Response to FCA CP25/25 - Discussion Chapters 6 & 7
Application of FCA Handbook for Regulated Cryptoasset Activities

(October 2025)

About Innovate Finance

Innovate Finance is the independent industry body that represents and advances the global FinTech community in the UK. Our mission is to accelerate the UK's leading role in the financial services sector by directly supporting the next generation of technology-led innovators.

Our membership base is diverse across FinTech and financial services including but not limited to challenger banks, payments firms, electronic money institutions, consumer credit providers, credit information providers, alternative credit rating agencies, wallet providers, personal finance apps, RegTech firms and digital asset firms.

The Digital Pound Foundation

The Digital Pound Foundation (DPF), an Innovate Finance programme since completing a merger in February 2025, is dedicated to advancing the UK as a leading global centre for development and adoption of new forms of digital money, including stablecoins, central bank digital currencies (CBDC) and tokenised deposits. It is a member-led forum supporting a diverse, effective and competitive ecosystem for new forms of digital money in the UK and globally and the development of a legal, regulatory and political landscape that enables the UK to embrace opportunities to become a leader in the FinTech space.

The DPF's members include a wide range of firms interested in digital assets, digital money and payments including blockchain applications, payment systems and services, global stablecoin services, GBP stablecoin issuers, challenger banks and advisory firms.

DIGITAL POUND FOUNDATION
an Innovate Finance programme

INNOVATE|FINANCE

Introduction

We strongly support the establishment of a clear and effective regulatory framework for cryptoassets in the UK. A well-designed regime is essential to foster innovation, ensure consumer protection, and enhance market integrity, thereby solidifying the UK's position as a global hub for financial technology.

In this latest consultation from the FCA (CP25/14) on the application of the FCA Handbook to regulated cryptoasset activities, feedback has been invited in two stages.

This response addresses the discussion questions related to the topics below:
- application of the Consumer Duty
- access to the Financial Ombudsman Service
- whether and how COBS should apply to cryptoasset firms offering regulated activities
- the proposed approach to product governance

As set out in the FCA's prescribed timeline, our response to the consultation questions on high-level standards including system requirements, the senior managers regime, and operational resilience will follow shortly.

Applying the Consumer Duty

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

Yes. As an overarching principle, our members have consistently supported the intention of the Consumer Duty in ensuring clear expectations and good outcomes for consumers.

This is highlighted in our responses to:
- DP23/4: Regulating cryptoassets Phase 1: Stablecoins (Innovate Finance response here)
- DP24/4: Regulating cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets (Innovate Finance response here)
- CP25/14: Stablecoin issuance and cryptoasset custody (Innovate Finance response here)

DIGITAL POUND FOUNDATION
an Innovate Finance programme

INNOVATE/FINANCE

We therefore support "Option 1: to apply the Duty, supplemented by additional sector-specific guidance", with principles-based guidance or examples and case studies of best practice to be provided where this is necessary or useful to demonstrate expectations or exemptions across the stablecoin value chain given this is a newly regulated activity. This would also give greater scope for the FCA to flex and iterate the framework as the market develops.

Note that additional guidance must not create additional prescriptive rules - as described above, guidance should be in the form of additional principles or case studies. It should not layer additional prescriptive rules on top of the Consumer Duty.

Finally, and in line with latest FCA correspondence to the Chancellor on application of the Consumer Duty - particularly on distinguishing between different types of activities and having protections that are proportionate to the client's sophistication and risk appetite - the Consumer Duty should not apply to wholesale cryptoassets and large commercial transactions. We would expect those holding cryptoassets in self-hosted (non-custodial) wallets to also be out of scope given transactions are self-initiated and less reliant on third-party suppliers.

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?

There are a number of areas, as highlighted in the discussion questions, where the operating model for stablecoins, or cryptoassets more widely, may not fit within the anticipated model for which the Consumer Duty was created.

For example, stablecoin issuers and distributors will not have ultimate control over who can access, buy and receive the stablecoins as they circulate in the system.

These areas should be acknowledged - and the regulator's alternative expectations highlighted - in accompanying guidance for the sector.

DIGITAL POUND FOUNDATION
an Innovate Finance programme

INNOVATE/FINANCE

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?

For the purposes of consistency we consider that the Consumer Duty should be applied and be sufficient given the high and consistent standard it sets for achieving positive outcomes.

Alternative rules should only be considered in any areas where the Consumer Duty may not be applicable or need to be adapted due to the nature or business model of the regulated activity making the intended principle or process difficult to interpret or implement, for example on distribution as noted in the answer to question 14.

Where value is concerned, the Consumer Duty requires clear information for consumers and this should be feasible to provide in a way which enables an informed view of a cryptoasset. The values will of course differ depending on the nature of the asset, but they are recognisable values. For example - in stablecoins the value will be clear and consistently pegged to e.g. sterling, and for tokenised assets the value will relate to the value of the underlying asset. For cryptoassets such as Bitcoin, the value will be based on its use or utility - for example as a widely accepted and used 'gas fee' for blockchain.

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?

For the purposes of consistency we consider that the Consumer Duty should be applied and be sufficient given the high standard it sets for achieving positive outcomes.

Question 17: Do you agree with our suggested approach under the Admissions & Disclosures regime?

Getting the right A&D requirements serves as an important underlying basis to the wider successful adoption of cryptoassets, helping consumers identify those coins which offer little or no intrinsic value or practical use and lack transparency or clear purpose.

In this light we still consider that the starting point should be for the Consumer Duty to provide the regulatory basis for cryptoasset admissions and disclosure, given the high standards it already

requires across so many areas. The FCA may then seek to issue further guidance in areas where this is deemed necessary, adding to the explanatory expectations but reducing the risk of duplicative requirements.

Where admissions and disclosure are concerned, an additional significant consideration should be on equivalence and recognition of the UK regime by the United States and other jurisdictions such as the EU, putting into practice the FCA's focus on international competitiveness.

Access to the Financial Ombudsman Service

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

With regard to regulated stablecoins our view on this question remains consistent with previous responses (see Innovate Finance response to DP23/4: Regulating cryptoassets - Phase 1 Stablecoins), with members broadly supportive of application of the DISP sourcebook and access to the Ombudsman Service, although we note that the requirements and processes of the FOS are currently under consideration any may be modernised or amended in the coming months.

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)?

No response

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

No response.

Conduct of Business Source Book

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?

Yes we agree that UK-issued regulated stablecoins should not be classified as Restricted Mass Market Investments. Stablecoins present much lower volatility risk and their purpose is stability.

We echo the FCA's ambition of the future use case of stablecoins in retail payments, where RMMI classification would bring friction and obstacles to payment use cases.

This would also align with international examples for competitiveness purposes, where fiat-backed stablecoins have been treated more as units of payment or digital money, from both a regulatory and financial promotions perspective.

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?

This may be a sensible approach in order to mitigate the risk of regulatory arbitrage, but would need to evolve in conjunction with the FCA's consideration to allow overseas-based stablecoin issuers access to the UK market via an approved "payment arranger".

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?

For UK-based regulated stablecoins it should be sufficient to apply the Consumer Duty (plus any additional guidance that is created for clarification purposes), especially where they are intended for use in retail payments as additional COBS requirements would introduce further friction into these transactions.

DIGITAL POUND FOUNDATION
an Innovate Finance programme

INNOVATE/FINANCE

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?

When it comes to UK-regulated fiat-backed stablecoins - given the FCA's stated ambition for their use case in retail payments which our members also share - we would not expect these stablecoins to be subject to the same knowledge tests as investment products, indeed any test for appropriateness in this instance would hinder usability.

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 principle that the cryptoassets should be added to COBS 5 Annex 1 1.10R. In respect of novel, digitally-native services such as staking, there is also a case for excluding staking with short, defined terms.

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

In summary, we agree that UK-issued qualifying stablecoins should not be classified as Restricted Mass Market Investment (RMMI). For wider questions of conduct we envisage the Consumer Duty should be the key guiding framework for conduct matters, supplemented where necessary with principles-based guidance rather than prescriptive rules.

Product Intervention and Governance

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?

Yes the starting point should be that the Consumer Duty and accompanying guidance will suffice, especially when combined with the FCA's high-level Principles of Business, given much of PROD is duplicate of Consumer Duty requirements.

DIGITAL POUND FOUNDATION
an Innovate Finance programme

INNOVATE/FINANCE

There are good practices signposted within PROD which cryptoasset firms could take on board in their Consumer Duty compliance, such as review and monitoring processes as well as governance and documentation, but - given its more prescriptive and less flexible nature - full PROD implementation risks stifling innovation and developments in use cases as the cryptoasset sector evolves.