coinbase

To:
Nikhil Rathi
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Via email: cp25-41@fca.org.uk

12 February 2026

Response to FCA consultation on admissions and disclosure and market abuse (CP25/41)

Coinbase Global, Inc. (together with its UK subsidiary CB Payments Ltd. and its other subsidiaries, **Coinbase**) appreciates the opportunity to respond to CP 25/41 (**the Consultation Paper**) published by the Financial Conduct Authority (**FCA**).

Coinbase is a trusted service provider of crypto trading, custody, and infrastructure. Founded in 2012 and publicly listed in the United States, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

We are excited to follow the progress the UK is making in its mission to become a global centre for cryptoassets and tokenisation, and we appreciate the thoughtful and strategic approach the FCA is taking to regulate the sector. In particular, well-functioning admissions and disclosure, and market abuse regimes for cryptoassets are vital for delivering trust in the sector and better outcomes for consumers. We appreciate the opportunity to respond to these important proposals.

We stand ready to support the FCA, as it develops a regulatory framework that raises standards across the industry, protects consumers, and delivers on the Government's ambitions to put the UK on a strong competitive footing in the global race for digital assets.

Yours sincerely,

Tom Duff Gordon, Vice President,
International Policy, Coinbase

Keith Grose,
UK CEO, Coinbase

Introduction

Admissions and Disclosures

Consumers should be given key information about cryptoassets so they can make an informed decision on whether to purchase the asset or not. At the same time, it is important to strike the right balance between the interests of the consumer and avoiding putting disproportionate responsibility on the issuer or the trading venue. The unique features of cryptoassets require a tailored approach to admission and disclosure to achieve these goals.

Among other things, this approach must recognise that such assets can have both a consumptive use and investment purpose, that protocols often lack insiders or inside information, and that decentralised protocols may not have an issuer that is able to provide disclosures. These features not only influence what information is material to disclose, but also require regulators to think carefully about who should have an obligation to provide disclosures and what liability is appropriate to assign to the disclosing party.

We are encouraged by the FCA's careful consideration of comments since DP24/4. On the whole, the FCA offers a pragmatic and flexible approach to asset listing and disclosures, while ensuring that market participants have access to the information they need to make informed decisions. In particular, we support the UK's overarching approach of an outcomes-based regime for disclosure because it allows CATPs to decide how best to meet the FCA's requirements. However, it will be critical to get the details right; below we set out the areas that we believe should be addressed in the FCA's final rules.

Information access - admissions standards must reflect information availability to avoid disproportionate liability being attributed to CATPs.

From the outset of the FCA's engagement with industry, Coinbase has made the case that CATPs should only be responsible for producing disclosure documents that include publicly available and readily verifiable information. Any departure from this point of principle risks disproportionate liability on CATPs and we note that the FCA is proposing a number of changes to reflect this feedback.

First, we support the FCA's new proposals for Protected Forward Looking Statements, whereby firms are able to include information that is not verifiable without associated liability, and the disclosure of such information is voluntary. Second, we support the FCA's proposal that where firms cannot verify information as part of the due diligence process, this should not stop the CATP from being able to list the asset, and that the QCDD can be published with a disclaimer that some information has not been verified. We believe these are important components to deliver what the FCA is seeking to achieve for a well designed and proportionate asset listing and disclosure regime.

However, we believe the FCA needs to go further to address limitations of information access that will continue to exist under the regime:

- **The FCA should confirm that the "objective" application of admissions criteria still allows CATP operators to tailor admissions information standards depending on the nature of the asset and the persons seeking admission.**
- **In determining whether admission would be "detrimental" to the interests of retail investors, we believe the FCA should confirm that this does not require CATPs to determine admission would be 'zero risk', reflecting the fact that uncertainty cannot be fully removed through the admissions and disclosures regime.**
- **For the avoidance of doubt, the FCA should confirm, in clear terms, that CATP admissions criteria do not require the provision of information which may not be available to the person seeking admission; CATPs should only be responsible for providing publicly available and readily verifiable information.**

Liability - use powers to expressly exclude civil liability where appropriate, including where a person responsible for a QCDD/SDD is reasonably satisfied that statements are true and not misleading, or responsible for a QCDD/SDD for assets without an identifiable issuer.

While the scope of liability is set out in legislation, the FCA can determine who liability is applied to and any exclusions from civil liability. We believe the application of strict liability to ensure all information is true and not misleading would be disproportionate if applied to CATPs, who would not have access to non-public information or control over the asset in question i.e. in the context of admitting third party tokens rather than a CATP's own tokens.

The FCA should confirm that the person seeking admission is liable only for ensuring they are *reasonably satisfied* that information is true and not misleading, and should exclude from civil liability disclosures for assets without an identifiable issuer (in line with the approach taken in the EU).

Industry cooperation - incentivise coordination by allowing the delegation of disclosure liability, and allow CATPs to leverage reasonable reliance on the due diligence carried out by other UK-authorised trading platforms.

We are encouraged by the FCA's support for an industry-led approach to disclosures; consumers will enjoy better outcomes if there is a single, unified disclosure document for a given cryptoasset. Industry coordination is needed to achieve this. At present, the FCA proposals allow CATPs to utilise QCDDs published by other platforms, but the separate due diligence process they must carry out suggests an inability to reasonably rely on prior due diligence conducted by another authorised CATP. Each CATP would also need to upload a separate platform-specific copy of the QCDD to the FCA repository, adding further duplication and risking information inconsistency. The benefits of coordination are then not fully realised, and the ability to appoint a third party to produce unified disclosures e.g. via an industry consortium, is made more difficult.

To ensure coordination is possible, the FCA should allow liability for disclosure documents to be delegated to a third party, or shared between multiple parties (e.g. via an industry consortium), and support the possibility of a single disclosure on the FCA repository for a given cryptoasset, not only UK-issued stablecoins.

The FCA should also allow CATPs to reasonably rely on due diligence carried out by other authorised trading platforms, while still accepting responsibility for their own admission decision. We elaborate on how this could work in practice under Question 2.

Cross jurisdiction utility - avoid unnecessary prescription to allow for disclosure documents to be used across jurisdictions

While we understand the FCA's proposals must reflect the legislative "necessary information" test, guidance and rules beyond this should not unjustifiably limit cross-compatibility with other jurisdictions. This includes the FCA's proposals for unverifiable information reports and key information summaries, both of which are specific to the UK. Global CATPs operating across many countries should not be required to produce separate disclosure documents for the same asset in each jurisdiction; disclosures with multi-jurisdictional utility would reduce firm burden, and support an outcome that information available to consumers on a specific asset is consistent, from wherever they access it.

To achieve this, we believe the FCA should avoid prescriptive requirements and consider recognising the disclosure regimes of other jurisdictions with sufficiently similar requirements (e.g. MiCA's disclosure regime).

Go live - avoid cliff-edge by ensuring a viable transition period for disclosures on cryptoassets already traded in the UK

The FCA has confirmed that the regime will apply to cryptoassets already traded in the UK, but has acknowledged the need for transition arrangements to be in place; the timings of these will be set out in a later consultation.

The UK's cryptoasset regulatory regime is set to go live in October 2027, and this will bring substantial new admission and disclosure requirements. **We urge the FCA to give firms sufficient time following the 'go live' date to bed in systems and processes, and begin applying them to new listings first (per the approach taken in the EU), in order to reduce disruption to the market and avoid cliff-edge risks.**

Financial promotions regime - re-examine current Fin Prom requirements to ensure they are fit for purpose

Once the admissions and disclosure regime comes into effect, we believe the FCA should align the requirements of the Fin Prom regime as it applies to qualifying cryptoassets, with the requirements applying to other "readily realisable" instruments (*i.e.*, listed securities).

Qualifying cryptoassets which are admitted to trading on a CATP are listed on a regulated platform and liquid, unlike other restricted mass market instruments ("RMMIs"), as well as being subject to an admissions and disclosure regime which will ensure consumers have sufficient information. We also note that the top 20 tokens by market capitalisation (minus meme coins) have similar levels of volatility as US tech stocks. Qualifying cryptoassets should not, therefore, be treated as RMMIs once the new cryptoasset regime is in effect. In the meantime, the Fin Prom regime should be updated so that mature and more widely used cryptoassets such as BTC, ETH, and certain stablecoins are not designated as RMMIs. The market in these assets has matured significantly since their original classification; furthermore, BTC and ETH specifically have similar levels of volatility as mid cap equities.

While we believe a wider reclassification is therefore required to ensure an equitable, risk-based approach, in the meantime mature and more widely used cryptoassets such as BTC, ETH, and qualifying stablecoins should be removed from the category of RMMIs, in addition to the proposed reclassification of UK-issued stablecoins set out in CP26/4.

Coinbase Engagement in FCA Regulatory Sandbox

We note, the FCA's Regulatory Sandbox has admitted Eunice to explore and test solutions and Coinbase is pleased to be supporting these efforts to ensure disclosures work across platforms, alongside other major CATPs.

Through this collaboration, we aim to demonstrate the effectiveness of industry coming together to produce disclosure documents which are consistent and unified, wherever consumers access them. We are seeking to develop adaptable templates which are tailored to the parties producing the QCDD and the nature of the asset. These templates will focus on information that is available and readily verifiable for firms, recognising that this looks different when the issuer of the asset is producing the disclosure itself. Finally, by leveraging the expertise of major industry leaders and expert providers with experience developing solutions in other jurisdictions, we aim to deliver high quality disclosures which meet our customers' needs.

Introduction

Market Abuse Regime for Cryptoassets

The ideal approach to addressing cryptoasset market abuse will combine learnings from traditional finance with the tools capable of addressing cryptoasset markets' particular characteristics, including 24/7 trading across multiple jurisdictions.

We support the FCA's commitment to developing a clear and robust framework for tackling market abuse. Coinbase takes responsibilities in this area seriously and we have invested significantly in systems and controls to prevent and monitor abusive behaviour across our products and services. A framework that prevents and mitigates abusive behaviour is necessary for a trusted ecosystem, and all participants have a role to play. However, it is important to create a regime that is operationally practical, and our response focuses on changes needed, where we believe the proposals go too far.

Recommendations for change

While we agree that crypto firms have a responsibility to contribute to a fair and well-functioning market, and tackle the presence of market abuse on their own platforms, we believe certain areas of the regime merit further consideration.

The responsibility of trading platforms to monitor and prevent market abuse should be limited to their own platforms

From the outset of the FCA's engagement on its proposed market abuse regime, Coinbase has made the case that CATPs should only be responsible for proactively seeking and disclosing inside information related to their own platform, not outside of it, and where the CATP has direct involvement. In practice, this means that CATPs should not be expected to monitor the entire market but only those transactions executed, and orders placed, modified, cancelled or rejected inside and outside a trading platform in which they are directly involved. This is in line with the approach taken by ESMA under MiCA.

We appreciate the FCA's targeting of inside information disclosure requirements on inside information that "directly concerns" the person in question. This supports the idea that CATPs will not be expected to police a broader market which they cannot control. As the FCA recognises, non-issuers do not have the same information access as issuers, particularly to inside information related to a specific cryptoasset.

However, trading platforms under the FCA's proposals would be required to proactively monitor activity on and off their platforms, through a vast array of sources, including social media and other online sources far outside the operations of the firm. The draft rules also do not limit onchain obligations to activities that are related to the CATP, and CATPs would be the main recipients and assessors of suspicious activity reports from the broader market (elaborated on below). While CATP operators have a clear responsibility to prevent and respond to market abuse, as market participants rather than regulators or law enforcement, it should not be the role of CATP operators to enforce compliance in the wider market as quasi-public bodies.

The FCA should explicitly limit monitoring obligations to activities in respect of orders or transactions that occur on the given CATP.

The FCA should revisit its proposal for the regulator to step back from its role in assessing and processing suspicious order and transaction reports , which places a disproportionately burdensome enforcement role on CATPs

In a departure from UK MAR and the approach taken for market abuse within traditional financial markets, we note a materially new proposal whereby the FCA would no longer play a role in the assessment and processing of suspicious activity reports submitted by the industry. Instead, the FCA is proposing that market participants submit these reports to trading platforms, who are then expected to undertake their own assessment and then "take action to prevent or disrupt the market abuse" – and only if the market participants and CATP cannot find a path forward, would the FCA expect to be notified; i.e. the FCA becomes the backstop regulator for market abuse.

This proposal is totally unworkable, disproportionate and unprecedented. It relies on CATP operators being able to carry out assessments and interventions without any formalised information gathering or enforcement powers. With all intermediaries subject to the requirement to report to CATPs, an unmanageable volume of reports could arise for platform operators – and the FCA would hold them liable for delivering on this responsibility. **We strongly believe the FCA must revisit this proposal and take on these supervisory responsibilities, to avoid appointing CATPs to a quasi-regulatory role in an industry that will be subject to market abuse regulation for the first time.**

Where firms act reasonably in complying with cross platform information sharing requirements, retrospective liability should be proportionate

We agree that there should be an industry-led (private-to-private) solution for cross platform information sharing, which should be allowed to develop over time as the regime embeds to allow CATPs to converge on equivalent, and mutually beneficial, data sharing arrangements. However, we are concerned that the level of disclosure that some platforms would offer, as part of the cross platform information sharing requirements, may not reach the desired standard, leading to asymmetries in disclosure which favour those that choose to disclose less (e.g., it could provide competitors with significant information around customer activity on another firm's order book).

We support the proposal to introduce safe harbours when information is shared under the market abuse rules, to ensure that firms are not subject to civil claims when acting in good faith and in compliance with FCA rules. However, the sum of requirements proposed is likely to incentivise well-intentioned CATP operators to share more information than is necessary, including that which could threaten the privacy or security of their users. The unnecessary sharing of information even on a protected basis would not be a good outcome for customers, who have not requested for their information to be shared outside the platform they have signed up for.

The FCA should provide tighter guidance on when information must be disclosed and greater assurance that where CATP operators reasonably conclude that information is not strictly necessary to share with other platforms, they will not face retrospective liability for unforeseeable future events.

The £10 million threshold for determining the 'large CATPs' who must carry out onchain monitoring and cross-platform information sharing is significantly too low, and is not focused on the trading platform activities carried out.

We welcome the FCA's recognition that onchain monitoring and cross-platform information sharing requirements are substantial, and justified only for larger platforms with greater UK market exposure. While we therefore support the introduction of a large CATP threshold for onchain monitoring and cross-platform information sharing, we do not agree that £10 million in annual revenue across a 3-year average is proportionate, because it captures revenue across *all* sources including those unrelated to the operation of the trading platform. An approach more strictly tied to trading volume and active UK users is needed to better reflect the market exposure of the CATP, which is the key justification for greater obligations. Without this, firms are likely to be brought into scope of these significant requirements who would be unable to comply with them, risking the erosion of trust in the market and threatening the viability of the FCA's regime.

In short, we believe the FCA should base the 'large CATP' threshold on trading volume and UK users specifically, with a substantially higher threshold to ensure requirements can be met.

Answers to specific questions - Admissions and Disclosures

Question 1: Do you agree with our proposal to require CATPs to establish and publish admission criteria, and to take into account the non-exhaustive factors listed in CRYPTO 3.2? If not, which elements do you think should be changed?

We strongly support the FCA's objective of striking the right balance between protecting consumers and avoiding unnecessary prescriptiveness. Key to this is the FCA's proposal that CATPs have the flexibility to establish their own risk-based, objective admissions criteria, which should allow for standards, which are tailored to the service being offered and the CATP's customer customer base. However, we note three areas in particular, where further changes are needed for the FCA to achieve its stated objective.

Flexibility within admissions criteria

In making an asset listing determination, there are significant differences in the information that would be available, for instance, between a decentralised token, and a project led by a centralised issuer who seeks admission themselves. However, the FCA's proposed rules would require the consistent application of the admission criteria (CRYPTO 3.2.5). This suggests that trading platforms would be unable to amend or flexibly apply criteria, for example based on who is producing the disclosure document and the nature of the asset.

We believe the FCA should recognise differences in information available to CATPs making asset listing determinations, by confirming that the "objective" application of admissions criteria still allows CATP operators to tailor admissions information standards depending on the nature of the asset and the person seeking admission. Moreover, CATP operators should not be held liable for any information that is not publicly available and readily verifiable.

Retail investor detriment

The key test proposed for inclusion in admissions criteria is whether admission to trading would be "detrimental" to the interests of retail investors. While we entirely agree with this objective, markets are inherently unpredictable, and the interests of retail investors are diverse - which means this raises challenges in practice. The outcomes for retail consumers following a listing decision will only be knowable retrospectively, and levels of understanding, financial resilience, and risk appetite will vary considerably among retail investors. This makes assessing potential detriment to retail investors prior to an admission challenging in practice.

In its new strategy, the FCA sets out that *'regulation should be about enabling informed risk to be taken, not eliminating it entirely'*. **We urge the FCA to ensure that its requirements on admission standards do not prevent CATP operators from facilitating retail consumer choice between a range of assets suitable for a range of risk appetites. We encourage the FCA to confirm that its "retail investor detriment" test gives space for reasonable risk, accompanied by clear and accurate disclosures.**

Admission criteria

We believe the criteria listed at CRYPTO 3.2 place too great an emphasis on the fitness and propriety of the creator and issuer of the cryptoasset. The nature of the cryptoasset market is such that for certain assets there is no identifiable centralised issuer. Even where there is, the activity or financial well-being of creators or issuers is far less consequential than in traditional financial markets, given the lack of a residual economic claim or interest in the issuer from holding a cryptoasset.

Notably, the information needed to assess a cryptoasset's utility – current or future – is materially different from a financial instrument. For example, unlike equity in a company, a cryptoasset token does not give the holder any residual economic claim or interest in its issuer, and therefore does not depend on an issuer's ongoing financial well-being. The value of a cryptoasset depends on factors that are not typically enumerated in securities disclosure regimes. These factors center on the technical details about the protocol or network, the plan of token distribution, the consensus mechanism and how transactions are validated, how the source code may be updated or changed, and other information about governance, supply, control, and operational capabilities.

Decisions should be taken based on characteristics that are asset-specific, as opposed to issuer-specific, and not viewed only through the lens of an investment. This is important because asset characteristics will endure and always be relevant while the original issuer may not. One of the primary goals of many cryptoasset development teams is to eventually relinquish control over their protocol to a community of users. In practice, this means that after the project is operational and reaches a critical mass of users, the team's control over the live protocol and any related cryptoasset diminishes significantly, if not entirely. At that time, the initial sponsor of the protocol may dissolve or disaffiliate from the protocol (*e.g.*, by relinquishing IP rights to a separately managed and owned, arm's length entity) or otherwise relinquish control gradually over time.

In short, admission criteria should focus on objective, externally knowable information related to the nature, rights, governance, core use cases, and specific information about the underlying technology of the asset in question, rather than on the issuer or creator of the cryptoasset.

Publication of admission criteria

As noted in our response to DP24/4, aside from general, high-level information on their listing and delisting standards and associated processes, we do not believe it is appropriate to require the publication of specific admission standards and processes. While we appreciate the need to ensure that criteria are objective and consistent, this can be achieved by providing them to the FCA. Requiring platform standards to be made public risks exposing material non-public information, in addition to making it easier for issuers to game the system in a bid to have their tokens listed, and to take away discretion from CATPs in their decision-making process.

In short, we support an approach to asset listing that focuses on supervision of trading venues' processes and procedures for assessing and reviewing cryptoassets, but we do not believe it is in the interests of the market that these processes are publicly disclosed (beyond general information on the CATP's listing and delisting standards).

Question 2: Do you agree with our proposal to require CATPs to conduct due diligence before admitting a qualifying cryptoasset to trading? If not, which elements should be amended, and why?

We partially agree. Customers of regulated CATPs should have the confidence that the assets listed on their platforms and their accompanying disclosures have been through an appropriate due diligence process. We support the requirement for CATPs to carry out due diligence on the QCDD, assessing the token project, underlying technology, governance and rights, and its past performance. We also agree with requirements to avoid conflicts of interest by ensuring that the parts of the business responsible for listing decisions are not the same parts carrying out due diligence assessments.

Ensuring due diligence is based on public, accessible information

However, we would caution the FCA against building due diligence requirements with the expectation that they will be used to police the broader cryptoasset ecosystem through CATPs. This would be disproportionately onerous for CATPs and require a significant level of responsibility to be accepted by the CATP, which goes well beyond what would be reasonable. The purpose of this process should be to ensure that CATPs are making available to customers and prospective customers sufficient information so as to make decisions in line with their risk appetite and financial objectives.

The FCA should confirm that CATP operators are not expected to police the conduct of issuers, but rather to ensure that a given token is suitable to list on their platform in line with their admissions criteria. By way of example, we believe the FCA should revisit its requirements on 'fitness and propriety' (as noted in our answer to Question 1) to clarify that the scope of due diligence is over reasonably accessible public evidence that is relevant to the assessment of the cryptoasset in question. Similarly, we believe due diligence on governance, operational arrangements and underlying technology, and the project roadmap should be explicitly limited to publicly available information, given CATP operators will not be provided with information gathering powers that go beyond this.

While the recognition that some information may not be verifiable adds flexibility, ambiguity around whether CATP operators would be expected to seek out non-public information could create false expectations and risk disputes over liability despite reasonable efforts being taken. **To address this, the FCA should clarify that given CATP operators will not have formalised information gathering powers, due diligence expectations should be limited to public, accessible information.**

Ability to reasonably rely on due diligence carried out by another authorised CATP

We acknowledge and support the principle that responsibility for admission should remain venue specific and that a CATP seeking to admit a qualifying cryptoasset should not be able to rely mechanically on a disclosure document prepared for another venue without undertaking its own assessment. Clear allocation of responsibility is central to the integrity of the proposed regime.

At the same time, we consider that the framework should operate in a manner that permits proportionate reliance and avoids unnecessary duplication of work across authorised CATPs. In practice, where a QCDD has been prepared to a high standard and subjected to substantive due diligence by an authorised CATP, it may be appropriate for a second CATP to place structured reliance on that work, provided that it undertakes its own independent review and formally accepts responsibility for the document as adopted for its admission. We are not suggesting that liability should remain with the first mover or that responsibility should be diluted.

Rather, we consider that the FCA could usefully clarify, in rules or guidance, that reasonable reliance on prior due diligence conducted by another authorised CATP is compatible with the A&D framework, provided that the admitting CATP documents its assessment and is satisfied that the QCDD meets statutory requirements in its own context.

In short, we believe that the requirements should provide the ability to reasonably rely on due diligence assessments by other CATPs, without diluting the individual responsibility of each CATP operator.

Question 3: Do you agree with our proposal to require CATPs to keep records of their due diligence processes and the rationale for admission or rejection decisions for at least 5 years (or at least 7 years where requested by the FCA)? If not, what alternative approach to record retention would be more appropriate?

The retention of records for at least 5 years is reasonable and aligns with other record retention requirements cryptoasset firms will be subject to. We agree that it is important for adequate records to be maintained to explain listing decisions. The suitable way to utilise admission and rejection records is to verify that the decision a CATP took involved reasonable due diligence given the information available at the time. These records should not be used to hold CATPs unfairly liable for unforeseeable harm that arises after an admission decision has been made.

Question 4: Do you agree with our proposed approach for cases where CATPs cannot fully verify certain information during due diligence? If not, what alternative approach would you suggest?

Our starting position is that an effective disclosure regime should tailor information requirements to that which is readily available to the CATP and externally verifiable. In theory, this should not leave information lines which are unverifiable within QCDDs, particularly when the accuracy of information is the determining factor for liability in the event of consumer loss. We therefore believe the most effective way of addressing the risk of unverified information is to allow CATPs to tailor information requirements to that which is reasonably knowable. Further to this, under Question 1, we set out that CATPs should have the flexibility to tailor information requirements within their admissions criteria depending on the person seeking admission i.e. whether it is the issuer or CATP itself.

However, we believe the FCA's revised approach to due diligence does offer improvements on the original position in DP24/4, which proposed to require due diligence by CATPs that achieved a 'reasonable level of certainty' around *all* the information in the disclosure, and to require the publication of the due diligence findings. The FCA is now proposing that information that cannot be verified should be reported by the CATP to the producer of the document, and disclosed to consumers.

In our response to DP24/4, we offered the rights of holders in the event of a hard fork or airdrop as examples of information that is inherently unpredictable and often not publicly knowable. A CATP operator may reasonably assess this information gap as non-detrimental for retail investors if there is no recent track record of harm arising from such events, and the risk is one inherent to many assets. This should not lead to retrospective and disproportionate liability being placed on CATP operators for admitting the cryptoasset, if they reasonably informed customers of the characteristics of the token and potential risks.

We strongly support the FCA's position that CATP operators may not be in a position to verify information the FCA is proposing to require, when they are not the issuer of the cryptoasset. This should not be a barrier to tokens being listed, as this would have the effect of substantially limiting the products available to UK consumers, encouraging the offshoring of trading activity. We therefore support the approach of allowing CATP operators to list cryptoassets where some information is unverifiable.

Reporting non-verified information

While we recognise the intention behind the FCA's proposal to require 'non-verified' information areas to be published in the QCDD, we would caution that this must remain proportionate. Given CATP operators will already have had to assess that the unverified information is not likely to be detrimental to retail consumers, prominent publications of these unverified rule areas could be at the detriment of the prominence of the broader information that will be included in disclosures. We would therefore recommend to the FCA to allow greater judgement by CATP operators as to how the unverified status of certain information is shared in QCDDs.

We believe the FCA should revise its proposals whereby reporting unverified information is **at the discretion of the trading platform - the key obligation is that admission decisions made must be in line with the CATP operator's admission rules, and obligations to implement further information flows to the document producer here would not positively impact the QCDD available to consumers.**

Retail investor detriment

Importantly, the key test proposed for inclusion in admissions criteria is whether admission to trading would be detrimental to the interests of retail investors, which includes an assessment of whether unverified information would be detrimental. While we entirely agree with this objective, the outcomes for retail consumers following a listing decision will only be knowable retrospectively, and levels of understanding, financial resilience, and risk appetite will vary considerably among retail investors. The concept of "detriment" could in some circumstances be read to include an analysis of expected price movements, which we suggest would not be appropriate. This breadth of concept therefore generally makes assessing potential detriment to retail investors prior to an admission incredibly challenging in practice.

We would ask the FCA for greater clarity around CATP operators' assessment of when unverifiable information becomes detrimental to retail investors. All financial services bring some risk of harm, and some potential harms are unpredictable and outside the control of the firm in question. Guidance should explicitly confirm that assessments of retail investor detriment do not need to achieve a 'zero-risk' threshold for unverifiable information.

Question 5: Do you agree with our proposal that CATPs should only admit a qualifying cryptoasset where a QCDD has been prepared and published, subject to the exceptions we set out? If not, please provide detailed alternative suggestions.

We agree that generally a QCDD should be prepared and published before a qualifying cryptoasset is admitted. These documents will play an important role in ensuring customers can make informed decisions around holding qualifying cryptoassets.

We support the targeted exemptions which reflect the Cryptoasset Regulations, including those based on total consideration and those where the asset is offered only to qualified investors (including self-elected professional clients). Unlike the position taken in the EU, the legislation does not provide an exemption for assets without an identifiable issuer, including mineable assets such as Bitcoin. Any apportioning of liability related to such assets appears disproportionate given the lack of centralised control. We believe the requirement to produce a QCDD and take on full liability would be a significant deterrent, likely pushing some trading activity into less protected spaces. At a minimum, CATP operators should have the ability to set different admissions criteria for such tokens, for example disregarding the inapplicable requirements around the fitness and propriety of the issuer.

While the proposed exclusion from the QCDD requirement for tokens fungible with another already admitted to the CATP is positive, we do not believe fungibility is sufficiently defined to make this exclusion clear. Two different dollar-denominated stablecoins from different issuers could be deemed 'fungible' and could be exchanged on a 1:1 basis, but we do not believe this is the intended scope of the FCA's exclusion. We believe the key benefits of this exclusion would be to reduce the burden and volume of information when QCDDs would likely be duplicative, for instance in the event of further issuances of the same cryptoasset - which CATP operators will be unaware of and uninvolved with; a wrapped token where the underlying is already admitted; a version of an already listed token on a new blockchain; or a stablecoin issued from country B where the same stablecoin issued from country A is already admitted. The FCA should revisit this requirement and provide more specific guidance on its extent.

In addition, as noted in our response to question 2, we believe that firms should have the ability to share liability for the production of QCDDs and CATPs should be able to utilise reasonable reliance on due diligence carried out by other authorised CATPs when making their own assessments . This opens up the possibility for unified UK disclosure documents rather than separate documents for each platform on the same repository. Allowing this coordination would avoid the need for a single platform to take on the substantial liability burden for assets that they have no control over, while ensuring there is still a QCDD in place and individual platform responsibility for their admission decisions. This would support consistency of information, and ensure that the burden on CATPs and producers of QCDDs is proportionate.

Risk of cliff edge

The FCA has confirmed that the regime will apply to cryptoassets already traded in the UK, but has acknowledged the need for transition arrangements to be in place; the timings of these will be set out in a later consultation.

The UK's cryptoasset regulatory regime is set to go live in October 2027, and this will bring substantial new admission and disclosure requirements. **We urge the FCA to give firms sufficient time following the 'go live' date to bed in systems and processes, and begin applying them to new listings first (per the approach taken in the EU), in order to reduce disruption to the market and avoid cliff-edge risks.**

Question 6: Do you agree with our proposal relating to SDDs? If not, please explain what changes you would suggest and why.

The FCA has proposed to require a supplementary disclosure document (SDD) to be published if there is a 'a significant new factor, material mistake or material inaccuracy' prior to admission. We support the objective that information in disclosures should be as accurate as possible at the point of admission. Therefore we agree with the concept of a supplement trigger point in the proposed rules, and the ceasing of the requirement for an additional SDD after admission to trading.

However, we believe the threshold for an SDD is not sufficiently clear from the draft rules, given the subjectivity of what would constitute a 'significant' or 'material' change. This creates uncertainty for both firms and consumers, as it will not be clear that the point-in-time QCDD is sufficiently accurate at the point of admission. The FCA should include guidance in its final rules which sets out a non-exhaustive set of examples of changes or inaccuracies which would likely require an SDD to be produced.

Moreover, in most cases the CATP operator will not be the issuer of the token, and will therefore not readily have access to the information that would verify that a new factor, mistake, or inaccuracy has arisen. CATPs will therefore be limited to publicly available information, or the provision of information by parties with access to non-public information. This would require comprehensive surveillance for both on- and off-chain updates with a very short timeframe between QCDD submission and asset admission to identify any changes or inaccuracies. Again, the CATP operator will be subject to further due diligence requirements on the SDD, adding further to the burdensome process.

We believe the FCA should make clear that CATP operators will not be expected to police compliance with the SDD requirements, where this would set the expectation that CATPs would cross-check decisions to produce (or not produce) an SDD against potentially non-public evidence of inaccuracies or changes. We also believe that where QCDDs are not produced by the issuer of the token in question, the requirement on the person seeking admission to identify new factors, mistakes or inaccuracies should be limited to those identifiable through reasonably accessible public information.

Question 7: Do you agree with our proposal to introduce high-level, outcomes-based disclosure rules and guidance for what we expect CATPs to require in their rules for QCDDs, while allowing CATPs flexibility to determine additional disclosures where appropriate? If not, how should this approach be amended?

Overall we welcome the proposal for a principles-based information standard which allows venues to set the specific standards for disclosures and admission. This is a more progressive, flexible, and proportionate approach than the EU is taking under MiCA (which has a strict set of requirements on disclosures) and will allow significantly more in the way of responsible innovation within the UK market.

Information requirements

With this in mind, it is important that the FCA does not develop Handbook rules (*i.e.*, a full list of disclosure requirements) that inadvertently create a more prescriptive approach than desired - the rules should be outcomes-based (recognising the need to comply with the statutory information test). We support the flexibility that is afforded to CATPs to determine both the best format and additional disclosures that are required. However, it is also important for the FCA to confirm that it would support CATP operators tailoring their admissions criteria to reflect the reasonable information depth that could be provided by non-issuers.

Moreover, CATP operators should have the flexibility to determine sufficient information depth depending on whether admission is sought by the issuer of the asset or a third party, and whether there is an identifiable issuer. Access to specific non-public information about the issuer, governance, or underlying technology is likely limited in practice to the issuer or a party with privileged access to the asset's internal arrangements. Other market participants, including the CATP, will not have formal information gathering powers and therefore should not be expected to have access to this non-public information. Moreover, in the case of assets without an identifiable issuer, information requirements on issuers and internal governance arrangements are not applicable.

The FCA suggests that while CATP operators will have flexibility in their requirements for QCDDs, they must apply these requirements "objectively". We believe the FCA should confirm that this "objectivity" does not mean CATPs will need to expect the same information depth from QCDDs produced by persons without access to non-public information, as those produced by a token issuer. This would ensure that objectivity does not come at the cost of unmeetable expectations. Importantly, flexibility is possible while still requiring the baseline standards across all disclosures to be no lower than the statutory information test and additional requirements set out by the FCA.

Supporting cross-jurisdiction consistency

Although the FCA's proposed disclosure regime differs from MiCA's white papers, both aim to achieve similar outcomes with regard to providing key information to empower consumers. **To encourage cross-border consistency, the FCA should explicitly support the use of disclosure documents used in other comparable jurisdictions, where they meet the statutory information test and CATP admission rules. Global CATPs operating across many countries should not be required to produce separate disclosure documents for the same asset in each jurisdiction.**

While the FCA's disclosure regime aims to be flexible and outcomes-based, there are several prescriptive requirements, including the wording of risk warnings and liability statements, that could prevent firms from re-using disclosure documents they already use in other countries, even when those documents meet the statutory information test. The FCA should allow the realisation of its outcomes-driven proposals, which explicitly require disclosures to 'equip retail investors to make decisions that are effective, timely, and properly informed', by avoiding additional unnecessary prescription. Revising the prescriptive formatting requirements for key information summaries, unverified information statements, and risk warnings (CRYPTO 3.4.7-10), would ensure that disclosure obligations are consistent with the FCA's objective for a flexible, outcomes-based regime.

Promoting industry coordination

One of the challenges of an outcomes-based regime is that firms could take different approaches to compliance and publish different disclosure requirements to the market. As noted above, industry coordination is important to deliver consistent disclosures for a given cryptoasset in the best interests of consumers. To achieve this, the right incentives need to facilitate the cross-compatibility of disclosures, both between UK CATPs, and across jurisdictions. Accordingly, the FCA should create the conditions and framework for firms to coordinate and, if desired, coalesce around one body (*e.g.*, an industry consortium) that can produce disclosure documents for assets on behalf of the whole industry. This would be further bolstered by confirming that CATPs can reasonably rely on the due diligence carried out by other authorised trading platforms when making their own assessments.

To achieve this, the regime should allow firms to delegate to third parties to produce, and therefore be held liable, for disclosures. We note that is one key area where MiCA fell short, and as a result there is no ability or incentive for CASPs to coordinate on delivering white papers to the market (to the detriment of consumers). We elaborate further on this in our answer Question 9.

Question 8: Do you agree with our proposal to require a short summary of key information to be included in each QCDD? If not, please explain your reasons.

As a general comment, regulators often seem to prefer longer and more detailed disclosures, but these can be less digestible for consumers. We strongly believe the regime should deliver disclosures that are highly targeted to the nature of the cryptoasset and the purchasers. Key to this is ensuring that communications are understandable and appropriate for the client base, rather than relying on extensive generic disclosures that do not serve customer needs and do not mitigate risks. With this in mind, we agree with the benefit of a short summary of information, in order to make disclosures as clear as they can be to consumers.

However, the approach as proposed sets out prescriptive areas of required information, and sets a strict formatting requirement with regard to the maximum 2-page length. This format presents difficulties in aligning disclosures across jurisdictions, and limits the ability for CATP operators to apply their own judgement under the Consumer Duty-style rules as to how disclosures should be made.

We believe the key aspect of this proposal is that the short summary would need to include 'the key features and risks' of the cryptoasset. The FCA states that it seeks to give discretion to CATPs to determine the most appropriate format to display key information, allowing for alignment with the types of summaries used in other markets such as 'Key

Information Documents'. However, beyond this base requirement the FCA has added prescription to the short summary, including the required inclusion of several specific information lines related to token DTIs, conflict of interest statements, and persons responsible for the QCDD.

It should be for CATPs to set out how information in the QCDD must be displayed and in what order. We appreciate the benefits of a maximum 2-page plain English summary. However unlike many other areas of the FCA proposals this constitutes a relatively prescriptive formatting requirement, challenging the outcome that trading platforms are free to determine the most suitable way to present the required information. While we support information being displayed clearly, QCDD producers will already be subject to the FCA's proposed consumer duty-like standards to present information that is clear, accurate, and not misleading. We therefore believe the short summary should be an aspect of QCDDs that CATPs have the discretion to require or not, without diluting the requirement to ensure disclosures are clear and accessible. This helps to avoid the adverse effect that well-intentioned requirements become a significant barrier to delivering targeted disclosures that are cross-jurisdiction compatible, given the FCA's summary requirements do not align with the formats used in other key jurisdictions including the EU.

Question 9: Do you consider that industry-led initiatives could play a useful role in developing standardised disclosure templates for QCDDs? If not, what alternative approaches should be considered to facilitate the creation of industry-led solutions?

Yes. We strongly agree and support the FCA's statement that *"an industry-led approach could draw on existing good practice and international standards. It could also make it easier for market participants to compare cryptoassets and, over time, help maintain a consistent level of quality in disclosures, even while CATPs retain flexibility over format and presentation".*

The overall aim of the disclosure regime should be to facilitate the creation of a single UK disclosure document for each asset to ensure consistency of information – we believe this delivers better outcomes for consumers. This requires strong industry coordination, facilitated by a sufficiently flexible regulatory framework.

For example, there are benefits deriving from the industry coalescing around a third-party body, such as a specialist provider or an industry consortium, that publishes disclosure documents for cryptoassets on behalf of its members. **Key to delivering this, would be for the FCA regime to allow third-party firms to take on the responsibility (and liability) for producing disclosure documents. For this reason we also support the FCA's**

recognition that CATPs can utilise disclosures that have already been filed where consent is obtained; this will promote consistency across the market, which is beneficial to consumers.

As noted above, for industry coordination to be possible, there must be a sufficiently flexible liability framework in place that permits shared and delegated liability. We highlight two mechanisms that the FCA should support:

- First, one model that the FCA should allow is for liability for QCDD production to be delegated to a third-party, which can then produce a single disclosure document for use by multiple CATPs. Liability and customer recourse could be supported via an insurance mechanism. While this type of insurance is nascent, we believe it will grow as the regulatory framework beds down.
- Second, firms, via an industry consortium, may jointly seek admission to trading and as a group take on the liability for the QCDD. This could help to dilute the significant deterrent effect of being the first platform to list a major token, and the liability burden this brings.

In addition, the FCA should ensure that its final rules support the aim of these industry efforts to deliver standardised templates and consistency of information. In our view this should also mean facilitating the standardisation of disclosures across jurisdictions, where this is appropriate and in line with the statutory information test. The Consumer Duty-like requirements around ensuring information is clear, fair, and not misleading set a strong but flexible standard which does not bind firms to a 'UK-specific' template. However, more prescriptive requirements on the formatting of risk warnings, conflict of interest information, and specific rules on the content of key summaries make it more difficult to realise cross-jurisdictional efficiency and information consistency benefits, because they conflict with formatting standards set by other regimes such as MiCA.

Finally, we believe that while it is right for each trading platform to take responsibility for its admission decisions, each authorised CATP will need to meet the same regulatory due diligence requirements. Therefore it would be proportionate for the FCA to confirm that each CATP can reasonably rely on due diligence carried out by other CATPs when admitting the same asset, without diluting their individual responsibility. This would avoid the need for unnecessarily duplicative processes and would increase the ability for consistency of information to be achieved across platforms.

We note, the FCA's Regulatory Sandbox has admitted Eunice to explore and test solutions and Coinbase is pleased to be supporting these efforts to ensure disclosures work across platforms, alongside other major CATPs. Through this collaboration, we aim to demonstrate the effectiveness of industry coming together to produce disclosure documents which are consistent and unified, wherever consumers access them. We are seeking to develop adaptable templates which are tailored to the parties producing the QCDD and the nature of the asset. These templates will focus on information that is available and readily verifiable for firms, recognising that this looks different when the issuer of the asset is producing the disclosure itself. Finally, by leveraging the expertise of major industry leaders and expert providers with experience developing solutions in other jurisdictions, we aim to deliver high quality disclosures which meet our customers' needs.

Question 10: Do you agree with our proposal to require CATPs to disclose conflicts of interest in QCDDs, retain evidence of equivalent due diligence undertaken and implement enhanced governance measures? If not, what alternative measures would you suggest to address conflicts of interest in the admission process? Please provide details.

We agree that these proposals are a reasonable way of addressing conflicts of interest in the admissions process, and agree that admissions on the CATP's own initiative should be held to the same standards as those when a third-party is applying. We welcome the ability for trading platforms to list tokens they have an interest in, which supports a competitive ecosystem and recognises that any risks can be adequately mitigated through transparent admissions criteria.

However, across all requirements in this area, the FCA must consider in its final rule making how this aligns with and/or duplicates broader conflict of interest requirements that may be applied to cryptoasset firms. If firms are already required to consider, mitigate, and communicate conflicts of interest under other requirements, the FCA should consider how it can rationalise requirements to avoid unnecessary burden.

The disclosure of conflict of interest information would benefit transparency, but this should not be at the expense of other important information that prospective holders are likely to need, including the key information about the utility, rights, and governance of the token in question. The FCA should retain the requirement for prominence without prescribing further how this information on conflicts of interest should be displayed, which also avoids creating a barrier to utilising disclosures from other jurisdictions.

While we understand the rationale for separating the functions of producer and assessor, this is likely to be burdensome for smaller CATPs. Given their smaller market presence these firms are likely to be particularly reliant on the ability to list on their own initiative, where issuers may not see incentives to take on liability for producing a QCDD. We do not believe the burden specifically for smaller platforms under the disclosure regime obligations is adequately considered in the accompanying cost benefit analysis, which we discuss in more detail in our response to the CBA questions.

Question 11: Do you agree with our proposal to require CATPs to file approved QCDDs (and SDDs, if any) with an FCA-owned centralised repository before trading starts, and to publish them on their websites alongside an up-to-date list of QCDDs and any SDDs for admitted qualifying cryptoassets? If not, how should these requirements be amended?

We understand that the purpose of the repository requirement is to ensure disclosures are available at an objective, external source. We believe there is a limit to how far consumers and other market participants will utilise the FCA repository when disclosures will also be published on CATP websites. However, as static documents, we agree that the burden of this additional action is limited for CATPs, particularly with the pragmatic proposal not to prescribe machine-readability. While this leads to a level of duplication in terms of QCDDs being published in multiple places, we believe the value of using an FCA-owned repository is that a reliable location is provided for QCDDs which could be leveraged by multiple parties.

However, under the current proposals, it is likely that there would be multiple platform-specific QCDDs, with risk of differences in the disclosure documents filed on the NSM for the same tokens, where different approaches have been taken by firms to disclosures; and we agree that this could be confusing for consumers. In particular:

- If, as proposed, firms are held liable for the content of disclosure documents that they produce, they cannot also be held responsible for ensuring consistency with the disclosure documents prepared by other firms. CATPs should not be held responsible for reconciling any differences in disclosures with those of multiple other firms, although allowing firms to use disclosures already filed on the FCA repository, and reasonably rely on due diligence already conducted, would reduce the likelihood of such inconsistencies.

- The FCA should consider what safeguards should be put in place where there are significant or meaningful differences between disclosure documents. We believe the most effective way to do so is to allow for industry coordination and the sharing or delegation of liability for QCDDs. If each platform seeks to utilise the same disclosure document, the FCA should support the provision of a single QCDD on the repository, rather than one for each trading platform.

We believe there are real benefits for the regulator, industry and consumers if a consistent approach is taken to the preparation and publication of disclosure documents and there should be incentives in the regulatory framework for a market wide solution to delivering consistent disclosure documents. Industry coordination is vital to support consistency in disclosures, and the FCA should provide a framework where shared or delegated liability is supported, and individual platform-specific disclosures for the same assets are a possibility rather than a requirement.

An example of how a unified approach could work in practice comes from the FCA's proposed rule at CRYPTO 3.8.10 R, which allows CATPs to leverage links to existing UK stablecoin QCDDs and utilise these to admit the stablecoin. We believe the FCA has recognised the importance of information parity and consistency under the stablecoin proposals, but not carried this across in its approach to broader cryptoasset disclosures.

Industry coordination has been under consideration in the context of preparing for MiCA compliance in the EU. While we believe a market-wide solution will evolve over time, there have so far been challenges associated with this as a result of the liability associated with the preparation of MiCA white papers; *i.e.*, reticence to delegate to third parties where firms remain liable for the content. These challenges could be addressed if liability can be transferred to a third-party (*e.g.*, an industry consortium), ensuring liability is appropriate and proportionate, and disclosure documents are focused on objective, publicly available and easily verifiable information.

We strongly believe that the FCA should amend its proposals to allow multiple trading platforms to share or delegate liability for a QCDD, and to utilise the same QCDD on the repository, rather than a platform-specific document, to mitigate this potential source of inconsistency.

Question 12: Do you agree with our proposed approach to allocating responsibility and liability for QCDDs and SDDs (if any)? If not, how should this framework be amended?

In our response to DP24/4, we set out that persons who produce disclosure documents should not face undue liability for the inclusion or accuracy of information they do not have reasonable access to. While we understand the liability standard is now set out in legislation rather than FCA rules, and applies where loss is suffered as a result of an untrue or misleading statement (or omission), the FCA has the ability to determine who this liability applies to in the context of QCDDs and SDDs.

The Cryptoasset Regulations give the FCA broad powers to (a) exclude civil liability either generally, or on the basis of certain circumstances (such as the originator of the QCDD/SDD), and to (b) make rules where the failure to comply would result in liability for the responsible person. The FCA should use these rule-making powers to expressly exclude liability for persons who are responsible for a QCDD/SDD but would not be able to confirm the truthfulness of information which is required to be included in a QCDD/SDD (either under the Cryptoasset Regulations or FCA rules). This would be consistent with the recommendation we made in response to DP24/4, that where trading platforms produce disclosures (because issuers cannot or will not produce disclosures themselves), they should not be required to disclose any information that is not publicly available and readily verifiable.

While the FCA has provided some additional flexibility, including recognising that some information will not be verifiable, it has not included within its rules provision for the different applicability of statutory liability depending on the producer of the document. We have three key recommendations that would ensure liability is proportionate:

- The FCA should expressly confirm that liability is not applied once the person seeking admission is reasonably satisfied that statements are true and not misleading (in accordance with CRYPTO 3.3.5). Without this express exclusion, civil liability in the event of loss could be found where information in the QCDD is determined to be untrue, regardless of the extent to which the person seeking admission carried out all actions to reasonably satisfy themselves that the information was true.
- Given their limited access to information, CATPs or QCDD producers should not be expected to produce disclosures with the same depth of information as those produced directly by the issuer of the cryptoasset (and the expectation should be that QCDDs produced by such persons will naturally include disclosures regarding inability to verify such information, in accordance with CRYPTO 3.5.5R(2)). CATPs should only be responsible for information that is publicly available and reasonably verifiable.
- The FCA should expressly exclude or limit civil liability for disclosures made for tokens with no identifiable issuer.
- As noted in our response to other questions, the FCA's rules should allow third-parties (who are not CATPs or issuers) to assume liability the QCDD/SDD content, and allow CATPs to reasonably rely on due diligence carried out by other authorised platforms when carrying out their own assessment - to aid industry coordination around a central solution and encourage information consistency for a given cryptoasset. This coordination will not take place if every CATP remains liable for the disclosure document and cannot utilise due diligence already carried out.

In particular, the FCA should make clear in its rules that liability in relation to the content of QCDDs should be based on whether the person seeking admission is *reasonably satisfied* that information is true and not misleading.

Proportionate liability standards for information in QCDDs

The current liability framework suggests that, where information in the QCDD is determined to be untrue, a person seeking admission could be found liable for a customer's losses, regardless of the extent to which the person seeking admission carried out all actions to reasonably satisfy themselves that information is true. This is particularly disproportionate where disclosures are produced by a person other than the issuer of the cryptoasset, where information may be inaccurate even if it has been assessed in accordance with the FCA's guidance (CRYPTO 3.3.12G). Indeed information may be misrepresented to the person seeking admission, but presented in a way that could reasonably be concluded as truthful.

This could have a chilling effect on the availability of cryptoassets in the UK if few are willing to take on liability for the truthfulness of statements about assets which they do not control. Rather than support good consumer outcomes, this could harm the liquidity available in the UK market. Similarly, such disproportionate liability could encourage an overly cautious approach where helpful information is not shared, or is disclosed as being unverified, because each additional detail, however diligently assessed, would increase the risk under the statutory liability regime. This will reduce the effectiveness of QCDDs/SDDs as a tool for non-qualified investors to learn about assets.

We believe the FCA should expressly clarify that liability would not apply where the person seeking admission is *reasonably satisfied* that the information is true and not misleading, which they could subsequently demonstrate through records of the information gathering process. This would align well with the approach to due diligence liability, and ensure that liability is based on actions or omissions by the person seeking admission.

QCDD liability where there is no identifiable issuer

The approach taken in other jurisdictions is that tokens without an identifiable issuer, such as Bitcoin or Ethereum, have an inherent transparency to their operation that makes it inappropriate to apportion liability elsewhere. Such tokens often play an important and established role as the network tokens of widely used decentralised protocols, so barriers to admission could bring limits to the utilisation of their blockchains more broadly. In the UK, were these and other popular decentralised assets sought for admission, a centralised party would have to take on liability for disclosures related to an asset they have no meaningful control over or interest in. This would significantly deter and greatly reduce the range of assets available to UK consumers, pushing many to instead access tokens overseas. If a person seeking admission were to seek to limit their own liability through including only very limited information in QCDDs, non-qualified investors may not have helpful information, and this may decrease the efficacy of QCDDs more generally.

Therefore, we urge the FCA to expressly exclude civil liability for disclosures related to tokens without an identifiable issuer. At a minimum, the information standards and due diligence requirements should explicitly allow the disapplication of criteria related to the fitness and propriety of the issuer.

Supporting industry coordination

The ability for a third-party to assume liability for QCDDs/SDDs would incentivise firms to coordinate around the production of a single, aligned disclosure document for a given cryptoasset. This is consistent with the FCA's goal of ensuring that an identifiable person is still liable for the disclosure, and helps to support good consumer outcomes through consistent information provision by mitigating the risk of multiple QCDDs for the same asset on the repository.

Proportionate Application of A&D and MARC Requirements to Third Country Branch Structures

We encourage the FCA to provide express guidance confirming that, in a group structure comprising a UK authorised subsidiary and a UK branch of a third country entity, compliance with the A&D and MARC regimes may be supported/delivered through appropriately governed intra-group outsourcing and shared control arrangements. In particular, clarification that an FCA-authorised subsidiary may act as a service provider to a UK branch in relation to (without limitation) disclosure preparation, admission due diligence support, market abuse surveillance, STOR processes and insider list management would be helpful, provided that regulatory accountability for the relevant activity remains clearly allocated and capable of effective FCA supervision.

Such confirmation would align with the FCA's established approach under SYSC and its international firms guidance, which recognises that group resource sharing is permissible where governance, oversight and senior management responsibility are transparent and not diluted. A positive indication in the final rules or guidance that third country branches may rely on documented group arrangements, subject to clear SMF accountability and governance around the arrangement, would promote proportionality and operational efficiency while maintaining robust consumer protection and market integrity outcomes.

Question 13: Do you agree with our proposal to introduce a voluntary regime for PFLS in QCDDs or SDDs (if any), subject to the criteria we set out? If not, please explain what changes you would suggest and why?

We welcome the FCA's proposal that protected forward-looking statements are voluntary within QCDDs and SDDs. As we noted in our response to DP24/4, CATPs should not be required to provide disclosures of non-publicly available or verifiable information. We generally agree with the types of information that would be deemed PFLS and are grateful to the FCA for setting out more detailed examples to assist assessments.

The PFLS liability regime will encourage more transparent information disclosures, and we agree with the FCA's statement that more detailed information in disclosures would be encouraged, in particular related to the operation of the cryptoasset and rights of holders in certain circumstances (e.g. a hard fork), that as noted may not be knowable until after the event. Applying PFLS liability to these aspects of mandatory information would encourage more detail in areas that would otherwise likely need to be designated as unverifiable information under the stricter liability standards.

Question 14: Do you agree with our proposed rules for the circumstances and manner in which withdrawal rights may be exercised? If not, how should this safeguard be amended?

We agree it is reasonable that the publication of an SDD after an offer is entered into, and prior to admission to trading, triggers withdrawal rights for two working days. The two working days limitation provides a reasonable window for such rights to be exercised, and this is justified if the new information is material and affects an investment decision. This proposal also reduces the possibilities for gaming the system, given it is triggered only on offers that are entered into prior to admission, and have therefore not already been executed.

Question 15: Do you agree with our view that disapplying the Consumer Duty and consumer understanding provisions within bespoke A&D rules, reflecting Consumer Duty-style outcomes, is the most appropriate way to deliver consumer protection for activities within the A&D regime? If not, what alternative approach would you suggest and why?

We support an approach which embeds consumer understanding outcomes within QCDD requirements rather than through the broader application of the Consumer Duty to cryptoasset disclosures. We agree with the assessment that sector-specific features make applying the Consumer Duty without amendment unsuitable. The guidance set out in CRYPTO 2.5.10 will help to inform industry-led efforts to design disclosure formats which are consistent with the FCA's intended outcomes.

As noted elsewhere in our response, we encourage the FCA to ensure that in its assessment of acceptable outputs, it considers how the formats used in other jurisdictions could be an acceptable method of achieving the desired outcomes for consumer protection, whether in their entirety, or to a degree sufficiently close that the additional burden of entirely separate disclosures is not justified.

Financial promotions regime

Once the admissions and disclosure regime comes into effect, we believe the FCA should align the requirements of the Fin Prom regime as it applies to qualifying cryptoassets, with the requirements applying to other "readily realisable" instruments (*i.e.*, listed securities).

Qualifying cryptoassets which are admitted to trading on a CATP are listed on a regulated platform and liquid, unlike other restricted mass market instruments ("RMMIs"), as well as being subject to an admissions and disclosure regime which will ensure consumers have sufficient information. We also note that the top 20 tokens by market capitalisation (minus meme coins) have similar levels of volatility as US tech stocks. Qualifying cryptoassets should not, therefore, be treated as RMMIs once the new cryptoasset regime is in effect. In the meantime, the Fin Prom regime should be updated so that mature and more widely used cryptoassets such as BTC, ETH, and certain stablecoins are not designated as RMMIs. The market in these assets has matured significantly since their original classification; furthermore, BTC and ETH specifically have similar levels of volatility as mid cap equities.

While we believe a wider reclassification is therefore required to ensure an equitable, risk-based approach, in the meantime mature and more widely used cryptoassets such as BTC, ETH, and qualifying stablecoins should be removed from the category of RMMIs, in addition to the proposed reclassification of UK-issued stablecoins set out in CP26/4.

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

We agree that prospective holders of UK-issued stablecoins should have access to sufficient information about the stablecoin prior to buying or subscribing for it, and the QCDD is an appropriate mechanism for providing this. We believe that FCA-authorised issuers, CATP operators and intermediaries can provide prospective holders with the stablecoin QCDD, which will cover a large proportion of potential holders, noting the necessary limit to this where holders transact directly with each other or without using centralised intermediaries.

QCDDs which are provided to prospective holders will therefore help the FCA to meet its consumer protection objective of ensuring important information is shared clearly by the issuer at the point of a direct purchase, and at other points of contact between consumers and regulated CATPs or intermediaries where stablecoins are purchased on the secondary market.

Contract requirements

Under the FCA's proposals in this Consultation and in CP25/14, the proposed framework would require:

1. A contract to be in place between issuer and holder before the holder acquires the stablecoin (CRYPTO 2.4.7(1)).
2. A mechanism to be established which allows the transfer of rights from the first holder to any subsequent holder of the stablecoin (CRYPTO 2.4.7(2)).
3. A QCDD to be made available to the holder before the holder acquires the stablecoin (a responsibility placed on issuers *and* CATPs *and* intermediaries).

We believe the requirement for a two-way issuer-holder contract is based on two objectives: informing consumers of their rights and obligations, and ensuring that legally consumers' rights are enforceable. We agree with these aims, but we believe that the combination of the QCDD and the established possibility of transferring legal rights absent of individual two-way contracts with each holder adequately cover these objectives. This would avoid the need for two-way contracts between issuers and holders which would bring significant operational challenges where many will not interact directly with the issuer for the purchase or sale of their stablecoins.

As noted above, we believe the QCDD, which would contain the key information about the product, the issuer, the risks, and the process and conditions of redemption, would meet the consumer protection objective to provide consumers with accurate, accessible information. This regularly updated QCDD would contain the information which would be included in a contract, including the rights to redemption and the issuer's fees and charges policy.

With regard to the transfer of rights, we believe established legal mechanisms exist through which rights can pass from the initial holder to subsequent holders, without new issuer-holder contracts being created. These rights would be further safeguarded because the issuer would have a regulatory obligation to execute valid redemptions under FCA rules. The FCA proposals also mean issuers would be prohibited from imposing onerous conditions or acting against the interests of their customers. These requirements also provide protections for consumers against unreasonable *obligations* that may be placed on them, as they would have a route to recourse (including potentially through the

FOS subject to consultation), in the event that obligations imposed on them breach these regulatory requirements for reasonableness.

As a result, we believe the combination of a QCDD provided to prospective stablecoin holders by FCA-authorised firms (and publicly available to all holders), and the requirement to ensure that the transfer of rights is achieved from initial to subsequent holders (which is possible under established legal mechanisms), means the proposed two-way issuer-holder contract is not necessary from an information provision or legal protection perspective. We therefore believe the FCA should not take forward the proposed rule at CRYPTO 2.4.7(1), which would bring significant implementation challenges on the secondary market and would not provide benefits to consumer protection above the QCDD and rights transfer mechanisms proposed.

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

We agree that the FCA's interpretation of the withdrawal rights set out in legislation is reasonable. These rights apply where an agreement is entered into that is contingent on the stablecoin being admitted to trading, and a stablecoin disclosure has been updated as a result of an inaccuracy that arose prior to admission to trading.

The scenarios envisaged for such rights to be exercised differ for UK stablecoins compared to other cryptoassets, given the regular update of stablecoin QCDDs is both inevitable and by design, rather than because of unexpected inaccuracies. A more 'general' withdrawal right related to these regular updates would add significant disruption to the flow of stablecoins and the services that rely on them. Therefore, we agree with the draft rule which only applies withdrawal rights when updates relate to circumstances which arose or were noted prior to admission to trading.

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

We agree with the proposal that third parties can request the admission of a UK-issued stablecoin, as this supports fair and broader access to these products, without eroding the ability for CATPs to choose not to list a stablecoin based on commercial considerations. We understand that a concern with this approach is that it reduces autonomy for an issuer to choose the trading platforms where a stablecoin is admitted. However where a stablecoin is issued on a public blockchain an issuer has already accepted that it does not have a monopoly on the distribution. Outside of the UK, trading platforms and intermediaries would be free to use the stablecoin wherever it is supported, so a UK framework that allows only the issuer to seek admission to a trading platform directly would introduce inconsistencies and bring potential competition concerns, were an issuer to have a vested interest in exclusive distribution by a trading platform it is connected to.

We acknowledge that issuers will be liable to holders in the case a stablecoin fails, so should be able to take action where they believe admission to a certain platform would place the stablecoin or the rights of holders at risk. However we believe the FCA's proposals sufficiently consider this. If an issuer's objection to admission is down to a significant concern which may affect CATPs' assessment as to the suitability of the stablecoin for their clients, then the FCA has rightly included a mechanism for representations to be made. We believe the 5 working day window for an issuer to make such representations is reasonable.

Moreover, if an issuer seeks only to make its stablecoin available on specific blockchains, it can create these limitations at the design and issuance stage e.g. only issuing the stablecoin within a closed system.

We understand the rationale for requiring CATP operators to notify both the issuer and the FCA in the case of non-admittance - UK stablecoins will be regulated for their issuance, so would be unlikely to breach a CATP operator's admissions criteria if applied consistently. However, as with any cryptoasset, CATP operators would be free to reject admission for a diverse range of valid reasons, including commercial considerations. The requirement to notify the FCA and issuer should be kept under close review depending on the growth of the UK stablecoin market. In the event that the number of UK-issued stablecoins increases substantially, this requirement would become a significant burden for both CATP operators and the FCA, especially if the reasons for non-admittance are unrelated to consumer risk.

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

We agree that the information required on the issuer's website about the stablecoin should be the same as the information in the disclosure document, because requiring the same information is beneficial for parity of information to holders and the wider market. This reduces the burden of producing multiple stand-alone sets of information to meet different disclosure requirements. We believe the flexibility around how website disclosures are presented will benefit consumers, giving issuers flexibility to present information other than through rigid, formal documents.

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

We agree that it is sensible to align the frequency of QCDD updates with website disclosures. The FCA proposes this should be at least once in every three month period for backing asset and stablecoin pool information, and as soon as reasonably practicable after other information becomes inaccurate. We believe this is justified because UK-issued stablecoins should maintain a high degree of trust, and the FCA has recognised that frequent but periodic updates on backing assets are more proportionate than updates whenever figures change, given the latter would require near-constant updates to disclosures without a clear consumer benefit. Aligning the frequency of QCDDs to this schedule will ensure that issuers can update all disclosures together rather than being subject to different schedules, and means that information derived from the issuer’s website is as up-to-date as that accessed via a trading platform.

We believe that were a prospective or current holder to seek information regarding a stablecoin they hold, they would be more likely to access this through information on the issuer’s website - which would be FCA-regulated to ensure accuracy and clarity - than through an FCA-owned repository. However the permalink to the FCA repository allows for new listings of the stablecoin with less friction, and we believe this same benefit could be realised for other cryptoassets if a similar automatic right to cross-platform use of QCDDs were applied.

Answers to specific questions - Market Abuse

Question 21: Do you agree with our proposals on inside information disclosure and delayed disclosure?

From the outset of the FCA's engagement on its proposed market abuse regime, Coinbase has made the case that providers should only be responsible for proactively seeking and disclosing inside information related to their own services. In practice, this means that firms should not be responsible for proactively seeking and disclosing inside information across the entire market but only that which is directly related to their service. As the FCA recognises, non-issuer persons do not have the same level of information as issuers and there is no certainty that any party other than the issuer will have access to inside information relating to a specific cryptoasset.

We appreciate the FCA's targeting of inside information disclosure requirements on inside information that "directly concerns" the person in question. This supports the idea that CATPs will not be expected to police a broader market which they cannot control. As the FCA recognises, non-issuers do not have the same information access as issuers, particularly to inside information related to a specific cryptoasset. However, we believe that the proposed scope of disclosure and monitoring obligations does not clearly distinguish information that is related to a provider's own platform, from information about a cryptoasset which is non-public and not reasonably knowable by non-issuers.

The FCA proposes that inside information must be disclosed in a timely manner, and this applies to issuers, offerers, and CATPs. Delayed disclosure is permitted where immediate disclosure is likely to prejudice legitimate interests, and delay is unlikely to mislead the public. We understand that some aspects of these proposals are required under the Cryptoasset Regulations - including the decision to broaden the responsibility for disclosure to persons beyond the issuer - and others are defined through FCA rules. With regard to legislation we welcome the limitation of disclosure obligations to information that directly concerns the person, and respond to FCA proposals around the responsibility of persons, other than issuers, with the legislative requirements in mind.

We therefore believe the FCA should explicitly confirm that inside information which 'directly concerns the person' does not include broader information about a given cryptoasset that is not reasonably knowable by non-issuers.This is necessary to make the proposed responsibilities - which are broader than under UK MAR - viable. A broader obligation to disclose *any* inside information about a given cryptoasset would constitute an attempt to solve an information asymmetry that does not exist in the same way as it may in traditional financial markets.

Disclosure obligations should recognise the transparency of public blockchains

The FCA recognises that cryptoasset markets have unique features which make a direct comparison to traditional financial markets in some areas inappropriate. While in this consultation these differences are framed as challenges, it is important to recognise the inherent benefits of blockchain technology and public blockchains for transparency and equitable access to information. This transparency means that a large proportion of potential ‘price-sensitive’ information is likely to be inherently public, either because it is an external publicly known event such as political or regulatory activity not specific to a given cryptoasset; a publicly available governance process within a decentralised project; or updates published by a centralised issuer in public forums. Non-public decisions made by issuers are adequately covered by the obligation for issuers to disclose inside information, while inside information held by CATPs, such as the reasons behind a listing decision, would be caught by the obligations applied to them.

Delayed disclosure

We agree with the proposals on delayed disclosure which align with UK MAR, and ensure that a well-intentioned disclosure regime does not inadvertently lead to greater harm where disclosure causes bad outcomes. We welcome the guidance and examples set out in CRYPTO 4.1, which is helpful for interpreting concepts such as ‘legitimate interests’ and ‘ensuring confidentiality’. As the FCA notes, careful and complex consideration is often needed to determine whether information is inside information or not, and this can change quickly with the status of press speculation and market rumour. This is a particularly difficult task under these rules, where responsibilities around inside information apply to a broader range of actors than in analogous traditional finance sectors.

The FCA should recognise the added complexity for non-issuers in determining inside information when only partial knowledge can be assumed, by ensuring providers are not unfairly penalised when they have taken reasonable steps to comply with requirements as soon as possible.

Question 22: Do you agree with our list of non-exhaustive examples of inside information?

We are grateful for the provision of guidance in this area and believe the non-exhaustive list of examples is helpful, particularly as it has been informed through industry feedback.

Nevertheless we believe some of the examples listed give rise to ambiguity. For instance, for cryptoassets without a single identifiable issuer, key governance bodies could be decentralised and composed of a significant number of individuals, while ‘a significant portion’ of validating infrastructure could be interpreted as controlling 10% of the hash rate, 51%, or somewhere in between. Given this ambiguity there is a risk that behaviour will tend towards ‘over-disclosure’ to avoid liability, risking an information fatigue under which investors ignore meaningful alerts because of a flood of technical noise. We would welcome further colour within the guidance related to decentralised governance arrangements, and how cryptoassets without identifiable issuers should be considered under the inside information requirements.

Given the range of factors that could affect the price of cryptoassets, it is difficult even in retrospect to attribute a price movement to a certain event or piece of information. The FCA acknowledges the difficulty in determining potential price effects in its guidance at CRYPTO 4.3.18, yet this is a key test for determining whether something is or is not inside information. The guidance set out in relation to this test covers when information may be relevant to investment decisions, but we believe the indicators set out place too much weight on the financial and prudential position of issuers, offerers, and CATP operators who may be many steps removed from the operation of the cryptoasset itself. In many cases the financial health of an issuer has little bearing on a holder’s position because they do not have any residual economic claim against the issuer. On factors directly related to the cryptoasset itself, the reference to ‘major new developments’ is ambiguous, and likely captures areas not typically covered by disclosure regimes, such as technical details about the protocol or network, the plan of token distribution, the consensus mechanism and how transactions are validated, how the source code may be updated or changed, and other information about governance, supply, control, and operational capabilities.

A lack of clear indicators here is particularly problematic because of the breadth of liability placed on a range of non-issuer actors, who will not have reliable access to this kind of detail. While many of the complexities of determining inside information also exist in traditional finance, these crypto proposals are unique in holding offerers and trading platforms liable. In the event of a code vulnerability hidden by a decentralised governance body, or a blockchain fork planned in private, a trading platform may be the only ‘regulated’ person in the distribution chain, and could be held liable for not disclosing information that it was not reasonably able to gain knowledge of.

The FCA should explicitly state in its rules that liability for inside information disclosure will not extend to information that firms are not aware of, taking into consideration that non-issuers will not have access to non-public information about tokens.

coinbase

Question 23: Do you agree with our revised proposals for the dissemination of qualifying cryptoasset inside information, specifying option 3 (website and active dissemination) as the most suitable approach for day one of the regime?

As we noted in our response to DP24/4, we agree that website and active dissemination is the most proportionate method for disclosure at the introduction of the MARC regime. This will allow firms to leverage existing communication channels which are tailored for their customers, and avoid the need to introduce a more formalistic, and likely less effective, dissemination channel.

We support the requirement at CRYPTO 4.10.3R on sharing information to as wide a public as possible, and would recommend adding to the guidance at CRYPTO 4.10.11 that when selecting the social media and web-based platforms used, the person responsible for the offer must consider whether these include those platforms available to them which are likely to be visible to the widest audience.

Question 24: Do you agree with our revised proposals on legitimate market practices under MARC?

We welcome the FCA's proposal that recognising acceptable behaviours is necessary to avoid the inadvertent prohibition of legitimate activity, because it also includes scope for activity to not be market abuse if it is carried out for 'legitimate reasons'. This proposal allows for a recognition, for example, that trading at prices outside of the normal range can often be a result of supply and demand. The FCA proposes that coin-burning and crypto-stabilisation are the two legitimate market practices to draw out explicitly. We agree with this, as both activities are important to a well-functioning ecosystem and can be carried out legitimately, without inferring any market abuse is taking place.

Beyond the activities proposed (coin-burning and crypto-stabilisation) we strongly believe that the FCA should go further in articulating activities that are not subject to the prohibitions in the Cryptoassets Regulations. As drafted, the two activities listed do not cover all critical activities which could be inadvertently restricted. Most notably we believe maximal extractable value (MEV) should qualify for a safe harbour. Block production is a critical activity to support the cryptoasset ecosystem, and the compensation of good actors is crucial to ensure this process functions well. MEV can provide these incentives to validators and help to create an efficient allocation of block space through prioritisation.

We recognise the relative nascency of some MEV activities and are not proposing that all MEV should go entirely unchecked. However, the most effective mitigants to potential harm must consider the unique characteristics and specific features of each blockchain -

as we noted in our response to DP24/4, regulation can best respond to this risk by creating an environment in which new solutions can develop (e.g. private transaction pools), rather than putting a brake on activities which support a well-functioning blockchain network.

The FCA should include MEV activities within its legitimate market practices, which would align with the approach taken by MiCA, and FCA proposals around coin burning and crypto-stabilisation now provide a helpful precedent to doing so.

Question 25: Do you agree with our proposals for qualifying cryptoasset market abuse systems and controls?

We agree that CATPs and intermediaries are well placed to use systems and controls to prevent and disrupt market abuse. The FCA proposes appropriate employee policies, record-keeping and audit, surveillance and monitoring, and contractual agreements with clients as the important tools in this respect. We largely agree with these systems and controls because good people and systems are necessary to prevent and mitigate the potential for harm. The FCA's proposals give space for firms to build systems that are appropriate and proportionate for their business, because they avoid prescription, and set tailored rules for intermediaries and CATPs. As a firm, we have invested heavily in tools to prevent and disrupt abusive market behaviours effectively.

However, we believe the FCA has a necessary ongoing role to play in assessing and acting against market abuse. We are concerned that the FCA's proposal to defer to CATP operators for intervening in response to suspicious transaction reports - which diverges from UK MAR - places undue quasi-regulator obligations on market participants without any formalised information gathering or enforcement powers. The FCA must commit to playing an active role in assessing and responding to suspicious activity reports, rather than taking only the backstop role it is proposing.

The FCA should also ensure that it is not placing unreasonable expectations on firms who will not have the same investigatory and enforcement powers as a regulator. In its supervisory approach the FCA should focus on assessing the adequacy of systems and controls, while recognising that firms will not always have access to all information held by other parties, particularly where it relates to activity occurring outside of the UK regulated environment, outside the CATP, or without the involvement of the relevant intermediary.

We have responded in more detail to specific requirements for large CATP operators in our responses to questions 26, 27 and 29.

Notifications of suspicious orders and transactions

In a departure from UK MAR and the approach taken for market abuse within traditional financial markets, we note a materially new proposal whereby the FCA would no longer play a role in the assessment and processing of suspicious activity reports submitted by the industry. Instead, the FCA is proposing that market participants submit these reports to trading platforms, who are then expected to undertake their own assessment and then "take action to prevent or disrupt the market abuse" – and only if the market participants and CATP cannot find a path forward, would the FCA expect to be notified; i.e. the FCA becomes the backstop regulator for market abuse.

This proposal is unworkable and disproportionate because it relies on CATP operators being able to carry out assessments and interventions without any formalised information gathering or enforcement powers. With all intermediaries subject to the requirement to report to CATPs, an unmanageable volume of reports could arise for platform operators – and the FCA would hold them liable for delivering on this responsibility.

As CATP operators and intermediaries will not be instilled with the same investigatory and enforcement powers as a regulator, the FCA must recognise that firms will not always be in a position to prevent, disrupt or deter cryptoasset market abuse, even where they have carried out all reasonable steps to do so. **The FCA must commit to playing an active role in assessing and responding to suspicious activity reports, rather than taking only the backstop role it is proposing.**

At a minimum, the FCA should set out more explicitly that if the required appropriate and proportionate systems and procedures are in place, firms will not be penalised retrospectively for being unable to find reasonable grounds related to a given transaction, following a suitably detailed assessment.

In addition, the Cryptoasset Regulations stipulate that CATP operators must be notified by intermediaries related to transactions 'on, or outside, a qualifying cryptoasset trading platform'. The FCA should provide further guidance on this point - CATP operators will not be in an adequate position to assess transactions for which they have no direct involvement, and intermediaries must be provided with clarity as to who they should share notifications with, given they would be penalised under CRYPTO 4.8.21 for sharing a notification with a person where this is not required. In line with MiCA the FCA should provide guidance that relevant persons for the purpose of receiving and assessing notification requirements are CATP operators who are directly involved in the transaction in question.

We strongly believe the FCA must revisit its proposed approach to suspicious activity reports, and commit themselves to take on a greater burden for these supervisory responsibilities particularly as the regime embeds, and avoid appointing CATPs to a

quasi-regulatory role, in an industry that will be subject to market abuse regulation for the first time.

Question 26: Do you agree with the proposed requirements on onchain monitoring?

We agree that onchain monitoring is an important tool for the detection and monitoring of market abuse. While this was proposed in DP24/4, the FCA has added proportionality to its proposals by limiting the obligation to large CATP operators, and has sought to restrict it to orders and transactions directly related to the CATP. This limitation is important because onchain monitoring to the level required to consistently monitor for market abuse at a variety scales is highly resource intensive, and would not be feasible or justified for smaller firms with less market exposure.

It is vital that onchain monitoring obligations are limited to activity that occurs through the cryptoasset trading platform, rather than becoming a broader ecosystem surveillance requirement. We believe that as drafted the specific parameters of the monitoring obligation in rules is unclear, and risks a disproportionate burden on CATP operators for monitoring activity which is not related to their platform. At CRYPTO 4.7.22 the FCA proposes a requirement for an operator to maintain monitoring activities relating to ‘orders or transactions…in respect of relevant qualifying cryptoassets admitted to trading on its qualifying cryptoasset platform’.

It is proportionate to mandate onchain monitoring of orders and transactions that occur *through* the CATP, but not the monitoring of *all* transactions, anywhere, for a given cryptoasset that happens to have been admitted by the CATP. We believe this requires clarification to ensure that final rules reflect the FCA’s stated objective of limiting onchain monitoring obligations to activity that directly relates to the CATP.

Moreover, it would be helpful for the FCA to clarify whether a firm’s onchain monitoring could be supported by a mixture of onchain and off-chain processes. For example non-DLT surveillance and data analytics systems monitoring onchain data flows. While we presume that would be permissible under MARC, the proposed rules do not make this clear.

Question 27: Do you agree with the proposed revenue threshold for applying onchain monitoring requirements? If not, what alternative threshold or metric (for example, non-revenue-based measures) would you suggest, and why? Please provide details, including any supporting quantitative data where available.

We welcome the FCA's recognition that onchain monitoring and cross-platform information sharing requirements are substantial, and justified only for larger platforms with greater UK market exposure. We support the need to set thresholds for additional obligations, but believe the proposed £10 million threshold is significantly too low, blunt and likely to stagnate in the short to medium term future. This is because the threshold captures global revenue, rather than profit, and includes revenue from all activities rather than only the operation of the CATP itself. In addition, the 3-year rolling average risks an out of date assessment of a firm's size. The additional requirements for large CATPs are substantial, and it is important therefore that the FCA targets them on firms with a genuine capacity to carry them out effectively. The developing UK regime relies on CATPs as vital gateways to market access, and it is critical that those of all sizes feel able to set up in the UK and have proportionate requirements applied to them. Without this, firms are likely to be brought into scope of these significant requirements who would be unable to comply with them, risking the erosion of trust in the market and threatening the viability of the FCA's regime.

We would suggest that an alternative method of determining thresholds should reflect specifically trading platform activity and UK users. The rationale for applying additional requirements to large CATPs should be that they are the location of comparatively greater levels of trading activity covering a larger proportion of UK users.

In short, the £10 million threshold for determining the 'large CATPs' who must carry out onchain monitoring and cross-platform information sharing is significantly too low, and is not focused on the trading platform activities carried out. The threshold should be based on CATP-specific trading volume (ADTV) and active UK users. An algorithmic approach should be taken rather than rigid thresholds, to ensure that these substantial requirements are future-proofed, and limited to CATPs that are large specifically for their UK trading platform business.

Question 28: Do you agree with our proposals on insider lists?

We agree that insider lists are an appropriate way of managing risks associated with the misuse of inside information, because they help to ensure that information is only available to those for whom it is necessary, supporting its confidentiality and allowing unauthorised dissemination to be quickly traced. We note that the legislation gives the FCA the ability to define the relevant persons to whom insider list obligations would apply, and the FCA has proposed that this will include relevant issuers, persons responsible for offers, and UK CATP operators.

While we agree that CATP operators will be able to maintain insider lists under the proposed requirements, we believe the proposals around non-authorised firms such as those who may fall under the ‘relevant issuer’ definition would be challenging to enforce, likely placing a significant burden on trading platforms to effectively police such firms’ compliance with CRYPTO 4.12. The FCA has the ability to set out further how it could monitor and enforce compliance with these requirements; the current proposals focus on the provision of information to the FCA *on request*. We believe this risks a reliance on CATP operators flagging potential non-compliance by issuers to the FCA.

Across this and other requirements applied to issuers, the FCA should set out more explicitly how it will monitor and enforce compliance at the issuer level, in a way that does not unduly rely on CATP operators, who will not have the reliable and statutory access to information that the regulator is afforded.

Question 29: Do you agree with our approach for cross-platform information sharing?

We agree that sharing strictly necessary information between large CATPs, under a robust and secure framework, will be an important method of disrupting market abuse in the UK, because crypto markets allow for access to different platforms with relative ease.

The FCA has proposed that large trading platforms will need to share information with each other where it is deemed necessary to comply with market abuse requirements. The FCA has not set out prescriptive requirements on the content or frequency of this information sharing, but has set out safe harbours to prevent civil liability where information is shared in good faith. We appreciate the pragmatic policy revisions the FCA has made to ensure that cross-platform information sharing occurs under a well-designed and proportionate framework. In particular, we welcome the FCA’s support for industry-led solutions, with clear guiding principles rather than prescriptive rules on mechanisms, frequencies or data fields. Regulatory clarity will allow us to work with other industry participants to develop effective solutions, and we agree that this obligation should be limited to large CATPs.

The guidance set out in CRYPTO 4.9 includes helpful and targeted circumstances to support a consistent approach among CATPs. We agree that assessments of compliance with these requirements should focus on whether CATP operators have acted based on reasonable judgement, that accounts for the information available to them, and support the exclusion from civil liability where the CATP operator has acted in good faith. The FCA should make clear that where a CATP operator can demonstrate compliance with these principles at the point the disclosure was made, retrospective civil liability claims based on later information would be subject to this exclusion.

While this approach is the most appropriate as the regime embeds, it is vital that the long-term framework encourages platform operators to meet common, uniform standards. Once industry-led solutions are established, we encourage the FCA to engage closely to ensure that the practices which develop are backed by specific regulatory guidance.

On cross platform sharing, we agree that there should be an industry-led (private-to-private) solution, but one that can be developed over time following a bedding-in period for the new market abuse regime, so that CATPs can, over time, converge on a similar standard for market abuse management that will then foster equivalent, and mutually beneficial, data sharing arrangements.

We are concerned that the level of disclosure that some platforms would offer, as part of the cross platform information sharing requirements, may not reach the desired standard, leading to asymmetries in disclosure which favour those that choose to disclose less (e.g., it could provide competitors with significant information around customer activity on another firm's order book).

Question 30: Do you agree with the proposed revenue threshold for applying cross-platform information sharing requirements? If not, what alternative threshold or metric (for example, non-revenue-based measures) would you suggest, and why? Please provide details, including any supporting quantitative data where available.

We reiterate our concern that the threshold is too low, blunt and is likely to quickly stagnate.

A firm may have a 3-year average revenue of more than £10 million concentrated in earnings from other business lines. Cross-platform information sharing is a significant endeavour and relies on trading platforms with significant capabilities. There is a risk that firms with nascent platforms within a larger business would be unable to sufficiently prepare, share, or respond to information, harming the overall efficacy of the framework.

We strongly advocate for the FCA to target trading platform activity specifically in determining this threshold, as set out in our response to question 27.

Cost Benefit Analysis

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

We agree that it is difficult to quantify the range of potential costs and benefits associated with the proposals in this consultation paper, and we therefore support the FCA's approach to focusing on measurable benefits in its headline figures. We support the need for regulatory standards to counter market abuse effectively, and ensure that consumers can access accurate information to make good decisions.

That being said, high costs must be justified by greater benefits. The FCA has been able to quantify one benefit, which it values at only 3.5% of the projected costs. Where the FCA has set out non-quantified benefits, we do not agree with some of the core assumptions and findings:

- **Insufficient differentiation of costs between types of firms** means that the effects on smaller firms and subsequent harm to competition are understated.
- **Overstated assumptions of a rapid increase in consumer participation** use a highly optimistic reading of FCA consumer research, in which an entire cohort of hesitant non-crypto users is assumed to quickly enter the market. With continued restrictions on promotions and user frictions, we believe this is not justified.
- **Highly unlikely assumptions of full compliance** across the sector further distort assumptions on benefits, because even marginal reductions in compliance rates require greater benefits to outweigh costs.

Costs for smaller firms:

As an average we think cost assumptions are reasonable for familiarisation, one-off implementation and ongoing compliance costs. The FCA notes that these requirements could pose a very significant barrier to entry for smaller firms, however the disproportionate burden for smaller firms is not featured in the central cost breakdown.

We agree that some costs will be disproportionately shouldered by firms without large in-house legal teams, and those that lack the advantage of operating in other jurisdictions where similar processes are already required. As this burden for smaller firms is not quantified specifically, the result is that the negative competition impact is understated, with increased competition resulting from reduced unfair practices assumed to have a greater effect. Increased barriers to entry could reduce the effect of many of the stated benefits in the CBA, particularly around lower prices and access to a diversity of products and services.

Participation assumptions and benefits:

We believe the FCA has significantly overstated its assumption of increased market participation, which suggests a rapid post-regulation growth in consumer participation. This is particularly critical because the CBA relies on increased participation as a primary benefit - at paragraph 196 the FCA acknowledges that differences in consumer numbers have significant impacts on the 'breakeven point', as a smaller consumer base would need to see higher benefits per person.

The FCA derives the consumer growth figure in its central model by assuming a full conversion of the 8% of non-crypto owners in its consumer research that would be *more likely* to purchase a cryptoasset were any form of regulation to be in place. For this group, an increased likelihood of purchasing crypto (from zero at present) does not equate to definite, or even probable, market entry. While we agree that increased trust and transparency will give more consumers the confidence to engage in cryptoassets, we believe the continued presence of financial promotions restrictions, risk warnings, and user frictions are unlikely to generate such a substantial increase in participation. We agree with the FCA's CBA Panel that increased participation is likely to be more gradual - projected benefits should reflect this.

An assumption of full compliance:

We understand it is FCA practice for costs and benefits to be assessed under an assumption of full compliance. The proposed rules in this consultation will apply to a full spectrum of firms, from large authorised trading platforms to small, non-authorised issuers. While we believe it is possible to comply with many of the core requirements the FCA has set out, the reality is that no sector achieves full compliance all of the time.

We welcome the reference in the CBA to counterfactual assumptions based on consumer circumvention, but believe excluding these from the central model leads to an inconsistency as benefits with uncertain probability are included, while likely factors which reduce their impact are not.

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

We agree with many of the positive effects the CBA sets out for these interventions. The effective countering of market abuse will help to reduce harm, opening up access to trusted products and helping to level the playing field between firms. Similarly, a well-designed admissions regime will ensure that investors have the information they need to make informed decisions, reducing their risk of loss and increasing their confidence to participate in the sector.

There is an opportunity for the CBA to critically evaluate the proportionality of some of the individual policy choices made, many of which we have recommended targeted amendments to. It is expected that the FCA will put in place regulation around disclosures and market abuse - this is in line with international standards and the rule coverage of other regimes. Analysis of the options *within* this expectation is most important. We therefore welcome the inclusion of counterfactuals which offer two alternative methods of delivering disclosure and market abuse requirements, but believe these could go further, examining the key policy trade offs and considering areas where feedback to the discussion paper was focused.

For instance, the CBA costs disclosure documents at £22.9m, but it does not consider how this cost, and importantly the benefits, would look if the FCA allowed the use of overseas white papers, or allowed multiple CATP operators to utilise existing documents on the repository. On market abuse, the FCA has targeted requirements for onchain monitoring and information sharing on large CATPs, but it could have included cost benefit analysis of alternative options for the 'large' threshold, to highlight why it is felt the option chosen strikes the right balance.