buys or sells **qualifying cryptoassets** on their own account as an investment would not ordinarily be expected to require *authorisation* solely because they enter into such transactions. Equally, a person who uses a service provided by another person does not, merely by using that service, also carry on the **regulated activity** performed by that service provider.

However, whether *authorisation* is required will always depend on the facts. Persons should consider the particular **regulated cryptoasset activity** in question, the nature and scale of their involvement, whether the activity forms part of their business, and whether any exclusion or exemption applies.

18.3 What does 'in the UK' mean?

18.3.1 Question 3.1: How should I determine whether a regulated cryptoasset activity is carried on 'in the UK'?

In considering whether a **regulated cryptoasset activity** is carried on in the *UK*, it is helpful to approach the analysis in 2 stages.

The first stage is to consider whether the activity would ordinarily be regarded as being carried on in the *UK*, applying the general territorial principles under the **Act** and the *guidance* in *PERG* 2.4.1G and *PERG* 2.4.2G.

The second stage is relevant where the activity would not ordinarily be regarded as being carried on in the *UK*. In that case, it is necessary to consider whether the activity is nevertheless treated as carried on in the *UK* by one of the deeming provisions in section 418 of the **Act**. In relation to certain **regulated cryptoasset activities**, the **Cryptoassets Regulations** amend section 418 so that activities involving *UK* consumers may be treated as carried on in the *UK* even where the person carrying on the activity is established *overseas*.

In many instances, it will be straightforward to identify that an activity is carried on in the *UK*, such as where all participants and all elements of the activity are in the *UK*. However, cryptoasset markets have the potential to operate in a less localised way than traditional markets, potentially challenging the application of these principles. Nevertheless, cross-border arrangements do not necessarily preclude a person from being considered to be carrying on an activity in the *UK*, because of the operation of the deeming provisions in section 418, which sets out scenarios in which activities are deemed to be carried on in the *UK* even if not all participants and/or not all elements of the activities are carried on in the *UK*. In other words, even where an activity would not ordinarily be regarded as carried on in the *UK*, section 418 operates to treat them as being in the *UK*.

The cryptoasset-specific provisions in section 418 do not replace the ordinary territorial analysis. Rather, they operate in addition to it. A person should therefore first consider whether the activity is carried on in the *UK* applying the ordinary territorial principles before considering whether any deeming provision in section 418 applies.

This section explains when a person is regarded as carrying on the new **regulated cryptoasset activities** 'in the United Kingdom' for the purposes of the *general prohibition* in section 19 (The general prohibition) of the **Act**. What 'in the UK' means in the context of the **regulated activity** of **issuing a qualifying stablecoin** is addressed separately in *PERG* 18.3.5.

The *guidance* in this section builds on the *guidance* in *PERG* 2.4 and the new cryptoasset activity-specific deeming provisions in section 418 of the **Act**, which set out the cryptoasset-specific territorial principles introduced by the **Cryptoassets Regulations**. The approach in the **Cryptoassets Regulations** serves to ensure that persons offering services to *UK* consumers are within scope of the perimeter, regardless of whether they are based in the *UK* or *overseas*. This expands the scope of what is considered 'in the UK' for certain activities (subject to certain exclusions). *PERG* 18.3.2 to *PERG* 18.3.5 explain how this operates for **regulated cryptoasset activities**.

18.3.2 Question 3.2: When is operating a qualifying cryptoasset trading platform (QCATP), dealing (as principal/agent) or arranging deals regarded as carried on 'in the UK'?

A person who is **dealing in qualifying cryptoassets (as principal or agent)**, **arranging deals in qualifying cryptoassets** or **operating a qualifying CATP** in the *UK* will be carrying out these activities in the *UK*.

Where persons are carrying out these activities outside the *UK*, the **Act** sets out when this is considered to be in the *UK*. Section 418(6C) of the **Act** sets out that a person will be deemed to be carrying out **regulated activity** in the *UK* where they are involved in the sale or subscription of a **qualifying cryptoasset** to, or by, a consumer in the *UK*. In this context, a 'consumer' means an individual in the *UK* who is acting for a purpose other than for any trade, business or profession carried on by that individual (see *PERG* 18.1.13).

This means such persons will need to be *authorised* in the *UK* (assuming all other criteria are met), regardless of whether the person offering the service is based in the *UK* or *overseas*. The relevant activities for these purposes are:

(1) **operating a qualifying CATP**;

(2) **dealing in qualifying cryptoassets as principal**;

(3) **dealing in qualifying cryptoassets as agent**; and

(4) **arranging deals in qualifying cryptoassets**.

Section 418(6C) sets out that this deeming provision only applies to a person (A) where:

(5) A is involved in the sale or subscription of a **qualifying cryptoasset** to or by a consumer; and

(6) there is no person interposed between A and the consumer who:

(a) is *authorised* to carry on the **regulated activity** of **dealing in qualifying cryptoassets as principal** or **operating a qualifying CATP**; and

(b) is acting as such as an intermediary between A and the consumer.

This means that where an overseas person (A) is only involved in the sale or purchase of **qualifying cryptoassets** with *UK* consumers via a person who is *authorised* to **deal in qualifying cryptoassets as principal** or for **operating a qualifying CATP**, the overseas person is not brought within the perimeter. For example, where A trades with any counterparty on a **UK QCATP** operated by an *authorised person*, A does not, when doing so, carry on **regulated activity** in the *UK*. The **QCATP operator** is acting as an intermediary, for the purposes of section 418(6C), between A and the trading party they are trading with on the **QCATP**.

If, however, the person interposed between A and the *UK* consumer is only *authorised* to **arrange deals in qualifying cryptoassets** or to **deal in qualifying cryptoassets as agent** or is acting in that capacity, A will be deemed to be carrying out **regulated activity** in the *UK* and will also need to be *authorised*.

Where there are multiple persons in a chain who are dealing or arranging for a *UK* consumer, this may require all persons to be *authorised* (subject to relevant exclusions). Where all persons in the chain of services are established in the *UK*, the interposition of a person **dealing in qualifying cryptoassets as principal** or **operating a qualifying CATP** does not impact the perimeter assessment. It is only in respect of overseas persons and section 418 that this is a relevant consideration.

In summary, overseas persons carrying on these activities from outside the *UK* and involved only in **dealing in qualifying cryptoassets** with *UK* institutional clients should not therefore be required to be *authorised*, unless those institutional clients are acting as intermediaries between the overseas cryptoasset firm and *UK* consumers. If they are, provided those institutional clients are acting as intermediaries by trading on a **UK QCATP** or by **dealing in qualifying cryptoassets as principal**, transactions by the overseas persons with their institutional clients do not amount to activity carried on in the *UK* requiring *authorisation*. Alternatively, if an overseas person trades with a *UK* institutional client or counterparty acting as an agency broker on behalf of consumers and outside a **UK QCATP**, the overseas person is deemed to be carrying on **regulated activity** in the *UK*. This framework provides investor protection to *UK* consumers, in turn, by requiring that those involved in the sale of **qualifying cryptoassets** to them are *authorised*, as appropriate, where the sale contains an *overseas* element.

18.3.3 Question 3.3: When is cryptoasset safeguarding considered to be carried on in the UK?

In the *FCA's* view, the 'place of supply' of the **safeguarding cryptoassets** activity is assumed to be the location of the safeguarding operations. Because the concept of control is crucial to the way the safeguarding cryptoassets activity is specified, the relevant questions of fact will focus on where the requisite degree of control to bring about a transfer of the benefit of the **cryptoasset** is being, or could be, exercised. Therefore, if the mechanisms and protections around that control are situated in the *UK*, the activity is seen as being carried on in the *UK*. This is regardless of the location of the customer or of the cryptoasset.

Section 418(6E) of the **Act** sets out that overseas persons will be deemed to be **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** in the *UK* where this is carried out on behalf of a *UK* consumer and they are not carrying on this activity at the direction of another person who is *authorised* to carry on those activities.

In the *FCA's* view, this last condition contemplates a situation in which, for example, an *authorised firm*, in the course of **safeguarding cryptoassets** itself on behalf of a consumer, arranges for an overseas person to safeguard the **qualifying cryptoassets**, and that overseas person is required to comply with the *authorised firm's* instructions. In that situation, the consumer is dealing with the *authorised person*, who would be expected to take regulatory responsibility for the arrangements with the overseas person.

But, otherwise (ie, where the condition referring to the direction of an *authorised person* is not met), the fact of safeguarding being carried out on behalf of a *UK* consumer will mean that the precise location of the mechanisms and protections around the control will be irrelevant to the question of whether

safeguarding cryptoassets or **arranging cryptoasset safeguarding** is considered to be carried on in the *UK*.

The temporary settlement exclusion may be of relevance in respect of overseas persons which are temporarily safeguarding client cryptoassets to facilitate the settlement of a transaction (see *PERG* 18.6.6).

18.3.4 Question 3.4: When is arranging qualifying cryptoasset staking considered to be carried on in the UK?

Arrangements made by or for persons in the *UK* for **arranging qualifying cryptoasset staking**, and which occur in the *UK*, are seen as being carried on in the *UK*.

Section 418(6E) of the **Act** sets out when a person is deemed to be carrying on **arranging qualifying cryptoasset staking** in the *UK* where they would not otherwise be considered as such. Under these provisions, a person is deemed to be carrying on **arranging qualifying cryptoasset staking** in the *UK*, regardless of where they are physically located or legally registered, provided that this is for a consumer who is in the *UK*.

However, where a person outside the *UK* is operating at the direction of a person who is *authorised* to conduct **arranging qualifying cryptoasset staking**, the person outside the *UK* is not considered to be carrying out the **regulated activity**. In the *FCA's* view, this contemplates a situation in which, for example, an *authorised person*, in the course of **arranging qualifying cryptoasset staking** on behalf of a consumer, arranges for an overseas person to stake the **qualifying cryptoassets**, and that overseas person is required to comply with the *authorised person's* instructions. In that situation, the consumer is dealing with the *authorised person*, who would be expected to take regulatory responsibility for the arrangements with the overseas person.

18.3.5 Question 3.5: When is issuing a qualifying stablecoin considered to be carried on in the UK?

Issuing a qualifying stablecoin is considered to be carried on in the *UK* where the component elements of issuing the **qualifying stablecoin** – the offering, redemption, and maintaining value – are carried on from, or arranged to be carried on from, an establishment in the *UK*. An issuer is a person who carries out these activities, or arranges for another to carry these activities, from an establishment in the *UK*.

The effect of section 418(6B) of the **Act** is that a person who is not themselves acting from an establishment in the *UK* is deemed to be carrying out this **regulated activity** in the *UK* where all the elements of the issuing activity are being carried out in the *UK* on their behalf. This means that a person outside the *UK* who is arranging for the all the elements of **issuing a qualifying stablecoin** to be undertaken in the *UK* will themselves require *authorisation* under article 9M (Issuing qualifying stablecoin) of the **Regulated Activities Order**.

Under article 9M(4)(b), an overseas person could also be regarded as carrying out the **regulated activity** of **issuing a qualifying stablecoin** where they assume (by assignment, variation, or operation of law, or by any other similar mechanisms) an undertaking to redeem a **qualifying stablecoin** from a person who is carrying out the **regulated activity** of **issuing of a qualifying stablecoin** under article 9M. See *PERG* 18.5.6.

Where a person issues **qualifying stablecoins** but does not meet the conditions necessary to be **issuing a qualifying stablecoin** under article 9M, their activities may constitute other **regulated activities**. See *PERG* 18.5.1 to *PERG* 18.5.3.

18.3.6 Question 3.6: How does the overseas persons exclusion (OPE) work in respect of the new regulated cryptoasset activities?

The **Cryptoassets Regulations** do not apply the OPE to the new **regulated cryptoasset activities**. Accordingly, the OPE (see *PERG* 2.9.17G) will not be available in relation to those activities.

In considering the territorial scope of the **regulated cryptoasset activities**, it is important to distinguish between the question of whether an activity is carried on in the *UK* and the availability of any exclusion. The OPE is not part of the territorial analysis of whether an activity is carried on in the *UK* and does not determine the territorial scope of the regime. Rather, a person must first consider whether the relevant activity is carried on in the *UK* by reference to the ordinary territorial principles and any applicable deeming provisions in section 418 of the **Act**. The relevance of the OPE, where available (in relation to **regulated activities** other than **regulated cryptoasset activities**: see *PERG* 2.9.15G to *PERG* 2.9.17CG), arises only after that territorial analysis has been undertaken.

More generally, the effect of section 418(1) of the **Act** is that, in the cases it describes, a person who would not otherwise be regarded as carrying on **regulated activity** in the *UK*, is, for the purposes of the perimeter, to be regarded as carrying on such activity in the *UK* (*PERG* 2.4.3G). Having regard to this, in the *FCA's* view, the effect of section 418(6C), outlined in *PERG* 18.3.2, is to bring within the perimeter an overseas person **dealing in qualifying cryptoassets as principal**, when they are involved in the sale of a **qualifying cryptoasset** to a consumer in the *UK*, in scenarios when this would not otherwise have been the case.

As noted above, though, it will not always be the case that such an overseas person will be deemed to be carrying on **regulated activity** in the *UK* – for example, when they deal as principal with a *UK authorised person* with a *permission* for **dealing in qualifying cryptoassets as principal** and acting as such as an intermediary between the overseas person and a *UK* consumer.

In the *FCA's* view, consistent with the section 418 framework and its intended purpose, it follows that where an overseas person enters into a transaction, from outside the *UK*, with a *UK authorised person* with a *permission* for **dealing in qualifying cryptoassets as principal**, acting on its own account or on behalf of persons other than consumers, the overseas person will not be carrying on the activity of **dealing in qualifying cryptoassets (as principal or agent)** in the *UK*. However, where an *overseas person* carries out **regulated activities** in relation to **specified investment cryptoassets**, the OPE may apply, depending on the activity.

18.3.7 Question 3.7: Does reverse solicitation operate as an exclusion or exemption from carrying on a regulated cryptoasset activity?

No. Reverse solicitation is not, in itself, an exemption or exclusion from carrying on a **regulated cryptoasset activity**. The term 'reverse solicitation' is generally used to describe a situation where a customer approaches a firm on that customer's own initiative, rather than in response to any solicitation, marketing or other promotion by the firm.

Accordingly, the fact that a customer has approached a person on its own initiative is not determinative of whether a **regulated cryptoasset activity** is carried on by way of business in the *UK*, or whether *Part 4A permission* is required. Whether a person requires *Part 4A permission* will depend on the relevant facts and circumstances, including the factors set out in *PERG* 18.1.11.

18.3.8 Question 3.8: Does a particular structure (eg, branch versus subsidiary) impact whether an activity is in the UK?

No. Whether a person is carrying on a **regulated activity** in the *UK* by way of business is a question of fact, with reference to the specific features of the person's business and activities. The scope of the activities that constitute **regulated activities** for which *authorisation* or exemption is required is set in legislation, although *PERG* provides *guidance* on this. A person's particular business structure does not necessarily determine whether they need to be *authorised* or exempt in respect of the activities they carry on. See 'Finalised Guidance: Approach to International Cryptoasset Firms (AICF)'.

However, a person's organisational structure and the location of its offices or establishments may be relevant to that assessment. In particular, section 418(4) and (5) of the **Act** contain deeming provisions under which the location of a person's registered office, head office or *UK* establishment may be relevant in determining whether that person is regarded as carrying on a **regulated activity** in the *UK*. See *PERG* 2.4.3G.

18.3.9 Question 3.9: How does the assessment of territoriality relate to the FCA's authorisation requirements?

The question of whether a person is carrying on a **regulated activity** in the *UK* is separate from the *FCA's* approach to assessing applications for *Part 4A permission* as an *authorised person*. Whether a **regulated cryptoasset activity** is carried on in the *UK* depends on the particular facts and circumstances of the activity in question, as well as the deeming provisions under section 418 of the **Act**.

By contrast, the *FCA's* approach to *authorisation* concerns whether a person satisfies, and will continue to satisfy, the *threshold conditions*, which determine the minimum standards that must be met for *authorisation*. The *FCA* has issued *guidance* about how it would assess *authorisation* applications and continuing supervision, including effective supervision, suitability, appropriate resources, and potential insolvency outcomes (notably for client assets) (see 'Finalised Guidance: Approach to International Cryptoasset Firms (AICF)'). Readers considering seeking *authorisation* in connection with **regulated cryptoasset activities** may also wish to consider general *COND guidance* on interpreting the *threshold conditions*.

18.4 New specified investments

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

A **qualifying cryptoasset** is a cryptoasset that meets both the definition of a **cryptoasset** in section 417 (Definitions) of the **Act** and the definition of **qualifying cryptoasset** in the **Regulated Activities Order** (as amended by the **Cryptoassets Regulations**). A **qualifying cryptoasset** is a **specified investment**. Section 417 of the **Act** defines a **cryptoasset** as any cryptographically secured digital representation of value or contractual rights that:

(1) can be transferred, stored or traded electronically, and

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

If an asset does not satisfy the definition of a **cryptoasset** in section 417, it cannot be a **qualifying cryptoasset**.

In addition to being a **cryptoasset** under section 417, to be a **qualifying cryptoasset**, a **cryptoasset** must also be:

(3) fungible;

(4) transferable; and

(5) not solely record of value or contractual rights (including rights in another **cryptoasset**).

A **cryptoasset** must satisfy each of the 3 conditions at (1) to (3) in order to be a **qualifying cryptoasset**. If any of those conditions are not met, the **cryptoasset** will not be a **qualifying cryptoasset**.

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

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

(7) *electronic money*;

(8) currency of the *UK* or any other territory, including a central bank digital currency;

(9) **qualifying cryptoassets** which meet both of the following conditions:

(a) they cannot be transferred or sold in exchange for money or other **cryptoassets**, except by way of redemption with the issuer; and

(b) they can only be used in the following ways:

(i) they allow the holder to acquire goods or services from the issuer; or

(ii) they allow the holder to acquire goods or services within a limited network of service providers which have direct commercial agreements with the issuer.

A **cryptoasset** that satisfies any of the exclusions at (6) to (9) will not be a **qualifying cryptoasset**.

The decision tree in *PERG* 18 Annex 1.1 summarises these considerations to assist in determining whether a **cryptoasset** is a **qualifying cryptoasset**.

A **qualifying stablecoin** is a subset of a **qualifying cryptoasset**. See *PERG* 18.4.5 for *guidance* on **qualifying stablecoins** specifically.

Note that the definition of a '**qualifying cryptoasset**' for the purposes of the **Financial Promotion Order** differs slightly on the basis of the meaning of 'transferability'. See *PERG* 18.4.3 for more on what transferability means for the purposes of the definition of a **qualifying cryptoasset** under the **Regulated Activities Order**.

See also *PERG* 18.12 for *guidance* on similar terms used in the *Money Laundering Regulations*.

18.4.2 Question 4.2: What does 'fungible' mean? Are non-fungible tokens (NFTs) qualifying cryptoassets?

When a cryptoasset is fungible, it means that it is freely replaceable by another cryptoasset of a similar nature or kind. This means that a cryptoasset will generally be fungible where each unit of that cryptoasset is interchangeable with any other unit of the same cryptoasset, such that one unit can be substituted for another to satisfy an obligation without regard to any unique attributes of the particular unit. If a cryptoasset is not fungible, it will not meet the definition of a **qualifying cryptoasset**, irrespective of its other features. However, each cryptoasset token should be assessed in relation to its unique features on a case-by-case basis. Fungibility is a question of fact rather than of how a cryptoasset is labelled or marketed; therefore, the fact that a cryptoasset might be described as an NFT will not, on its own, necessarily determine whether it is a **qualifying cryptoasset**.

A cryptoasset whose units are ordinarily treated by market participants as equivalent, freely replaceable and interchangeable will ordinarily be fungible. The existence of different token identifiers, metadata or other technical features will not, by itself, necessarily determine whether a cryptoasset is fungible. Where cryptoassets are issued as part of a collection or series, the assessment should consider whether market participants ordinarily regard individual cryptoassets as interchangeable and readily substitutable in practice. In contrast, a cryptoasset whose units are treated as unique because they carry unit-specific attributes that market participants treat as relevant – for example, collectible or unique artistic characteristics – are less likely to be considered fungible.

A cryptoasset that is not fungible will not be a **qualifying cryptoasset**.

18.4.3 Question 4.3: What does ‘transferable’ mean?

The definition of **qualifying cryptoassets** in article 88F (Qualifying cryptoassets) of the **Regulated Activities Order** requires that the cryptoasset be ‘transferable’. Article 88F(3) expressly provides that, for these purposes, ‘transferable’ can include circumstances where the cryptoasset confers transferable rights.

Transferability therefore refers to the capability of the cryptoasset (or rights it confers) to be transferred from one person or address to another, whether on-chain or off-chain and whether for consideration or gratuitously. This is irrespective of any contractual restrictions in respect of a particular cryptoasset that might have the effect of contractually restricting a holder from transferring the cryptoasset to a third party for a period of time or until certain conditions are met (eg, under a token lock-up provision that precludes the ability of certain token holders from selling, trading or transferring the tokens for a specified period).

One indicator that a cryptoasset is transferable may be that the cryptoasset is capable of being traded on cryptoasset markets, but the absence of this capability does not necessarily mean the cryptoasset is not transferable.

Transferability is not confined to the technical ability to move the cryptoasset token on a ledger. It can also be satisfied where the cryptoasset functions as a vehicle for rights that are capable of being assigned or otherwise transferred between persons or addresses (eg, where the relevant legal relationship permits a change of the rights-holder, even if reflected off-chain).

As such, where the cryptoasset represents or confers transferable rights, the cryptoasset would be regarded as transferable for the purposes of the definition in article 88F even if that specific cryptoasset in question cannot be transferred on-chain. Therefore, the fact that a cryptoasset arrangement gives effect to a transfer by cancelling or **burning** one token and **minting** or issuing another does not necessarily prevent the cryptoasset from being transferable, where the rights it confers are capable of being transferred to another person and that mechanism is how the transfer is effected.

A cryptoasset may be transferable even if transfers require the use of particular infrastructure or compliance processes, provided that the cryptoasset (or rights it confers) is capable of being transferred between persons or addresses in at least some circumstances. Accordingly, compliance-related requirements or controls – such as know-your-customer (KYC) processes, whitelisting arrangements, transfer approval mechanisms, or the ability to restrict or freeze transfers in specified circumstances – will not, of themselves, prevent a cryptoasset from being transferable.

A **cryptoasset** that is transferable may still fall outside the definition of a **qualifying cryptoasset** for other reasons. For example, a **cryptoasset** that is redeemable only with its issuer and that may only be used to obtain goods or services from the issuer, or within a limited network of service providers, may be excluded from the definition as explained at *PERG* 18.4.1, notwithstanding that it is transferable.

The definition of a **qualifying cryptoasset** under the **Financial Promotion Order** slightly differs in respect of the transferability requirement. For the purpose of the **Financial Promotion Order**, transferability also includes where a communication made in relation to the cryptoasset describes it as being transferable or conferring transferable rights.

A cryptoasset that is not transferable, such that neither the cryptoasset nor any right it confers is transferable, will not be a **qualifying cryptoasset**.

18.4.4 Question 4.4: What sorts of cryptoassets would be 'solely a record' for the purposes of article 88F(2)(c) of the Regulated Activities Order?

A cryptoasset will be excluded by article 88F(2)(c) of the **Regulated Activities Order** where, notwithstanding that it may be cryptographically secured and electronically transferable or storable, it is solely a record of value or contractual rights (including rights in another cryptoasset) and does not function in practice as an asset in its own right.

In assessing whether a cryptoasset is solely a record, it is helpful to take a functional approach to assessing the nature of the cryptoasset. This includes considering the role performed by the cryptoasset in relation to any value or contractual rights associated with it. Relevant considerations that would suggest it is not solely a record may include whether, in practice, the controller of the cryptoasset is able to exercise the associated value or contractual rights, and whether transferring the cryptoasset is the mechanism by which that value is, or those contractual rights are, transferred in practice (as opposed to the cryptoasset being merely evidential of rights that are transferred or constituted by other means). The fact that a cryptoasset is used to identify, evidence or record entitlements to value or contractual rights as part of a legally authoritative record or register does not, by itself, mean that the cryptoasset is more than solely a record.

The definition of a **cryptoasset** under the **Act** encompasses cryptoassets that embody value or contractual rights directly, as well as cryptoassets that represent value or contractual rights in another asset. In either case, the relevant question for the purposes of article 88F(2)(c) is whether the **cryptoasset** is solely a record of value or contractual rights.

A cryptoasset does not become solely a record merely because it represents, evidences or is associated with value or contractual rights relating to another asset rather than embodying value or contractual rights directly. Where the ability to exercise or transfer value or contractual rights relating to the underlying asset attaches, in practice, to the controller of the cryptoasset, rather than by reference to a separate register, record or other mechanism, the cryptoasset is unlikely to be solely a record.

By contrast, a cryptoasset that does not function as an asset in its own right may be solely a record where it simply serves to identify value or contractual rights in another asset, and any transfer of the relevant value or contractual rights in the underlying asset is effected by reference to something other than the transfer of control of the cryptoasset itself.

An example of a cryptoasset that is likely to be solely a record is a cryptographically secured or encrypted spreadsheet, database or ledger (or an entry within one). Such records do not function as an asset in their own right, even where they serve as legally authoritative evidence in respect of entitlements to an underlying asset. Although these cryptoassets are cryptographically secured, electronically transferable or storable, and possibly fungible, they are only a record of value or rights that exist independently elsewhere. The controller of the cryptoasset is unable to exercise that value or those rights, nor effect any transfer of them.

It does not necessarily matter whether the value or contractual rights associated with a cryptoasset arise directly through the cryptoasset itself or by reference to another asset. The relevant issue is whether the cryptoasset functions solely as a record of that value or those contractual rights.

So-called liquid staking tokens and some **wrapped tokens**, which are issued in exchange for a **qualifying cryptoasset** that is staked or otherwise held by another with a corresponding ability to exchange that **qualifying cryptoasset** for the staked **qualifying cryptoasset** in the future, could be described, at a high level, as cryptoassets that record or represent rights in another cryptoasset. Despite this, the controller of such a token may be entitled to redeem it for the corresponding underlying cryptoasset, and may be able to exercise or transfer that entitlement by virtue of controlling the token. Such tokens may therefore function as a liquid investment in their own right, unlike encrypted spreadsheets and databases. These tokens are therefore unlikely to constitute mere records such that they are excluded from the definition of a **qualifying cryptoasset**.

18.4.5 Question 4.5: What is a qualifying stablecoin? (article 88G of the Regulated Activities Order)

A **qualifying stablecoin** (article 88G (Qualifying stablecoin) of the **Regulated Activities Order**) is a **qualifying cryptoasset** that seeks or purports to maintain a stable value by reference to a single fiat currency and involves the holding of fiat currency and/or other assets (often referred to as 'backing assets') for the purpose of maintaining that stable value.

A **qualifying stablecoin** is a subset of **qualifying cryptoasset**. It does not need to be issued in the *UK* or by a person *authorised* to **issue a qualifying stablecoin** in the *UK* to constitute a **qualifying stablecoin**.

In the *FCA's* view, the requirement to hold backing assets to maintain a stable value means that **qualifying cryptoassets** which maintain their value partly or wholly through algorithmic methods or other means rather than underlying backing assets do not constitute **qualifying stablecoins**.

A wrapped token relating to **qualifying stablecoins** will not itself automatically be a **qualifying stablecoin**. It will only be a **qualifying stablecoin** if it meets the criteria set out above but, in the *FCA's* view, that is unlikely to be the case because of article 88G(3) of the **Regulated Activities Order**. *PERG* 18.4.4 and *PERG* 18.4.13 contain some further *guidance* on the status of wrapped tokens. As set out in *PERG* 18.8.7, a person providing or facilitating wrapping services may fall within scope of certain **regulated activities**, such as dealing or arranging.

18.4.6 Question 4.6: What is a specified investment cryptoasset?

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

(1) meets the definition of a **cryptoasset** in section 417 of the **Act**;

(2) would be a **qualifying cryptoasset** if sub-paragraphs (a) to (c) of article 88F(4) of the **Regulated Activities Order** were disregarded; and

(3) is a **specified investment** as a result of Part III (Specified investments) of the **Regulated Activities Order**:

(a) excluding **qualifying cryptoassets** (which are now their own type of **specified investment**); but

(b) including where it is a right to or interest in a **specified investment** by operation of article 89 (Rights to or interests in investments) of the **Regulated Activities Order**.

'Guidance on Cryptoassets: Feedback and Final Guidance to CP 19/3' (PS19/22) sets out a taxonomy of cryptoassets, identifying exchange tokens, utility tokens and security tokens. Exchange tokens and utility tokens are generally not **specified investments** because they do not grant holders the rights associated with **specified investments**. Utility tokens may benefit from the limited network exclusion (article 88F(4)(d)(i) and (ii)(bb) of the **Regulated Activities Order**), depending on the model. Some tokens might combine multiple characteristics (eg, some utility and some economic return). Ultimately, the appropriate characterisation of the token will depend on its substance, rather than any labels used to describe it.

‘Security token’ was a term introduced to refer to cryptoassets that are **specified investments** (notably, those tokens that constitute *securities*, although the terminology was a shorthand for any token that is a **specified investment** of any kind). That concept has been given new terminology in the **Cryptoassets Regulations**, and would now be called **specified investment cryptoassets**.

To determine whether a cryptoasset is a **specified investment** and, therefore, a **specified investment cryptoasset**, the starting point is Part III of the **Regulated Activities Order**. See also *PERG* 2.6. In the context of safeguarding, where the **specified investments** represented by these cryptoassets are *securities* or *contractually based investments*, these **specified investment cryptoassets** would be called ‘**relevant specified investment cryptoassets**’.

A **cryptoasset** will be a **specified investment cryptoasset** where, applying the approach in *PERG* 2.6, its legal and economic substance means it falls within one of the **specified investment** categories in the **Regulated Activities Order** (such as *shares*, *debt instruments*, *units*, *derivatives* and *deposits*), rather than being characterised by its label or technology.

This involves assessing, among other things, the rights and obligations it confers, how holders obtain value or returns (for example, ownership rights, repayment and interest, or exposure to price or index movements), and whether it functions as an investment rather than a payment, utility or purely commercial arrangement. **Specified investment cryptoassets** may be non-digitally native, meaning they are backed by or represent traditional finance **specified investments**, or they can be digitally native, meaning they are issued initially and solely on a blockchain/distributed ledger technology network and are neither backed by, nor represent, traditional finance **specified investments**.

An example of a **specified investment cryptoasset** would be certain tokenised *debt securities*. Such a tokenised *debt security* would be a **specified investment cryptoasset**, regardless of whether the asset represents entitlements in respect of an underlying **specified investment** that exists off-chain or itself has the features of a **specified investment** that is native to a blockchain. This is the effect of article 89 of the **Regulated Activities Order**, which provides that rights to or interests in a **specified investment** are themselves treated as a **specified investment** for perimeter purposes. Accordingly, where a cryptoasset confers rights that represent a *debt security* (or other **specified investment**), the cryptoasset can fall within the relevant **specified investment** definitions, regardless of whether the relevant rights arise in relation to an off-chain instrument or are constituted and recorded on-chain.

Another example of **specified investment cryptoassets** would be certain tokenised *shares*. Tokenised *debt securities* and tokenised *shares* (among some other tokenised **specified investments**) would once have been called ‘security tokens’. Where these cryptoassets meet the definition of both a **qualifying cryptoasset** (disregarding article 88F(4)(a) to (c) of the **Regulated Activities**

Order) and a **specified investment**, they would constitute **specified investment cryptoassets**. If a tokenised **specified investment** does not meet the definition of a **qualifying cryptoasset**, it will still be a **specified investment**, but it will not be a **specified investment cryptoasset** as such.

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

The conditions that a **cryptoasset** must satisfy in order to be a **specified investment cryptoasset** are set out in full at *PERG* 18.4.6(1) to (3). The discussion below focuses on those conditions that correspond to elements of the **qualifying cryptoasset** definition.

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

The remaining elements of the **qualifying cryptoasset** definition continue to be relevant. In particular, a **specified investment cryptoasset** must be fungible (see *PERG* 18.4.2) and transferable (see *PERG* 18.4.3), and must not constitute solely a record of value or contractual rights (including rights in another **cryptoasset**) (see *PERG* 18.4.4). A **cryptoasset** will not be a **specified investment cryptoasset** if it fails to satisfy any of those conditions.

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

(1) it cannot be transferred or sold in exchange for money or other **cryptoassets**, except by way of redemption with the issuer; and

(2) it can only be used by the holder:

  (a) to acquire goods or services from the issuer; or

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

PERG 18 Annex 1.2 sets out a decision tree to assist readers in determining whether a **cryptoasset** is a **specified investment cryptoasset** and a **relevant specified investment cryptoasset**.

18.4.8 Question 4.8: Do fractions or sub-units of cryptoassets constitute **qualifying cryptoassets** in their own right?

Yes. Whether something is a **qualifying cryptoasset** depends on whether it satisfies the statutory definition. The *FCA* does not generally consider that a **cryptoasset** must consist of a whole unit of a particular asset in order to be a **qualifying cryptoasset**.

Accordingly, where a **cryptoasset** is capable of being divided into smaller units or fractions, those units or fractions will generally themselves constitute **qualifying cryptoassets**, provided that the relevant elements of the definition are satisfied. For example, where bitcoin constitutes a **qualifying cryptoasset**, a satoshi (being a fraction of a bitcoin) would also generally be regarded as a **qualifying cryptoasset**. The fact that it represents only a small quantity of the relevant **cryptoasset** does not, of itself, affect that conclusion.

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

Yes. Although both are types of **cryptoasset**, they are distinct statutory categories which serve different purposes within the regulatory perimeter. See *PERG* 18.4.11 for further *guidance* on why the difference matters.

A **qualifying cryptoasset** is a specific category of **specified investment** introduced by the **Cryptoassets Regulations**. Broadly speaking, it is intended to capture certain **cryptoassets** that would not otherwise fall within one of the existing categories of **specified investment** in Part III of the **Regulated Activities Order**. A **specified investment cryptoasset**, by contrast, is a **cryptoasset** that falls within one of the existing categories of **specified investment** in Part III and meets certain other conditions. Examples may include cryptoassets that constitute, represent or confer rights equivalent to *shares*, *debt instruments*, *units* or other existing forms of **specified investment**.

The distinction reflects the structure of the legislation. The **Cryptoassets Regulations** expand the perimeter by introducing a new category of **specified investment** for certain cryptoassets that were not previously within scope of the regulatory perimeter (**qualifying cryptoassets**). Cryptoassets that already fall within one of the existing categories of **specified investment** remain subject to the existing perimeter.

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

A cryptoasset cannot be both a **qualifying cryptoasset** and a **specified investment cryptoasset** at the same time. A cryptoasset that falls within an existing category of **specified investment** is excluded from the definition of a **qualifying cryptoasset**. Determining which category applies is important because different **regulated activities**, exclusions and other legislative provisions may be relevant, depending on the classification of the cryptoasset.

The appropriate classification of a cryptoasset depends on its legal and economic substance and should not be determined solely by the terminology used to describe it.

18.4.10 Question 4.10: Are specified investment cryptoassets and relevant specified investment cryptoasset different?

Yes. A **relevant specified investment cryptoasset** is a particular type of **specified investment cryptoasset**. All **relevant specified investment cryptoassets** are **specified investment cryptoassets**, but not all **specified investment cryptoassets** are **relevant specified investment cryptoassets**.

A **specified investment cryptoasset** is any **cryptoasset** which falls within the definition in article 3 of the **Regulated Activities Order**. Broadly speaking, these are **cryptoassets** that fall within one of the existing categories of **specified investment** in Part III of the **Regulated Activities Order**.

A **relevant specified investment cryptoasset** is a more limited category used for certain purposes in the **Cryptoassets Regulations**. In particular, article 9N (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the **Regulated Activities Order** applies the **safeguarding cryptoassets** and **arranging cryptoasset safeguarding** activities to **qualifying cryptoassets** and to those **specified investment cryptoassets** which are *securities* or *contractually based investments*.

Accordingly, whether a **specified investment cryptoasset** is also a **relevant specified investment cryptoasset** depends on the category of **specified investment** to which it relates. The distinction is significant because certain provisions in the **Cryptoassets Regulations** only apply in relation to **qualifying cryptoassets** and **relevant specified investment cryptoassets**.

For example, where a cryptoasset constitutes a **relevant specified investment cryptoasset**, activities involving the safeguarding of that cryptoasset may fall within the scope of the **regulated activities** of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**. By contrast, a **specified investment cryptoasset** that is not a **relevant specified investment cryptoasset** would not be brought within those specific custody-related cryptoasset activities.

The appropriate classification of a cryptoasset will depend on the nature of the **specified investment** represented by, constituted by or otherwise associated with the cryptoasset. Persons should therefore first consider whether the cryptoasset is a **specified investment cryptoasset** and, if it is, whether it falls within the narrower category of a **relevant specified investment cryptoasset**.

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

The classification of a cryptoasset is an important step in determining which legislative provisions may apply, whether *authorisation* may be required and, if so, which *permissions* are needed. Different categories of cryptoasset can engage different **regulated activities**, exclusions and other provisions of the regulatory perimeter. It is therefore important to determine whether a cryptoasset is a **qualifying cryptoasset**, a **qualifying stablecoin**, a **specified investment cryptoasset** or a **relevant specified investment cryptoasset** (or another form of **specified investment**) before considering whether a person may require *authorisation*.

In broad terms:

(1) activities relating to **qualifying cryptoassets** are primarily considered with reference to the **regulated cryptoasset activities** introduced by the **Cryptoassets Regulations**;

(2) a **qualifying stablecoin** is a subset of **qualifying cryptoasset** and there are additional **regulated cryptoasset activities** that are relevant – notably, the **regulated activity** of **issuing a qualifying stablecoin**;

(3) subject to (4), the relevant activities relating to **specified investment cryptoassets** will be the existing **regulated activities** under the **Regulated Activities Order**, such as *dealing in investments as principal*, *dealing in investments as agent*, *arranging (bringing about) deals in investments*, *making arrangements with a view to transactions in investments*, *managing investments* and *advising on investments*; and

(4) where the **specified investment cryptoasset** is a *security* or *contractually based investment* and so constitutes a **relevant specified investment cryptoasset**, and the relevant activity is safeguarding or arranging safeguarding, the relevant activity is the **regulated cryptoasset activity** of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**; for other purposes, the relevant activities will be the existing **regulated activities**.

As a result, persons should not assume that cryptoassets are subject to the same regulatory treatment merely because they use similar technology or are described using similar terminology. The relevant perimeter analysis will depend on the legal and economic substance of the cryptoasset in question and the activities carried on in relation to it.

Activities involving **specified investment cryptoassets** may constitute **regulated activities** for which *authorisation* (or exemption) is required. For example, selling **specified investment cryptoassets** in the *UK* by way of business may constitute dealing as principal or agent under article 14 (Dealing in investments as principal) or article 21 (Dealing in investments as agent) of the **Regulated Activities Order**. *PERG* 2 sets out *guidance* on the different **regulated activities** and related exclusions.

Note, however, that in respect of the activity of *safeguarding and administering investments* in article 40 (Safeguarding and administering investments) of the **Regulated Activities Order**, this is not a relevant **regulated activity** when carried on in relation to **specified investment cryptoassets** that are **relevant specified investment cryptoassets** (ie, those **specified investment cryptoassets** that are *securities* or *contractually based investments*, as per article 9N(5)(b) of the **Regulated Activities Order**). Where the **specified investment cryptoasset** is a **relevant specified investment cryptoasset**, the relevant custody-related **regulated activities** that might be carried on in relation to these **cryptoassets** would be the activities under article 9N (ie, **safeguarding cryptoassets** and **arranging cryptoasset safeguarding**).

The policy reason for the safeguarding of **relevant specified investment cryptoassets** to be within the scope of the **safeguarding cryptoassets** activity, rather than the *safeguarding and administering investments* activity, is to address particular risks to consumers and markets from *securities* and *contractually based investments* also being cryptoassets (see paragraph 6.11 of the Explanatory Memorandum to the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102).

18.4.12 Question 4.12: What about cryptoassets that have multiple functions or whose characteristics evolve over time?

There is no separate category of 'hybrid' or 'evolving' cryptoassets. The regulatory classification of a cryptoasset described in this way will depend on the characteristics it exhibits at the time the relevant activity is carried on.

A cryptoasset should be assessed against the definitions of a **qualifying cryptoasset** and a **specified investment cryptoasset** by reference to the characteristics, rights and arrangements it exhibits at the time that the relevant activity is carried on. Where a cryptoasset has multiple features, or its functionality, rights or other characteristics change over time, those changes should be considered to assess whether they affect its regulatory classification.

18.4.13 Question 4.13: How should wrapped tokens be classified?

A wrapped token is a cryptoasset that is created or issued by reference to another asset (the underlying asset). The term 'wrapped token' describes the manner in which the cryptoasset is structured and is not, of itself, a regulatory classification. Whether a wrapped token is a **qualifying cryptoasset** or a **specified investment cryptoasset** depends on whether it satisfies the conditions of the relevant statutory definition. A wrapped token should therefore be assessed in its own right.

The fact that the underlying asset is a **qualifying cryptoasset** or a **specified investment cryptoasset** does not, of itself, determine the regulatory status of the wrapped token. While a wrapped token may have the same regulatory classification as the underlying asset, this will not necessarily always be the case.

18.5 Activity: issuing a qualifying stablecoin

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

Article 9M of the **Regulated Activities Order** provides that '**issuing a qualifying stablecoin**' is a specified kind of activity. Article 9M identifies several elements that together constitute the **regulated activity**. The person carrying out the following activities must be the person who created the

qualifying stablecoin or on whose behalf it was created (or must be a member of a group for whom it was created):

(1) offer or arrange for another to offer a **qualifying stablecoin** for sale or subscription from an establishment in the *UK*;

(2) from an establishment in the *UK*, undertake, or arrange for another to undertake, to redeem the **qualifying stablecoin**; and

(3) from an establishment in the *UK*, hold, or arrange for another to hold, fiat currency or other assets for the purpose of maintaining the stable value of the **qualifying stablecoin**.

Whether a person is **issuing a qualifying stablecoin** for the purposes of article 9M depends on the facts and the substance of the role they perform in the issuance arrangements.

A person is generally not regarded as **issuing a qualifying stablecoin** where they only perform one of the activities in article 9M 2(a) or 2(c)(i) or (ii) or otherwise fall under one of the exclusions. See *PERG* 18.5.2.

There are a number of exclusions to the parts of the issuing activity. For example, article 9M(3) provides that offering or arranging to offer a **qualifying stablecoin** as required by article 9M(2)(a) does not include the **minting** of a **qualifying stablecoin** such that it first exists as an identifiable asset on the blockchain and in a transferable form. See also *PERG* 18.8.11.

18.5.2 Question 5.2: Does carrying on only one of the limbs in article 9M of the Regulated Activities Order amount to 'issuing a qualifying stablecoin'?

Article 9M of the **Regulated Activities Order** should be considered as a whole; carrying on only one element of article 9M does not amount to **issuing a qualifying stablecoin**. For example, a person who only performs the redemption activity will not be **issuing a qualifying stablecoin**. However, they could be **issuing a qualifying stablecoin** where they both carry out one element of the 9M activity and arrange for another person or other persons to carry out the remaining elements.

18.5.3 Question 5.3: How does redemption form part of the issuance activity under article 9M of the Regulated Activities Order?

Redemption is identified in article 9M of the **Regulated Activities Order** as an element of **issuing a qualifying stablecoin** (in article 9M(2)(c)(i)). Redemption on its own, or arranging for another to redeem, does not constitute **issuing a qualifying stablecoin**. As an exception to this, article 9M(4)(b) provides for a person who assumes an undertaking to redeem to be deemed to have created the stablecoin and be carrying on the offering and backing asset limbs of **issuing a qualifying stablecoin** (see *PERG* 18.5.6).

18.5.4 Question 5.4: Does providing only technology, infrastructure or software in relation to issuing a qualifying stablecoin amount to the regulated activity?

A person whose role is limited to providing technology, software, infrastructure, connectivity or **minting** capability used by another person in that person's issuance arrangements, without undertaking activities described in article 9M(2)(a) or (c)(i) and (ii) of the **Regulated Activities Order**, would not normally be carrying on the **regulated activity** of **issuing a qualifying stablecoin**. This would generally include a person acting in a white-labelling arrangement whose role is limited to technical provision and does not involve arranging for the offer, redemption or holding of backing assets by another person. Whether a person is the issuer depends on the substance of the arrangements and whether that person satisfies article 9M as a whole. This is fact-dependent, and a person should also consider whether they are carrying on any other **regulated activity**.

18.5.5 Question 5.5: What authorisation is needed by a person to carry out one or more limbs of article 9M of the Regulated Activities Order on behalf of an issuer?

Article 9M of the **Regulated Activities Order** contemplates a single issuer for the **regulated activity**. A person that carries out outsourced functions in relation to a stablecoin is not necessarily **issuing a qualifying stablecoin**. Where all of the relevant offer, redemption and reserve-holding limbs are carried on by person B under arrangements made by A, article 9M(4)(c) provides that only A, and not B, is treated as carrying on the issuing activity. If only some, but not all, of those activities are carried on by another person under arrangements made by A, persons should consider the arrangements as a whole to determine who is carrying on the issuing activity. Whether a third party carrying out functions for a stablecoin issuer requires *authorisation* for other activities would depend on exactly what it is doing (for example, a person providing services in relation to the backing assets may be carrying out **regulated activity**).

18.5.6 Question 5.6: If a stablecoin issuer sells its business book to an overseas firm, could the overseas firm need authorisation under article 9M of the Regulated Activities Order to continue issuance?

Yes, the purchaser of a *UK*-issued **qualifying stablecoin** business could require *authorisation* under article 9M of the **Regulated Activities Order** due to article 9M(4)(b). The effect of article 9M(4)(b) is that a purchaser who assumes an undertaking to redeem the **qualifying stablecoin** is considered to be carrying on the offering and backing asset limbs of **issuing a qualifying stablecoin** and to have created the stablecoin.

18.6 Activity: safeguarding qualifying cryptoassets and relevant specified investment cryptoassets

18.6.1 Question 6.1: To what extent does the carrying on of the activity of safeguarding cryptoassets depend on who owns the cryptoasset?

PERG 2.7.10G explains that, for the **regulated activity** of *safeguarding and administering investments*, the safeguarded property must belong beneficially to another person.

This requirement does not apply to the **regulated activity** of **safeguarding cryptoassets**. **Safeguarding cryptoassets** may be carried on regardless of whether the cryptoasset is owned by the customer or the firm, provided the activity is carried out on behalf of another person and the firm has the requisite degree of control over the cryptoasset.

As a result, determining whether a person is carrying on the activity of **safeguarding cryptoassets** involves less emphasis on establishing ownership. This is particularly relevant where anonymous transaction ledgers are not designed to identify ownership of a cryptoasset.

Where a firm acting on behalf of another has sufficient control and the customer has a right against the firm for the return of the cryptoasset (but does not own it themselves), the arrangement can still be within scope of **safeguarding cryptoassets**. (This is not the case where the right arises from certain types of transactions which do not involve a consumer – see *PERG* 18.6.4.)

In the *FCA's* view, because the definition of **qualifying cryptoasset** includes the quality of being fungible, and this is also therefore a component of the definition of **specified investment cryptoasset**, it will be immaterial if the right for the return is for the particular cryptoasset that was given by the customer, or for a fungible substitute. However, the concept of a right for return does not include a debt owed by the firm to the customer where the customer had not placed a cryptoasset in the firm's control in the first place.

18.6.2 Question 6.2: How does the concept of 'control' relate to the regulated activity of safeguarding cryptoassets?

A firm will only be **safeguarding cryptoassets** if it has the requisite degree of control, which is the ability (through any means) to bring about the transfer of the benefit of the cryptoasset to another person, including to the firm itself.

This requisite degree of control may arise in various ways and the words 'through any means' signify a broad scope. Article 9N(4) of the **Regulated Activities Order** highlights 2 common examples: holding or storing the **means of access** to the cryptoasset (often the private cryptographic key), and operating an arrangement in which others are appointed to hold or store the **means of access** or any part of it. The latter includes arrangements where the firm engages other persons to hold 'shards' (or sections) of a private cryptographic key.

The requisite degree of control will not be satisfied if a person merely has the ability to prevent a transfer of the benefit of the cryptoasset to another person (sometimes referred to as 'negative control'). This may be the case if the firm merely holds a single 'shard' of a private cryptographic key, which is below a threshold that would be needed to bring about the transfer of the benefit of the cryptoasset to another person; although if such a firm has the ability to meet the relevant threshold through other additional means – for example, by requiring other parties to carry out acts in relation to 'shards' which they control – it will have the requisite degree of control. The relevant threshold in that situation will be a case-specific matter.

As technology evolves, new methods of obtaining such control will likely emerge. It seems unlikely that the facts of whether a service has an 'online' element, or is entirely 'offline', will, purely of itself, be conclusive to the question of whether there is the requisite degree of control. However, the central question will remain whether the firm is, or could put itself, in a position to initiate a transfer that could prejudice a person with a claim to the cryptoasset. Addressing this potential harm is the core purpose of regulating the activity.

Readers considering the control test in the context of services which involve more than one party may find it helpful to consider the table of examples on page 65 of 'Crypto Regime: Regulated Cryptoasset Activities' (PS26/11).

Persons who consider themselves to merely provide technical, infrastructure, connectivity or security services should note that there is no exclusion from **safeguarding cryptoassets** which has been expressly made for those types of services. Therefore, such persons are likely to need to consider whether, in the course of providing such services, they have the requisite degree of control. The holding out exclusion at article 9R(2) (Article 9N exclusion: other exclusions) of the **Regulated Activities Order** may be available to them where the conditions for that exclusion are met (see *PERG* 18.6.9).

18.6.3 Question 6.3: What about 'self-custody' arrangements?

Two of the key components of carrying on the **regulated activity** of **safeguarding cryptoassets** are that the firm's safeguarding is on behalf of another person and that the firm has the requisite degree of control. This means that where a firm supplies a customer with a solution for the customer to keep their own cryptoasset secure by exercising control themselves, and the firm itself has no means to bring about the transfer of the benefit of the cryptoasset to another person, the firm will not be carrying on the activity of **safeguarding cryptoassets**.

But in cases where the firm promises (eg, under a contract) not to exercise control but does actually have the requisite control (eg, because it can override a customer's authority through its own systems, including by devising a way to do that), the control element of the activity is likely to be met because of the broad scope signified by the words 'through any means'.

Therefore, in order for a firm that purports to provide customers with a 'self-custody' solution to be confident that it is not carrying on the **regulated activity** of **safeguarding cryptoassets**, it would need to be able to demonstrate that it genuinely does not have 'any means' to itself bring about the transfer of the benefit of the cryptoasset. This is likely to involve examining how the solution is engineered in technical detail.

18.6.4 Question 6.4: What about title transfer collateral arrangements and transactions in which the customer is contracted to buy back the asset from the firm?

Where a firm acting on behalf of another has the requisite degree of control over a cryptoasset, and that other person – who is not a 'consumer' (meaning an individual who is acting for a purpose other than for any trade, business or profession carried on by that individual) – has a right against the firm for the return of the cryptoasset, the firm will not be **safeguarding cryptoassets** if the other person's right arises in either one of the following ways:

(1) from a title transfer collateral arrangement (as defined at article 9N(5)(c) of the **Regulated Activities Order**); or

(2) from a transaction as described at article 9N(2)(c)(ii) (ie, a transaction under which the other person is contracted to buy the cryptoasset back from the firm).

18.6.5 Question 6.5: Are the activities of group companies excluded?

The group activity exclusion at article 9O (Article 9N exclusion: group activity) of the **Regulated Activities Order** excludes any safeguarding conducted for a customer under arrangements operated by another group entity that is *authorised* to **safeguard cryptoassets** and has accepted responsibility towards that customer for meeting the safeguarding requirements. For example, a bare nominee company owned by an *authorised* cryptoasset safeguarding firm could benefit from this exclusion.

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

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

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

Although not defined, 'settlement' is likely to cover actions required for the parties to fulfil their obligations under a transaction, such as delivering cryptoassets to a designated party or wallet. 'Facilitate' is intended to link the **safeguarding cryptoassets** activity or the **arranging cryptoasset safeguarding** activity directly to the settlement process.

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

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

18.6.7 Question 6.7: What about having a power of attorney or investment management mandate over another person's cryptoasset?

The exclusion at article 9R(1) of the **Regulated Activities Order** applies where a person who would otherwise have the requisite degree of control is acting solely as an agent, appointed to give instructions on the principal's behalf to a person who has undertaken to safeguard the cryptoasset for that principal. This exclusion may, for example, apply to an investment manager appointed under a power of attorney (but see *PERG* 18.8.9 on the scope of *managing investments* in relation to **qualifying cryptoassets** and **relevant specified investment cryptoassets**). The effect of the exclusion is that, although such a person would otherwise have the requisite 'control' by having the means to bring about a transfer, that control would be excluded from safeguarding, provided the conditions of the exclusion are met.

18.6.8 Question 6.8: Is it a necessary element of safeguarding cryptoassets to be 'holding out' as providing that service?

No, in the sense that there is no exclusion for **safeguarding cryptoassets** which is available where there simply is an absence of holding out. But see *PERG* 18.6.9 regarding the exclusion at article 9R(2) of the **Regulated Activities Order**.

18.6.9 Question 6.9: What does the holding out exclusion at article 9R(2) of the Regulated Activities Order achieve?

This exclusion applies where a person does not hold themselves out as engaging in the business of providing a service that is in relation to **qualifying cryptoassets** or **relevant specified investment cryptoassets**.

For example, a safety deposit box provider or a generic data storage provider may, in the ordinary course of business, have the requisite degree of control to be **safeguarding cryptoassets** on behalf of a customer. In those scenarios, the customer may place a device which contains a private cryptographic key into the safety deposit box or may upload data consisting of a private cryptographic key onto the provider's cloud storage facility. If the safety deposit box provider or data storage provider can access, and is in a position to use, the relevant device or data, they would have the requisite degree of control. However, if they do not hold themselves out as engaging in the business of providing a service in relation to cryptoassets (rather, they held themselves out as engaging in the business of providing generic safe storage for physical items or data), they would be able to rely on this exclusion.

18.6.10 Question 6.10: Is arranging cryptoasset safeguarding a regulated activity?

Yes. **Arranging cryptoasset safeguarding** is specified at article 9N(1)(b) of the **Regulated Activities Order**.

Arranging cryptoasset safeguarding is carried on by a person (the arranger) who arranges for another person to carry on **safeguarding cryptoassets**. It is possible for a firm to carry on both the activities of **safeguarding cryptoassets** and **arranging cryptoasset safeguarding** in relation to the same cryptoasset. For example, this can occur where, in the course of **safeguarding cryptoassets** on behalf of a customer, a firm appoints a third party to carry on day-to-day safeguarding. If the third party has the requisite degree of control, by making the appointment, the firm will be **arranging cryptoasset safeguarding**; but if the arrangement is structured so that the firm also retains the requisite degree of control (see article 9N(4)(b) of the **Regulated Activities Order**), the firm will also be **safeguarding cryptoassets**. Such a situation can also arise where a firm appoints another person to securely store ‘shards’ of a private cryptographic key which the firm can ‘call back’ on demand, and where the other person has the requisite degree of control by virtue of the number of ‘shards’ that they are storing.

It is also possible for a firm to carry on **arranging cryptoasset safeguarding** without also carrying on **safeguarding cryptoassets**. This can occur where the firm merely arranges for a third party to carry on **safeguarding cryptoassets** for a customer but the firm making that arrangement does not have the requisite degree of control itself. The customer would then have received an **arranging cryptoasset safeguarding** service from the firm but would rely entirely on the third party for the **safeguarding cryptoassets** service.

18.6.11 Question 6.11: What about introducing a person to a firm which is authorised to carry on safeguarding cryptoassets?

Mere introductions are excluded from the **regulated activity** of **arranging cryptoasset safeguarding** under article 9P (Article 9N exclusion: introductions) of the **Regulated Activities Order**, provided the introducer and the *authorised* safeguarding firm are not in the same group and the introducer is not remunerated by that firm.

18.6.12 Question 6.12: Can firms acting as depositaries of UK UCITS or AIFs carry on the regulated cryptoasset activities of safeguarding cryptoassets or arranging cryptoasset safeguarding?

No. The exclusion at article 42A (Depositaries of UK UCITS and AIFs) of the **Regulated Activities Order** covers the carrying on of these **regulated activities** in the same way as it does for the **regulated activity** of *safeguarding and administering investments*.

18.7 Activity: operating a qualifying cryptoasset trading platform

18.7.1 Question 7.1: What is a qualifying cryptoasset trading platform (QCATP)?

(1) A **QCATP** is a system in which multiple third-party buying and selling interests in **qualifying cryptoassets** are able to interact within that system and which brings together multiple third-party buying and selling interests in **qualifying cryptoassets** in a way that results in a contract for the exchange of **qualifying cryptoassets** for money (including electronic money) or other **qualifying cryptoassets**.

(2) As such, a **QCATP** comprises each of the following elements:

(a) it is a trading system;

(b) multiple third-party buying and selling interests interact within the system;

(c) the system brings together these multiple interests in a way that results in a contract; and

(d) the contract is for the exchange of **qualifying cryptoassets** for either money (including electronic money) or other **qualifying cryptoassets**.

Guidance on each of these elements is provided in (3) to (6).

(3) Characteristics of a trading system:

(a) A trading system functions on the basis of a set of rules. The rules relate to how multiple third-party buying and selling interests are brought together in the system (see (4) and (5)). A system is technology-neutral for these purposes.

(b) General-purpose communications systems do not, in and of themselves, amount to operating a system for the purposes of the definition of a **QCATP**, which therefore does not include simply:

(i) acting as an internet services provider;

(ii) providing a telephone network;

(iii) providing a website; or

(iv) providing chatroom facilities.

(c) Conversely, a person using that system to operate a trading system will operate a **QCATP** if the other elements of the definition in (2)(a) to (d) are met.

(d) If a system has features specifically designed to enable the interaction of trading interests in **qualifying cryptoassets**, this would indicate that it is a trading system. More generally, the *FCA* will consider the role of the operator and its monitoring of the use of the system. Operating the platform requires more than simply providing technology (including blockchain technology) or software. The *FCA's* assessment of whether there is a trading system or facility will also take into consideration a wider range of factors including, for example:

(i) its target users and the actual use of the system by its users;

(ii) any relevant restrictions on how the system may be used, and their practical effect;

(iii) whether the system is designed to enable trading of any kind among users, and how; and

(iv) the determinants of the remuneration of the operator and the extent to which these are linked to the trading of interests in **qualifying cryptoassets** in the system.

(e) Accordingly, while general communications systems, for example, are used for the purposes of trading **qualifying cryptoassets**, they will not amount to a trading system unless they were ever operated by a person for these purposes and then subject to these criteria.

(f) It is possible for a person to operate more than one piece of technology which, when taken together, have the characteristics of a trading system operated by the same person.

(4) Multiple third-party buying and selling interests interacting within the system:

(a) The inclusion of the words 'third-party' in the definition makes it clear that the interests in question are not those of the **QCATP operator**, although a firm operating a **UK QCATP** may apply for separate *permission* to execute trades on a matched principal basis on its **QCATP**.

(b) The fact that, when any 2 persons negotiate within the system, they do so between themselves, does not mean that there are not multiple third-party buying and selling interests interacting within the system. Instead, what matters is whether the system, at the point of entry, enables 1 person to interact potentially with multiple others other than the operator itself. This is the service a person receives as a user of the system.

(c) A system which enables information to be inputted and then responded to in the system is one in which multiple third-party buying and selling interests interact and includes:

(i) the matching of buying and selling interests within its system; or

(ii) allowing users to respond within the system to other users' interests, including by bids or offers, or communicating in relation to, negotiating or accepting essential terms of a transaction.

(5) Multiple interests brought together in a way that results in a contract:

(a) The system is one which brings together the multiple interests in the system in a way resulting in a contract.

(b) It follows that, where there is no trade execution brought about by the system, such as in the case of bulletin boards used for advertising buying and selling interests, the system will not amount to a **QCATP**.

(6) Exchange of **qualifying cryptoassets** for money or other **qualifying cryptoassets**:

(a) The contracts arising must be for the exchange of **qualifying cryptoassets** for money (including electronic money) or other **qualifying cryptoassets**. It follows that *financial instruments*, such as derivatives of a **qualifying cryptoasset** falling within paragraph 10 of Part 1 (Financial instruments) of Schedule 2 (Financial instruments and investment services and activities) to the **Regulated Activities Order** (see *PERG* 13.4 Q34) or a *cryptoasset exchange traded note*, cannot be traded on a **QCATP**. As regards the trading of *financial instruments* on *multilateral systems*, see *MAR* 5AA.1.1R and *PERG* 13.3 Q24C and the need for these to be traded on a trading venue and not a **QCATP**.

(b) A firm may operate both a **UK QCATP** and a trading venue in the *UK*, but it cannot offer the instruments traded on a **UK QCATP** on a trading venue and vice versa.

18.7.2 Question 7.2: We operate a cryptoasset trading platform with multiple buyers and sellers and we offer an execution facility on the platform and a crypto wallet for our users. What permissions are we likely to require?

The activity of **operating a qualifying CATP** does not extend to the provision of safeguarding services before or after a transaction has been entered into between a buyer and seller on that platform. As such, you require an **operating a qualifying CATP** *permission* and a **safeguarding cryptoassets** *permission* (and one for agreeing to carry on these **regulated activities**).

You will not require *permission* for **arranging deals in qualifying cryptoassets** to the extent that the only arranging you undertake with users of the platform all forms part of the activity of **operating a qualifying CATP**.

This is the effect of article 9Z5(2) (Article 9Y: other exclusions) of the **Regulated Activities Order**.

Where you engage in matched principal trading for the purpose of executing client orders on a **QCATP** you operate, you will also require *permission* to **deal in qualifying cryptoassets as principal** to carry on such trading. Accordingly, a firm carrying on these separate activities will require *permission* for both **operating a qualifying CATP** and **dealing in qualifying cryptoassets as principal**. When you undertake matched principal dealing, the required *permission* should comprise a *limitation* limiting the latter to matched principal trading. 'Matched principal trading', for these purposes, means a transaction where the facilitator interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

18.7.3 Question 7.3: We operate a cryptoasset trading platform offering an execution facility on the platform. We operate a float model for our UK users, where cryptoassets are moved from the client wallet to a global settlement wallet to settle transactions off-chain with an internal ledger. What permissions are we likely to require?

You require *permission* to **operate a qualifying CATP** and **safeguard cryptoassets** (and one for agreeing to carry on these **regulated activities**). For the *FCA's* location policy regarding *authorisation* of an operator of a **QCATP**, including one which offers access to a global liquidity pool, see 'Finalised Guidance: Approach to International Cryptoasset Firms (AICF)'.

Where your safeguarding activities are restricted to the activities above, you may wish to apply for a requirement on your *permission* which reflects your business model – for example, if you wish to take advantage of the exception from acting as a trustee for **QCATPs** in the *FCA's* cryptoasset safeguarding rules.

18.7.4 Question 7.4: We operate a cryptoasset trading platform from overseas offering an execution facility on the platform to UK users but only when these are authorised persons. Do we require FCA authorisation to offer this service and do overseas users require FCA authorisation to use our platform?

No. If your platform is not made available for use by *UK* consumers – that is, individuals in the *UK* acting for a purpose other than for any trade, business or profession carried on by the individual – you will not be carrying on **regulated activities** in the *UK*. This is the effect of section 418 of the **Act**. Accordingly, where an *authorised person* trades on your platform on the basis of its *Part 4A permission* to **deal in qualifying cryptoassets as principal**, you will not be deemed to be carrying on the activity of **operating a qualifying CATP** in the *UK*. Conversely, if it trades on your platform on behalf of consumers, on the basis of its *Part 4A permission* to **deal in qualifying cryptoassets as agent**, you will be carrying on the activity of **operating a qualifying CATP** in the *UK* and require *authorisation* to do so.

Your overseas members will not require *authorisation* in relation to their use of your platform.

18.7.5 Question 7.5: What about interfaces connecting users to automated protocols that enable the exchange of qualifying cryptoassets? Do such interfaces require authorisation?

Whether or not an interface is in scope of the regulatory perimeter will depend on whether a **regulated activity** is carried on by way of business in the *UK* by an identifiable person. This will depend on the facts and circumstances of the case, and needs to be assessed on a case-by-case basis. Persons who provide arrangements which allow for trading in **qualifying cryptoassets** should consider the *guidance* at *PERG* 18.8.4 in relation to **arranging deals in qualifying cryptoassets**. Persons who provide arrangements in relation to **arranging qualifying cryptoasset staking** should see the *guidance* at *PERG* 18.10.1.

18.7.6 Question 7.6: I am involved in post-transaction settlement of cryptoasset trades. What permissions do I need?

As set out in *PERG* 18.6.6, 'settlement' is likely to cover actions required for the parties to fulfil their obligations under a transaction. This may involve a number of **regulated cryptoasset activities**, depending on the business model and subject to any exclusions. Persons who are involved in settlement of transactions of **qualifying cryptoasset** trades should consider the *guidance* at *PERG* 18.6 and *PERG* 18.8 in relation to **safeguarding cryptoassets**, **arranging cryptoasset safeguarding**, **dealing in qualifying cryptoassets (as principal or agent)** and, in particular, **arranging deals in qualifying cryptoassets**.

18.8 Activity: intermediary activities

18.8.1 Question 8.1: When do dealing and arranging activities involving qualifying cryptoassets require authorisation?

This section sets out perimeter considerations in relation to the **regulated activities** of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets**. This relates to persons acting on behalf of clients as well as persons dealing on own account.

As set out in the *guidance* in this section, dealing and arranging deals is broadly prescribed in legislation. Whether a person who is dealing or arranging requires *authorisation* is contingent on the factors set out in *PERG* 2 and *PERG* 18.1.11. For example, a person may be **dealing in qualifying cryptoassets (as principal or agent)** when buying and selling **qualifying cryptoassets** on a **QCATP**. If they do so in a capacity which does not meet the by way of business test, such persons would not require *authorisation*. It is therefore important for persons to consider all factors in determining whether they require *authorisation*.

18.8.2 Question 8.2: What are the dealing and arranging activities for qualifying cryptoassets?

The new cryptoasset activities of **dealing in qualifying cryptoassets as principal**, **dealing in qualifying cryptoassets as agent** and **arranging deals in qualifying cryptoassets** mirror the existing **regulated activities** of *dealing in investments as principal* (article 14 of the **Regulated Activities Order**), *dealing in investments as agent* (article 21 of the **Regulated Activities Order**), *arranging (bringing about) deals in investments* (article 25(1) (Arranging deals in investments) of the **Regulated Activities Order**) and *making arrangements with a view to transactions in investments* (article 25(2)). As such, the new **regulated cryptoasset activities** are expected to operate similarly to articles 14, 21 and 25, albeit the effect of related exclusions, as discussed in *PERG* 18.8.3 and *PERG* 18.8.4, differs. Perimeter *guidance* on the article 14, 21 and 25 activities can be found in *PERG* 2.7.

18.8.3 Question 8.3: What is dealing in qualifying cryptoassets (as principal or agent)?

Both the activities of **dealing in qualifying cryptoassets as principal** and **dealing in qualifying cryptoassets as agent** (articles 9T (Dealing in qualifying cryptoassets as principal) and 9W (Dealing in qualifying cryptoassets as agent) of the **Regulated Activities Order**) are defined in terms of ‘buying, selling, subscribing for or underwriting’ **qualifying cryptoassets**.

As set out in *PERG* 2.7.6AG, to deal with the possible range of circumstances, ‘buying’ is defined in the **Regulated Activities Order** to include acquiring for valuable consideration. ‘Selling’ is defined to include disposing for valuable consideration and ‘disposing’ is itself given a specified meaning that covers a range of possible transactions. Buying and selling **qualifying cryptoassets** therefore captures a broad range of transactions and business models involving **qualifying cryptoassets**. This is regardless of how such transactions may be marketed or described. For example, a person may be engaged in the activity of **dealing in qualifying cryptoassets (as principal or agent)** when dealing on own account, acting as a single dealer platform, engaged in matched principal trading or engaged in **qualifying cryptoasset lending or borrowing**. See *PERG* 18.7.2 and *PERG* 18.9.1.

The **Regulated Activities Order** is not prescriptive in setting out what the **qualifying cryptoasset** is exchanged for. This, however, is subject to the goods and services exclusion described in *PERG* 18.11.4 and *PERG* 18.11.5.

The scope of **dealing in qualifying cryptoassets** does not extend to **specified investment cryptoassets**. Nor does it extend to **specified investments** or *financial instruments* which may be linked to **qualifying cryptoassets** such as **qualifying cryptoasset** *derivatives* or *cryptoasset exchange traded notes*. Buying and selling activities involving such products fall within the scope of *dealing in investments as principal* or *dealing in investments as agent*.

Exclusions to the dealing activities are discussed in *PERG* 18.8.5, and *PERG* 18.8.11 to *PERG* 18.8.19.

18.8.4 Question 8.4: What is arranging deals in qualifying cryptoassets?

As with ‘arranging deals in investments’ (article 25 of the **Regulated Activities Order**), **arranging deals in qualifying cryptoassets** includes 2 distinct **regulated activities**. Article 9Y (Arranging deals in qualifying cryptoassets) of the **Regulated Activities Order** is divided into ‘**arranging (bringing about) deals in qualifying cryptoassets**’ and ‘**making arrangements with a view to transactions in qualifying cryptoassets**’. As set out in *PERG* 2.7.7BG, the former is aimed at arrangements that would have the direct effect that a particular transaction is concluded (that is, arrangements that bring it about). The latter is concerned with arrangements of an ongoing nature the purpose of which is to facilitate the entering into of transactions by other parties.

Examples of activities that may amount to **arranging (bringing about) deals in qualifying cryptoassets** under article 9Y(1) include receiving and transmitting a client’s order or instruction in relation to a **qualifying cryptoasset** to another person for execution. This **regulated activity** may also include bringing together 2 or more investors in a way that facilitates a transaction in **qualifying cryptoassets**. Readers may find it useful to be aware that, in the context of *financial instruments*, the reception and transmission of orders will typically amount to *arranging (bringing about) deals in investments* (see *PERG* 13.3 Q13 and *PERG* 13 Annex 2). The *FCA* considers that the inclusion of analogous activities within article 9Y(1) is consistent with that approach.

The ability to influence, direct or exercise discretion over whether a transaction in a **qualifying cryptoasset** is entered into by another person is not a necessary element of **arranging deals in qualifying cryptoassets**; nor is having control over the **qualifying cryptoassets**. A person with authority to enter into transactions in **qualifying cryptoassets** on behalf of another person should consider whether they are **dealing in qualifying cryptoassets as agent** (see *PERG* 18.8.3); whereas a person who exercises control over **qualifying cryptoassets** should consider whether they are **safeguarding cryptoassets** (see *PERG* 18.6).

Making arrangements with a view to transactions in qualifying cryptoassets has a potentially broad scope as the arrangements do not need to bring about a particular transaction (see *PERG* 18.8.20). It can capture arrangements such as those which:

(1) enable or assist investors to deal with or through a particular firm (such as the arrangements made by introducers); or

(2) facilitate the entering into of transactions directly by the parties, such as through a platform (except where it forms part of the activity of **operating a qualifying CATP**).

For arrangements to fall within article 9Y(2), they must be made with a view to a person participating in the arrangements buying, selling, subscribing for or underwriting a **qualifying cryptoasset**. This means that a person making arrangements must take account of the purpose for which the arrangements are made.

The *guidance* in *PERG* 2.7.7G to *PERG* 2.7.7CG (including the other areas of *PERG* referred to in those sections) should also be considered by persons when considering whether they are **arranging deals in qualifying cryptoassets**. In short, this *guidance* sets outs the following:

(3) Making arrangements with a view to transactions is not limited to arrangements that are participated in by investors. A person may be carrying on this **regulated activity** even if they are only providing part of the facilities for bringing about a transaction. **Making arrangements with a view to transactions in qualifying cryptoassets** does not need to be causative of the transaction in the sense that it brings it about, but nonetheless helps it to happen. Nor is it necessary that all the parties to the transaction being arranged should participate in the arrangements.

(4) Certain arrangements may come within the activity even though the parties may have already committed to the transaction using other arrangements. For example, persons providing arrangements to facilitate the conclusion of a transaction such as settlement services or other services offered to complete the transaction akin to clearing houses can be within scope of the **arranging deals in qualifying cryptoassets** activity.

(5) Passive display of literature does not amount to making arrangements with a view to transactions. However, the *guidance* in *PERG* 8.32.3G to *PERG* 8.32.8G should be considered in relation to arranging and the *financial promotions* regime. Readers may also find it helpful to refer to the *guidance* at *PERG* 18.8.8 regarding whether the provision of information, analytics, research, market data and dashboard services amounts to **arranging deals in qualifying cryptoassets**.

(6) In the *FCA's* view, **making arrangements with a view to transactions in qualifying cryptoassets** includes certain types of arrangements where persons will be introduced to one another. Readers may find the *guidance* on introductions in the context of article 25(2) of the **Regulated Activities Order** at *PERG* 2.7.7BDG helpful. *Guidance* on the exclusion in article 9Z1 (Article 9Y exclusion: introducing) of the **Regulated Activities Order** can be found in *PERG* 18.8.21.

More generally, the activity of **making arrangements with a view to transactions in qualifying cryptoassets** is also of relevance to software-based or connectivity services, which can take various forms. Whether article 9Y(2) applies will depend on the nature of the services provided and the purpose for which the arrangements are made. Developing software is not a **regulated activity** as such. But software can be used to facilitate transactions. Where software is used in this way, it may constitute the carrying on of one or more **regulated activities**. The person(s) who need to be *authorised* for this will typically be those person(s) who provide access to, or use of, that software, not necessarily the developers of it. Similarly, where software is provided to *authorised persons* to do things such as managing records of investment transactions or providing services peripheral to the **regulated activities** undertaken by those *authorised persons*, this should not generally be caught by article 9Y.

On the other hand, where a website host or app provider is providing users with the means by which they can place orders, this is likely to amount to the activity of **making arrangements with a view to transactions in qualifying cryptoassets**, unless an available exclusion applies. Where the person provides users with the means to make, place or otherwise send orders and receive confirmation that a transaction has been completed, this may amount to both forms of **arranging deals in qualifying cryptoassets**. In determining the status of the website host or app provider, it is necessary to look at the provision of services as a whole, including the features available to users, and whether and how they enable users to place orders or deal directly in **qualifying cryptoassets**.

Arranging transactions may also capture a range of services, such as a platform which arranges **qualifying cryptoasset lending or borrowing** or other platforms that provide a means to trade which is not captured as a **QCATP**. This includes but is not limited to arrangements such as providing trading apps, providing access to **QCATPs** or dealers or other **qualifying cryptoasset** execution venues, or facilitating transactions between parties on a **qualifying cryptoasset lending or borrowing** platform.

Persons should consider the substance of the service they provide and whether they are providing arrangements for persons to buy and sell **qualifying cryptoassets**. As noted in *PERG* 18.8.3, buying and selling has a broad scope and **arranging deals in qualifying cryptoassets** therefore also covers a broad range of business models and transactions.

Guidance on exclusions to the arranging activity are set out in *PERG* 18.8.20 to *PERG* 18.8.24.

18.8.5 Question 8.5: Does a person issuing qualifying stablecoins need dealing permission?

The new activities of **dealing in qualifying cryptoassets (as principal or agent)**, **arranging deals in qualifying cryptoassets** and **making arrangements with a view to transactions in qualifying cryptoassets** have an exclusion for the activity of **issuing a qualifying stablecoin**. The scope of the **issuing a qualifying stablecoin** activity is set out in *PERG* 18.5.

As noted in *PERG* 18.5.1, the **issuing a qualifying stablecoin** activity has 3 limbs. It is only where a person (who has created the **qualifying stablecoin** or on whose behalf it was created) undertakes or arranges for another to undertake all 3 limbs that they are undertaking the **issuing a qualifying stablecoin** activity and are excluded from **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets**. If they are not undertaking the issuing activity under article 9M of the **Regulated Activities Order**, they will not benefit from the exclusion from dealing.

Where a person undertakes issuance or redemption for a **qualifying stablecoin** but does not fall within scope of the **issuing a qualifying stablecoin** activity, they may require a dealing *permission*. This could be due to a number of different circumstances, including where:

(1) they do not fulfil the territorial criteria for **issuing a qualifying stablecoin** in that they are not carrying out activity from an establishment in the *UK* (see *PERG* 18.3.5);

(2) they do not fulfil all the criteria of the **issuing a qualifying stablecoin** activity – for example, by only undertaking 1 limb of the activity; and/or

(3) the **qualifying cryptoasset** that they issue does not meet the criteria of a **qualifying stablecoin**.

Therefore, where a person is not carrying out **issuing a qualifying stablecoin**, for example:

(4) an overseas issuer who is not considered to be **issuing a qualifying stablecoin** in the *UK*; or

(5) a person who is appointed by an overseas issuer to undertake redemption on their behalf (as a third-party appointee),

the exclusion from dealing (as principal or agent) or arranging for **issuing a qualifying stablecoin** will likely not be available.

Persons should consider whether a *permission* for dealing in **qualifying cryptoassets** is needed. A person who arranges issuance or redemption may require an arranging *permission*.

18.8.6 Question 8.6: Does a person issuing qualifying cryptoassets need a dealing permission?

Where a person issues **qualifying cryptoassets** by offering **qualifying cryptoassets** for sale (or offers for persons to subscribe for or underwrite them) this may fall within scope of dealing. Issuers should consider whether they are excluded from the dealing activity. See *PERG* 18.8.17 and *PERG* 18.8.19.

Where an overseas person issues **qualifying cryptoassets** to consumers in the *UK*, the provisions of section 418 of the **Act** relating to territorial scope for dealing will be relevant. See *PERG* 18.3.2.

Persons who arrange transactions between a client and an issuer may require an arranging *permission*.

Exclusions may apply to a person issuing their own cryptoassets, such as where they are issued to employees for raising capital or the distribution of rewards for **arranging qualifying cryptoasset staking**. See the *guidance* at *PERG* 18.8.11, *PERG* 18.8.14 and *PERG* 18.8.15.

18.8.7 Question 8.7: Does a person providing or arranging wrapping or bridging services need dealing/arranging permission?

Wrapping services and bridging services can be structured in a number of different ways and are not, in themselves, distinct **regulated activities**. Depending on how a particular service is structured and operated, carrying on wrapping or bridging activities may involve carrying on one or more **regulated cryptoasset activities**.

Wrapping services may involve the creation, issuance, redemption or exchange of a **wrapped token** relating to an underlying cryptoasset. Bridging services may involve enabling a cryptoasset, or the value represented by a cryptoasset, to be transferred, represented or used across distributed ledger networks.

Whether a person carrying on wrapping or bridging activities is carrying on a **regulated cryptoasset activity** will depend on the substance of the activity and the particular facts and circumstances, including whether any exclusions apply. Given the variety of ways in which such services may be structured and offered, this assessment will need to be undertaken on a case-by-case basis.

As noted in *PERG* 18.8.3, dealing in this context involves buying, selling, subscribing for or underwriting a **qualifying cryptoasset** as principal (or as agent). Both buying and selling are broadly defined. Depending on how they are structured and operated, wrapping or bridging arrangements may involve **dealing in qualifying cryptoassets (as principal or agent)**. For example, wrapping or bridging services may fall within the dealing activity because they involve the sale and purchase of **qualifying cryptoassets**. However, persons facilitating wrapping or bridging for another may fall within scope of **arranging deals in qualifying cryptoassets** (see *PERG* 18.8.4). In addition, where a wrapping or bridging arrangement is structured and operated on a custodial basis, a person should also consider whether they are carrying on the **regulated activity** of **safeguarding qualifying cryptoassets** (see *PERG* 18.6).

18.8.8 Question 8.8: Does providing information, analytics, data or dashboard services amount to arranging deals in qualifying cryptoassets?

The provision of information, analytics, research, market data or dashboard services does not, of itself, amount to **arranging deals in qualifying cryptoassets**.

Whether a person is carrying on that **regulated activity** depends on the role that they perform in relation to arranging transactions in **qualifying cryptoassets**. The relevant question is not whether the service provides information that may be useful to a person making a trading decision, but whether the service forms part of the arrangements by which transactions are facilitated or entered into.

A person whose role is limited to solely collecting, displaying, analysing or transmitting information is less likely to be carrying on the **regulated activity**. This may include, for example, the provision of price feeds, market data, blockchain analytics, research or informational content, or screening, filtering or search functionality.

However, the fact that a service is described as an information, analytics or dashboard service is not determinative. A person may be **arranging deals in qualifying cryptoassets** where the service goes beyond the provision of information and performs a role in facilitating transactions in **qualifying cryptoassets**.

Relevant considerations may include whether the service enables, supports or facilitates users to identify counterparties or execution venues, transmit or route orders, access trading functionality, enter into, negotiate or execute transactions, or otherwise participate in the transaction process.

The assessment will depend on the facts and circumstances of the particular case, including the functionality offered to users and the extent to which that functionality forms part of the arrangements by which transactions in **qualifying cryptoassets** are effected.

The fact that a service may influence a person's decision whether to buy, sell or hold a **qualifying cryptoasset** does not, on its own, necessarily mean that the person providing the service is **arranging deals in qualifying cryptoassets**.

Persons will also need to consider whether they are making *financial promotions*. See *PERG* 8.

18.8.9 Question 8.9: I manage investments for clients, including cryptoassets. What permissions do I need?

To carry on the **regulated activity** of *managing investments*, the property being managed must consist of, or include, *securities*, *structured deposits* or *contractually based investments*. Alternatively, discretionary portfolio management will generally fall within the scope of this **regulated activity** where it is possible that the property could consist of, or include, such investments, provided that the other elements of the **regulated activity** are satisfied. This is the case even if there never has been any investment in these products, as long as there have been representations that there would be. Accordingly, the **regulated activity** of *managing investments* is particularly relevant in relation to **relevant specified investment cryptoassets**, which, by definition, are *securities* or *contractually based investments*.

Managing investments in relation to **qualifying cryptoassets** is not introduced as a new **regulated cryptoasset activity** under the **Cryptoassets Regulations**. Where:

(1) the property managed consists exclusively of **qualifying cryptoassets**; and

(2) there is no possibility under the management arrangements that the property managed could ever consist of or include *securities*, *structured deposits* or *contractually based investments*,

managing that property will not amount to the **regulated activity** of *managing investments*.

Further *guidance* on the **regulated activity** of *managing investments* can be found in *PERG* 2.7.8G.

Persons whose mandate includes the trading of **qualifying cryptoassets** for clients should consider whether they also need *permission* for **regulated cryptoasset activities** such as **dealing in qualifying cryptoassets (as principal or agent)**, **arranging deals in qualifying cryptoassets**, **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**.

Persons who have a *permission* for *managing investments* will need to apply for a variation of *permission* to undertake any **regulated cryptoasset activities**. However, managers of an *AIF* or a *UK UCITS* may benefit from the exclusion in article 72AA (Managers of UK UCITS and AIFs) of the **Regulated Activities Order**. See *PERG* 18.11.2.

Activities that are not **regulated cryptoasset activities** may nevertheless be relevant for the purposes of the **Financial Promotion Order**. Persons communicating *financial promotions* in connection with **cryptoassets**, or in connection with *managing investments*, should therefore consider whether the *financial promotion* regime applies to their communications, including any applicable restrictions and requirements (see *PERG* 8).

18.8.10 Question 8.10: Do I need Part 4A authorisation to advise on cryptoassets?

Providing investment advice in relation to **qualifying cryptoassets** is not, in itself, a **regulated activity**. However, where a person does more than advise clients on **qualifying cryptoassets**, and also facilitates transactions, routes orders or provides any additional service, this could constitute a **regulated activity**. Therefore, the nature of the advisor's services should be considered in totality to identify whether any **regulated activity** (including a **regulated cryptoasset activity**) might be involved.

Where a person advises clients in connection with **specified investment cryptoassets**, they should consider whether they require *permission* to carry on the **regulated activity** of *advising on investments (except P2P agreements)* (see *PERG* 2.7.14CG to *PERG* 2.7.16AG, and *PERG* 8.24).

Readers should also note that the perimeter for the purposes of the **Regulated Activities Order** is different to that of the **Financial Promotion Order**. As such, any person communicating a *financial promotion* in connection with a cryptoasset, or in connection with *advising on investments*, should also consider whether the *financial promotion* regime applies to their activities, including any applicable restrictions and requirements (see *PERG* 8).

18.8.11 Question 8.11: What exclusions apply across intermediary activities?

The activities of **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets** have a number of shared exclusions. These are:

(1) the creation, including the design, of a **qualifying stablecoin**;

(2) the **minting** of a **qualifying stablecoin**;

(3) the acquisition or transfer of a **qualifying cryptoasset** for no consideration;

(4) the distribution of a **qualifying cryptoasset** that was automatically created as a reward for the maintenance of the distributed ledger or the validation of transactions;

(5) sale to employees;

(6) intra-group transactions (not applicable to dealing as agent); and

(7) exclusion for the **issuing a qualifying stablecoin**, **arranging qualifying cryptoasset staking** and **operating a qualifying CATP** activities.

18.8.12 Question 8.12: What is the creating and minting exclusion?

Creation (including design) and **minting** (ie, undertaking the technical process to create a **qualifying stablecoin**) are unlikely to be captured as dealing or arranging unless they involve the buying and selling of a **qualifying stablecoin**.

The exclusions for creating (including design) and **minting** of a **qualifying stablecoin** are intended to close a gap between the issuing activity and the dealing activity. If a person is undertaking a technical activity of creating a coin or **minting** it distinct from a transaction, that activity will likely fall outside the scope of dealing and arranging. A person who is **issuing a qualifying stablecoin** does not require *permission* for **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets**.

If a person engages in transactions where they **mint** and offer **qualifying stablecoins** as part of a transaction, parts of this process (the offer and sale, etc) may be part of a **regulated activity** which does not benefit from this exclusion. See the *guidance* at *PERG* 18.5.1, *PERG* 18.8.5 and *PERG* 18.8.6.

18.8.13 Question 8.13: I receive or provide qualifying cryptoassets through ‘airdrops’. Do I require Part 4A authorisation?

Where a person ‘airdrops’ a **qualifying cryptoasset** or receives an airdropped **qualifying cryptoasset**, this may be excluded from dealing and arranging where there is no consideration provided. ‘Airdrop’ is a non-technical industry term and can cover a range of ways that **qualifying cryptoassets** are distributed. The labelling of such transfers is not a relevant factor in determining whether this exclusion applies.

This exclusion provides certainty that persons who provide **qualifying cryptoassets** for no consideration are not dealing; nor are those who receive the **qualifying cryptoassets**. Persons arranging such transfers may also benefit from the exclusion. Where there is some form of consideration provided, this exclusion will not apply. The 'by way of business' requirement as well as the holding out exclusion (see *PERG* 18.2 and *PERG* 18.8.18) may also be relevant here.

18.8.14 Question 8.14: What is the scope of the reward distribution exclusion?

The reward distribution exclusion for **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets** only applies in respect of the distribution of **qualifying cryptoassets** which were automatically created as a reward for maintenance of the distributed ledger or the validation of transactions.

This is a limited exclusion intended to capture the distribution of **qualifying cryptoassets** created through **blockchain validation** processes such as **qualifying cryptoasset staking**. It is also limited to the initial distribution to the person who automatically receives the **qualifying cryptoasset**. It does not extend to subsequent distribution of the **qualifying cryptoasset**.

In practice, this exclusion will be of limited effect as the distribution of rewards is part of the activity of **arranging qualifying cryptoasset staking**, which is itself carved out of dealing and arranging activities.

18.8.15 Question 8.15: I issue qualifying cryptoassets to employees as a reward scheme. Do I need authorisation?

It is unlikely that this activity will require *authorisation*. There is an exclusion from **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets** where a **qualifying cryptoasset** is issued by or on behalf of a person and sold to or subscribed to by an employee or partner of the person carrying on the activity.

This activity only applies to the person who issues the **qualifying cryptoasset** or another who does so on behalf of that person. It would not apply to a third party who is neither such person.

18.8.16 Question 8.16: What is the exclusion for group companies?

There are 2 intra-group transaction exclusions which apply, respectively, to **dealing in qualifying cryptoassets as principal** and **arranging deals in qualifying cryptoassets**. The general principle here is that as long as activities that would otherwise be **regulated activities** take place wholly within a group of companies, they are excluded:

(1) The exclusion from **dealing in qualifying cryptoassets as principal** applies where a person only enters into transactions as principal with other members of the same group.

(2) The exclusion from **arranging deals in qualifying cryptoassets** applies where:

(a) the person only makes arrangements for, or with a view, to a transaction which is or is to be entered into as principal by another member of the same group; and

(b) the person makes such arrangements where it is not otherwise required to be *authorised* to carry on **regulated cryptoasset activities**.

If the conditions in (a) and (b) are met and persons relying on this exclusion do not otherwise deal with or arrange deals for non-group companies, there is no need for *authorisation*.

18.8.17 Question 8.17: What does it mean for issuing a qualifying stablecoin, operating a qualifying CATP and arranging qualifying cryptoasset staking to be excluded from dealing and arranging?

These exclusions carve out any activity from **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets** which is specified by the **issuing a qualifying stablecoin**, **operating a qualifying CATP** or **arranging qualifying cryptoasset staking** activity.

Where a person is **issuing a qualifying stablecoin**, this exclusion will only apply where they undertake (including by arranging for others to undertake parts of) the **issuing a qualifying stablecoin** activity such that they are required to be *authorised* as a **qualifying stablecoin issuer**. The implications of this exclusion and issuing are addressed in *PERG* 18.8.5 and *PERG* 18.8.11.

Similarly, the exclusion for **operating a qualifying CATP** is only relevant for the activities that constitute the **regulated cryptoasset activity** of **operating a qualifying CATP** when undertaken by the operator in that capacity. For example, a **QCATP operator** that also offers brokerage services will not have those services excluded.

Often, the activity of **arranging qualifying cryptoasset staking** will involve the arrangement of **qualifying cryptoasset staking** as well as the distribution of rewards earned. As such, a person **arranging qualifying cryptoasset staking** could be carrying on the **regulated cryptoasset activity** of **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets** with respect to the distribution of rewards. Because this exclusion specifies **arranging qualifying cryptoasset staking**, a person who has *permission* to carry on this activity will not also need *permission* for **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets** for those activities carried on in relation to **arranging qualifying cryptoasset staking** that could be in scope of dealing or arranging.

18.8.18 Question 8.18: What are the exclusions for the activity of dealing in qualifying cryptoassets as principal?

Of particular significance is the exclusion in article 9U (Article 9T exclusion: absence of holding out etc.) of the **Regulated Activities Order**. This exclusion applies where a person does not hold themselves out as:

(1) willing as principal to buy and sell **qualifying cryptoassets** generally and continuously;

(2) engaged in the business of dealing in them; or

(3) regularly soliciting members of the public with the purpose of inducing them to deal.

Holding out is to be considered in light of all the circumstances, and includes but is not limited to statements a person makes by means of advertisements or otherwise, as well as a person's conduct. For example, in the *FCA's* view, the mere fact of a private individual being a user of a **QCATP** does not mean that the individual holds themselves out as engaging in the business of buying **qualifying cryptoassets** of the kind to which the transaction relates, with a view to selling them.

A person will not be treated as carrying on the activity of **dealing in qualifying cryptoassets as principal** if they enter into a transaction as principal while acting as bare trustee (or, in Scotland, as nominee).

18.8.19 Question 8.19: What is the raising capital exclusion for dealing in qualifying cryptoassets?

This exclusion refers to a limited circumstance where a person (A) or someone on their behalf creates and **mints qualifying cryptoassets** and deals in them with the sole purpose of raising capital for A.

18.8.20 Question 8.20: What about arrangements that do not cause a deal?

Arranging (bringing about) deals in qualifying cryptoassets applies only where the arrangements bring about or would bring about a particular transaction in **qualifying cryptoassets**. A person will bring about a transaction only if their involvement in the chain of events leading to a transaction is of sufficient importance that, without that involvement, it would not take place.

This exclusion at article 9Z (Article 9Y exclusion: arrangements not causing a deal) of the **Regulated Activities Order** is not available for **making arrangements with a view to transactions in qualifying cryptoassets**, which is a much broader activity.

18.8.21 Question 8.21: What about introducing a firm to an authorised person with a Part 4A permission to carry on regulated cryptoasset activities?

Arrangements that are solely arrangements under which persons will be introduced to an *authorised person* with a *Part 4A permission* to carry on **regulated cryptoasset activities** are excluded from the activity of **making arrangements with a view to transactions in qualifying cryptoassets**.

Making arrangements with a view to transactions in qualifying cryptoassets applies to ongoing arrangements made with a view to transactions taking place from time to time as a result of persons having taken part in the arrangements. It does not include one-off introductions or introductions that are not part of an ongoing pre-existing arrangement between introducer and client.

In the *FCA's* view, this means that any arrangements which go beyond a sole introduction to an *authorised person* could be captured as arrangements with a view to transactions.

18.8.22 Question 8.22: What about simply providing the means by which the parties to a transaction are able to communicate with each other?

Merely providing the means by which one party to a transaction, or potential transaction, is able to communicate with other such parties is excluded from **making arrangements with a view to transactions in qualifying cryptoassets**.

In the *FCA's* view, the crucial element of the exclusion is the inclusion of the word 'merely'. This is aligned with the *FCA's* approach to the article 27 exclusion in article 27 (Enabling parties to communicate) of the **Regulated Activities Order** of enabling parties to communicate for the activity of *making arrangements with a view to transactions in investments*, as set out in *PERG* 8.32. If a person makes arrangements that go beyond providing the means of communication, and adds value to what is provided, such that they are not merely providing the means by which the parties are able to communicate, they will lose the benefit of this exclusion.

As set out in *PERG* 8.32.3G to *PERG* 8.32.7G, where a publisher, broadcaster or internet website operator goes beyond what is necessary for them to provide their service of publishing, broadcasting or otherwise facilitating the issue of promotions, they may well bring themselves within the scope of **making arrangements with a view to transactions in qualifying cryptoassets**.

Similarly, examples of where, in the *FCA's* view, a publisher or broadcaster is likely to be making arrangements within the meaning of **making arrangements with a view to transactions in qualifying cryptoassets** and unable to make use of the exclusion for mere communication include if:

(1) they enter into an agreement with a provider of investment services, such as a broker or product provider, for the purpose of carrying their *financial promotion*; and

(2) as part of the arrangements, the publisher or broadcaster does one or more of the following:

(a) brands the investment service or product in their name or joint name with the broker or product provider;

(b) endorses the service, or otherwise encourages readers or viewers to respond to the *financial promotion*;

(c) negotiates special rates for their readers or viewers if they take up the offer; and/or

(d) holds out the service as something they have arranged for the benefit of their readers or viewers.

Where a person receives commission or other form of reward based on the amount of regulated business done as a result of their carrying the *financial promotion*, this can also indicate that a person is **making arrangements with a view to transactions in qualifying cryptoassets**. However, the mere communication exclusion will apply in cases where there is such a reward, provided the arrangements are made merely to allow the communication to be made.

Other persons who may benefit from the exclusion because they are merely enabling parties to communicate include persons who provide the means for someone to communicate an order to another person. A person providing such services would not, in the *FCA's* view, be merely facilitating communication (of the orders) if they provide added value as part of the arrangements. This added value could be in the form, for example, of such things as formatted screens, audit trails, checking completeness of orders, or matching orders or reconciling trades.

Features which are merely incidental to communicating information are less likely, of themselves, to prevent reliance on the exclusion. By contrast, functionality which assists users in identifying counterparties, locating trading opportunities, comparing execution options, formulating, routing, transmitting, monitoring or executing orders, or otherwise participating in the transaction process, is more likely to indicate that the service goes beyond merely facilitating communication.

In the *FCA's* view, the concept of 'added value' should not be understood as meaning that any feature which makes a service more useful, convenient or attractive will prevent reliance on the exclusion. The relevant question is whether the person's role remains limited to providing the means of communication, or whether the features of the service facilitate, support or enable the entering into of transactions in **qualifying cryptoassets**. For example, a person providing a service that enables parties to an actual or potential transaction to communicate with one another, but which is also designed to simplify trading by finding prices or venues, or by assisting clients in placing orders on those venues (including through order pre-fill functionality), is likely to be unable to rely on this exclusion.

Persons will also need to consider whether they are making *financial promotions*. See *PERG* 8.

18.8.23 Q8.23: What if the arranger is a party to the transaction?

Arranging transactions to which the arranger is a party is excluded from **arranging deals in qualifying cryptoassets**.

The main purpose of this exclusion is to ensure that a person is not regarded as arranging deals for another when the transaction in question is one to which they intend to be a party. As a result, a person cannot both be engaging in **dealing in qualifying cryptoassets (as principal or agent)** and **arranging deals in qualifying cryptoassets** for another as regards any particular **qualifying cryptoasset** transaction. Where the person is a party to the transaction, this is captured by the dealing activity (unless an exclusion applies).

Where a person is **making arrangements with a view to transactions in qualifying cryptoassets** with a view to a transaction they are entering in themselves, this will also be excluded from **making arrangements with a view to transactions in qualifying cryptoassets**.

18.8.24 Q8.24: What exclusions apply to trustees, nominees and personal representatives?

Arrangements made by a person acting as trustee, nominee or personal representative are excluded where these are with a view to a transaction between:

(1) that person and a fellow trustee, nominee or personal representative, acting in their capacity as such; or

(2) a beneficiary under the trust, will or intestacy.

A person will not benefit from this exclusion where they receive remuneration that is additional to any they receive for acting in the representative capacity (although a person is not to be regarded as receiving additional remuneration merely because their remuneration as trustee or representative is calculated by reference to time spent).

18.9 Activity: cryptoasset lending and borrowing

18.9.1 Question 9.1: What is cryptoasset lending and borrowing and what regulated activities might be involved?

Qualifying cryptoasset lending or borrowing are not distinct **regulated activities** but examples of transactions in **qualifying cryptoassets** that are likely captured by other **regulated cryptoasset activities**.

Qualifying cryptoasset lending describes the disposal of a **qualifying cryptoasset** from a person (A) to or via another person (B), subject to an obligation or right to reacquire the same or equivalent **qualifying cryptoasset** from B, typically with compensation paid to A in the form of yield.

Qualifying cryptoasset borrowing is similar but operates with **qualifying cryptoassets** moving in the opposite direction. It describes the disposal of a **qualifying cryptoasset** from or via person B to person A, subject to an obligation or right to reacquire the same or equivalent **qualifying cryptoasset** from A, which may include the provision of collateral and/or payment of interest from A.

Viewed holistically, these transactions may resemble 'loans', but the legal implications of the precise arrangements matter more than the terminology used. In most instances, the various transactions that constitute **qualifying cryptoasset lending or borrowing** will amount to deals, not loans. This is because the disposal of a **qualifying cryptoasset** from person A to person B and/or the disposal of a **qualifying cryptoasset** from person B to person A would constitute a deal on the basis that 'dealing' includes buying, selling, subscribing for or underwriting a **qualifying cryptoasset**, and 'buying'/'selling' are defined in article 3 of the **Regulated Activities Order** as including acquisition/disposal for valuable consideration. The reacquisition of the same or equivalent **qualifying cryptoasset** would also constitute a deal. Further, where yield is provided to person A and that yield is in **qualifying cryptoassets**, or where A provides **qualifying cryptoassets** as interest payments, this would also constitute dealing.

Whether person A and/or person B require *permission* in order to carry on these activities will depend on the role they play in these arrangements. It will also depend on whether they are engaging in these deals themselves as principal or agent, or whether they are arranging these deals or making arrangements with a view to these deals in **qualifying cryptoassets**. If, for example, person A is a consumer, they are less likely to be carrying on these activities by way of business and/or they may not be holding themselves out as carrying on these activities by way of business, and so may be less likely to need to be *authorised* or exempt. Readers should have regard to the *guidance* at *PERG* 18.8.3 when considering whether their activities amount to **dealing in qualifying cryptoassets (as principal or as agent)**, and *PERG* 18.8.4 regarding **arranging deals in qualifying cryptoassets**.

Cryptoasset lending and borrowing arrangements may also involve the **regulated activity** of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** – for example, where person B safeguards the **qualifying cryptoassets** 'lent' to them or the collateral held, where the collateral is made up of **qualifying cryptoassets** or **relevant specified investment cryptoassets**. Readers should also have regard to the *guidance* at *PERG* 18.6 when considering whether their activities amount to **safeguarding cryptoassets** or **arranging cryptoasset safeguarding**.

Where the activity is within the scope of the **dealing in qualifying cryptoassets (as principal or agent)** activity or the **arranging deals in qualifying cryptoassets** activity, the exclusions applicable to those activities may be relevant. This is also true for the **safeguarding cryptoassets** and **arranging**

cryptoasset safeguarding activities, in respect of which certain exclusions may be available.

There may be other models, however, that operate differently and so would have different implications as far as the perimeter is concerned, as they engage additional or other **regulated activities**. A case-by-case assessment is always required.

For example, there may be arrangements that are described as lending and involve forms of margin trading. Those persons offering such types of arrangement should consider *PERG* 2.6 and *PERG* 13.4 and whether the arrangements could involve another type of **specified investment**, like a *derivative*, and may therefore engage other **regulated activities** for which *permission* may be required.

18.9.2 Question 9.2: Is cryptoasset lending or borrowing different from regulated credit?

As explained in *PERG* 18.9.1, **qualifying cryptoasset lending or borrowing** are not distinct **regulated cryptoasset activities** in their own right, but they will typically amount to **dealing in qualifying cryptoassets (as principal or agent)** or **arranging deals in qualifying cryptoassets** by virtue of involving the disposal and acquisition of **qualifying cryptoassets**, concluded or arranged by the relevant parties. Viewed holistically, the disposal and subsequent acquisition of the **qualifying cryptoassets** may resemble a loan, and may be called ‘lending’ or ‘borrowing’, but the appropriate legal characterisation depends on the substance of the arrangements and the role performed by the relevant parties.

The conclusion or arrangement of a transaction that is properly characterised as a deal is fundamentally different to the provision of *credit*. Where cryptoasset lending or borrowing involves dealing, it is very unlikely to constitute or involve *consumer credit lending*, which is about the provision of *credit*, not dealing.

Ultimately, however, whether a lending or borrowing arrangement involving cryptoassets constitutes *consumer credit lending* will depend on the specific legal and commercial structure of the arrangement, as well as the nature of the parties involved.

18.10 Activity: arranging qualifying cryptoasset staking

18.10.1 Question 10.1: What does the arranging qualifying cryptoasset staking activity include?

Arranging qualifying cryptoasset staking means the use of a **qualifying cryptoasset** in **blockchain validation**. **Blockchain validation** refers to the validation of transactions on a blockchain or a network that uses distributed ledger technology or other similar technology, and includes proof of stake distributed ledger technology consensus mechanisms. Article 9Z6 (Qualifying cryptoasset staking) of the **Regulated Activities Order** defines **arranging**

qualifying cryptoasset staking as the activity of 'making arrangements on behalf of another person (whether as principal or agent) for **qualifying cryptoasset staking**'.

Therefore, this is only a **regulated activity** if the arrangement relates to the use of **qualifying cryptoassets** in **blockchain validation**.

In the *FCA's* view, a person 'makes arrangements on behalf of another person' for **arranging qualifying cryptoasset staking** where they perform an intermediation role enabling **qualifying cryptoassets** to be staked. Arranging is a broad activity. However, the involvement must go beyond merely introducing a person to an *authorised person* or enabling one party to communicate with others (both introducing and enabling communication are excluded).

Arranging qualifying cryptoasset staking can include a range of different models where one person arranges **qualifying cryptoasset staking** for another. This can include models such as 'pooled custodial staking', where a client transfers control of their **qualifying cryptoassets** to a staking provider, who pools cryptoassets together from multiple clients to be used in **blockchain validation**. It can also include arrangements where a person provides services such as an interface to stake **qualifying cryptoassets**. This is subject to exclusions (see *PERG* 18.10.2, *PERG* 18.10.4 and *PERG* 18.10.5).

Examples of making arrangements in relation to staking that may fall within scope of the **arranging qualifying cryptoasset staking** activity include:

(1) managing the end-to-end staking lifecycle – where a person oversees or enables a process through which **qualifying cryptoassets** are staked, and rewards are generated, distributed or reinvested;

(2) pooling of assets for staking – where a person aggregates, or organises the aggregation of, **qualifying cryptoassets** from multiple customers to facilitate participation in staking activities (eg, pooling assets to meet validator thresholds); and

(3) distribution of staking rewards – where a person is responsible for allocating and delivering staking rewards to the customer, whether periodically or upon completion of the staking period.

Although these are examples of arrangements that would likely be in scope, they are not necessarily indicative of all types of arrangements that would constitute **arranging qualifying cryptoasset staking**. The activity is a broad one and can encompass many different **qualifying cryptoasset staking** models. Reference to the specific features of the arrangements in question on a case-by-case basis is therefore necessary to determine whether the activity is in scope.

18.10.2 Question 10.2: Is the operation of a staking validator node captured in the arranging qualifying cryptoasset staking activity?

Article 9Z9 (Article 9Z6 exclusion: technical services exclusion) of the **Regulated Activities Order** provides an exclusion to the **arranging qualifying**

cryptoasset staking activity, such that a technical service provided by a person (P) will not constitute the **regulated activity** of **arranging qualifying cryptoasset staking**, provided that:

(1) the service allows another person to participate in **qualifying cryptoasset staking**, including by operation of a validator node for that staking; and

(2) P does not hold itself out as offering **qualifying cryptoasset staking** to the public.

However, a person performing a technical service, such as operating a validator node, may nevertheless still fall within scope of **arranging qualifying cryptoasset staking** if their service or activities go beyond purely technical services. This could be, for example, by providing a facility that enables other persons to participate in staking which goes beyond merely performing the technical service of operating a validator node to validate transactions on the blockchain.

If the provision of a service includes added value, such that it is no longer a purely technical service, this is unlikely to be excluded under article 9Z9. In the *FCA's* view, the concept of 'added value' should not be understood as meaning that any feature which makes a service more useful, convenient or attractive will prevent reliance on the exclusion. The relevant question is whether the person's role remains limited to providing the technical means through which another person may participate in **qualifying cryptoasset staking**, or whether the arrangements offered facilitate, support or enable that person's participation in **qualifying cryptoasset staking** beyond the provision of those technical means.

For example, a validator node operator that provides the technical means through which users may participate in staking services offered by third parties may be able to rely on the exclusion, provided that it does not hold itself out as offering **qualifying cryptoasset staking** to the public.

Similarly, a person who provides users with a software interface to access **qualifying cryptoasset staking** services offered by third parties, without itself having any involvement in the staking services, may be able to rely on the exclusion, provided that its role remains limited to the provision of that technical service and it does not hold itself out as offering **qualifying cryptoasset staking** to the public.

By contrast, a person who offers arrangements also designed to simplify participation in staking, such as by providing a facility that provides easy access to staked assets and rewards, the compounding of rewards, identifying and recommending validators based on past performance or fees, and the offer of other additional benefits and services, is likely to be unable to rely on the exclusion.

A person **arranging qualifying cryptoasset staking** or operating a validator node may also provide additional services alongside those activities, such as

safeguarding cryptoassets in respect of the staked **qualifying cryptoassets** or **qualifying cryptoasset***s* generated as rewards, which may fall within the scope of the **regulated activity** of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** for which *permission* may be required. See *PERG* 18.6.

18.10.3 Question 10.3: Is offering clients the ability to operate their own validator node for solo staking captured in the staking activity?

In the *FCA's* view, a person solely performing the function of providing clients with the technical means to stake their **qualifying cryptoassets** on a blockchain themselves (eg, by providing the software necessary to do this), without any further involvement or input from that person, would not fall within scope of **arranging qualifying cryptoasset staking**.

However, as above, if the person went beyond this and also engaged in other activities with respect to **arranging qualifying cryptoasset staking**, such as those mentioned in *PERG* 18.10.2, this may fall within the scope of the **arranging qualifying cryptoasset staking** activity. Further, if the person provided additional services, such as **safeguarding cryptoassets** in respect of the staked **qualifying cryptoassets** or **qualifying cryptoassets** generated as rewards, this may fall within scope of **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** for which *permission* may be required.

In considering whether a service goes beyond a technical service for these purposes, relevant considerations may be similar to those discussed in *PERG* 18.8.22 concerning services that go beyond merely facilitating communication. The relevant question is whether the person's services extend beyond the provision of the technical means through which staking may occur and amount to **arranging qualifying cryptoasset staking**.

18.10.4 Question 10.4: Is introducing clients to persons offering to arrange qualifying cryptoasset staking captured in the staking activity?

Article 9Z7 (Article 9Z6 exclusion: introducing) of the **Regulated Activities Order** excludes from the **regulated activity** of **arranging qualifying cryptoasset staking** the provision of services by a person ('A') solely for the purpose of introducing a person ('B') to an *authorised person* with *Part 4A permission* to carry on the **regulated activity** of **arranging qualifying cryptoasset staking** ('C'). Therefore, if C, being the person offering to **arrange qualifying cryptoasset staking**, is an *authorised person*, and all A does is introduce B to C, this is not a **regulated activity** that would require *authorisation* in its own right.

Readers may also benefit from reading the *guidance* in *PERG* 18.8.21 regarding the introducing exclusion from the activity of **arranging deals in qualifying cryptoassets**.

18.10.5 Question 10.5: Is enabling parties to communicate with each other captured in the arranging qualifying cryptoasset staking activity?

Article 9Z8 (Article 9Z6 exclusion: enabling parties to communicate) of the **Regulated Activities Order** provides that a person does not carry on the **regulated cryptoasset activity** of **arranging qualifying cryptoasset staking** merely by providing the means by which one party to an arrangement, or potential arrangement, is able to communicate with other parties. If they do more than merely provide the means of communication, however, this would not be excluded.

Readers may also benefit from reading the *guidance* in *PERG* 18.8.22 regarding the mere communications exclusion from the activity of **arranging deals in qualifying cryptoassets**.

18.10.6 Question 10.6: Does a person offering liquid staking services require authorisation?

The provision of a liquid staking token for a staked **qualifying cryptoasset** and subsequent exchange for the staked asset is not within the scope of the **arranging qualifying cryptoasset staking** activity. This is more likely to constitute **dealing in qualifying cryptoassets (as principal or agent)** (see *PERG* 18.8.3) The person arranging for a liquid staking token to be issued and/or arranging the exchange of a liquid staking token for the staked **qualifying cryptoasset** may be **arranging deals in qualifying cryptoassets**. (See *PERG* 18.8.4 on arranging activity.)

Where the person also arranges **qualifying cryptoasset staking** as part of their service, whether or not related to the provision of any liquid staking tokens, this would exceed the scope of dealing or arranging activities and likely require *permission* for **arranging qualifying cryptoasset staking**.

18.10.7 Question 10.7: Does a person arranging qualifying cryptoasset staking also require safeguarding cryptoassets permission?

In the course of their business, persons carrying on the activity of **arranging qualifying cryptoasset staking** may also safeguard clients' staked **qualifying cryptoassets** or their **qualifying cryptoassets** earned as rewards through **blockchain validation** (or arrange for another person to do this). As such, they may also require *permission* for **safeguarding cryptoassets** or **arranging cryptoasset safeguarding** (see *PERG* 18.10.2 and *PERG* 18.10.3).

18.10.8 Question 10.8: Does a person offering a return generated through the use of qualifying cryptoassets without engaging in blockchain validation require authorisation?

A person would only be carrying on the **regulated activity** of **arranging qualifying cryptoasset staking** if their arrangements relate to the use of a **qualifying cryptoasset** in **blockchain validation** or a network that uses distributed ledger technology or other similar technology. In the *FCA's* view, a service which generates returns through the use of **qualifying cryptoassets**, but does not involve **blockchain validation**, would not fall within scope of the

arranging qualifying cryptoasset staking activity, though it may constitute one or more other **regulated cryptoasset activities**.

18.10.9 Question 10.9: When does a service go beyond merely providing information, communication or technical functionality?

Certain exclusions referred to in this chapter apply where a person's role is limited to providing communications, information or technical functionality. Whether a person can rely on those exclusions depends on the substance of the service provided and the role that service plays in relation to transactions in **qualifying cryptoassets**.

The fact that a service is useful, convenient, commercially valuable or designed specifically for the cryptoasset sector does not, of itself, mean that the person is carrying on a **regulated activity**. The relevant question is whether the person is merely providing information, communications or technical functionality, or whether the service forms part of the arrangements by which transactions in **qualifying cryptoassets** are facilitated, brought about or otherwise enabled.

The presence of one or more of these features does not necessarily determine the outcome. The assessment depends on the service as a whole and the role a person performs in the relevant arrangements. The assessment is not dependent on the way a person describes themselves or on the terminology used.

Conversely, services that are limited to the passive display of information, the provision of general communications facilities, or the provision of technical tools that users may employ independently are less likely, on their own, to amount to arrangements for transactions in **qualifying cryptoassets**. Whether a person is carrying on the **regulated activity** of **arranging deals in qualifying cryptoassets** will always depend on the facts of the particular case.

18.11 Exclusions

18.11.1 Question 11.1: What is the effect of exclusions for regulated cryptoasset activities?

Where an exclusion applies, an activity that would otherwise fall within a **regulated cryptoasset activity** is treated as not forming part of that **regulated activity**. It may fall within another **regulated activity**. Whether an exclusion applies will be fact-specific.

Not all of the general exclusions set out elsewhere in the **Regulated Activities Order** have been replicated for the **regulated cryptoasset activities**. A person should therefore not assume that an exclusion which applies to a traditional **regulated activity** will apply in the same way, or at all, to a **regulated cryptoasset activity**. In a number of cases, HM Treasury has instead applied tailored exclusions within the cryptoasset provisions themselves.

More generally, none of these tailored exclusions are subject to article 4(4) (Specified activities: general) of the **Regulated Activities Order**, which limits the scope of various exclusions in the **Regulated Activities Order** when a person is engaged in investment services or activities. For example, unlike the exclusion in article 15 (Absence of holding out etc.) of the **Regulated Activities Order**, the exclusion in article 9U of the **Regulated Activities Order** is not limited by the override in article 4(4). A person only has to consider the content of article 9U to see whether they are holding themselves out as buying and selling **qualifying cryptoassets**, and not the *MiFID* overlay arising as a result of article 4(4).

18.11.2 Question 11.2: Are any existing Regulated Activities Order general exclusions relevant to the new regulated cryptoasset activities?

Only a limited number of existing general exclusions have been applied to the new **regulated cryptoasset activities**. These exclusions include:

(1) activities carried on by firms with a *Part 4A permission* to *manage an AIF* or *manage a UK UCITS* where those activities are in connection with, or for the purposes of, managing the *AIF* or *UK UCITS*; and

(2) activities carried on by a person acting as an insolvency practitioner (article 72H (Insolvency practitioners) of the **Regulated Activities Order**).

A person who considers either of these exclusions to be relevant should refer to the statutory provisions themselves, as well as to any applicable *PERG guidance* given on those exclusions (notably *PERG* 2.9.22G, and *PERG* 2.9.25G to *PERG* 2.9.27G, respectively).

See *PERG* 18.6.12 in respect of persons acting as depositaries of *UK UCITS* or *AIFs*.

18.11.3 Question 11.3: Are there any new general exclusions relevant to the new regulated cryptoasset activities?

The following 2 exclusions apply to all **regulated cryptoasset activities**:

(1) activities carried on for the sale of goods or supply of services (Article 9Z10 (Activities carried on for the sale of goods or supply of services) of the **Regulated Activities Order**); and

(2) activities incidental to the carrying on of a profession or business (Article 9Z11 (Activities incidental to the carrying on of a profession or business) of the **Regulated Activities Order**).

18.11.4 Question 11.4: When does the exclusion for the sale of goods and services (article 9Z10 of the Regulated Activities Order) apply?

Article 9Z10 of the **Regulated Activities Order** provides a general exclusion for certain activities carried on for the purpose of, and, where applicable, in connection with, the sale of goods or supply of services.

Broadly speaking, the exclusions focus on cases where the main business of a person is to sell goods or supply services, but where certain activities may have to be carried on for the purposes of that business which would otherwise be **regulated activities**.

For the purposes of this exclusion, the sale of goods and services does not include the sale of **qualifying cryptoassets** as 'goods', or the carrying on of **regulated cryptoasset activities** as 'services'.

This exclusion is structured in a way that makes it important to consider which limb (Article 9Z10(1) or (3)) applies on the facts:

(1) Article 9Z10(1) (the 'supplier to customer' limb) excludes an activity carried on for the purpose of the sale of goods or supply of services by a supplier to a customer. This exclusion does not apply to the **safeguarding cryptoassets** activity or the **arranging cryptoasset safeguarding** activity to the extent that it applies to **relevant specified investment cryptoassets**.

(2) Article 9Z10(3) (the 'related sale or supply' limb) is distinct from, and narrower than, the 'supplier to customer' exclusion. It excludes activity carried on for the purpose of a related sale of goods or supply of services, but only for the activities of **dealing in qualifying cryptoassets as principal**, **dealing in qualifying cryptoassets as agent** and **arranging deals in qualifying cryptoassets**.

A 'related sale of goods or supply of services' is a sale of goods or supply of services to the customer otherwise than by the supplier, but for the same purpose as the supplier's own sale or supply described in article 9Z10(1). This may be, for example, where a transaction for goods and services is made indirectly through an agent. A practical example of this is given at *PERG* 18.11.5.

See *PERG* 18.8.8 regarding firms providing information, analytics, data or dashboard services.

18.11.5 Question 11.5: We are a non-financial services firm supplying goods and services both directly and through a network of agents to our retail customers and accept settlement for our goods and services in the form of qualifying cryptoassets. We do not hold the qualifying cryptoassets of our customers and only receive these upon settlement of the customer transaction. Do we require authorisation?

No. Though you may be undertaking a **regulated cryptoasset activity** by accepting settlement in **qualifying cryptoassets**, you can rely on the exclusion in article 9Z10 of the **Regulated Activities Order**, provided that your main business is to sell goods or supply services to your customers. Various factors are likely to be relevant for the purposes of determining your main business, including turnover, profit, capital employed, numbers of employees and time spent by your employees. The network of agents used to supply goods and services may benefit from this exclusion as well via the related sale or supply.

Supplying services for the purposes of this exclusion does not include **regulated cryptoasset activities**.

18.11.6 Question 11.6: Are activities incidental to the carrying on of a profession or business (Article 9Z11 of the Regulated Activities Order) excluded?

Yes, article 9Z11 of the **Regulated Activities Order** excludes activities that are carried out by a person on an incidental basis in the course of that person's profession or business that does not otherwise consist of **regulated activities**, and where the profession or business is supervised and regulated by a designated professional body listed in article 2 (Designated professional bodies) of the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226).

Article 9Z11(2) sets out factors relevant to whether an activity is carried on in an incidental manner. These include:

(1) a close factual connection between the carrying on of the professional activity and the incidental activity to the same client, such that the incidental activity may reasonably be regarded as a necessary ancillary to the professional activity;

(2) that the incidental activity does not provide a systematic source of income to the person providing the professional activity; and

(3) that the person does not market or otherwise promote their ability to provide the incidental activity, except to the extent that it is disclosed to clients as a necessary ancillary to the carrying on of the profession or business.

In the *FCA's* view, the criteria set out in *PROF* 2.1.14G in relation to section 327(4) (Exemption from the general prohibition) of the **Act** are also relevant when considering whether a person can rely on this exclusion. However, there are certain **regulated cryptoasset activities** that do not fall within the exemption from the *general prohibition* under section 327. These are: **issuing a qualifying stablecoin**, **dealing in qualifying cryptoassets as principal** and **arranging qualifying cryptoasset staking**. See *PERG* 2.10.12G to *PERG* 2.10.16G.

18.12 Interaction with the Money Laundering Regulations

18.12.1 Question 12.1: Does the definition of 'cryptoassets' in the Money Laundering Regulations capture the same types of assets as the Act and the Regulated Activities Order?

The *Money Laundering Regulations* and the **Act** regimes will continue to operate concurrently as the regimes do already. A person undertaking an activity involving '**cryptoassets**' will need to determine whether those activities fall within the scope of one or both of the *Money Laundering Regulations*, and the **Act** and the **Regulated Activities Order**.

Under the *Money Laundering Regulations*, 'cryptoassets' are defined as a cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically. In practice, this may be expected to capture a range of **cryptoassets**, including exchange tokens, stablecoin tokenised e-money, non-fungible tokens (NFTs), limited network tokens (LNTs – ie, cryptoassets that can only be redeemed with the issuer or used to acquire goods or services within a limited network), and some distributed ledger technology (DLT) records.

18.12.2 Question 12.2: If I am exchanging limited network tokens, do I need to register under the Money Laundering Regulations if this type of asset is not a 'qualifying cryptoasset' under the Regulated Activities Order?

Limited network tokens are excluded from the definition of '*qualifying cryptoasset*' (see *PERG* 18.4) and, as a result, activities carried on in relation to these tokens would not constitute one of the new **regulated cryptoasset activities**, meaning *permission* under Part 4A of the **Act** would not be needed. However, *Money Laundering Regulations* registration may be required, because the regimes are not identical in scope even if they both broadly relate to cryptoassets.

A person will need to assess the registration requirements under the *Money Laundering Regulations* separately from the requirements for *authorisation* under the **Act** and the **Regulated Activities Order**.

18.12.3 Question 12.3: Will cryptoasset firms still need to comply with the Money Laundering Regulations if they are authorised under the Act?

Yes. Similar to many other *authorised persons* under Part 4A of the **Act** and firms registered under the *Money Laundering Regulations*, an **authorised cryptoasset firm** or a **specified investment cryptoasset firm** (as defined in the *Money Laundering Regulations*) will need to comply with the *Money Laundering Regulations* where that **authorised cryptoasset firm** or **specified investment cryptoasset firm** will act, or will continue to act, as a *cryptoasset exchange provider* or *custodian wallet provider* under the *Money Laundering Regulations*.

18.12.4 Question 12.4: If I am currently registered as a cryptoasset exchange provider under the Money Laundering Regulations, what permissions under the Act will I need?

Each registered *cryptoasset exchange provider* will need to assess their current and proposed operating models against the requirements for *authorisation* under the **Act** and the **Regulated Activities Order**.

The types of activities that may be relevant for a *cryptoasset exchange provider* include, but are not limited to, **operating a qualifying CATP**, **dealing in qualifying cryptoassets as principal**, **dealing in qualifying cryptoassets as**

agent, **arranging deals in qualifying cryptoassets**, **arranging qualifying cryptoasset staking** and **issuing a qualifying stablecoin**.

18.12.5 Question 12.5: If I am currently registered as a custodian wallet provider under the Money Laundering Regulations, what permissions under the Act will I need?

Each registered *custodian wallet provider* will need to assess their current and proposed operating models against the requirements for *authorisation* under the **Act** and the **Regulated Activities Order**. The type of activity that may be relevant for *custodian wallet providers* is **safeguarding cryptoassets**.

18.12.6 Question 12.6: If I am authorised for regulated cryptoasset activities under the Act, do I also need to register under the Money Laundering Regulations?

Where an **authorised cryptoasset firm** or a **specified investment cryptoasset firm** will also act as a *cryptoasset exchange provider* and/or a *custodian wallet provider* under the *Money Laundering Regulations*, that *person* will not need to separately undertake registration under the *Money Laundering Regulations*. However, they must notify the *FCA* that they intend, or have begun, to act as a *cryptoasset exchange provider* or a *custodian wallet provider*, either before, or within 28 days of, doing so. *Cryptoasset exchange providers* and *custodian wallet providers* that are exempt from separate registration under the *Money Laundering Regulations* must comply with the remaining provisions in the *Money Laundering Regulations*.

18.12.7 Question 12.7: If I am not authorised for regulated cryptoasset activities under the Act but will act as a cryptoasset exchange provider or custodian wallet provider, do I need to register under the Money Laundering Regulations?

Cryptoasset exchange providers and *custodian wallet providers* that are not **authorised cryptoasset firms** or **specified investment cryptoasset firms** are required to be registered with the *FCA* under the *Money Laundering Regulations*.

18.12.8 Question 12.8: What steps must I take if I am an authorised person with permission to carry on one or more regulated cryptoasset activities, or one or more regulated activities, in relation to specified investment cryptoassets, but will cease to act as a cryptoasset exchange provider or custodian wallet provider?

Where an **authorised cryptoasset firm** or a **specified investment cryptoasset firm** ceases to act as a *cryptoasset exchange provider* or a *custodian wallet provider*, it must inform the *FCA* within 28 days, beginning with the day of ceasing to act as such.

18.12.9 Question 12.9: If I benefit from an exclusion under the Regulated Activities Order, how does that affect my position under the Money Laundering Regulations?

There are various exclusions that apply to the new **regulated cryptoasset activities** in the **Regulated Activities Order**. These include the exclusions that apply to each of the new **regulated cryptoasset activities** (such as article 9Z and article 9Z1), as well as the exclusions at article 42A and article 72AA. The *Money Laundering Regulations* do not include equivalent exclusions that apply to the *cryptoasset exchange provider* and *custodian wallet provider* activities. A person who benefits from an exclusion under the **Regulated Activities Order** will need to separately consider whether they are required to apply to the *FCA* for registration under the *Money Laundering Regulations* as a *cryptoasset exchange provider* or a *custodian wallet provider*.

18.12.10 Question 12.10: If I am conducting regulated cryptoasset activities from overseas, but serve UK customers, do I need to follow the Money Laundering Regulations obligations, and will I be within scope of the Act?

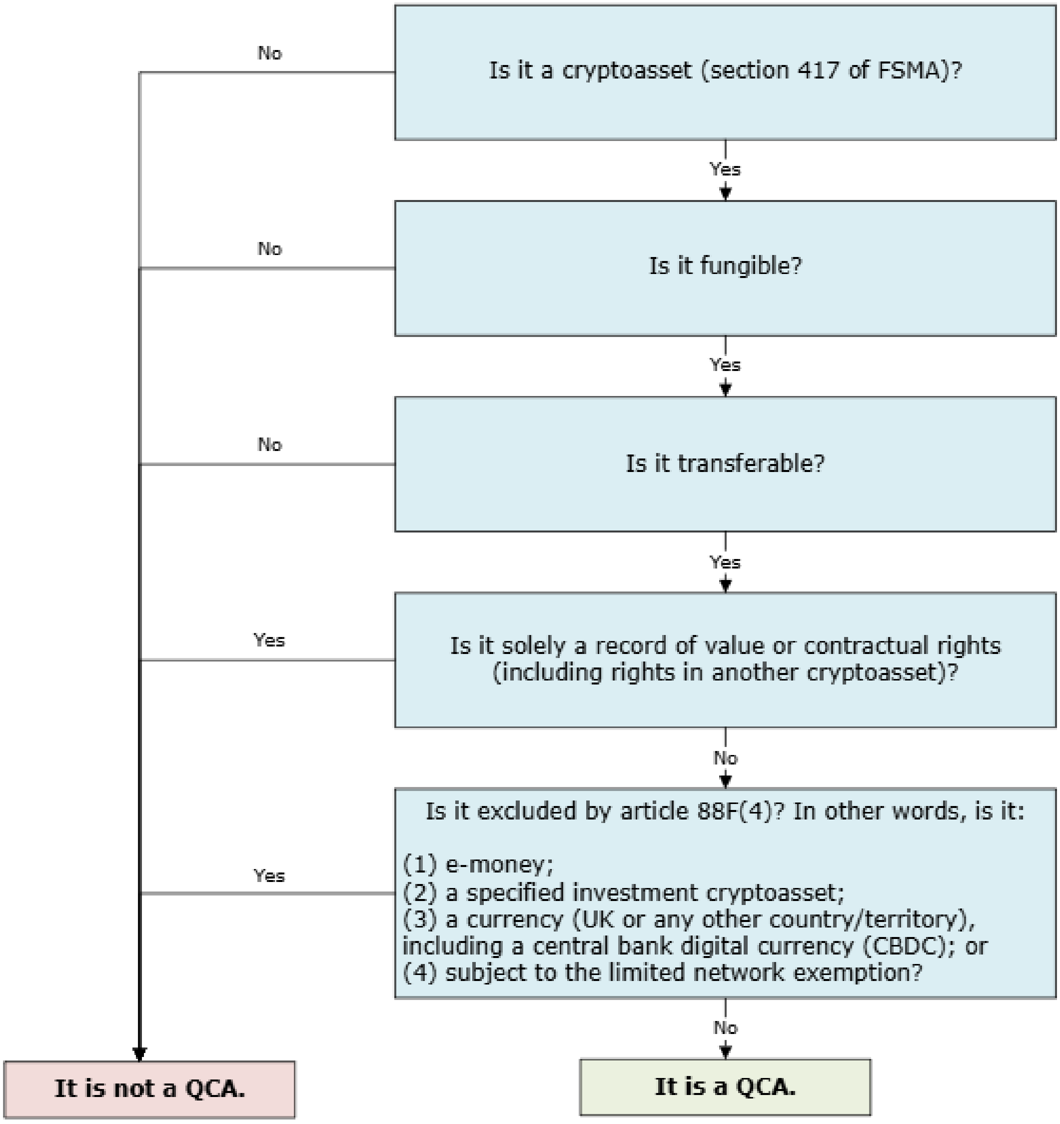
The geographic scope of the *Money Laundering Regulations* and the **Act**, the **Regulated Activities Order** and the **Financial Promotion Order** regimes are different and therefore could potentially capture different natural and legal persons when conducting the activities under the respective pieces of legislation. The *Money Laundering Regulations* apply to *cryptoasset exchange providers* and *custodian wallet providers* who are based in the *UK*, and to firms where the firm's registered office (or head office) is in the *UK* and the day-to-day management is taking place from that registered office, head office or another establishment maintained by the firm in the *UK*. In contrast, the broader geographic perimeter for regulation under the **Act** focuses on persons who are, or who are deemed to be, 'carrying on activities by way of business' in the *UK*. Therefore, the geographic scope of the perimeter under the **Act** is different from that under the *Money Laundering Regulations* and will need to be considered in each case.

18.12.11 Question 12.11: Is the meaning of 'by way of business' in the Money Laundering Regulations the same as the 'by way of business' test for the new regulated activities?

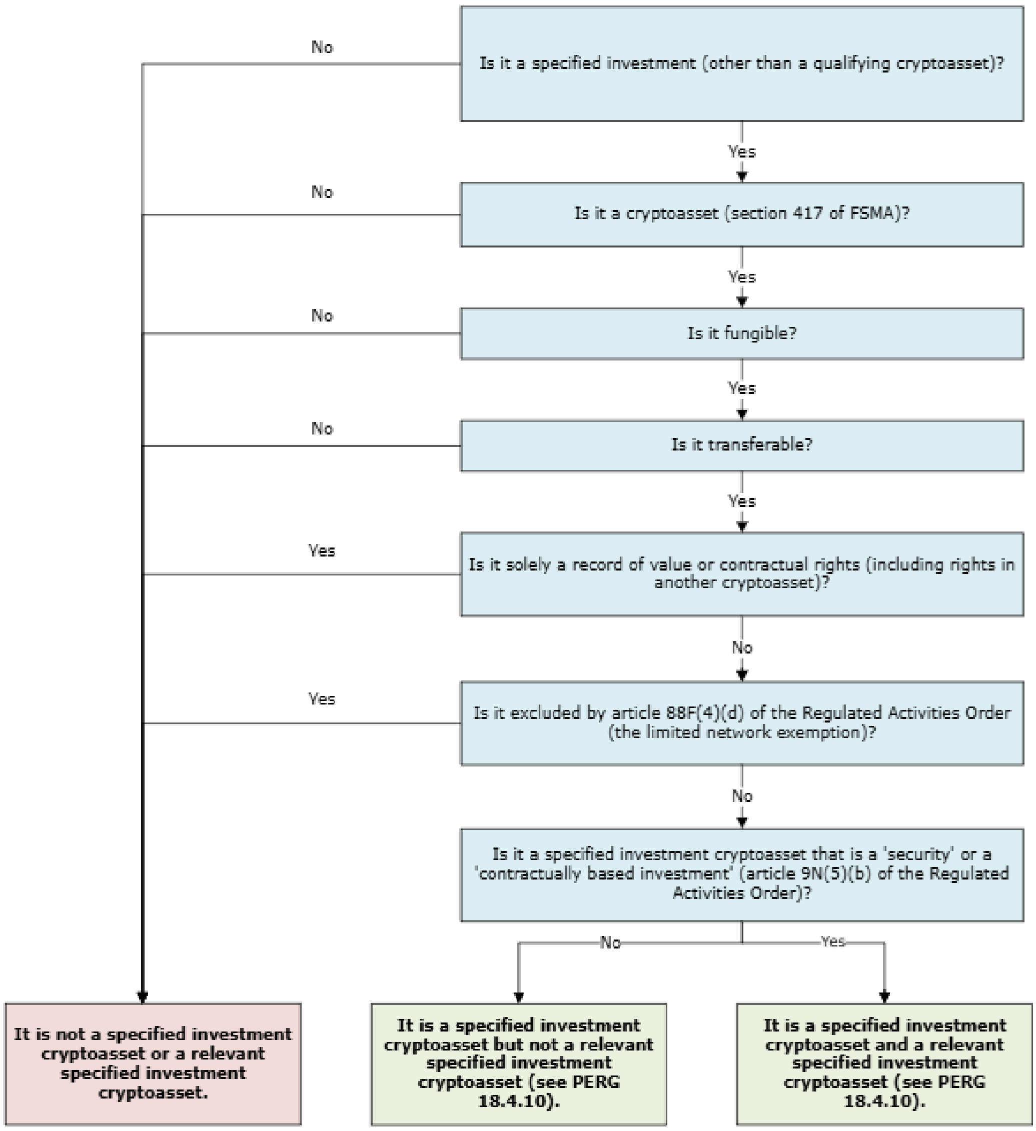
As explained at *PERG* 18.2, the **Cryptoassets Regulations** apply a narrower concept of what 'by way of business' means for the new **regulated cryptoasset activities** than the business test that would otherwise apply under the **Act**. Persons who are not acting by way of business for the purpose of the new **regulated cryptoasset activities** will need to separately consider whether they are acting by way of business for the purposes of regulation 14A (Cryptoasset exchange providers and custodian wallet providers) of the *Money Laundering Regulations*. Persons will also need to consider whether they are 'acting in the course of business' and 'carrying on business' for the purposes of regulations 8 (Application) and 9 (Carrying on business in the United Kingdom) of the *Money Laundering Regulations*.

18 Annex 1 When is a cryptoasset a qualifying cryptoasset (QCA)?

18 Annex 1.1 The diagram below provides a high-level overview of the factors that are relevant in assessing whether a cryptoasset is a *qualifying cryptoasset* for the purposes of the regulatory perimeter.

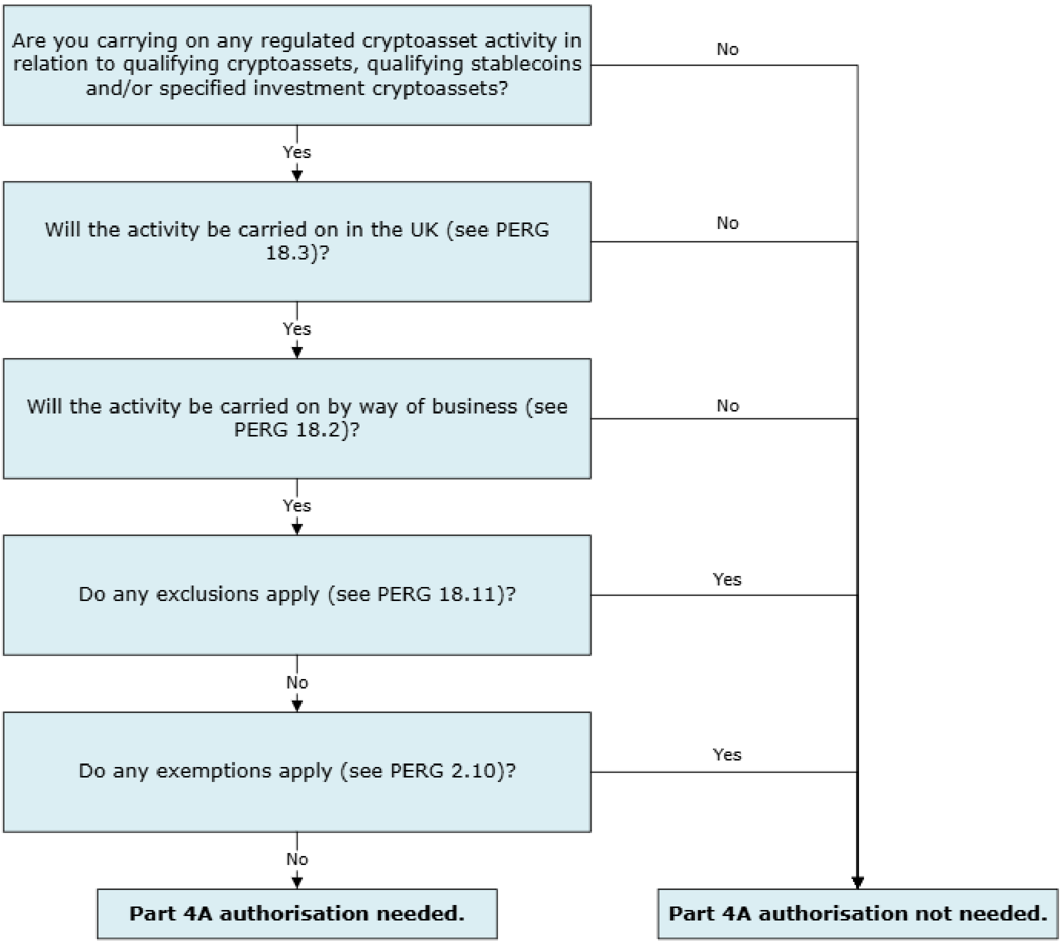


18 Annex 1.2 This diagram provides a high-level overview of the factors that are relevant in assessing whether a cryptoasset is a **specified investment cryptoasset** and a **relevant specified investment cryptoasset** for the purposes of the perimeter.



18 Annex 2 Do I need to be authorised under FSMA for regulated cryptoasset activities?

18 Annex 2.1 The diagram below summarises the key questions that may be relevant when considering whether a person needs to be *authorised* under the **Act** to carry on a **regulated cryptoasset activity**.



App 1 Definitions relating to cryptoasset activities

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

[**Notes:**

(1) The amendments to the statutory perimeter introduced under the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) shall come into force in full on 25 October 2027.

(2) The definitions used in this Appendix are only in respect of the perimeter as it will be from 25 October 2027. Persons considering *PERG* for guidance on the perimeter in force prior to that date should not read these terms as amended by *PERG* App 1.

(3) In *PERG* 1, *PERG* 2 and *PERG* 8, the following terms should be read, in respect of the perimeter as it will be from 25 October 2027, as meaning the definition set out in *PERG* App 1, unless the context indicates otherwise:

(a) *Act*;

(b) *agreeing to carry on a regulated activity*;

(c) *controlled activity*;

(d) *controlled investment;*

(e) *Financial Promotion Order*;

(f) *qualifying cryptoasset*;

(g) *Regulated Activities Order*;

(h) *regulated activity*; and

(i) *specified investment*.]

<table>
<tr><th>(1)</th><th colspan="2">(2)</th></tr>
<tr><td>Act</td><td colspan="2">the Financial Services and Markets Act 2000, as amended by the Cryptoassets Regulations.</td></tr>
<tr><td>agreeing to carry on a regulated activity</td><td colspan="2">agreeing to carry on a regulated activity, but also including agreeing to carry on a regulated cryptoasset activity (other than issuing a qualifying stablecoin or operating a qualifying CATP).</td></tr>
<tr><td>arranging (bringing about) deals in qualifying cryptoassets</td><td colspan="2">the regulated activity specified in article 9Y(1) of the Regulated Activities Order (Arranging deals in qualifying cryptoassets), which is, in summary, making arrangements for another person (whether as principal or agent) to buy, sell, subscribe for or underwrite a qualifying cryptoasset.</td></tr>
<tr><td>arranging cryptoasset safeguarding</td><td colspan="2">the regulated activity specified in article 9N(1)(b) of the Regulated Activities Order (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets).</td></tr>
<tr><td rowspan="3">arranging deals in qualifying cryptoassets</td><td colspan="2">the regulated activity specified in article 9Y of the Regulated Activities Order (Arranging deals in qualifying cryptoassets), which is, in summary, making arrangements for either or both of the following:</td></tr>
<tr><td>(a)</td><td>for another person (whether as principal or agent) to buy, sell, subscribe for or underwrite a qualifying cryptoasset; and</td></tr>
<tr><td>(b)</td><td>with a view to a person who participates in the arrangements for the buying, selling, subscribing for or underwriting of a qualifying cryptoasset, whether as principal or agent.</td></tr>
<tr><td>arranging qualifying cryptoasset staking</td><td colspan="2">the regulated activity specified in article 9Z6 (Qualifying cryptoasset staking) of the Regulated Activities Order, which is, in summary, making arrangements on behalf of another (whether as principal or agent) for qualifying cryptoasset staking.</td></tr>
</table>

blockchain validation	(in accordance with article 9Z6 (Qualifying cryptoasset staking) of the **Regulated Activities Order**) the validation of transactions on:	
	(a)	a blockchain; or
	(b)	a network that uses distributed ledger technology or other similar technology,
	and includes proof of stake distributed ledger technology consensus mechanisms.	
burning	the process by which a **cryptoasset** is permanently removed from circulation on a blockchain or other network that uses distributed ledger technology or other similar technology.	
controlled activity	a *controlled activity*, but also including:	
	(a)	safeguarding cryptoassets (paragraph 7A);
	(b)	operating a qualifying cryptoasset trading platform (paragraph 7B); and
	(c)	arranging qualifying cryptoasset staking (paragraph 7C).
controlled investment	an investment specified in Part II (Controlled Investments) of Schedule 1 to the **Financial Promotion Order** (having regarded to the effect of paragraph 4C(10) and paragraph 7(4) of that Schedule).	
cryptoasset	as defined in section 417 (Definitions) of the **Act**, 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).
Cryptoassets Regulations	The Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102).	
dealing in qualifying cryptoassets (as principal or agent)	one or both of the following activities:	
	(a)	**dealing in qualifying cryptoassets as principal**; and
	(b)	**dealing in qualifying cryptoassets as agent**.
dealing in qualifying cryptoassets as agent	the **regulated activity**, specified in article 9W (Dealing in qualifying cryptoassets as agent) of the **Regulated Activities Order**, which is, in summary, buying, selling, subscribing for or underwriting **qualifying cryptoassets** as agent.	

dealing in qualifying cryptoassets as principal	the **regulated activity**, specified in article 9T (Dealing in qualifying cryptoassets as principal) of the **Regulated Activities Order**, which is, in summary, buying, selling, subscribing for or underwriting **qualifying cryptoassets** as principal.
Financial Promotion Order	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended by the **Cryptoassets Regulations**.
issuing a qualifying stablecoin	the activity specified in article 9M (Issuing qualifying stablecoin) of the **Regulated Activities Order**.
making arrangements with a view to transactions in qualifying cryptoassets	the **regulated activity**, specified in article 9Y(2) (Arranging deals in qualifying cryptoassets) of the **Regulated Activities Order**, which is, in summary, making arrangements with a view to a person who participates in the arrangements for the buying, selling, subscribing for, or underwriting of a **qualifying cryptoasset**, whether as principal or agent.
means of access	a private cryptographic key, part or parts of a private cryptographic key or some other means of which, in either case, a person would need possession or knowledge to bring about a transfer of the benefit of a **cryptoasset** to another person.
minting	the process of putting a **cryptoasset** on a blockchain or other network using distributed ledger technology or similar technology in a transferrable form.
operating a qualifying CATP	the **regulated activity**, specified in article 9S (Operating a qualifying cryptoasset trading platform) of the **Regulated Activities Order**, which is, in summary, the operation of a **QCATP**.
QCATP	a system which brings together, or facilitates the bringing together of, multiple third-party buying and selling interests in **qualifying cryptoassets** in a way that results in a contract for the exchange of **qualifying cryptoassets** for: (a) money (including electronic money); or (b) other **qualifying cryptoassets**.
QCATP operator	a firm authorised to carry on the activity of **operating a qualifying CATP**.
QCDD	a document which is a ‘qualifying cryptoasset 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 **Cryptoassets Regulations**.

qualifying cryptoasset	(1)	(other than as defined in (2)) the **specified investment** defined in article 88F (Qualifying cryptoassets) of the **Regulated Activities Order**.	
	(2)	(in so far as referring to the **controlled investment**, in accordance with article 2 (Interpretation: general) of the **Financial Promotion Order**) the **specified investment** defined in 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:	
		(i)	transferable; or
		(ii)	conferring transferable rights.
qualifying cryptoasset borrowing	the disposal of a **qualifying cryptoasset** from or via a person (A) to another person (B) subject to an obligation or right to reacquire the same or equivalent **qualifying cryptoasset** from A, which may include the provision of collateral and/or payment of interest from A to B.		
qualifying cryptoasset lending	the disposal of a **qualifying cryptoasset** from a person (A) to or via another person (B) subject to an obligation or right to reacquire the same or equivalent **qualifying cryptoasset** from B, typically with compensation paid to A by B in the form of yield.		
qualifying cryptoasset lending or borrowing	one or both of the following services:		
	(a)	**qualifying cryptoasset lending**; and	
	(b)	**qualifying cryptoasset borrowing**.	
qualifying cryptoasset staking	the use of a **qualifying cryptoasset** in **blockchain validation**.		
qualifying stablecoin	the **specified investment** defined in article 88G (Qualifying stablecoin) of the **Regulated Activities Order**.		
qualifying stablecoin issuer	an *authorised person* with *permission* to carry on the **regulated activity** defined in article 9M (Issuing qualifying stablecoin) of the **Regulated Activities Order**.		
regulated activity	a *regulated activity*, but also including any **regulated cryptoasset activity**.		
Regulated Activities Order	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended by the **Cryptoassets Regulations**.		

regulated cryptoasset activity	the **regulated activities** in Chapter 2B (Cryptoassets) of Part II (Specified activities) of the **Regulated Activities Order**:		
	(a)	**issuing a qualifying stablecoin**;	
	(b)	**safeguarding cryptoassets**;	
	(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**.	
relevant specified investment cryptoasset	a **specified investment cryptoasset** which meets the definition at article 9N(5)(b) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the **Regulated Activities Order**.		
safeguarding cryptoassets	the **regulated activity** specified in article 9N(1)(a) (Safeguarding of qualifying cryptoassets and relevant specified investment cryptoassets) of the **Regulated Activities Order**.		
specified investment	a *specified investment*, but also including:		
	(a)	a **qualifying cryptoasset** (article 88F); and	
	(b)	a **qualifying stablecoin** (article 88G).	
specified investment cryptoasset	a **cryptoasset** that:		
	(a)	is a **specified investment** as a result of Part III (Specified investments) of the **Regulated Activities Order**:	
		(i)	excluding article 88F (Qualifying cryptoassets); and
		(ii)	including where the **cryptoasset** is a right to, or an interest in, such a **specified investment** by operation of article 89 (Rights to or interests in investments); and

	(b)	would be a **qualifying cryptoasset** if article 88F(4)(a) to (c) of the **Regulated Activities Order** were disregarded.
specified investment cryptoasset firm	an *authorised person* who:	
	(a)	has a *Part 4A permission* to carry on a **regulated activity** other than a **regulated cryptoasset activity**; and
	(b)	carries on an activity under that *permission* in relation to **specified investment cryptoassets**.
supplementary disclosure document	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 **Cryptoassets Regulations**.	
UK QCATP	a **QCATP**, the operation of which requires *authorisation*.	
wrapped token	a **qualifying cryptoasset** ('A') which:	
	(a)	relates to an underlying **qualifying cryptoasset** ('B'), where B is **minted** 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.

Part 2: Comes into force on 25 October 2027

Amend the following as shown.

App 1 Definitions relating to cryptoasset activities

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

~~[**Notes:**~~

~~(1) The amendments to the statutory perimeter introduced under the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) shall come into force in full on 25 October 2027.~~

~~(2) The definitions used in this Appendix are only in respect of the perimeter as it will be from 25 October 2027. Persons considering *PERG* for guidance on the perimeter in force prior to that date should not read these terms as amended by *PERG* App 1.~~

~~(3) In *PERG* 1, *PERG* 2 and *PERG* 8, the following terms should be read, in respect of the perimeter as it will be from 25 October 2027, as~~

~~meaning the definition set out in *PERG* App 1, unless the context indicates otherwise:~~

~~(a) *Act*;~~

~~(b) *agreeing to carry on a regulated activity*;~~

~~(c) *controlled activity*;~~

~~(d) *controlled investment*;~~

~~(e) *Financial Promotion Order*;~~

~~(f) *qualifying cryptoasset*;~~

~~(g) *Regulated Activities Order*;~~

~~(h) *regulated activity*; and~~

~~(i) *specified investment*.]~~

Delete the existing table in PERG App 1 and replace with the following. All the text is new and is not underlined.

<table>
<tr><td>(1)</td><td colspan="2">(2)</td></tr>
<tr><td>qualifying cryptoasset borrowing</td><td colspan="2">the disposal of a qualifying cryptoasset from or via a person (A) to another person (B) subject to an obligation or right to reacquire the same or equivalent qualifying cryptoasset from A, which may include the provision of collateral and/or payment of interest from A to B.</td></tr>
<tr><td>qualifying cryptoasset lending</td><td colspan="2">the disposal of a qualifying cryptoasset from a person (A) to or via another person (B) subject to an obligation or right to reacquire the same or equivalent qualifying cryptoasset from B, typically with compensation paid to A by B in the form of yield.</td></tr>
<tr><td rowspan="3">qualifying cryptoasset lending or borrowing</td><td colspan="2">one or both of the following services:</td></tr>
<tr><td>(a)</td><td>qualifying cryptoasset lending; and</td></tr>
<tr><td>(b)</td><td>qualifying cryptoasset borrowing.</td></tr>
</table>

The terms listed below appearing in bold in PERG 1, PERG 2, PERG 8 and PERG 18 are no longer in bold, are italicised and have the meaning set out in the Glossary of definitions.

Act

agreeing to carry on a regulated activity

arranging (bringing about) deals in qualifying cryptoassets

arranging cryptoasset safeguarding

arranging deals in qualifying cryptoassets

arranging qualifying cryptoasset staking

blockchain validation

burning

controlled activity

controlled investment

cryptoasset

Cryptoassets Regulations

dealing in qualifying cryptoassets (as principal or agent)

dealing in qualifying cryptoassets as agent

dealing in qualifying cryptoassets as principal

Financial Promotion Order

issuing a qualifying stablecoin

making arrangements with a view to transactions in qualifying cryptoassets

means of access

minting

operating a qualifying CATP

QCATP

QCATP operator

QCDD

qualifying cryptoasset

qualifying cryptoasset staking

qualifying stablecoin

qualifying stablecoin issuer

regulated activity

Regulated Activities Order

regulated cryptoasset activity

relevant specified investment cryptoasset

safeguarding cryptoassets

specified investment

specified investment cryptoasset

specified investment cryptoasset firm

supplementary disclosure document

UK QCATP

wrapped token

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