IRSG
INTERNATIONAL REGULATORY STRATEGY GROUP

International Regulatory Strategy Group (IRSG)

RESPONSE TO THE FINANCIAL CONDUCT AUTHORITY CONSULTATION PAPER

'APPLICATION OF FCA HANDBOOK FOR REGULATED CRYPTOASSET ACTIVITIES'

Introduction

The International Regulatory Strategy Group (IRSG) is a joint venture between TheCityUK and the City of London Corporation. Its remit is to provide a cross-sectoral voice to shape the development of a globally coherent regulatory framework that will facilitate open and competitive cross-border financial services. It comprises practitioners from the UK-based financial and related professional services industry who provide policy expertise and thought leadership across a broad range of regulatory issues.

The IRSG welcomes the opportunity to respond to the Financial Conduct Authority's (FCA) consultation paper CP25/25 'Application of FCA Handbook for Regulated Cryptoasset Activities' dated 17 September 2025 ("**the Paper**"). This response focuses on the discussion proposals (chapters 1-5).

Key Messages

The IRSG supports the FCA's proportionate, risk-based approach to extending Handbook provisions to cryptoasset firms and outlines key considerations for the future framework in the annex:

- **Designated investment business classification:** We support classifying qualifying cryptoasset activities as 'designated investment business' under the Handbook. Stablecoins should be treated proportionately as payment instruments. The FCA should clarify overlaps with payments rules, consider carve-outs for payment-focused stablecoins, and issue joint guidance with the Bank of England. Further clarity is needed on the scope of activities.
- **High-level standards:** We agree with applying the FCA's high-level standards and 11 Principles to cryptoasset firms. The phased approach is proportionate and ensures regulatory consistency with traditional finance.
- **SUP rules:** We support applying SUP (excluding SUP 16) to cryptoasset firms, ensuring consistent supervision, oversight, and market integrity.
- **Senior Management Arrangements, System and Control (SYSC) rules:** We support extending SYSC requirements to strengthen governance, risk management, and accountability. Further guidance on conflicts of interest and alignment with Senior Managers and Certification Regime (SM&CR) and the Training and Competence sourcebook (TC) standards is welcomed.
- **SM&CR:** We support applying SM&CR to cryptoasset firms to enhance accountability and align standards with other regulated sectors.
- **Cyber and digital resilience:** We highlight the growing relevance of quantum threats ('Harvest Now, Decrypt Later') and recommend early adoption of post-quantum cryptography (PQC). Zero-knowledge proofs (ZKPs) also show potential for improving privacy and compliance in digital finance.

We wish to thank Clifford Chance LLP for their support in drafting this response.

Contact address: *IRSGSecretariat@cityoflondon.gov.uk*

Annex: Responses to questions posed

#	Question / Response
1	Do you agree that new cryptoasset activities defined in the SI (and as described as 'qualifying cryptoasset activities' in draft FCA Handbook rules) should fall under the category of 'designated investment business' for the purposes of applying relevant sections of the Handbook?

We broadly support the proposal that new cryptoasset activities defined in the Statutory Instrument (and described as "qualifying cryptoasset activities" in the draft FCA Handbook rules) should fall under the category of "designated investment business" for the purposes of applying relevant sections of the Handbook. This aligns with the principle of "same risk, same regulatory outcome," ensuring that cryptoasset activities are regulated consistently with traditional financial activities presenting similar risks.

However, while we agree with this principle, we are concerned that the proposed classification of stablecoins as specified investments under the Financial Services and Markets Act (FSMA) may create significant regulatory and operational challenges. In particular, stablecoins are designed primarily as payment instruments, and applying an investment framework risks creating a conflict between their use as payment tools and their treatment as investment products. This dual character gives rise to several key risks:

- **Regulatory overlap:** Firms issuing or safeguarding stablecoins may be subject to both investment firm obligations (prudential, conduct, disclosure) and payment services requirements under PSRs/e-money rules, leading to duplicative compliance.
- **Operational complexity:** Applying Conduct of Business Sourcebook (COBS), CASS, and SM&CR alongside payment-system standards could impose disproportionate burdens on firms whose primary purpose is facilitating payments.
- **Market impact:** Treating stablecoins as investment products may hinder innovation in payment use cases and create barriers to entry, potentially undermining the UK's objective of supporting a competitive and innovative digital payments ecosystem.

We therefore recommend that the FCA:

- Clarify how the Handbook requirements will interact with existing payments legislation.
- Consider proportionality measures or targeted carve-outs for stablecoin activities primarily intended for payment functions.
- Provide guidance on supervisory coordination between the FCA and the Bank of England to prevent duplicative or inconsistent regulatory requirements.

We acknowledge that the FCA has previously recognised this tension and is coordinating with the Bank of England and HM Treasury to align cryptoasset regulation with payment system oversight.

However, CP25/25 does not fully resolve this overlap, as it primarily focuses on applying the Handbook to cryptoassets as investment business.

Furthermore, the consultation paper lacks sufficient clarity on the scope of activities captured or the basis for exclusions. While the proposed approach for cryptoasset trading appears broadly appropriate, further guidance is needed on how specific activities—such as transactions without a brokerage function or involving direct market access—will be treated under the new regime.

#	Question / Response
2	Do you agree with our proposal for applying High Level Standards to cryptoasset firms in a similar way they apply to traditional finance?

We support the proposal to apply High Level Standards to cryptoasset firms in the same way they apply to traditional financial firms. Applying the full suite of rules, including the 11 Principles for Businesses, ensures consistent expectations across all regulated firms and promotes fair, safe, and resilient markets. The phased implementation—requiring critical notifications for fraud and crime immediately, with other requirements introduced over time—is a proportionate approach. This approach aligns with the FCA's principle of 'same risk, same regulatory outcome,' ensuring that cryptoasset firms are subject to comparable regulatory standards as traditional financial firms facing similar risks.

#	Question / Response
3	Do you agree with our proposed application of the existing SUP rules (except SUP 16) to cryptoasset firms?

We agree with the proposed application of existing SUP rules (excluding SUP 16) to cryptoasset firms. This ensures that supervision, information gathering, variation of permissions, notifications, and auditing will be applied in line with other regulated firms, supporting effective oversight and market integrity. Applying SUP sets a clear regulatory baseline for cryptoasset firms and aligns with requirements already in force under FSMA.

#	Question / Response
4	Do you agree with our proposal to require cryptoasset firms to follow the existing requirements in SYSC 1, 4 – 7, 9 – 10, and 18 in a similar way to existing FCA-regulated firms (or existing DIBs)?

We support the FCA's proposed incorporation of cryptoasset activities into the SISK (Systems and Controls) Handbook through the extension of SYSC obligations. This approach promotes robust governance and risk management frameworks among crypto firms.

We welcome the FCA's acknowledgement of inherent conflicts of interest, particularly in vertically integrated models where exchanges act as both custodians and trading venues. Provisional guidance will be valuable in helping firms interpret SYSC obligations as they apply to cryptoasset activities.

We support the extension of existing SYSC standards relating to skills, training, and expertise to cryptoasset firms. Alignment with the SM&CR and the TC reinforces market trust and regulatory consistency.

#	Question / Response
5	Do you agree with our proposal to apply the existing SM&CR regime to cryptoasset firms, taking into account various parallel consultations on the broader SM&CR regime to ensure consistency? If not, please explain why.

We support the FCA's proposal to extend the Senior Managers and Certification Regime (SM&CR) to cryptoasset firms. This is a well-founded and proportionate measure that will strengthen senior management accountability, clarify responsibilities, and ensure the maintenance of fitness and propriety standards consistent with existing FCA-regulated sectors. The proposal appropriately aligns crypto firms with traditional financial services firms, reflecting the FCA's principle of "same risk, same regulatory" outcome.

#	Question / Response
6	Do you agree with the proposed categorisation for enhanced cryptoasset firms, such as the threshold for allowing cryptoasset custodian firms to qualify as enhanced? Should we consider other ways to categorise cryptoassets firms as enhanced?

N/A

#	Question / Response
7	Do you agree with our proposal to extend the application of SYSC 15A to cover all cryptoasset firms, including FSMA-authorised firms carrying out qualifying cryptoasset activities? If not, please explain why.

N/A

#	Question / Response
8	Do you agree with our proposal that the use of permissionless DLTs by cryptoasset firms should not be treated as an outsourcing arrangement? If not, please explain why.

N/A

#	Question / Response
9	Do you agree with our proposal to require cryptoasset firms to follow the same financial crime framework as FSMA-authorised firms? If not, please explain why.

N/A

#	Question / Response
10	Do you agree with the guidance set out in this document, and can you outline any areas where you think our approach could be clearer or better tailored to the specific risks and business models in the cryptoasset sector?

N/A

#	Question / Response
11	Are there any emerging digital and cyber security industry practices or measures which we should consider when supporting cryptoasset firms complying with operational resilience and related requirements? Please elaborate.

We would highlight quantum technology as a key emerging consideration for the operational resilience of cryptoasset firms. In particular, “Harvest Now, Decrypt Later” (HNDL) techniques present a growing risk, whereby data encrypted today could be stored and decrypted in the future once quantum capabilities become more advanced. This underscores the importance of integrating post-quantum cryptography (PQC) into distributed ledger technologies (DLT) and any other interconnected systems to ensure long-term data security and resilience.

In addition, zero-knowledge proofs (ZKPs) are an increasingly relevant cryptographic protocol that enables information or statements to be verified without disclosing the underlying data itself. While not yet universally adopted, such technologies demonstrate how privacy-preserving verification methods can enhance both security and compliance in digital financial systems.

As the threat landscape evolves, there may be a need to incorporate or mandate similar advanced cryptographic solutions in the future to strengthen the sector’s resilience and maintain regulatory confidence in cryptoasset operations.

#	Question / Response
12	Do you agree with our proposal to apply the ESG Sourcebook to cryptoasset firms?

N/A

IRSG
INTERNATIONAL REGULATORY STRATEGY GROUP

International Regulatory Strategy Group (IRSG)

RESPONSE TO THE FINANCIAL CONDUCT AUTHORITY CONSULTATION PAPER

'APPLICATION OF FCA HANDBOOK FOR REGULATED CRYPTOASSET ACTIVITIES'

Introduction

The International Regulatory Strategy Group (IRSG) is a joint venture between TheCityUK and the City of London Corporation. Its remit is to provide a cross-sectoral voice to shape the development of a globally coherent regulatory framework that will facilitate open and competitive cross-border financial services. It comprises practitioners from the UK-based financial and related professional services industry who provide policy expertise and thought leadership across a broad range of regulatory issues.

The IRSG welcomes the opportunity to respond to the Financial Conduct Authority's (FCA) consultation paper CP25/25 'Application of FCA Handbook for Regulated Cryptoasset Activities' dated 17 September 2025 ("**the Paper**"). This response focuses on the discussion proposals (chapters 6-7).

Key Messages

The IRSG supports the FCA's intention to create a proportionate and internationally consistent regime for cryptoasset activities and highlights the following key considerations for the future framework in the annex:

- **Consumer Duty**: We support the general application of the Consumer Duty ("**the Duty**") across all cryptoasset activities to protect retail clients and ensure a level playing field. However, further clarity from the FCA on practical application would be beneficial. The recent letter from Nikhil Rathi to the Chancellor regarding wholesale firms should be considered, and the final Duty policy (following the upcoming consultation paper) should also cover cryptoasset activities without a separate carve-out. Flexible, principles-based guidance should be preferred over highly prescriptive rules, and any additional rules should preserve the Duty's non-actionability. We encourage the FCA to balance consumer protection with its secondary objective of growth and competitiveness.
- **Admissions & Disclosures (A&D) Regime**: We support the bespoke rules approach under the A&D regime.
- **Stablecoins and Restricted Mass Market Investments (RMMI)**: UK-issued qualifying stablecoins should not be treated as RMMI due to their robust backing, segregation, redemption, and governance requirements. The same approach should apply to stablecoins issued outside the UK under equivalent regulatory frameworks. Risk warnings should only be required for stablecoins from jurisdictions that are not deemed equivalent.
- **Financial promotions for non-UK issuers**: High-risk investment-style warnings are unnecessary for stablecoins issued by regulated or equivalent non-UK firms. A neutral jurisdiction of origin disclosure is sufficient to inform users of their rights under the relevant foreign regulatory framework.
- **Conduct of Business Sourcebook (COBS):** COBS 5 is not suitable for cryptoasset firms, and bespoke, outcomes-based conduct standards are preferable. The matters set out in COBS 10

Annex 4G remain relevant but should be applied proportionately to avoid positioning the UK as an outlier.

- **Cancellation rights for distance contracts**: Cancellation rights should generally not apply to safeguarding or liquid staking arrangements. Targeted cancellation rights may be appropriate only where contractual or protocol-level lock-ups restrict customer access.
- **Overall conduct of business approach**: A tailored application of conduct rules should balance high standards with proportionality and consider international competitiveness to avoid disproportionately burdening UK firms.
- **Product Governance Sourcebook (PROD)**: PROD is generally unsuitable for cryptoassets, except for fiat-referenced stablecoins. The FCA's proposal not to apply PROD to most cryptoasset activities is supported

We wish to thank Clifford Chance LLP for their support in drafting this response.

Contact address: *IRSGSecretariat@cityoflondon.gov.uk*

Annex: Responses to questions posed

THE CONSUMER DUTY

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

We note that the FCA is considering whether to apply the Duty to all regulated cryptoasset activities with additional guidance or use tailored rules to achieve an appropriate level of consumer protection for these activities.

We support the general application of the Duty. The Duty is designed to protect retail clients and should therefore apply consistently across all firms operating in the space to ensure fairness and a level playing field. Further detail from the FCA on how the FCA would apply the Duty in practice would also be helpful.

We note the recent letter from Nikhil Rathi to the Chancellor regarding the application of the Duty to wholesale firms[1] and would encourage the FCA to ensure that, wherever the final Consumer Duty policy lands following future consultation, they apply this consistently to cryptoasset activities. The cryptoasset sector should not be subject to a separate carve-out, as this would risk creating unnecessary divergence and inconsistency in consumer protection standards.

The high-level principles under the Duty, supported by flexible guidance on expected outcomes, may give firms greater scope to innovate and develop new business models in a developing market. While tailored rules may offer more certainty, they generally offer less flexibility. However, if the FCA were to apply the Duty alongside very constrained and specific sectoral guidance, these could act as de facto rules and unduly constrain business models. There is also a perceived risk in diverging from guidance, given that the FCA has previously cited guidance in enforcement proceedings.

As outlined in the Paper, it will also be important to consider how aspects of the Duty that are more problematic for cryptoassets will apply to avoid negative consequences for firms.

From an international competitiveness perspective, applying the Duty alongside additional rules or strict sectoral guidance would make the UK an outlier compared with other jurisdictions. While in principle the outcomes specified under the Duty are broadly laudable, overly rigid application could stifle innovation and growth. We encourage the FCA to balance consumer protection with its secondary objective of growth and competitiveness.

The FCA must also maintain a level playing field. If the Duty does not apply to these cryptoasset activities, the FCA should add a specific carve-out ensure existing authorised firms are not subject to

[1] FCA 'Mansion House commitment on the Consumer Duty's application to wholesale firms' (September 2025), available at: Mansion House commitment on the Consumer Duty's application to wholesale firms

more onerous requirements than cryptoasset service providers who are new entrants who are not otherwise regulated or subject to the Duty.

Finally, the Duty does not provide a private right of action (PROA) to retail customers, meaning customers would not be able to bring court proceedings against a cryptoasset firm for losses arising from a breach of the Duty. If the FCA introduces tailored rules alongside or instead of the Duty, it must apply the same principle of non-actionability to avoid additional risks to business models.

#	Question / Response
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?

N/A

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

N/A

#	Question / Response
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?

N/A

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

We agree with the bespoke rules approach under the A&D regime.

ACCESS TO THE FINANCIAL OMBUDSMAN AND THE COMPLAINT HANDLING RULES

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

N/A

#	Question / Response
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)?

N/A

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

N/A

CONDUCT OF BUSINESS SOURCEBOOK (COBS)

#	Question / Response
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 generally agree that the FCA should not treat stablecoins as RMMI. UK-issued qualifying stablecoins will be subject to stringent requirements under FCA rules – for example, full reserve backing in high-quality liquid assets, segregation of backing assets for the benefit of holders, unconditional par redemption, daily reconciliation and clear governance - which collectively reduce the risk of loss for holders and distinguish these instruments from investment products with Restricted Mass Market Investment (RMMI) characteristics These instruments are money-like payment instruments, not risk-bearing investments, and the Handbook should treated accordingly.

The same approach should apply to stablecoins issued outside the UK where the issuer operates under a clear, outcomes-equivalent regulatory framework.

Internationally, the EU's Markets in Crypto-assets Regulation (MiCA) imposes authorisation, reserve, and permanent redemption rights on issuers of e-money tokens and asset-referenced tokens. Japan's regime under the Payment Services Act (PSA) limits issuance of digital-money-type stablecoins to regulated entities with redemption and asset-segregation safeguards. In the US, the newly enacted GENIUS Act establishes a federal licensing and supervisory framework with 1:1 reserves, disclosure, and AML/CFT obligations for payment stablecoin issuers. These regimes provide protections that are functionally comparable to those that the FCA envisages for UK-issued tokens

and reinforce the conclusion that such stablecoins generally do not exhibit RMMI-like risks or returns.

Specifically, regarding a risk warning for qualifying stablecoins not issued by FCA-authorised firms, if a jurisdiction has been deemed equivalent then a risk warning would not be necessary, but if it has not, a risk warning would be appropriate given consumer protection considerations.

We therefore encourage the FCA to adopt a proportionate, outcomes-based approach that recognises regulatory deference for non-UK regimes meeting defined equivalence criteria, supported by a published list of eligible jurisdictions and transparent review mechanics.

#	Question / Response
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 do not consider the proposed risk warning for stablecoins appropriate. Where issuers are regulated under the FCA's qualifying-stablecoin framework - or under demonstrably equivalent regimes such as MiCA, Japan's PSA, or the US GENIUS Act as outlined above - holders benefit from reserve, segregation and redemption protections designed to safeguard the underlying value. Applying a high-risk "investment-style" warning in these circumstances would be inaccurate, risk conflating payment tokens with speculative investments and could unduly confuse both issuers and consumers.

A proportionate alternative would be a neutral jurisdiction-of-origin disclosure that directs users to understand their rights under the applicable foreign regime, thereby promoting clarity without mischaracterising the product's risk profile. For example: "This stablecoin is issued by a non-UK firm and is regulated in its home jurisdiction. You should consider taking advice to understand your rights under the issuer's regulatory framework." This approach would align with the UK regime's objectives while recognising credible foreign frameworks that provide substantive consumer safeguards.

#	Question / Response
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?

Subject to our observations in Chapter 6 (set out above), it would be preferable not to apply COBS 5 to cryptoasset firms. The conduct of business rules in COBS 5 are designed for traditional investment services and are not calibrated to the operational realities or risk profiles of cryptoasset business models. Applying these provisions wholesale would introduce requirements that are either redundant or misaligned, creating unnecessary complexity without delivering meaningful consumer benefit.

A more proportionate approach would be to rely on the bespoke conduct standards proposed elsewhere in the consultation, which are tailored to the nature of cryptoasset activities and the FCA's stated regulatory objectives. This approach would ensure clarity, avoid regulatory arbitrage, and maintain consistency with the principle of outcomes-based regulation.

#	Question / Response
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 a threshold concern with the proposed requirement to provide client terms in a "durable medium." This does not align with prevailing cryptoasset business models or consumer behaviour in this market. Most cryptoasset services publish and maintain their terms of business on their websites or in-app, ensuring that the latest version is continuously available to users. Mandating delivery "in paper or another durable medium" would be more suited to traditional distribution channels than to services that are, in many cases, delivered entirely via a digital app or web interface.

The FCA should consider whether insisting on a durable medium (as the Handbook defines) would bring tangible benefits to clients in this context, given that COBS provisions elsewhere already contemplate "paper or another durable medium," whereas digital service delivery norms increasingly rely on dynamic, always-current online terms.

Turning to appropriateness, and subject to our comments on Chapter 6 above, we generally agree that the matters set out in COBS 10 Annex 4 remain relevant to retail understanding of qualifying cryptoassets risks and do not require amendment. The annex's articulation - covering, among other things, legal rights, volatility, operational and insolvency risks, regulated status and applicable redress - captures the core knowledge elements firms should consider when assessing client understanding.

However, the cumulative effect of the UK's proposed approach to appropriateness, layered on other UK-specific conduct and disclosure expectations, risks positioning the UK as an outlier compared with other major frameworks that regulate cryptoasset service provision without an equivalent, highly prescriptive qualifying cryptoassets annex. We encourage the FCA to consider whether the overall calibration best supports its statutory growth and competitiveness objectives for the UK, particularly where alternative mechanisms (such as clear, standardised risk disclosures and proportionate firm-led questioning) may achieve comparable outcomes without creating friction that could drive cross-border divergence.

#	Question / Response
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 do not support applying cancellation rights to the safeguarding of qualifying cryptoassets. Safeguarding is a custodial function that, by design, does not expose the customer's assets to the firm's balance-sheet risk and typically allows customers an unfettered right to withdraw those assets at any time. Adding a cancellation right to this at-will withdrawal entitlement would be duplicative. A narrowly targeted cancellation right may be justified if the safeguarding arrangement itself imposes a minimum lock-in period that materially restricts customer access to their assets. For example, if assets are contractually immobilised for a period exceeding a reasonable threshold, such as one month, a bespoke cancellation right during an initial window could mitigate the asymmetry between the provider's contractual latitude and the customer's ability to disengage.

A similar rationale applies to staking services. In many models, the provider offers "on-demand" or liquid staking, under which the customer can request a return of staked assets at any time, accepting that accrued rewards may be forfeited. In such cases, an additional cancellation right would be redundant and potentially confusing. By contrast, where the service entails protocol-level or contractual lock-ups for a defined bonding or unbonding period, a targeted cancellation right at inception may be warranted to reflect the temporary loss of access and ensure customers understand, and can exit from, commitments that differ materially from safekeeping.

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

We welcome the FCA's measured approach to COBS while adapting the relevant conduct standards to cryptoasset business models, and generally agree with the overall direction of travel. We recognise that Chapter 7 considers how to tailor COBS-style outcomes rather than transposing wholesale, alongside the broader discussion of product governance in this consultation.

We encourage the FCA to reassess the detailed proposals through the lens of its secondary objective on international competitiveness and growth, ensuring the UK framework does not become an outlier in regulatory burden or operational frictions for cryptoasset firms. The FCA has committed publicly to advancing this objective when making rules and policies. This commitment should translate into proportionate calibration and clear evidence that the cumulative COBS-related obligations do not materially disadvantage UK-authorised firms relative to peer jurisdictions. An approach that supports growth and innovation while maintaining high standards is consistent with the FCA's own articulation of aims in CP25/25 and with the statutory secondary objective introduced

by Financial Services and Markets Act (FSMA) 2023. If the UK regime impose materially heavier requirements than those in equivalent foreign markets, activity may shift overseas, affecting market integrity, supervisory visibility, and the UK's role as a hub for responsible crypto innovation. A proportionate, outcomes-based calibration of COBS-style rules will mitigate these risks and support both the consultation's growth objectives and Parliament's intent in FSMA 2023.

#	Question / Response
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?

Subject to our comments on Chapter 6 above, we agree that applying the Product Intervention and PROD to cryptoasset firms would be unsuitable. With the exception of fiat-referenced stablecoins, most cryptoassets do not confer ongoing rights or claims on an issuer like traditional financial instruments for which PROD was designed. Applying product-governance concepts that assume identifiable manufacturers, durable client relationships, and rights-bearing instruments would risk mischaracterising the underlying assets and generating obligations that are ill-fitted to crypto markets. We therefore support the FCA's proposal not to apply PROD to cryptoasset business.