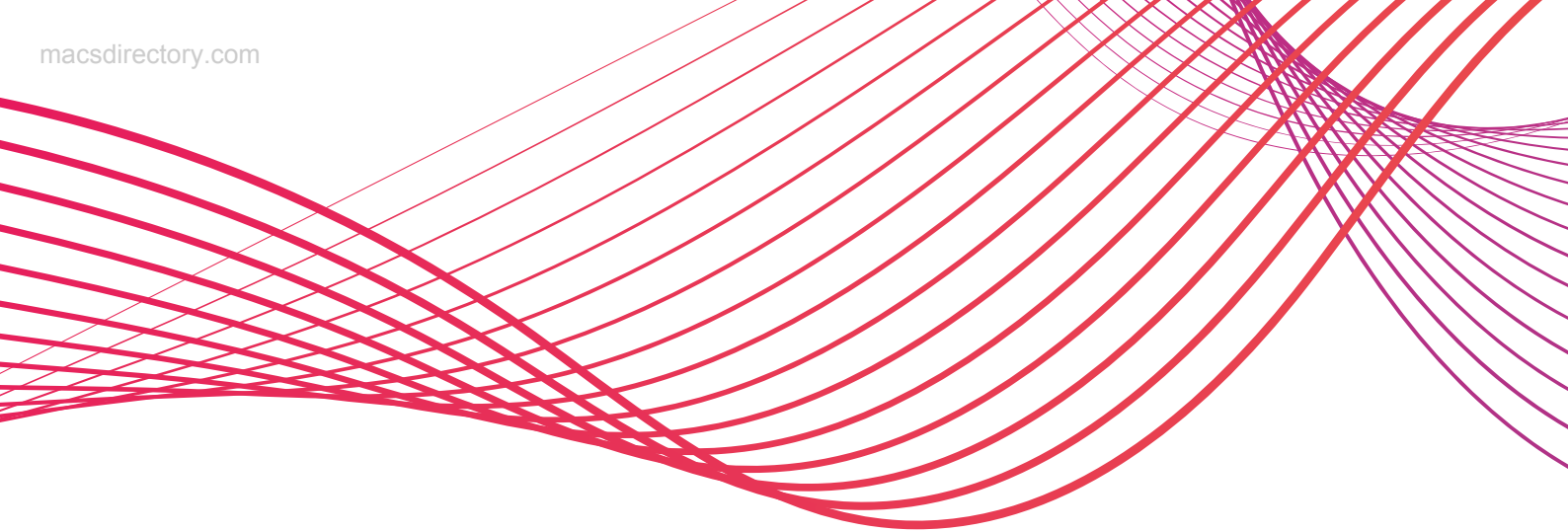




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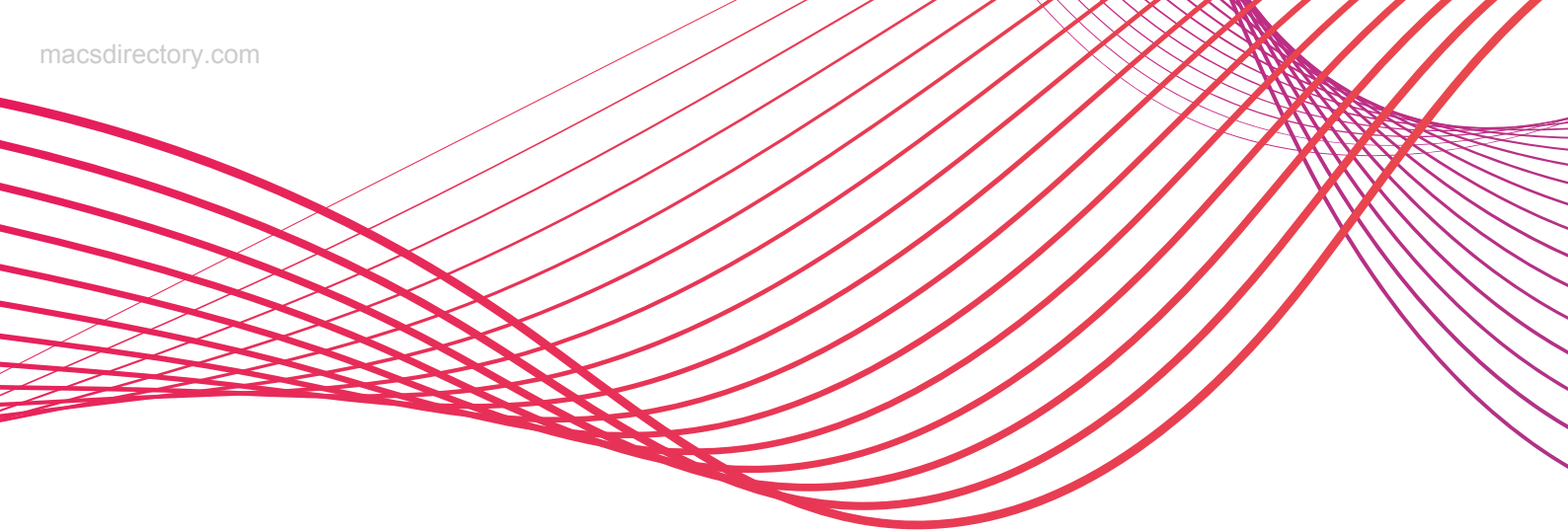
The UK Crypto Landscape: law and regulation

June 2026



Contents

1. Introduction
2. Summary of CP25/40
3. Summary of CP25/41
4. Summary of CP25/42
5. Summary of CP26/4
6. UK cryptoasset regime - key takeaways from the statutory instrument of 4 February 2026
7. FCA cryptoasset perimeter guidance under CP26/13: what it means for you
8. FCA Policy Statement PS26/7: progressing fund tokenisation – a summary and commentary



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Introduction

In December 2025, the Financial Conduct Authority (FCA) published a series of consultation papers on cryptoassets, CP25/40 - 42.

These consultation papers represent the FCA's most comprehensive proposals for regulating cryptoasset activities in the United Kingdom to date. Each focuses on a separate yet related matters.

- CP25/40 - proposed rules for cryptoasset trading platforms, intermediaries, lending/borrowing, staking and DeFi;
- CP25/41 - proposed admissions and disclosures framework and market abuse regime (MARC) for cryptoasset markets; and
- CP25/42 - extended prudential requirements covering all cryptoasset activities including capital requirements, K-factors and risk assessment.

This document breaks down the FCA's proposals in an accessible format for industry participants. The summaries provided below follow chronologically, illustrating the development of the FCA's guidance overtime since December 2025.

There have also been more publications in 2026. These include the Statutory Instrument of February 2026 as well as two April publications from the FCA - CP26/4 and PS26/7.

By way of background, these three FCA papers on cryptoassets follow a number of other FCA publications which have informed them. They include:

- **DP25/1: Discussion Paper - Regulating Cryptoasset Activities**
Published: May 2, 2025
Discussion paper seeking early views on regulating cryptoasset trading platforms, intermediaries, staking, lending/borrowing and decentralised finance (DeFi).
- **CP25/14: Stablecoin Issuance and Cryptoasset Custody**
Published: May 28, 2025
Consultation on proposed rules for issuing qualifying stablecoins and safeguarding qualifying cryptoassets, including custody requirements and backing asset management. Consultation deadline.
- **CP25/15: A Prudential Regime for Cryptoasset Firms (Initial)**
Published: May 28, 2025
Initial consultation on prudential requirements for stablecoin issuers and cryptoasset custodians, including capital requirements and liquidity standards.

- **CP25/25: Application of FCA Handbook for Regulated Cryptoasset Activities**

Published: August 2025

Consultation on applying FCA High-Level Standards, senior management arrangements, systems and controls, and business conduct rules to cryptoasset firms.

- **DP24/4: Regulating Cryptoassets - Admissions & Disclosures and Market Abuse Regime**

Published: December 2024

Early discussion paper on the admissions and disclosures framework and market abuse regime for cryptoassets, which informed CP25/41.

- **DP23/4: Regulating Cryptoassets Phase 1: Stablecoins**

Published: February 2023

Initial discussion paper on stablecoin regulation, setting out the FCA's early thinking on regulating stablecoins used for payments.

The FCA is also planning future consultations. It has indicated that it will look at the following matters as part of its Crypto Roadmap:

- Guidance on location, incorporation and authorisation for overseas firms (Q1 2026);
- Settlement arrangements for intermediaries and CATPs (H1 2026);
- Further conduct and firm standards consultations;
- Application of Consumer Duty to cryptoasset firms; and
- Additional operational resilience and CASS requirements.

More information can be found online at the FCA's cryptoassets section:

www.fca.org.uk/firms/cryptoassets.

The final regulatory regime is expected to go live in October 2027, following consideration of consultation responses and publication of policy statements in 2026.



Summary of CP25/40

Regulating cryptoasset activities (trading platforms, intermediaries, lending, staking, DeFi)

Publication date: December 16, 2025

Consultation deadline: February 12, 2026

Implementation: The final rules expected in 2026, with plans for the regime to go live in October 2027

Introduction

CP25/40 sets out the FCA's proposed rules and guidance for some of the "new cryptoasset activities" that were not covered in earlier papers, in particular CP25/14 and CP25/15.

This consultation looks at the players in the following areas of digital asset activities:

- Operating a trading platform – these are firms that operate a cryptoasset trading platform (CATP) in the UK;
- Intermediaries – the FCA defines 'Cryptoasset intermediaries' as persons who deal in qualifying cryptoassets as principal and/or agent and those who arrange deals in qualifying cryptoassets;
- Lending and borrowing – firms which offer cryptoasset lending and borrowing in the

UK may be carrying on the new regulated activities of 'dealing in qualifying cryptoassets as principal', 'dealing in qualifying cryptoassets as agent', and/or 'arranging deals in qualifying cryptoassets';

- Staking – this is where cryptoassets are used and locked for proof-of-stake blockchain validation. Participants will 'stake' their cryptoassets for a certain period of time in return for financial rewards; and
- Approach for decentralised finance (DeFi) – this looks at how the wider cryptoasset regime could apply to firms that engage in similar activities to those provided by centralised finance but with a high degree of automation or decentralisation.

Overview

In CP25/40, the FCA sets out how it intends to regulate core cryptoasset activities in the UK.

This CP focuses on conduct, organizational, and operational requirements for crypto firms and is designed to work alongside CP25/41 (admissions and market abuse) and CP25/42 (prudential requirements). Both of these are summarised in separate briefing notes from us and can be found on

our website under "[Publications](#)".

Below we have set out short summaries of the key areas.

Cryptoasset Trading Platforms (CATPs)

The FCA proposes to introduce rules that cover areas already found in existing legislation and regulations.

In summary, these are:

- governance and senior management accountability;
- systems and controls requirements;
- transparency obligations;
- conflicts of interest management (including restrictions on matched principal trading);
- order handling and execution standards;
- market surveillance arrangements;
- settlement rules and processes; and
- regulatory reporting requirements.

Intermediary activities

As with existing areas of financial regulations, the proposed rules for cryptoassets are intended to cover forms that act in an intermediary capacity.

Thus, expected to fall within the FCA's remit are firms that conduct the following activities:

- dealing in cryptoassets as agent or principal;
- arranging cryptoasset transactions; and
- acting as brokers.

The proposals set out by the FCA are an echo of those in place for firms which currently conduct regulated activities.

For example, they include the following:

- conduct standards adapted from traditional finance;
- client categorization concepts tailored for crypto markets;
- safeguarding expectations for client assets; and
- requirements around client money and asset protection.

Cryptoasset lending and borrowing

The FCA sees this as an area of risk which needs to be addressed. There is no surprise here as it has been a running theme.

The FCA plans to curb risks by requiring firms to put in place the following:

- stronger safety measures to protect participants' funds;
- clear disclosure requirements about risks;
- consumer protection standards; and
- requirements around how firms manage lending/borrowing activities.

Staking Services

Again, this is an activity which the FCA views as carrying risk and, again, it's been a long running theme. Do note however the sensible decision in 2025 that took staking outside the scope of collective investment scheme legislation.

The FCA's proposals for staking require explicit consumer consent requirements before staking client cryptoassets and clear disclosures of the following:

- amount of staked cryptoassets;
- conditions for payment and repayment;
- return of cryptoassets; and
- fee charging arrangements.

Also required are risk disclosures for yield-bearing products that lock up customer assets and consumer protection, given that many may not fully understand blockchain validation processes.

Decentralised finance (DeFi)

The FCA's approach to DeFi could be summed up, in brief, as the FCA wanting to see those activities which are truly decentralized and have no identifiable controlling persons remain outside the regulatory perimeter.

However, where DeFi involves regulated activities and there is a clear controlling person or firm providing services/interfaces, the FCA is very clear that regulation will apply. Following what we have seen so far, the same regulatory expectations will apply to DeFi as they do to traditional financial services where firms are identifiable. The FCA is clear that it wants to address the situations where consumer exposure exists, but oversight is meagre.

Regulatory approach

Expectations

As explained above, the FCA is applying similar principles to crypto as it does to traditional finance. It will expect from firms, and itself act, as follows:

- clear information for consumers;
- proportionate requirements for firms;
- flexibility to support innovation; and
- market integrity and consumer protection balanced with competition.

Policy development

The FCA is keen for us to note that has not reached the proposals set out in CP25/40 without having already liaised with the crypto industry. Indeed, it says that these proposals have been informed by extensive engagement with crypto industry, consumers, and traditional finance participants as well as feedback from Discussion Paper DP25/1 and policy roundtables which it held in 2025.

It also mentions previous consultation exercises, for example those on CP25/25 which looked at the application of the FCA Handbook and CP25/14 which dealt with stablecoins and custody. It also cites cross-regulator activity, noting the 2023 Treasury Consultation responses

Key regulatory objectives

Recalling our comments above, you won't be surprised to see that the FCA's aims once again mirror those already held.

These FCA aims are to:

- enhance market integrity;
- protect consumers while ensuring they understand risks;
- support innovation and competition;
- promote confidence and trust in UK cryptoasset markets;
- create clear and consistent "rules of the game";
- reduce consumer harms without eliminating all risk; and
- establish regulatory clarity for firms to invest and innovate.

And finally ...

The FCA emphasizes that regulation "cannot and should not remove all risk." Instead, the FCA says

that it should ensure anyone investing in crypto does so “with their eyes open” with proper information and understanding of risks involved.

We used the word critical in the section above. Now, again, it is critical that the FCA understands from the industry exactly what the risks are and what information is proper.

Cummings Pepperdine Ltd - January 2026

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Summary of CP25/41

Publication date: December 16, 2025

Consultation deadline: February 12, 2026

Builds on: Discussion Paper DP24/4 (published December 2024)

Overview

CP25/41 sets out the FCA's proposed framework for two critical regimes that will be implemented through the Designated Activities Regime (DAR).

These are:

- the Admissions and Disclosures (A&D) Regime; and
- the Market Abuse Regime for Cryptoassets (MARC).

The two regimes form a central part of the UK's comprehensive cryptoasset regulatory framework and work alongside CP25/40 (conduct rules) and CP25/42 (prudential requirements).

The A&D and MARC regimes have clear aims. They

seek to strengthen safeguards by improving the quality and reliability of information available at the point of admission to trading. They are intended to enhance market integrity by tackling fraud, scams, and abusive practices such as insider dealing and market manipulation.

The FCA wants to raise standards across cryptoasset markets to support fair competition and ensure clean, well-functioning markets. It believes that by doing this, consumer confidence will be able to grow through informed decision-making and it will have provided a level playing field that allows all firms to compete fairly.

Below we look at some of the key points of these two regimes.

Admissions and disclosures (A&D) regime

The UK Treasury plans to introduce legislation that prohibits the public offering of qualifying cryptoassets in the UK unless an exemption applies.

These exemptions cover:

- cryptoassets admitted or to be admitted to trading on a Cryptoasset Trading Platform (CATP); and
- offers made off-platform to certain qualified investors only (institutional investors).

The admission process involves the issuer and the exchange as key participants and details on what each will be required to do are set out below.

The "Person Seeking Admission" (who may be the issuer, offeror, or CATP itself) is responsible for the following:

- producing and publishing admission documents;
- ensuring they contain required disclosures; and
- bearing liability on a negligence standard for document accuracy.

The "Cryptoasset Trading Platforms" are required to act as well. They must:

- conduct "sufficient level of due diligence" on issuers and disclosures;
- assess whether a cryptoasset should be admitted to trading;
- verify that associated disclosures are accurate and complete;
- make public a summary of key due diligence findings; and
- set and implement their own detailed content requirements for admission documents.

They also review admission documents to ensure platform requirements are met and make the final decision on whether to approve or reject an admission application.

The FCA is not involved in individual admission approval but sets high-level requirements and standards and enforces the regime.

Disclosure requirements are based on a "necessary information test" and must include:

- the features and risks of the cryptoasset;
- the rights and obligations attached to it;
- an outline of the underlying technology (including protocol and consensus mechanisms);
- track record and performance data;
- the number of tokens in circulation;
- backing assets where applicable (such as for stablecoins);
- stabilization mechanisms for stablecoins;
- details of the person seeking admission to trading where applicable and available;
- relevant industry standards adhered to during protocol development; and
- information about potential updates or changes to protocols.

The FCA is considering more detailed disclosure requirements in the FCA Handbook in its efforts to help consumers make informed decisions based on sufficient information.

Admission documents must be filed on the National Storage Mechanism (NSM) if an application is accepted and must be publicly accessible.

There is quite a bit of law in these requirements. It is clear that the FCA, as the regulator of the London Stock Exchange, is in this role to inform the listing of cryptoassets.

The legal technicalities continue and are of critical importance. In terms of liability, the persons responsible for admission documents are liable on a negligence standard, which is intended to give confidence to consumers relying on disclosures. However, to encourage disclosure of decision-useful information, certain forward-looking statements receive protection. These include:

- projections (such as projected growth in user base);
- plans and intentions; and
- forecasts.

For protected statements, the burden of proof shifts to consumers to establish that the preparer knew, or was reckless about the fact, that the statement was untrue or misleading. This is a higher standard than negligence.

Issuers and relevant persons must also provide ongoing disclosures to keep market participants informed, particularly regarding inside information. This links to MARC requirements discussed below.

In CP25/41, the FCA acknowledges that CATPs may have varying requirements and these could lead to different admission documents for the same cryptoasset across platforms.

To address this, the FCA encourages the industry-led development of standardized disclosure templates as well as industry collaboration and goodwill. CATPs are encouraged to work together to limit duplication and bureaucracy.

Market abuse regime for cryptoassets (MARC)

MARC will be based on the UK Market Abuse Regulation (UK MAR), tailored for cryptoasset activity. The regime has been adapted to reflect differences between traditional financial instruments

and cryptoassets.

MARC will prohibit insider dealing (trading on inside information with adapted definitions for the cryptoasset context), unlawful disclosure of inside information (sharing non-public price-sensitive information inappropriately), and market manipulation (practices that distort markets, create false or misleading impressions, or involve price manipulation schemes).

Here, we stress that the FCA has focused again on liability. The default approach is that issuers who request admission to a CATP are generally responsible for publicly disclosing relevant inside information. In special cases where an issuer is not easily identifiable (such as with Bitcoin) or where a cryptoasset is admitted without the issuer's request, responsibility falls to the person who sought admission to trading. This is likely to be the CATP.

The inside information disclosure works in conjunction with the A&D regime's admission document requirements and provides investors with sufficient information both at the point of admission and on an ongoing basis. Again, we see the FCA building on current regulation.

CATPs and intermediaries must implement systems to detect and disrupt market abuse, including market surveillance arrangements and monitoring and reporting mechanisms. The FCA here proposes a requirement for information sharing between CATPs to reduce fraud, thwart abusive market behaviour, and prevent market manipulation that spans multiple platforms.

We return to legal technicalities here. In CP25/41, the FCA acknowledges the legal challenges in this area, for example data privacy and confidentiality. There will also be technical challenges related to data compatibility and cryptoasset-specific data forms, and competition law compliance concerns. The FCA is not currently proposing a centralized FCA-operated information sharing platform but it

is open to industry-led solutions and is considering various methods for encouraging information sharing.

It bears remembering that it is the FCA that will have supervisory and enforcement powers under MARC to investigate suspected market abuse, take enforcement action against violators, and promote market integrity.

Integration

CP25/41 does not operate in isolation, and as observed above, much of the foundation of these December 2025 CPs seems to draw on existing regulation. This theme is continued.

In relation to the Consumer Duty, the FCA will consult separately on applying this to cryptoassets. The Consumer Duty sets expectations for how firms communicate with retail customers and complements the A&D and MARC regimes.

When considering financial promotions, the FCA already has a regime in force and the A&D regime builds on this with additional specific requirements. Thankfully, duplication is not required where overlap exists, for example in relation to due diligence.

In terms of AML/CFT requirements, existing Money Laundering Regulations will continue to apply, and MARC will work alongside these to reduce financial crime risks.

Both A&D and MARC will be implemented through the Designated Activities Regime (DAR).

The legal consequence of this is that firms may be subject to FCA rules and enforcement but they will not necessarily require full FSMA authorization for all participants.

Key policy issues

The FCA draws our attention to its attempt to balance consumer protection with innovation support, regulatory clarity with flexibility, market integrity with market development, and standardization with platform competition. It is a fine wire to walk.

As with CP25.40, the proposals take into account previous work both by the FCA and with other regulators.

These include IOSCO's Policy Recommendations for Crypto and Digital Asset Markets (November 2023), the Financial Stability Board's recommendations on cryptoassets, and international best practices and engagement with industry.

From the above, we can see the FCA encouraging industry-led solutions, for example for disclosure templates and information sharing. We are told to expect to see more of this with the FCA asking for consultation and feedback as well as outlining its plans for holding policy roundtables to inform development, and recognizing industry expertise.

Who is affected?

The primary groups affected are cryptoasset issuers and offerors, Cryptoasset Trading Platforms (CATPs), intermediaries facilitating crypto transactions, and market participants engaging in crypto trading. Secondary stakeholders include investors and consumers, technology providers, legal and compliance advisors, and industry bodies and trade associations.

And finally ...

The FCA underscores its view that the success of the A&D and MARC regimes will depend on several critical factors, for example CATP cooperation and willingness to develop standardized disclosure templates and share information.

In addition, clear definitions are needed, particularly final clarity on what constitutes a CATP and which platforms are in scope. This will require the work of the lawyers who draft, and those who advise the industry on implementation.

It is essential to understand that the liability framework must be balanced to ensure it does not discourage useful disclosures while also maintaining accountability. Effective information sharing requires resolving technical and legal challenges to enable cross-platform cooperation.

Proportionate enforcement is mentioned and it is of the greatest importance that the FCA abides by this in its supervision and enforcement. Without this, and paying heed to the industry, the UK will fail to be what it should be: a jurisdiction that combines high regulatory standards with support for cryptoasset innovation and market development.

Cummings Pepperdine Ltd - January 2026

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Summary of CP25/42

Publication date: December 16, 2025

Consultation deadline: February 12, 2026

Builds on: Consultation Paper CP25/15 (published May 2025)

Overview

CP25/42 sets out the FCA's proposed prudential regime for cryptoasset firms that will be authorized under FSMA. It extends and complements the earlier CP25/15, which focused on stablecoin issuers and cryptoasset custodians.

This paper covers the remaining cryptoasset activities and contains additional prudential rules that apply to all regulated cryptoasset firms. The prudential regime is designed to ensure cryptoasset firms maintain adequate financial resources to withstand risks and protect consumers.

The FCA has modeled the prudential regime on requirements that currently apply to UK investment firms, creating two separate sourcebooks:

- COREPRU (Core Prudential Requirements) will ultimately apply to all FCA-solo regulated firms

and contains foundational prudential standards; and

- CRYPTOPRU (Cryptoasset Prudential Requirements) which contains specific requirements for cryptoasset firms. It will supplement COREPRU with crypto-specific rules.

Scope

CP25/42 extends prudential regulation to firms conducting various activities. These include:

- operating a qualifying cryptoasset trading platform (CATP);
- providing staking services;
- arranging deals in qualifying cryptoassets;
- dealing as agent in qualifying cryptoassets; and
- dealing as principal in qualifying cryptoassets (which includes firms offering lending and borrowing products).

This means that, when looked at with CP25/15, the regime will cover key cryptoasset activities, including issuing qualifying stablecoins and safeguarding or providing custody of qualifying cryptoassets.

Core prudential requirements

The intention is that firms must maintain own funds equal to the highest of three limbs, these being:

- the Permanent Minimum Requirement (PMR), which is a minimum baseline capital based on the activities a firm is authorized to conduct. For qualifying stablecoin issuers, this is £350,000, aligning it with e-money firms. The requirement varies by activity type.
- the Fixed Overhead Requirement (FOR), which is based on a firm's fixed operating costs and ensures a firm can wind down in an orderly manner if needed.
- the K-Factor Requirement (KFR), which are risk-based capital requirements that are either activity-based or exposure-based. The highest calculated K-factor determines the requirement. The firm must always hold own funds at or above the highest of these three amounts.

K-Factor Requirements (Capital for Risk)

K-factors are designed to capture different types of risk and CP25/42 introduces several new K-factors for cryptoasset activities.

Activity-based K-factors which capture operational risks from conducting regulated activities. K-CTF (Client Transaction Fees) which is based on the client order flow processed and applies to firms arranging or executing client transactions. It is measured as the value of client orders over a period.

K-CCO (Client Orders Handled) which captures operational risk from handling client orders and applies when a cryptoasset firm executes orders on external CATPs. There is one exception: if orders are

executed in a firm's own name, they are counted in K-CTF instead.

K-COH (Client Orders Handled) which applies to intermediaries that arrange transactions. It is based on the value of client cryptoasset transactions facilitated.

These activity K-factors are typically calculated using a rolling average of activity over recent months, with a modified calculation for firms with less than nine months of operational data. The method is to exclude the most recent three months, then calculate the arithmetic mean of daily values for the remaining six months. This creates a "lagging effect" which the FCA has built-in to allow firms to plan for capital requirement changes.

Exposure-based K-factors address:

- market;
- position; and
- concentration risk.

The most critical is K-NCP (Net Cryptoasset Positions), which addresses market, credit, and concentration risks. It applies to all positions in qualifying cryptoassets held in a firm's trading book. The trading book consists of positions held with trading intent or to hedge trading positions and includes proprietary positions and client-servicing positions. Certain positions are excluded, namely positions in UK-authorized qualifying stablecoins and positions already deducted under COREPRU 3.

The calculation process involves first identifying positions in scope, then netting long and short positions in identical qualifying cryptoassets, valuing each net position in the firm's functional currency and lastly applying a position risk adjustment based on cryptoasset category.

For Category A cryptoassets, a 40% charge applies to the net exposure value. For Category B cryptoassets, a 100% charge applies. The resulting capital requirements are then summed.

To qualify as Category A, a cryptoasset must meet volatility requirements. Specifically, it must have an average daily volatility below 5% over the measurement period and must not exhibit extreme volatility, which is the FCA's general expectation.

Those cryptoassets that do not meet Category A criteria will be Category B and thus attract the 100% charge.

Critically, firms must monitor the K-NCP requirement on an intra-day basis.

Before executing any trade, firms must recalculate the requirement to ensure the firm always has adequate capital for positions.

Liquid assets requirements

Firms must maintain sufficient liquid assets to meet their obligations as they fall due. This is the Basic Liquid Asset Requirement (BLAR).

For stablecoin issuers, there are special requirements in addition to the general BLAR. They must maintain a backing asset pool equivalent to a 1:1 ratio with all minted qualifying stablecoins. All backing assets must be ring-fenced in trust for stablecoin holders and a statutory trust imposed over backing assets for the benefit of holders. An independent third party (not part of the issuer's group) must be appointed to safeguard backing assets.

The Issuer Liquid Asset Requirement (ILAR) is a separate obligation from the backing asset pool and calculates the level of on-demand cash deposits needed to account for price volatility in the backing asset pool. If a shortfall occurs, a firm can promptly top up the backing asset pool to a 1:1 ratio by the end of the next business day. Only immediately available deposits without restrictions will count toward ILAR.

It is interesting to note that the FCA has no plans to prescribe specific compositions of backing assets.

Instead firms will determine their own composition based on redemption modeling conducted on an ongoing basis, risk management requirements, and liquidity needs. This represents considerably more flexibility than initially proposed in DP23/4.

Concentration risk management

Firms will be required to manage concentration risks arising from large exposures to individual cryptoassets, large exposures to connected clients, geographic concentration, and technology platform concentration.

The FCA provides a detailed definition of "group of connected clients" and sets limits on exposures to prevent concentration risk.

Overall Financial Adequacy Rule (OFAR)

Beyond specific quantitative requirements, firms will have to, at all times, maintain financial resources that are adequate in both amount and quality for the business they undertake.

This qualitative assessment supplements the quantitative rules.

Overall Risk Assessment (ORA)

This was previously called Internal Capital Adequacy and Risk Assessment (ICARA). It is now the Overall Risk Assessment.

As with the ICARA, firms must:

- conduct a comprehensive assessment of all material risks;
- determine if regulatory capital requirements are sufficient;

- hold additional capital or resources if needed beyond minimum requirements;
- document the ORA process; and
- update the ORA process regularly.

Third country issues

No man is an island, even if the United Kingdom is.

Under the current approach, certain exclusions apply only to UK-authorized qualifying stablecoins. This will not be extended to third-country stablecoins.

In the same vein, see also the position risk requirement exclusions. The FCA has acknowledged this may need review in the future, particularly where regulatory outcomes in third countries are broadly aligned. Therefore, it will consider third-country issues on an ongoing basis.

Group supervision

This is another key change from CP25/15. Now, FCA has no intention of creating bespoke requirements for groups of cryptoasset firms. Instead, HM Treasury will amend the definition of “Investment Firms Prudential Regime financial institution” to include cryptoasset firms.

The FCA will consult on amending investment firm group rules to accommodate cryptoasset firms at a later date.

Additional prudential areas and integration

CP25/42 does not cover all aspects of the prudential regime. Future consultations are planned for cryptoasset firm group requirements, public disclosure of prudential information, and detailed ICARA/ORA requirements and processes. That said, this is not an entirely new paper. CP25/42

builds on and extends CP25/15. Collectively these will form the final proposed draft prudential rules.

Policy statements covering both CPs will be published in 2026.

And again we see the FCA building on the existing rules.

The prudential regime will work alongside CP25/40 (conduct and operational requirements), CP25/41 (admissions, disclosures, and market abuse), CP25/25 (application of FCA Handbook), and CP25/14 (stablecoin issuance and custody rules).

Where cryptoasset firms hold client money (such as fiat currency for on/off-ramping), CASS 7 rules will apply. Firms will be designated as conducting “designated investment business” (DIB), and thus client money protections will extend to the crypto context.

Regulatory objectives

The prudential regime aim is to ensure financial resilience so that firms can withstand shocks and meet obligations.

The FCA is keen that it is designed to protect consumers by ensuring assets are safeguarded and firms remain solvent and promotes market stability by reducing systemic risks from firm failures. It should also support orderly wind-down by ensuring sufficient resources for orderly exit if needed.

The FCA's aim here? To create a regime that:

- enables growth through proportionate requirements;
- does not stifle innovation; and
- creates a level playing field where the same activities face the same prudential standards.

Proportionality

The FCA tells us that it has designed requirements to be proportionate.

It points to how the PMR scales with firm size and activities and K-factors that reflect actual risk exposure. There are also modified calculations for new firms with limited data history and a flexible backing asset composition is allowed for stablecoin issuers (once again, note this change from the restrictive DP23/4 proposals which were widely condemned by the industry).

The ORA should allow firms to assess their specific risk profile.

However, the regime is based on investment firm standards, which may be more onerous than necessary and the industry is urged to comments on using the e-money model as an alternative.

Who is affected?

As you would expect, this is a comprehensive list. Those primarily affected are:

- all firms seeking authorization for regulated cryptoasset activities;
- cryptoasset trading platform operators;
- firms offering staking services;
- cryptoasset intermediaries (arranging, dealing as agent/principal);
- firms offering crypto lending or borrowing;
- qualifying stablecoin issuers (CP25/15 + CP25/42); and
- cryptoasset custodians (CP25/15 + CP25/42).

Also bought into the ambit will be the minor players,

for example professional advisors and law firms, auditors serving the cryptoasset sector, consumers and investor groups, policy makers and regulators, and industry bodies and trade associations.

And finally ...

CP25/42 provides comprehensive coverage and, combined with CP25/15, covers all major cryptoasset activities.

It is clear to see the FCA's intention to introduce a prudential for cryptoasset firms which aligns with the existing rules and seeks to provide a comprehensive financial soundness framework comparable to traditional financial services, while accommodating the unique characteristics and risks of cryptoassets.

The industry is now called upon to address problems.

Next steps

Assess scope:

- Determine which activities fall within the new regulated activities and whether existing business models will require authorisation.

Review territorial reach:

- Consider how the territorial provisions apply to cross-border operations, particularly for firms serving UK consumers or providing services into the UK market.

Prepare for authorisation:

- With the application window opening in September 2026, firms should begin preparing their authorisation applications now, including reviewing governance structures, compliance frameworks, and operational arrangements.

Monitor FCA consultations:

- The FCA has published detailed consultations on conduct rules (CP25/40), admissions and market abuse (CP25/41), and prudential requirements (CP25/42). Firms should review these consultations and consider submitting responses by the 12 February 2026 deadline.

Consider restructuring:

- Global groups may need to restructure their operations to establish appropriate UK presence and take advantage of the transitional provisions for overseas affiliates.

Seek clarity on ambiguities:

- Where the SI creates uncertainty, firms should seek FCA guidance or legal advice to understand how the regime will apply to their specific circumstances.

Cummings Pepperdine Ltd - January 2026

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Summary of FCA CP26/4

Application of FCA Handbook for Regulated Cryptoasset Activities – Part 2

Publication date: January 2026

Consultation deadline: March 12, 2026

Builds on: Consultation Paper CP25/25 (published September 2025)

Overview

CP26/4 is a continuation of the FCA's cryptoasset regulatory framework, building on earlier consultations including CP25/25.

It provides detail on how the existing FCA Handbook requirements will apply to newly regulated cryptoasset activities.

Below we have set out short summaries of the key areas. For details on how these may impact your business.

Conduct of Business Sourcebook (COBS)

The FCA proposes to extend the Handbook to include cryptoasset regulated activities, which means that the COBS requirements will apply to those firms.

Key COBS provisions that will apply include: client categorization (COBS 3); communicating with clients and financial promotions (COBS 4); information about the firm and its services (COBS 6); appropriateness assessments (COBS 10); and reporting to clients (COBS 16).

Below we summarise some key points for cryptoasset firms.

UK-issued qualifying stablecoins: The FCA's proposal is that these should not be categorized as Restricted Mass Market Investments (RMMI) on the basis that they have a comparatively lower risk profile. This means they will not be subject to the marketing restrictions that apply to other qualifying cryptoassets, such as appropriateness assessments and 24-hour cooling-off periods.

Qualifying stablecoins which are not issued by a UK-authorized issuer must use financial promotions that include additional risk warning information to make consumers aware that the issuance is not regulated in the UK.

Appropriateness assessments: The FCA proposes strengthening requirements under COBS 10. When conducting appropriateness assessments, firms must ask clients questions that cover, at least, all 12 matters in COBS 10 Annex 4G (which will be changed

from guidance to a rule).

For cryptoasset lending and borrowing products, the FCA plans to introduce new rules that will force firms to assess knowledge and experience of these specific products before offering them. This reflects the additional risks and complexity of these products.

Distance communications: The FCA proposes not to apply COBS 5 (distance communications) to cryptoasset firms. Instead, it takes the view that the Consumer Duty will ensure clear distance communications.

Cancellation rights: COBS 15 (cancellation) will probably not apply to all cryptoasset activities. Given the volatile nature of cryptoassets and the operational challenges of reversing on-chain transactions, cancellation rights are considered impracticable.

Safeguarding disclosures: For firms that safeguard qualifying or specified investment cryptoassets on trust, the FCA proposes new requirements under COBS 6 to disclose information about how the trust is set up, whether exceptions apply, access and security arrangements, and use of third parties.

SM&CR tiers

The FCA proposes criteria for categorising cryptoasset firms under the Senior Managers and Certification Regime (SM&CR). Firms which are deemed “Enhanced” will face more onerous requirements including additional senior manager functions and a Management Responsibilities Map.

Stablecoin issuance firms: These firms will be Enhanced if the total value of the backing asset pool is more than £65 billion, calculated as a three-year rolling average. This aligns with the threshold for asset management firms.

Cryptoasset custodians: Again, there is a financial measurement for these firms. They will be Enhanced if the highest total value of client cryptoassets held

on trust during the last calendar year, added to the highest total value of safe custody assets, is more than £100 billion. This effectively adds cryptoassets to the existing CASS Large calculation.

Based on current market data, these thresholds are unlikely to capture newly authorised cryptoasset firms initially. However, they provide a clear path to Enhanced status as firms grow.

Training and competence

Those firms that will conduct certain cryptoasset activities for retail clients will need to follow Training and Competence (TC) Sourcebook requirements. This applies to dealing in qualifying cryptoassets (including lending and borrowing), safeguarding qualifying or specified investment cryptoassets held on trust, and arranging qualifying cryptoasset staking.

Again, the FCA is drawing from its existing rules. This mirrors the standards applied to firms dealing in securities, safeguarding investments, or holding client money in traditional finance. However, the FCA is not proposing qualification requirements at this stage, noting that the professional training market for cryptoassets is still under development. The FCA will monitor this and consider introducing qualification requirements in due course.

Regulatory reporting (SUP 16)

The FCA is looking at an iterative approach to regulatory reporting which will introduce requirements gradually rather than imposing a full set of returns from day one. This reflects the fact that these activities and products are newly regulated.

Existing returns: All qualifying cryptoasset firms will need to submit existing returns from authorisation, including application details, controllers and close links reports, annual accounts, verification of firm details, annual financial crime reports, baseline financial resilience reports, operational incident reports, and third-party reporting.

New baseline returns: The FCA proposes activity-specific baseline returns covering key information such as customer numbers, transaction volumes and values, and connections with other market participants. These will be submitted quarterly (monthly for safeguarding) and will provide the FCA with visibility of existing or emerging risks.

Safeguarding activities: Here, the plan is for monthly reporting which is similar to the client money and assets return (CMAR) used in traditional finance, but adapted for cryptoassets. All cryptoasset safeguarding firms, regardless of size, will be subject to consistent, frequent reporting, given the sector is new to regulation.

Complaints reporting: Initially, the FCA proposes a simplified approach requiring only total complaints received and total complaints upheld, rather than detailed reporting. This phased approach aims to reduce firm burden while the regime becomes established.

Future enhancements: Once the regime is live, the FCA will continue to review and refine reporting requirements based on submissions, firm feedback, and emerging risks. The FCA may issue supplementary ad-hoc data requests to enhance understanding of the sector.

Safeguarding client cryptoassets

CP26/4 includes proposals on how cryptoasset safeguarding rules will apply to firms conducting more than one regulated cryptoasset activity, and the approach to specified investment cryptoasset custody. The consultation also addresses treatment of retail consumers and collateral in cryptoasset borrowing.

For cryptoasset borrowing, the FCA proposes that firms must not take ownership of collateral provided by a retail client and use it themselves, except where the client has provided express prior consent to discharge their debt to the firm. This protects retail clients from firms using their collateral for the firm's

own purposes without explicit agreement.

Location policy for international firms

The FCA's baseline expectation is that firms applying for UK authorisation to serve UK clients should operate from a UK legal entity. This is to ensure robust regulatory oversight and appropriate consumer protection.

However, the FCA recognizes that in certain limited circumstances, UK QCATP operators may benefit from combining a UK legal entity presence with UK authorisation of an overseas CATP via a UK branch. This flexibility is intended to support internationally active firms while maintaining regulatory standards.

The FCA will likely assess cryptoasset firm's intended legal form individually at the authorisation gateway and during supervision to ensure they meet threshold conditions and general requirements. This case-by-case approach allows the FCA to balance international competitiveness with appropriate oversight.

For overseas firms authorised via a UK branch, certain consumer protections (such as access to the Financial Ombudsman) may not apply to their activities if they do not carry on regulated activities from a UK establishment. The FCA acknowledges this may create challenges for consumers in understanding which protections apply.

Dispute resolution and compensation

The Financial Ombudsman Service's (FOS) compulsory jurisdiction is likely to extend to cover complaints arising from all new regulated cryptoasset activities. This means consumers will have access to an independent dispute resolution mechanism when things go wrong.

All qualifying cryptoasset firms will need to comply with the complaints handling requirements in DISP 1, including establishing effective procedures to

handle complaints promptly and fairly, appointing an individual responsible for oversight, and maintaining appropriate records.

For UK qualifying stablecoin issuers that use third parties to carry out activities on their behalf, the FCA proposes specific requirements. Issuers must include provisions in contractual arrangements requiring third parties to provide information on complaints procedures, forward complaints to the issuer, and provide contact details for the issuer to stablecoin holders.

The FCA and FOS propose not to extend the FOS voluntary jurisdiction to cryptoasset activities, as most firms will fall within the compulsory jurisdiction and those outside the UK are likely to be beyond its territorial scope.

Financial Services Compensation Scheme (FSCS): The FCA does not propose to extend FSCS coverage to new regulated cryptoasset activities. This means customers will not be eligible for compensation from the FSCS for investment losses arising from regulated cryptoasset activities. Instead, the FCA relies on activity-specific regulatory safeguards including conduct, disclosure, and firm resilience requirements.

The FCA acknowledges this could create inconsistencies. For example, a claim relating to safeguarding a traditional share would fall within FSCS scope, while safeguarding a token representing the same share on a blockchain would not. The FCA invites comments on this specific point and will consider whether to revisit its approach as the market develops.

Consumer Duty

The FCA proposes to apply the Consumer Duty (Principle 12 and PRIN 2A) to cryptoasset firms in the same way as it applies to all FSMA-authorised firms.

The FCA has published supplementary non-Handbook guidance (see GC26/2, summarised separately) to clarify how the Consumer Duty applies

to cryptoasset activities, recognizing the unique characteristics of cryptoasset markets including distribution structures, overseas manufacturers, and technical complexity.

And finally...

If you are a cryptoasset firm currently operating or planning to operate in the UK, you will need to:

- understand how COBS requirements will apply to your activities
- prepare for new appropriateness assessment requirements
- implement robust safeguarding disclosures and client reporting
- If you are a stablecoin issuer looking to serve UK clients you will need to:
 - know whether you'll be categorized as Enhanced under SM&CR
 - understand the marketing restrictions that apply to non-UK issuers
 - prepare for monthly regulatory reporting requirements

If you are a cryptoasset custodian holding client assets on trust, you will need to:

- assess if you'll meet Enhanced firm thresholds as you grow
- implement new safeguarding disclosure requirements
- put in place systems for monthly client asset reporting

If you are a firm offering cryptoasset lending and borrowing, you need to:

- understand the new appropriateness

assessment rules for these complex products

- prepare for restrictions on using retail client collateral
- ensure your staff meet Training and Competence requirements

The FCA's consultation closed on March 12, 2026, and the proposals made will directly impact how you:

- Structure your business and obtain authorisation
- Design and market your products
- Train your staff and allocate management responsibilities
- Report to the FCA and handle customer complaints
- Safeguard client assets and manage collateral

At Cummings Pepperdine, we're tracking every development in the FCA's cryptoasset regulatory framework.

We can help you:

- Understand exactly how CP26/4 applies to your specific business model
- Prepare your authorisation application or variation
- Implement the necessary systems, controls, and procedures
- Ensure your staff training meets TC requirements
- Design compliant product disclosures and customer communications

Cummings Pepperdine Ltd - April 2026

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UK cryptoasset regime - key takeaways from the statutory instrument of 4 February 2026

What is the new UK cryptoasset regime?

On 4 February 2026, the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102) (the "Statutory Instrument" or "SI") were published on legislation.gov.uk, together with an explanatory memorandum. The SI establishes a regulatory regime for cryptoasset activities under the Financial Services and Markets Act 2000.

What activities will be regulated under the new regime?

The SI introduces a comprehensive range of new regulated activities relating to qualifying cryptoassets ("QCs"). These include:

Transaction-related services: Dealing in QCs as principal (on a firm's own account), dealing as agent (on behalf of clients), arranging deals in QCs, and operating a cryptoasset trading platform (CATP).

Custodial and related services: Safeguarding QCs (custody), arranging safeguarding, and arranging staking services.

Stablecoin issuance: Issuing qualifying stablecoins ("QCs"), which are single fiat-referenced stablecoins designed to maintain stable value against a government-issued currency.

Where these activities correspond to traditional finance services, they are broadly characterised in a similar manner. However, HM Treasury has sought to tailor the regime to reflect the specific features of cryptoasset-related activity.

What are qualifying cryptoassets?

A qualifying cryptoasset ("QC") must be:

- a. fungible;
- b. transferable; and

- c. not solely a record of value or contractual rights, including rights in another cryptoasset.

This definition has been amended from earlier drafts to add limb (c), which may impact the scope of what constitutes a QC. The explanatory memorandum offers a cryptographically secured spreadsheet as an example of what would be excluded, though the full implications of this exclusion remain somewhat unclear.

Qualifying stablecoins are a specific subset of QCs. They are single fiat-referenced stablecoins, though issuers have optionality over the composition of backing assets (which can include the reference fiat currency, a different currency, and/or other assets).

How will the regime apply to overseas firms?

The territorial scope varies depending on the activity. Generally, by incorporating QC-related activities into the FSMA regime, the SI will capture activity carried on in the United Kingdom, in line with traditional finance.

Key territorial provisions:

Issuing qualifying stablecoins: The territorial scope is relatively narrow. Persons are only in scope where the relevant activity is undertaken from an establishment in the United Kingdom. This provides some flexibility to offer a QS from offshore to UK customers without triggering this activity, though intermediation activities involved in distribution to UK customers will remain subject to the UK regime.

Sales to UK consumers: The SI takes a restrictive approach. Any party involved in the sale or subscription of a QC by a UK consumer will be deemed within the territorial scope of the regime, regardless of whether they directly face the end client. This rule applies unless another UK authorised firm is both: (a) intermediating the transaction, and (b) acting as a CATP or dealing as principal.

This approach marks a significant departure from

established cross-border regulation and will make it challenging for non-UK firms to service UK consumers without establishing an onshore authorised presence. In practice, common cross-border order routing scenarios are effectively ruled out by this restriction.

Safeguarding and staking: Services provided to a UK consumer will be deemed to occur in the UK and within the territorial scope of the UK regime.

What is a cryptoasset trading platform (CATP)?

A CATP is defined as a system in which multiple third-party buying and selling trading interests in qualifying cryptoassets are able to interact within the system, aligning with corresponding traditional finance definitions.

The definition has been refined from earlier drafts. Importantly, a system which merely facilitates the bringing together of trading interests is no longer included. This is a positive development, as the broader definition could have captured arranging, introducing activities, and other forms of intermediation that should not properly be considered trading platforms.

Operating a CATP will require FCA authorisation, and platforms will be subject to conduct, organisational, and operational requirements similar to those that apply to traditional trading venues (as set out in the FCA's CP 25/40).

What does safeguarding mean in this context?

The SI introduces a new regulated activity of safeguarding (essentially custody) applicable to both QCs and certain tokenised traditional financial instruments.

The SI clarifies that control of an asset through means that enable bringing about transfer will constitute safeguarding. This helpful clarification indicates that certain services (such as some forms

of key management) may not constitute regulated custody.

However, the SI introduces uncertainty by stating that acting on behalf of another includes circumstances where legal and beneficial title, or only beneficial title, is transferred to the service provider, and scenarios where the client simply has a right of return of the relevant cryptoasset. This broad definition could potentially capture a wide range of arrangements.

Following industry feedback, the SI attempts to clarify that title transfer cryptoasset collateral arrangements and buy-back arrangements do not constitute safeguarding. However, given the potentially broad scope of the activity, there remains a risk of unforeseen consequences for complex arrangements.

How will staking be regulated?

The SI introduces a new regulated activity of making arrangements on behalf of another person for qualifying cryptoasset staking. This captures the use of a QC in the validation of transactions on a blockchain or network using distributed ledger technology.

The SI provides three specific exclusions:

1. solely introducing a person to an authorised staking provider;
2. merely enabling parties to communicate (likely construed narrowly to cover only internet service providers or telecommunications networks); and
3. providing technical services.

However, the exclusion for technical service providers contains ambiguous drafting that creates uncertainty about its intended application. Additional perimeter guidance from the FCA will likely be needed to clarify the scope of this exclusion.

How will stablecoins be treated for payment purposes?

The SI regulates stablecoin-related services under FSMA rather than under the existing UK payment services regime (the Payment Services Regulations 2017).

The SI introduces a general exclusion for activities carried on for the sale of goods or supply of services. This may apply to both merchants accepting QCs as payment and stablecoin payment service providers, though the drafting is unclear and will require FCA guidance to clarify its scope.

Importantly, the exclusion does not apply to stablecoin payment services which do not relate to the supply of goods or services, such as peer-to-peer stablecoin payments. Providers of P2P stablecoin payments may therefore need FCA authorisation depending on their business model.

Stablecoin payment service providers could fall within the scope of dealing in QCs (for on-ramping and off-ramping), safeguarding QCs (where the provider holds stablecoins as part of the payment flow), or arranging deals in QCs.

What are the requirements for admissions and disclosures?

The SI creates a new regulatory regime for public offers of QCs and their admission to trading on

CATPs through the Designated Activities Regime (DAR) under Part 5A of FSMA.

The SI makes it unlawful for a QC to be offered to the public in the UK unless the offer is exempt under Schedule 1. The FCA has powers to make rules determining who is responsible for publishing a QC disclosure document, sets out general requirements for such documents, and creates a liability regime for untrue or misleading statements and omissions.

Those responsible for disclosure documents will

be liable for untrue or misleading statements or omissions, and investors who suffer losses as a result of relying on such disclosures can claim compensation. However, liability may be limited where reasonable belief is demonstrated, timely corrections are made, or for properly attributed expert statements.

The FCA's detailed proposals for the admissions and disclosures regime are set out in CP 25/41.

What is the market abuse regime for cryptoassets (MARC)?

The SI creates a market abuse regime for cryptoassets (MARC), also introduced through the DAR. MARC applies to relevant qualifying cryptoassets, which are QCs that have been admitted to trading, or are subject to an application for admission to trading, on a CATP.

MARC prohibits insider dealing, unlawful disclosure of inside information, and market manipulation in relation to qualifying cryptoassets. These prohibitions broadly mirror the existing traditional finance market abuse regime.

The SI gives the FCA power to make rules covering disclosure of inside information, legitimate market practices, prevention and detection of market abuse by CATPs and intermediaries, information sharing between trading platforms, and creation and maintenance of insider lists.

When does the regime come into force?

The SI will come into force on 25 October 2027. The FCA will have the power to issue directions, guidance, and rules ahead of this date to prepare for the regime, but this does not affect the timing for when firms need to be compliant.

The FCA announced on 8 January 2026 that the application window for firms seeking cryptoasset

permissions will open in September 2026. The FCA has stated it will aim to determine applications ahead of the October 2027 commencement date, which will create significant time pressure on firms looking to be regulated in the UK.

What transitional arrangements are available?

Part 7 of the SI creates a structured gateway for firms to transition into the new regime. Firms must apply for cryptoasset permissions during an application period specified by the FCA (opening in September 2026) to benefit from transitional provisions.

If a firm's application is not determined by the commencement date, it will benefit from a transitional period of up to two years (until 25 October 2029), during which it can continue to provide services in accordance with the existing regime. This applies only if the firm applied during the relevant application period and the application remains undetermined or has been refused but is still open to review.

The FCA has extended the transitional regime to cover services provided by an overseas person in the same group as the applicant, enabling global groups to benefit from the regime as they establish UK presence and restructure their operations.

The SI also introduces a contractual run-off regime, which allows firms whose applications are withdrawn or refused (and no longer open to review), or made outside the application period, to perform obligations under pre-existing contracts for a limited time. This is subject to FCA notification and client disclosure requirements.

How will DeFi be regulated?

The SI does not include specific provisions relating to decentralised finance (DeFi).

Where specified activities are undertaken on a truly decentralised basis (where there is no identifiable

person conducting the activity by way of business), the requirement to seek authorisation will not apply.

The FCA will determine in any given case whether there is an identifiable controlling person conducting specified activities by way of business. The FCA has proposed to consult separately on future guidance on the application of the new regime to DeFi, including how decentralisation and the existence of an identifiable controlling person will be determined.

What happens to the existing MLR regime?

The cryptoasset registration requirements set out in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs) will continue to apply to those operating cryptoasset businesses in the UK that do not fall within the scope of the new QC regulated activities.

In practice, this will have limited impact on most cryptoasset service providers that will fall within the full regime. However, it may capture some limited business activities, such as parties dealing in non-fungible tokens (NFTs), which do not fall under the definition of a QC.

What should firms do now?

Firms should take the following steps:

Assess scope: Determine which activities fall within the new regulated activities and whether existing business models will require authorisation.

Review territorial reach: Consider how the territorial provisions apply to cross-border operations, particularly for firms serving UK consumers or providing services into the UK market.

Prepare for authorisation: With the application

window opening in September 2026, firms should begin preparing their authorisation applications now, including reviewing governance structures, compliance frameworks, and operational arrangements.

Monitor FCA consultations: The FCA has published detailed consultations on conduct rules (CP 25/40), admissions and market abuse (CP 25/41), and prudential requirements (CP 25/42). Firms should review these consultations and consider submitting responses by the 12 February 2026 deadline.

Consider restructuring: Global groups may need to restructure their operations to establish appropriate UK presence and take advantage of the transitional provisions for overseas affiliates.

Seek clarity on ambiguities: Where the SI creates uncertainty (such as around safeguarding, staking technical services, or payment services), firms should seek FCA guidance or legal advice to understand how the regime will apply to their specific circumstances.

Given the complexity of the regime and the time pressure created by the September 2026 application window, early preparation is essential for firms wishing to continue operating in the UK market.

Cummings Pepperdine Ltd - February 2026

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FCA cryptoasset perimeter guidance under CP26/13: what it means for you

Executive Summary

On 15 April 2026, the FCA published consultation paper CP26/13, setting out proposed perimeter guidance on the new regulated cryptoasset activities.

The consultation does not expand the regulatory perimeter – that has already been established by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (Cryptoasset Regulations 2026), which are expected to come into force on 25 October 2027.

Instead, it explains how the FCA expects firms to analyse their activities and determine whether FCA authorisation will be required under the new regime.

The proposed guidance is set out in a Q&A format in a new chapter 19 of the Perimeter Guidance sourcebook (PERG). This covers everything from the definition of qualifying cryptoassets and qualifying stablecoins, to when activities are treated as carried

on “by way of business” or “in the UK”. There are also proposed consequential amendments to PERG 1, PERG 2 and PERG 8.

The consultation closes on 3 June 2026 and the FCA intends to publish its final guidance in September 2026, ahead of the October 2027 go-live date.

What does CP26/13 cover?

The proposed PERG 19 is structured to guide firms through a sequential assessment of their regulatory position. Key areas of guidance include:

Purpose and assessment framework: The guidance sets out the analytical steps firms should follow to determine whether their activities are regulated and what permissions they may need.

By way of business: Guidance on when cryptoasset activities cross the threshold into regulated business activity, as opposed to personal or incidental dealings.

In the UK: Clarity on when overseas firms or globally-operating businesses are treated as carrying on regulated activities within the UK – a question that turns heavily on who the services are provided to, not where the firm is based.

Specified investments: The new categories of qualifying cryptoassets and qualifying stablecoins, and how they are defined for regulatory purposes.

Regulated cryptoasset activities: The full range of new regulated activities, including dealing, arranging, safeguarding and operating a cryptoasset trading platform, together with guidance on which permissions may be needed for particular business models.

Exclusions: How specific exclusions from the regulated activities framework operate in practice.

Transition from the MLRs 2017: Guidance for firms currently registered under the Money Laundering Regulations 2017 on how the new FSMA-based regime interacts with the existing framework.

The FCA's role-based approach

A central theme of CP26/13 is the FCA's insistence that perimeter analysis turns on what a firm actually does, rather than how it describes itself or the technology it deploys. Crypto-specific terminology, business labels and architectural choices are all non-determinative.

The FCA is explicit that substance and role are what matter, not the terminology market participants adopt. The use of smart contracts, public blockchains or elements of decentralisation does not, of itself, determine whether an arrangement falls inside or outside the regulatory perimeter.

This role-based approach runs consistently through the guidance on dealing, arranging, safeguarding and platform operation. In each case, the perimeter analysis focuses on whether a person is providing

services on behalf of another and exercising a degree of control or intermediation, rather than simply participating in cryptoasset markets on their own account.

Implications for cryptoasset treasury companies

The guidance has particular relevance for listed and unlisted companies holding cryptoassets, including bitcoin, on their own balance sheet for treasury or commercial purposes. The FCA's approach suggests that such activity is not, in itself, a regulated cryptoasset activity.

Where a company acts solely on its own account, it is not dealing, arranging or safeguarding cryptoassets for others, and therefore does not require FCA authorisation in respect of its treasury holdings alone.

However, the guidance also identifies where that position may change. Treasury structures that extend beyond passive holding – for example by offering access, liquidity, internal trading facilities or custody-like arrangements for group companies, affiliates or third parties – begin to resemble the provision of cryptoasset services and may fall within the regulated activities framework.

UK consumers and the reach of the regime

Another important feature of CP26/13 is the emphasis placed on UK consumer involvement as a trigger for bringing activities within scope. The guidance reflects a deliberate policy choice that certain cryptoasset activities are treated as taking place in the UK depending on who the services are provided to, not where the firm is physically located.

In practice, this means that firms dealing, arranging or safeguarding cryptoassets for individuals in the UK can be regarded as carrying on regulated activity in the UK even if their operations, systems or legal entities are based overseas. Arguments grounded

solely in offshore location or global business models will carry limited weight where UK consumers are involved.

This significantly narrows the scope for overseas cryptoasset firms to remain outside the UK's financial regulatory perimeter where they actively serve UK retail users. It also has practical implications for DATs with UK retail investors, where additional scrutiny of the firm's activities may follow.

Compliance

CP26/13 reinforces that the UK's future crypto regime is activity- and service-focused. The FCA is not seeking to regulate cryptoasset ownership or balance sheet exposure, but to ensure that firms providing cryptoasset services – particularly to UK consumers – are authorised, supervised and accountable.

The guidance brings greater clarity around how the perimeter should be analysed, but leaves many outcomes dependent on detailed, fact-specific assessment. In practice, meaningful certainty for firms assessing whether their activities fall within the new regime is likely to emerge through early and careful perimeter analysis, followed by engagement with the FCA's authorisation process.

All firms with any exposure to the cryptoasset space should be conducting that perimeter analysis now. The October 2027 go-live date will arrive quickly, and the FCA will expect firms to have made timely and accurate applications for authorisation where required.

Some practical questions

Activities: Are you providing cryptoasset services to others, or acting solely on your own account? The distinction is central to whether FCA authorisation is required.

UK consumers: Do you serve, or are you accessible to, UK retail users? If so, you may be within scope regardless of where your firm is based.

Treasury structures: Does your treasury or balance sheet holding involve any element of access, liquidity provision or custody for others? If so, your position may be more complex than a simple own-account holding.

Transition planning: Are you currently registered under the MLRs 2017? If so, you will need to understand how the transition to full FCA authorisation under FSMA applies to your business model.

Next steps

CP26/13 is a significant document for any firm with exposure to the cryptoasset space. Whether you are a new market entrant, an established operator, a DAT, or an overseas business serving UK clients, the proposed guidance will shape how you need to analyse your regulatory position.

The question is not simply whether you fall within the perimeter. It is whether your current business model, governance arrangements and compliance framework are ready for the level of scrutiny that full FCA authorisation will bring.

Cummings Pepperdine Ltd - May 2026

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FCA Policy Statement PS26/7: progressing fund tokenisation

A summary and commentary

Introduction

Below we have set out a summary of PS26/7, the FCA's Policy Statement on progressing fund tokenisation, published in April 2026.

The PS confirms final rules and guidance following CP25/28, and sets out the FCA's near- and long-term roadmap for fund tokenisation in the UK.

We have structured this summary to follow PS26/7's key chapters, highlighting the main policy decisions and areas of interest for firms.

1 Background and context

The UK asset management sector manages £16.5trn of assets. The FCA sees tokenisation and distributed ledger technology (DLT) as having significant

potential to improve fund management efficiency, broaden access to private markets, and enhance global competitiveness.

The PS builds on the industry-led 'Blueprint' model developed by The Investment Association's Technology Working Group, and follows the FCA's commitment in its January 2025 letter to the Prime Minister to progress a roadmap for digital assets in asset management.

By way of background to this, the FCA authorised the first tokenised UK UCITS scheme under the Blueprint in January 2025. It received 64 responses to CP25/28, with broad support from traditional financial services firms, digital and crypto firms, fintechs, trade associations, consumer groups, and law firms.

2 Summary of PS26/7

Chapter 2: Accelerating tokenisation of authorised funds

- The FCA confirmed an outcomes-based approach to guidance, giving firms flexibility to use alternative technological means to comply with existing rules.
- Authorised Fund Managers (AFMs) must retain authority over the fund register, including to correct errors, assist investors and process court orders – even on public DLT networks.
- Additional guidance has been included on token freeze/unfreeze and forced transfer functionality as permissible mechanisms for register management.
- Firms need not maintain a duplicate ‘mirror’ of on-chain information off-chain, provided operational resiliency requirements are met. The on-chain record may serve as the primary books and records.
- Units in a given class may be issued on multiple blockchains, provided the underlying rights of holders and the nature of charges remain the same.
- The FCA confirmed firms can use public DLT networks (e.g. Ethereum Layer One) subject to appropriate controls, consistent with its approach in CP25/25.

Chapter 3: A new direct dealing model

- The FCA is introducing an optional ‘direct to fund’ (D2F) dealing model for authorised funds, applicable to both conventional and tokenised funds.
- D2F removes the requirement for units to be issued to the fund manager before transfer to unitholders, enabling atomic settlement on-

chain for newly-issued units.

- Respondents welcomed D2F as simplifying reconciliation processes and aiding real-time settlement, particularly in the context of T+1 migration.
- The FCA decided not to proceed with the proposed requirement to maintain a standby client money account for unattributable cash in umbrella schemes, citing disproportionate cost. Enhanced reconciliation rules will apply instead.
- On omnibus accounts and overdrafts, the FCA is working with HM Treasury to clarify the application of protected cell legislation. Firms must individually assess proposed operating models for compliance.

Chapter 4: Near-term steps for fund tokenisation

- The FCA will support firms and industry in generating interest in wider use of DLT in fund management and financial markets.
- On token and data standards, the FCA encourages firms and industry forums to develop consistent standards but does not, at this stage, intend to mandate specific standards in regulation, consistent with its outcomes-based approach.
- On secondary (peer-to-peer) trading of tokenised fund units: firms must ensure investors are informed of adequate pricing information, the settlement finality of transfers, and any gas fees or costs associated with such transfers.
- The FCA acknowledged the importance of on-chain digital identity solutions for KYC processes but considers progression through industry forums or standard-setting bodies as the appropriate route.

- On tax, firms are working directly with HMRC on questions such as whether transferring units between blockchains constitutes a tax event.

Chapter 5: Future tokenisation models

- The FCA sets out its vision for a 'composable finance' framework, enabling tokenised assets to be combined and used across different platforms and use cases.
- The FCA will seek views on a regulatory framework for how UK wholesale capital markets might adopt DLT later in 2026.
- The FCA confirmed that its rules do not prevent UK authorised funds from investing in tokenised forms of eligible assets, including the Treasury's Digital Gilt Pilot (DIGIT).
- The FCA is open to applications to modify or waive rules to allow stablecoins to settle unit deals as an interim measure ahead of final stablecoin standards in October 2027.

MLR Registration

- Following new cryptoasset legislation laid in Parliament, firms authorised for new regulated cryptoasset activities will no longer need to register additionally as 'cryptoasset exchange providers' or 'custodian wallet providers' under the Money Laundering Regulations (MLRs) from October 2027.
- Firms will need to notify the FCA if they intend to act, or have begun to act, as a cryptoasset exchange provider or custodian wallet provider within 28 days. All other MLR requirements continue to apply in full.
- The FCA is consulting in CP26/13 on draft guidance on how the new cryptoasset regime applies from October 2027. Responses are requested by 3 June 2026.

3 Key observations

- The PS is broadly industry-positive, reflecting near-universal support from respondents for the FCA's approach and ambition to accelerate fund tokenisation.
- The outcomes-based approach provides firms with meaningful flexibility, which is welcome, but the absence of mandated standards on tokens, identity and interoperability may slow market-wide adoption.
- The decision not to proceed with the client money account proposal is a practical concession to industry concerns about cost and operational complexity.
- The unresolved position on omnibus account overdrafts introduces uncertainty. Firms will need to seek their own legal analysis before relying on omnibus accounts in D2F structures.
- The stablecoin interim waiver regime is a useful bridge for firms ahead of the October 2027 standards, but the parameters for applications are not yet fully defined.
- The PS sits within a broader regulatory landscape: firms should track parallel workstreams including CP25/25 (cryptoassets), CP26/13 (cryptoasset regime guidance), the UK Wholesale Financial Markets Digital Strategy, and IF3 Lab outputs.

4 Next steps

New rules and guidance on the direct dealing model and tokenised fund registers take effect immediately. This means that firms need to assess whether and when to adopt the optional D2F dealing model for new or existing schemes.

Those firms that are considering a tokenised fund launch should review the finalised Handbook guidance for maintaining unitholder registers on DLT.

For those firms that are currently using or considering omnibus accounts in D2F structures, take note of the need to monitor the HMT clarification on protected cell legislation and carry out their own legal assessment in the interim.

Responses to CP26/13 on the cryptoasset regime are due by 3 June 2026 and further FCA consultation on wholesale capital markets and DLT is expected later in 2026.

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The regulatory landscape is changing fast—ensure you're ahead of the curve, not playing catch-up.

Cummings Pepperdine Ltd - May 2026

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