

## **Consultation Response**

### *FCA CP25/40 Regulating Cryptoasset Activities*

February 2026

---

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on **FCA CP25/40 Regulating cryptoasset activities**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate for stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

#### **Executive Summary**

AFME generally views that the proposals set out in FCA CP25/40 will help the UK to create a robust cryptoasset regime, with the exception of a number of changes that we view require further clarification and improvement. Overall, AFME supports a consistent regulatory treatment between cryptoasset services and existing financial services, which we view should be reflected across the FCAs rulebook, including on location policy.

AFME details its response to a select number of questions below.

#### **Questions**

##### **Question 1: Do you agree with our proposals on location, incorporation and authorisation of UK CATPs? If not, please explain why not?**

We agree with the FCA's flexible approach to assess operating structures involving a branch on a case-by-case basis. However, to create alignment between the treatment of cryptoasset and traditional financial services, we call on the FCA to explicitly allow the existing branches of international firms providing traditional financial services to provide cryptoasset services through their existing structure. This can be done, for example, through a variation of permission application. We would generally also support a streamlined variation of permission process for all existing authorised institutions intending to provide cryptoasset services.

Generally, the FCA's proposals presume differentiated regulatory treatment between cryptoasset services and existing financial services. We would instead support consistency across the treatment of asset classes where possible.

##### **Question 7: Do you agree with our proposed guidance (including the exemptions proposed) to check at least 3 reliable price sources from UK-authorised execution venues, such as a CATP or principal dealer (if available)? If not, please explain why not?**

The FCA proposes that, where possible, firms should check at least three reliable price sources from UK-authorised execution venues (if available) when executing orders for clients, including professional. This is more prescriptive than current COBS 11.2A, which does not specify a minimum number of price sources. The FCA's justification for requiring a minimum of 3 is unclear, particularly given it may not be

#### **Association for Financial Markets in Europe**

**London Office:** Level 10, 20 Churchill Place, London E14 5HJ, United Kingdom T: +44 (0)20 3828 2700

**Brussels Office:** Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 883 5540

**Frankfurt Office:** c/o SPACES – Regus, First Floor Reception, Große Gallusstraße 16-18, 60312, Frankfurt am Main, Germany T: +49 (0)69 710 456 660

[www.afme.eu](http://www.afme.eu)

possible to source three price sources for cryptoassets due to the nascency of the market. There may be circumstances where firms may rely on fewer price sources, and we appreciate that flexibility is provided on the number of reliable price sources firms are required to check.

The requirement to prioritise UK-authorized venues may affect firms' ability to source liquidity from global (including non-UK) venues, potentially impacting execution quality in fragmented or illiquid markets. As discussed below under Question 12, this proposed requirement is particularly relevant for firms' ability to service professional clients. Notwithstanding this flexibility, members are supportive of the FCA's policy to require UK consumers to interact only with UK domiciled and regulated CATPs.

**Question 12: Given the overall location policy established by the amendments to section 418 of FSMA set out in the Cryptoasset Regulations, do you agree with our proposed execution venue requirement? If not, please explain why not? What changes do you propose?**

The FCA proposes to require any person executing, or receiving and transmitting orders for UK retail or elective professional clients to ensure these orders are ultimately executed only on UK-authorized execution venues such as UK-authorized CATPs. However, we view that there is a disconnect between the Cryptoasset Regulations and the FCA's proposed approach. Looking at the regulatory perimeters established by the Crypto Regulations, they contemplate that a firm could deal as principal and service UK consumers if it transacting (on a back-to-back basis) with another intermediary also dealing as principal, regardless of whether the latter is FSMA authorised; however, the FCA's proposed approach appears to require the latter to be FSMA authorised (according to diagrams on p. 36 of the CP).

Additionally, the inclusion of elective professional clients within the FCA's proposals under 3.45 appear to be at odds with the exclusion of qualified investors from the requirement to ensure that cryptoassets offered to retail investors be admitted to trading on a UK CATP with an associated QCDD. Members are of the view that elective professional investors are well placed to understand the risks posed by financial products (including cryptoassets), and to absorb losses which they may be exposed to. This is also consistent with the proposals separately set out in CP25/36 on client categorisation. Elective professional investors may also wish to take exposure to non-UK cryptoassets, which would appear to be restricted under these proposals. As such, members would support the exclusion of elective professional clients or other sophisticated retail customers from both these requirements and those that restrict the sale or purchase of cryptoasset to those issued on a UK CATP.

**Question 17: Do you agree with our proposed pre-and post-trade transparency requirements for UK CATP operators and principal dealers? If not, please explain why not?**

While we acknowledge the purpose of proportionality under the FCA's proposed pre- and post-trade transparency requirements, the FCA's proposal to limit pre-trade transparency to larger firms is not in line with existing wholesale market regulation. Current rules require all venues to provide pre-trade transparency regardless of size, ensuring a level playing field. Smaller firms could operate with less transparency, potentially attracting order flow from participants seeking less public exposure or regulatory scrutiny. Introducing a size threshold departs from this principle, risks distorting competition, and could undermine market transparency objectives.

**Question 28: Do you agree with our proposal to apply rules and guidance in chapters 2-6 and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities? If not, please explain why not?**

Whilst we generally agree with the proposed approach to apply rules and guidance in chapters 2-6 and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities, we remain alarmed of a lack of clarity with regards to DeFi providing DLT-based securities and products in addition to cryptoassets. We understand this may be the subject of further consultation, and would welcome the FCA setting out how it intends to regulate and supervise the provision of non-cryptoasset products and services, including traditional activities in scope of existing regulation, by DeFi. Members would be in favour of applying the same level of investor protection and market integrity principles to DeFi, and ensuring that any intermediary functions in relation to DLT-based securities are subject to identical, or at least substantively similar, rules and oversight as existing regulated institutions.