

The UK Consults on How It Applies Its Regulatory Regime To Regulated Cryptoasset Activities

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On 23 January 2026, the UK's Financial Conduct Authority (**FCA**) published **Consultation Paper 26/4** (the **CP**) on remaining aspects as to how cryptoasset firms will be required to follow FCA Handbook requirements once they are brought within the FCA's regulatory remit following its imminent expansion. The CP covers the application of the Consumer Duty, the FCA's approach to Redress and Dispute Resolution (**DISP**), the application of parts of the Conduct of Business Standards Sourcebook, the use of credit to buy crypto, training and competence requirements, regulatory reporting, safeguarding rules, treatment of retail customers collateral and location policy guidance.

Notable points

1. The FCA proposes to apply the Consumer Duty to cryptoasset firms in the same way as it applies the Duty to other retail-facing firms, and is also consulting on non-Handbook guidance to clarify how the Duty works in the context of this asset class;
2. On DISP, the CP also proposes access to the Financial Ombudsman for consumers interacting with regulated cryptoasset regulated firms, including eligible consumers not based in the UK, but does not suggest expanding the scope of the protection of the Financial Services Compensation Scheme to cover compensation when a regulated cryptoasset firm is unable to meet its liabilities.
3. For conduct of business obligations, the starting point is a proposal to extend the Handbook definition of 'designated investment business' (**DIB**) to include future cryptoasset regulated activities, with the result that rules applying to DIB will apply to those activities. This is subject to relevant carve-outs, but means that regulated cryptoasset firms will be expected to follow regular rules and standards on client disclosures and communications, client categorisation, financial promotions, client agreements and appropriateness. Other conduct requirements will be set out in the new CRYPTO sourcebook.
4. The FCA has decided not to prohibit the use of credit (including credit cards) by retail customers for cryptoasset purchases.
5. Firms conducting the new regulated cryptoasset activities for retail clients that also perform traditional financial services activities subject to the FCA's existing training and competence (**TC**) requirements will be subject to TC requirements for those cryptoasset requirements. However, the FCA is not proposing to extend its TC regime to all other types of firms undertaking crypto asset activities without a corresponding traditional finance arm.
6. The CP proposes that cryptoasset firms should be subject to the existing regulatory returns regime, including new (proposed) reporting rules on operational resilience that include third-party reporting requirements. The FCA is also developing new returns specific to the cryptoasset sector.
7. In the case of firms that safeguard clients' cryptoassets, the FCA is now proposing that the protection of clients' ownership rights via a trust may permit the co-mingling of client and firm cryptoassets when the firm provides other services alongside cryptoasset custody and subject to guardrails. In addition, client crypto assets can be removed from the trust in certain specified instances.
8. The CP proposes a bespoke custody regime for 'Specified Investment Cryptoassets' (**SICs**). SICs are assets that meet the definition of both a cryptoasset and a specified investment such as an equity or a bond, and can be non-digitally native, or digitally native.
9. The CP confirms the FCA's earlier position that there is a case for allowing the operation of a Cryptoasset Trading Platform (which will be a regulated activity) in the UK through a branch of an overseas entity when this can facilitate access to global liquidity and better outcomes for clients.

Next steps

Comments are due by 12 March 2026.