15 October 2025

Financial Conduct Authority
12 Endeavour Square
London E20 1JN
Submitted by e-mail to: cp25-25@fca.org.uk

Dear Crypto Policy Team,

RE: Consultation Paper CP25/25 – Application of the FCA Handbook for Regulated Cryptoasset Activities (Discussion Chapters)

CFA Institute[1] and CFA Society of the United Kingdom (CFA UK)[2] welcome the opportunity to comment on the Financial Conduct Authority's (FCA) Consultation Paper CP25/25: *Application of FCA Handbook for Regulated Cryptoasset Activities*. We commend the FCA's proactive review, which reflects a pragmatic and timely response to the evolving structure and needs of the cryptoasset market.

In particular, we recognise the FCA's decisive approach in addressing two foundational issues in cryptoasset regulation – areas that many jurisdictions have yet to resolve. By including all qualifying crypto-related activities within the definition of *designated investment business*, the FCA has minimised legal ambiguity concerning the nature of the asset or activity. We intend to share further perspectives on this point in a separate comment letter. Furthermore, by clarifying the requirement for regulatory authorisation and consequent oversight for firms undertaking crypto-related activities, the FCA has reduced uncertainty and potential duplication across the regulatory framework. Together, these proposed measures represent important steps toward establishing clarity, consistency, and accountability within the cryptoasset ecosystem.

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1 With offices in Charlottesville, VA; New York; Washington, DC; Brussels; Hong Kong SAR; Mumbai; Beijing; Abu Dhabi; and London, CFA Institute is a global, not-for-profit professional association of more than 190,000 members, as well as 160 member societies around the world. Members include investment analysts, advisers, portfolio managers, and other investment professionals. CFA Institute administers the Chartered Financial Analyst® (CFA®) Program. For more information, visit www.cfainstitute.org or follow us on LinkedIn and X.

2 Founded in 1955, CFA UK is one of the largest member societies of CFA Institute, which serves nearly 12,000 members of the UK investment profession. Many of our members analyse securities, manage investment portfolios, advise on investments, or are in roles responsible for investment operations or oversight. Most of our members have earned the Chartered Financial Analyst® (CFA®) designation. All our members are required to attest to adhere to CFA Institute's Code of Ethics and Standards of Professional Conduct. For more information, visit www.cfauk.org or follow us on Twitter @cfauk and on LinkedIn.com/company/cfa-uk/

Our comments focus on the Discussion Chapters and reflect our shared interest in the promotion of capital market integrity and investor protection, while balancing these imperatives with market dynamism and product innovation. As with other consultations, our response has consistently advocated for a comprehensive, measured, and proportionate approach to policy measures. Regulatory interventions are most effective when considered within a broader context, alongside relevant technological and policy developments.

We support the FCA's efforts to adopt a holistic approach – aligning the emerging cryptoasset regime with the broader conduct framework, including the Consumer Duty. We also welcome the incremental, outcomes-based application of Conduct of Business requirements through phased implementation as the cryptoasset market matures.

Relevant Publications and Comment Letters

CFA Institute and CFA UK have taken a keen interest in the development of digital finance and its policy implications. Our organization has released several pieces of research and comment letters related to this new field affecting capital markets, since 2021. We have consistently advocated for regulatory clarification and international convergence. Below is a list and links to those various pieces which will be mentioned throughout the rest of this response, as appropriate.

- *Cryptoassets: The Guide to Bitcoin, Blockchain, and Cryptocurrency for Investment Professionals*. January 2021.
- *Cryptoassets: Beyond the Hype – An Investment Management Perspective on the Development of Digital Finance*. January 2023.
- [Survey] *CFA Institute Global Survey on Central Bank Digital Currencies*. July 2023.
- *Valuation of Cryptoassets: A Guide for Investment Professionals*. November 2023.
- *An Investment Perspective on Tokenization — Part I: A Primer on the Use of Distributed Ledger Technology (DLT) to Tokenize Real-World and Financial Assets*. January 2025.
- *An Investment Perspective on Tokenization — Part II: Policy and Regulatory Implications*. May 2025.
- [Comment letter] *Response to FCA - DP25.1 — Regulating Cryptoasset Activities*. June 2025.

Summary of Key Positions

- **Question 13-17:** We support extending the Consumer Duty (the Duty) to regulated cryptoasset activities, as it embeds outcomes-focused conduct expectations that ensure comparability with traditional finance. The framework should remain agile and proportionate, with the ability to carve out or disapply provisions where the standard model is unsuitable, for example, for execution-only trading platforms where clients invest independently without advice or promotion. The authorised entity should be the primary point of responsibility and consumer interface under the Duty, with clearly defined activities at authorisation and proportionate obligations that reflect its control within the value chain. Supplementary FCA guidance could address accountability gaps in decentralised or cross-border arrangements. The Duty is most effective where firms directly shape consumer outcomes; bespoke rules alone would not provide equivalent protection. Even if the Duty were not extended, sector-specific rules should aim for outcome equivalence. We also support bespoke rules under the Admission and Disclosure (A&D) regime to enhance transparency and reduce information asymmetry.

- **Question 18-20:** We support extending access to the Financial Ombudsman Service (FOS) to cover cryptoasset activities, ensuring consumers benefit from the same standards of accountability that apply in traditional finance. The FCA should consider the cross-border and decentralised nature of many crypto services by requiring firms serving UK consumers to designate a UK-responsible entity for complaints, maintain clear records, and provide transparent jurisdictional disclosures. We do not support blanket exclusions from FOS's remit; complaints should be assessed based on conduct failings rather than market-driven price movements, which are inherent to the asset class but may still influence consumer outcomes.

- **Question 21-22:** We agree that fully backed, transparent, and FCA-authorised UK stablecoins should not be classified as Restricted Mass Market Investments (RMMIs), and that comparable treatment could be extended to stablecoins issued under equivalent regulatory and prudential regimes abroad. Besides, we support requiring clear and prominent risk warnings for stablecoins issued by entities that are not FCA-authorised or subject to comparable oversight, to ensure consumers understand that such products may lack guaranteed redemption rights or equivalent regulatory protections.

- **Question 23-26:** We support relying primarily on the Duty, reinforced by targeted guidance, to achieve clear distance communications for cryptoassets, rather than applying the full Conduct of Business Sourcebook (COBS) 5 framework designed for outdated distance-marketing contexts. The Duty's outcomes-based approach provides a more modern and proportionate means of ensuring consumer understanding and support. We also agree with the FCA's position not to introduce cancellation rights for distance contracts in cryptoasset products subject to market fluctuations; instead, firms should provide clear disclosures that such rights do not apply at the points of sale.

Regarding the appropriateness test, we recommend that it be disapplied for most cryptoasset transactions, except where an authorised entity provides advice, discretionary portfolio management, or packaged products. In execution-only contexts, the Consumer Duty and disclosure requirements already provide sufficient safeguards. While the 12 matters in COBS 10 Annex 4G remain conceptually relevant to assessing investor knowledge and experience, their application should be targeted to activities where firms make product-suitability or portfolio decisions on behalf of clients.

More broadly, we endorse the FCA's balanced "apply what fits" approach to COBS requirements – extending the core conduct principles to cryptoasset activities where most relevant, while maintaining proportionality and an incremental implementation as the market develops.

- **Question 27:** We agree it is appropriate to rely on the Duty, supported by additional guidance, rather than applying the full Product Oversight and Governance (PROD) regime to cryptoasset activities. This proportionate approach reflects the decentralised and cross-border nature of crypto markets, where many tokens are decentralised, fungible, and borderless. Having said that, clear governance expectations should be emphasised.

Concluding Remarks

We appreciate the FCA's continued leadership in developing a robust and comprehensive regulatory framework for the evolving cryptoasset landscape. Consultation Paper CP25/25 marks a significant step towards achieving regulatory clarity and safeguarding market integrity.

We believe that a balanced and holistic approach – one that leverages international cooperation and convergence, embraces technological innovation, and establishes stringent yet proportionate safeguards – will be crucial. For instance, we think it will be important to consider the recent development of 'The Transatlantic Taskforce for Markets of the Future', which has an important remit to smoothen capital markets access and crypto cooperation. This approach will ensure the UK remains at the forefront of financial innovation, while building a secure and trustworthy cryptoasset sector for all market participants.

Given the rising cryptoasset ownership among UK retail investors and the inherent risks associated with these assets, our comments across the relevant sections of this Paper are grounded in our commitment to advancing investor protection and market integrity. We emphasise that the two are inseparable: effective conduct regulation in crypto markets is not merely a consumer issue but a systemic one. Weak governance, poor disclosure, or inadequate redress mechanism can erode confidence across the wider financial system. We therefore encourage the FCA to continue coordinating closely with the Bank of England and HM Treasury to ensure coherence between prudential, conduct, and market-surveillance frameworks.

On the topic of decentralised finance and virtual assets, we have recently published two comprehensive reports focused on the development of tokenisation processes: "An Investment Perspective on Tokenization — Part I: A Primer on the Use of Distributed Ledger Technology (DLT) to Tokenize Real-World and Financial Assets" and "An Investment Perspective on Tokenization—Part II: Policy and Regulatory Implications." We invite you to refer to these for detailed analysis and recommendations.

We also encourage open communication and collaboration between regulators and market participants to ensure a seamless implementation of the proposed measures, together with any necessary adjustments arising from this Paper.

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Thank you for your consideration of our views and perspectives. We would welcome the opportunity to meet with you to provide more details. If you have any questions or seek further elaboration of our views, please contact Mr. Olivier Fines, Head of Advocacy and Policy Research at CFA Institute, at olivier.fines@cfainstitute.org and Mr. Amit Bisaria, Professionalism and Ethics Adviser at CFA UK, at abisaria@cfauk.org.

Sincerely,

CFA Institute

Olivier Fines, CFA

Head of Advocacy and Policy Research

Phoebe Chan

Research Specialist, Capital Markets Policy,
EMEA Advocacy

CFA Society of the United Kingdom

Amit Bisaria

Amit Bisaria, CFA

Professionalism and Ethics Adviser

With thanks for their contributions to our volunteers: Suzanne Hsu, CFA, CIPM and Altaf Kassam, CFA

Detailed Response

In this section, we have set out our detailed comments.

Question 13: Do you consider that we should apply the Duty (along with additional sector-specific guidance)?

Yes, we support the extension of Consumer Duty to regulated cryptoasset activities. Applying the Duty anchors conduct expectations in measurable consumer outcomes rather than box-ticking rules, while allowing flexibility through additional, supplementary guidance to accommodate the diverse nature of cryptoassets, business models, and technologies.

It is important, however, for the framework to remain agile, proportionate, and flexible, with the capacity to carve out or disapply certain provisions where the standard model does not align with the characteristics of the innovation. For example, in cases where cryptoassets are distributed through execution-only trading platforms, and clients make investment decisions entirely at their own discretion, it would be disproportionate to expect the full extent of the Duty to apply. In such cases, the Duty should apply in principle to ensure consistent standards of conduct and consumer protection, but with proportionate adjustments to reflect the nature of the activity:

- Cross-cutting obligations would generally apply, except for *"avoiding foreseeable harm,"* which may not align with the inherent risk profile of cryptoasset investments.
- The four outcomes should largely apply, except *"products and services,"* as defining a target market may not be realistic beyond ensuring limited access for vulnerable consumers.
- The PROD framework would remain relevant for oversight, governance, and controls, but could include targeted carve-outs for areas such as *appropriateness* and *target market definition.*

To simplify application, the authorised entity should serve as the primary point of responsibility for the Duty and the main interface with consumers. At the time of authorisation, its activities and role within the value chain should be clearly defined. Where certain elements are decentralised or fall outside the control of the authorised entity, the Duty should be applied proportionately, avoiding unreasonable obligations for factors beyond that entity's remit.

Overall, applying the Duty in this balanced manner would preserve continuity within the FCA's regulatory architecture, and promote consistency of investor-protection standards across traditional and digital finance. Importantly, the Duty's four outcomes map directly to the conduct and information asymmetries that have historically caused harm to retail participants in crypto markets, reinforcing a coherent and forward-looking standard of market conduct.

Question 14: Do you have views on where applying the Duty would be an effective way to achieve broadly comparable standards of consumer protection in the cryptoassets market, or where it might not?

We consider the Duty particularly effective where a firm's conduct and decision-making directly shape investor outcomes: cryptoasset exchanges, brokers, wallet providers, and custodians that facilitate retail trading, storage, or transfer of cryptoassets. In these business areas, regulated firms have clear control over the design and delivery of services, the quality of disclosures, and the handling of complaints and customer support. They should therefore be held accountable to meet the Duty's four outcomes.

The Duty is less effective where token issuance is genuinely decentralised and responsibility for product design or governance is diffused. In such cases, there is no identifiable manufacturer capable of evidencing fair value or defining a target market. We also recognize that some cryptoasset activities may extend beyond the regulated network and involve actors or protocols outside UK jurisdiction. As a result, ownership, control, and legal accountability may be difficult to establish. Emerging technologies such as smart contracts and tokenisation can further complicate the question of liability, since these systems can operate autonomously and may not always align neatly with existing legal definitions of contract. In these cases, accountability should instead rest with the UK-authorised, consumer-facing intermediaries, such as exchanges or other distributors.

Additional complexity arises in packaged or structured products linked to cryptoassets, such as exchange-traded funds (ETFs) and exchange-traded notes (ETNs), or baskets of digital assets. In these cases, the Duty's effectiveness depends on clear and documented allocation of responsibilities between manufacturers and points-of-sale entities.

To operationalise this effectively, the FCA could consider issuing supplementary guidance illustrating how the Duty should address potential accountability gaps in decentralised and multi-party arrangements.

Question 15: Do you consider that not applying the Duty, but introducing rules for regulated cryptoasset activities, would achieve an appropriate standard of consumer protection?

We do not fully agree. While bespoke rules can help to address certain operational or disclosure gaps (custody standards, reserve transparency, or record-keeping), in isolation they would lack the unifying principles that anchor responsible conduct across the wider financial sector.

Standalone rulemaking frameworks also tend to promote a procedural, compliance box-ticking culture, where firms might focus on satisfying minimum prescriptive requirements rather than internalising behaviours aligned with fair investor outcomes. An activity-specific rulebook could create opportunities for regulatory fragmentation and arbitrage across platforms and token types, as firms exploit definitional gaps to avoid particular obligations.

The absence of an overarching duty principle would weaken the ethical and cultural foundations of good conduct that the Duty seeks to embed.

Question 16: If the Duty was not to apply, do you have views on what matters should be dealt with by sector-specific rules and guidance?

If the Duty was not to apply, we believe that sector-specific rules should nonetheless aim to deliver comparable consumer protection (i.e., outcome equivalence) – and achieving so requires embedding the same underlying expectations of fairness, transparency, and accountability – even if expressed through bespoke rules.

Sector-specific rules should therefore focus on the following areas:

- Operational Resilience: Baseline standards for custody, segregation of client assets, appropriate due diligence on validators, incident communication, and recovery planning.
- Price and Value: It is acknowledged that determining "fair value" for certain cryptoassets is inherently challenging due to volatility and the absence of consistent valuation benchmarks. Nonetheless, firms should be able to demonstrate that their pricing models, spreads, and fee structures are transparent, reasonable in light of the operational services they provide.

  For exchange-traded tokens, platform conduct should require clarity on execution priority, transaction fees, and slippage information. For speculative or meme tokens, the focus should shift toward risk warnings and trading-venue disclosure.
- Consumer Understanding: Clear, layered, scenario-based disclosures that help customers understand the distinctive risks of cryptoassets (private-key loss, smart-contract failure, custody disruption, liquidity stress). Disclosures relating to utility tokens and NFTs should make clear that these assets may not carry financial-return expectations and may not fall within the FCA's regulatory scope. Communications should be provided at relevant decision points. They should also be understood, not merely delivered.
- Support and Redress: Defined complaint-handling channels, responsibilities for redress, durable-medium reporting.
- Marketing discipline: Targeted marketing restrictions for highly speculative or unbacked cryptoassets, modelled on the financial-promotions regime, to ensure that high-risk products are not inappropriately promoted to retail investors. This could include limits on audience targeting and mandatory warnings.

Question 17: Do you agree with our suggested approach under the A&D regime?

We support the suggested approach under the A&D regime, which would sit alongside the Duty to deliver a proportionate disclosure framework.

The bespoke rules and guidance within the A&D regime should introduce a structured and granular disclosure standard, defining the key information investors must receive and ensuring it is presented in a consistent, comparable format across issuers and platforms. Such alignment would help reduce information asymmetry, a recurring source of retail harm in new markets.

The A&D regime should standardise the content and format of crypto-specific disclosures. At the same time, the regime should allow issuers flexibility to add narrative explanation and contextual detail where necessary.

Question 18: Should customers be able to refer complaints relating to cryptoasset activities to the Financial Ombudsman?

Yes, effective redress mechanisms are fundamental to investor protection and to building trust and integrity in new markets. Extending FOS access to cryptoasset activities will help bring crypto within the same standards of accountability that apply across other regulated financial sectors, consistent with the objectives of the Duty and the FCA's statutory remit.

Question 19: Are there any additional factors that we should take into account when considering if it is appropriate for the Financial Ombudsman to consider complaints about cryptoasset activities (eg complaints where a firm is based overseas or where a third party is acting on behalf of an authorised firm)?

Yes. CFA Institute acknowledges the complexities of cross-border, decentralised, or fragmented service chains in crypto markets. Without clear allocation of responsibility, investors may be uncertain about who is accountable when problems occur. We therefore encourage the FCA to take these structural realities into account:

- Overseas or decentralised providers offering services into the UK should make explicit jurisdictional disclosures, so consumers understand their rights and potential limits to redress.
- Firms engaging UK retail clients should designate an entity responsible for complaint handling and FOS cooperation in relation to UK retail clients.
- Contracts between authorised firms and third parties (affiliate arrangements) should clearly define responsibilities for redress and complaint escalation.
- Firms should maintain records sufficient for FOS investigation (for example, custody movement proofs, transaction histories, service agreements) so that losses can be assessed.

The arrangements should remain proportionate – smaller or purely technical service providers could comply through simplified mechanisms – but the principle of clear accountability must be preserved.

Question 20: Are there specific activities the Financial Ombudsman should not be able to consider complaints for? Please explain.

We do not support a blanket exclusion. The FOS remit should align with the perimeter of regulated cryptoasset activities. Rather than focusing on specific asset types, FOS should assess complaints based on conduct failings – such as misleading promotions, inadequate disclosure, poor client support, or failures to execute transactions in line with contractual expectations – as opposed to market-driven price movements or volatility, which are inherent features of this asset class.

While all complaints relating to an authorised entity should be within scope, the FOS's treatment should reflect the nature of the activity carried out by the entity that is the subject of

the complaint. Firms should not be penalised for activities that fall outside their regulatory scope, even if such factors may be relevant to the overall consumer outcome.

Question 21: Do you agree with our proposal that UK-issued qualifying stablecoins should not be classified as Restricted Mass Market Investment (RMMI), which will not be subject to marketing restrictions? Why/Why not?

We agree with the proposal, provided these instruments are fully backed, transparent, and issued by FCA-authorised entities operating under the forthcoming regulatory regime.

We further suggest that the same treatment could be extended, on an equivalence basis, to qualifying stablecoins issued or guaranteed by central banks or entities authorised in jurisdictions with regulatory and prudential standards comparable to the UK's. Where comparable safeguards exist (such as covering reserve composition), it would be proportionate to recognise those frameworks as providing similar levels of consumer protection.

We consider this adjustment proportionate: once issuers are subject to clear prudential, disclosure, and redemption obligations, the residual consumer risks differ materially from those associated with unbacked or speculative cryptoassets.

Removing the RMMI label for them would allow legitimate issuers – both UK-authorised and those operating under equivalent oversight – to communicate their products to consumers more effectively, supporting responsible payment innovation without weakening prudential or conduct standards.

Question 22: Do you agree with our proposal that financial promotions for qualifying stablecoins not issued by an FCA-authorised UK issuer should include additional risk warning information? Why/Why not?

We support the proposal to require a clear and prominent risk warning for stablecoins issued by entities that are neither FCA-authorised nor operating under regulatory and prudential standards comparable to the UK's. This is a proportionate and essential step to prevent consumers from assuming that all stablecoins benefit from equivalent levels of regulatory oversight and protection.

Such a warning should clarify that the product is not issued or supervised under UK (or comparable) regulation; consumers do not have guaranteed redemption rights and FCA (or comparable) oversight; and issuer or reserve failure could result in loss of value or inaccessibility of funds. The key is to ensure that consumers can distinguish clearly between regulated, fully-backed UK (or equivalent) stablecoins and unregulated or speculative tokens.

Question 23: Do you agree that applying the Duty and additional guidance would be sufficient to achieve clear distance communications for cryptoassets or whether we should consider more specific rules such as those set out in COBS 5?

We support the proposal to rely primarily on the Duty, reinforced by targeted guidance, instead of applying the full suite of rules established under COBS 5 to cryptoasset activities.

While the fundamental principles of COBS 5 remain important, its earlier formulation was designed for traditional distance-marketing contexts to implement the EU Distance Marketing Directive, in an era when financial products were sold through telephone or postal interactions. Hence, it may not be perfectly applicable to the way cryptoasset services are delivered today. The cryptoasset market operates very differently: investor engagement is predominantly digital, dynamic, and instantaneous, often through mobile applications or web interfaces and platforms where a "distance contract" occurs within seconds.

Similar to our response to Question 15, applying COBS 5 in this context risks introducing procedural obligations that add friction without enhancing investor understanding or meaningfully improving consumer outcomes.

The Duty's outcomes-based framework – particularly the "consumer understanding" and "consumer support" outcomes – offers a more modern and proportionate mechanism to achieve the same objective: ensuring that consumers receive clear, timely, and comprehensible information before committing to a transaction.

Question 24: Do you agree with our overall approach to the appropriateness test? Are all 12 matters in COBS 10 Annex 4G relevant? Why, why not?

We note the FCA's objective of strengthening the appropriateness test for cryptoassets to ensure that retail investors have a sufficient understanding of the products they engage with. However, we believe that the test should be disapplied for most cryptoasset transactions, except where an authorised entity provides advice, discretionary portfolio management, or packaged products (such as cryptoasset-based ETFs, ETNs, or funds).

In execution-only contexts – where clients trade cryptoassets independently and without recommendation – the appropriateness test may risk adding unnecessary complexity without materially improving outcomes. In these cases, conduct standards under the Consumer Duty and existing disclosure requirements should provide adequate safeguards, ensuring that communications are clear, fair, and not misleading.

Accordingly, while the 12 matters in COBS 10 Annex 4G remain conceptually relevant to assessing investor knowledge and experience, their practical application should be targeted to those activities where firms are making product suitability or portfolio decisions on behalf of clients.

Question 25: Do you think there should be cancellation rights for distance contracts related to cryptoassets products or activities whose price is not driven by market fluctuation such as staking and safeguarding?

We agree with the FCA's position not to introduce cancellation rights for distance contracts relating to cryptoasset products or services whose price or value may be influenced by market fluctuations beyond firms' control.

This approach is consistent with existing rules under COBS 15 Annex 1, which exempt other market-driven financial instruments from cancellation rights. Given the inherent volatility and external price dependency of most cryptoassets, extending cancellation rights would be operationally complex, disproportionate, and potentially unfair to firms that cannot control underlying market dynamics.

We believe that the focus should instead lie on clarity and disclosure as opposed to additional contractual rights. Firms should be required to provide prominent, plain-language information explaining that cancellation rights do not apply to these products or services, and that cryptoasset values can fluctuate significantly, potentially to zero.

Ensuring that consumers understand this limitation at the point of sale also aligns with the Consumer Duty's 'consumer understanding' outcome, and strengthens informed decision-making without introducing disproportionate regulatory burden.

Question 26: Do you agree with our overall approach to Conduct of Business requirements? If not, why not?

We support the overall approach and appreciate the FCA's rationale of "applying what fits" – extending familiar conduct principles to cryptoasset where meaningful, rather than rewriting the rulebook. This represents a measured and proportionate way to ensure that consumers engaging with cryptoassets receive protections broadly comparable to those available in traditional financial markets, without imposing obligations that are premature or ill-suited to current market realities.

Therefore, we agree that the FCA should prioritise the application of core conduct provisions most relevant to consumer outcomes, while adapting other requirements, such as COBS 11 (Best Execution) and COBS 13–14 (Product and Service Information), through a phased implementation as the market structure matures – we would recommend initiating a thematic review for this purpose.

Meanwhile, the FCA's approach to these core conduct provisions is proportionate and balanced. We support the FCA's decision to elevate the appropriateness testing guidance to binding rules where supervisory evidence shows deficiencies, consumer harm or poor practice. At the same time, the FCA has shown appropriate pragmatism in recognising that applying certain COBS provisions wholesale could impose disproportionate burdens on firms or stifle responsible innovation. Similarly, we welcome the FCA's modernisation of distance-communication provisions, acknowledging that the original framework derived from the EU Distance Marketing Directive (2002) is not well suited to today's digital distribution models or the cryptoasset market's real-time nature.

Taken together, the FCA's proposals represent an incremental, outcomes-based application of COBS principles that support investor protection and market integrity. Meanwhile, the extension preserves regulatory clarity and proportionality throughout. This balanced approach will allow the emerging crypto sector to evolve responsibly within a coherent and consistent conduct framework.

Question 27: Do you agree that applying the Duty and additional guidance would be sufficient to achieve adequate product governance for cryptoassets or should we consider more specific rules such as those set out in PROD?

Building on our response to earlier questions – in particular Question 14, which addressed where accountability under the Duty is most effective – we consider here how product-governance expectations should be operationalised for those accountable firms.

We agree that it is appropriate, at this stage, to rely on the Duty, supported by additional guidance, rather than applying the full Product Governance (PROD) regime to cryptoasset activities. This approach reflects the current characteristics of crypto markets, where many tokens are decentralised, fungible, and borderless, and acknowledges that the traditional manufacturer–distributor model is not yet fully applicable.

Applying the existing PROD framework wholesale could therefore create confusion over accountability and impose disproportionate compliance costs without materially improving consumer outcomes. Having said that, clear governance expectations should be emphasised, and authorised UK-facing intermediaries and distributors should be required to define and document target markets, assess and evidence fair value, and monitor outcomes.