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Submitted via email to: cp26-13@fca.org.uk

Re: Comments on Consultation Paper CP26/13 - Cryptoasset Perimeter Guidance

To whom it may concern:

This response is a joint effort by [Aptos Labs](#), the [Avalanche Policy Coalition](#), [the Cardano Foundation](#), the [IOTA Foundation](#), the [Sui Foundation](#), and the [Stellar Development Foundation](#) to provide industry input to the Financial Conduct Authority's ("FCA") Consultation Paper CP26/13 (the "Consultation") on its proposed Cryptoasset Perimeter Guidance (the "Guidance").

As organizations active within the cryptoasset and blockchain technology ecosystem, we find it important to ensure that the regulatory framework in the UK is robust, proportionate and forward-looking. We appreciate the FCA's continued engagement with the industry and its objective of supporting the UK's position as a competitive and innovative market for cryptoasset activities. We welcome the opportunity to comment on Consultation.

We also note that HM Treasury has articulated a clear policy anchor for the regulatory perimeter: authorisation requirements should apply where there is a "sufficiently controlling party" involved in the relevant activity. This concept provides an important limiting principle, grounding regulation in the presence of meaningful control, discretion, or influence over outcomes. We believe that maintaining alignment with this principle is essential to ensure that the perimeter remains proportionate and consistent with legislative intent.

We are all dedicated to advancing clear, consistent, and technology-neutral regulatory frameworks for digital assets. We strongly support the FCA's objective of promoting consumer protection, market integrity, and competition through well-defined perimeter guidance grounded in existing law and applied through functional analysis. We believe that regulation should be grounded on two important principles: the nature of the asset and the nature of the activity. By providing clear guidance on which assets and activities are within the regulatory perimeter, the FCA will bring clarity that enhances legal certainty and promotes compliance.

The proposed Guidance reflects meaningful progress in this direction on which activities are regulated. However, we believe further clarification is needed to ensure that the framework remains operationally workable and compatible with modern, highly networked market structures.

In particular, we respectfully recommend that the FCA:

- Clarify that “arranging” is limited to activities that constitute financial intermediation, and does not encompass infrastructure or connectivity services;
- Regulate staking activities that involve custody, control, and intermediation, not user direct action; and
- Explicitly distinguish infrastructure providers from financial intermediaries, confirming that technical and protocol-level functions do not fall within the regulatory perimeter.

These recommendations reflect the underlying principle that the nature of the activity matters and clearly defining which activities are within scope will benefit all market participants. Applying this principle consistently will ensure that regulation remains targeted, proportionate, and aligned with actual sources of risk.

Our comments below expand on these points.

## **I. Infrastructure vs. Intermediary Distinction**

By way of background, blockchain networks rely on infrastructure providers, including validators, developers, and technical service providers. These actors are not providers of financial services. They do not custody assets, exercise discretion, or act between counterparties. Nor are they a counterparty to any participant. They provide infrastructure for users and participants.

The distinction between infrastructure and intermediaries is consistent with long-standing regulatory practice across financial markets. The FCA has historically not treated providers of communications networks, software systems, or other technical infrastructure as financial intermediaries, even where those systems are essential to the execution of transactions. Blockchain-based systems do not change this principle. Infrastructure enables systems to operate but does not act on behalf of users, control assets, or influence transaction outcomes.

We note that a recent [paper](#) by the Bank for International Settlements’ Financial Stability Institute on cryptoasset service providers supports the functional test we recommend. Its analysis reinforces the importance of grounding regulatory scope in

the nature of the activity, rather than the presence of technology or proximity to transaction flows.

Its central analytical framework is instructive. It distinguishes between:

- activities related to infrastructure and system operation, including validation, settlement, and technical services; and
- activities that constitute financial intermediation, including lending, trading, and investment products that involve balance sheet exposure and risk transformation.

The paper identifies financial intermediation as occurring where an entity:

- takes custody or control of customer assets,
- creates liabilities or redemption obligations, and/or
- deploys those assets in a manner that transforms credit, liquidity, maturity, or collateral risk.

Conversely, activities that do not involve these elements—such as validation, software provision, or connectivity—are not treated as intermediation, even if they are essential to the functioning of activities that constitute intermediation.

As with our prior joint [submission](#), we encourage the FCA to incorporate similar clarity with respect to “arranging” and staking, as discussed in more detail below.

## **II. Avoiding a Broad Interpretation of “Arranging”**

The proposed Guidance adopts a broad interpretation of “arranging deals in qualifying cryptoassets,” including both “bringing about” transactions and “making arrangements with a view to transactions.”

We agree that these concepts can be applied to cryptoasset markets. However, the current formulation risks expanding the concept of intermediation beyond its traditional scope and pulling infrastructure providers within the perimeter. We do not believe this is the proper result and urge clearer lines.

### **A. Functional Expansion Beyond Intermediation**

The proposed Guidance indicates that arranging may include enabling users to place orders, facilitating access to trading venues, and providing part of the infrastructure through which transactions occur. In particular, the suggestion that an activity may be

regulated if it merely “helps” a transaction to occur introduces a threshold that is significantly lower than traditional intermediary activity.

This risks capturing actors that do not:

- solicit and/or effect transactions,
- provide recommendations,
- exercise discretion,
- provide custody services, or
- otherwise act on behalf of users in a transactional capacity.

These actions are established hallmarks of financial intermediation and should establish where the regulatory perimeter needs to be drawn. On the contrary, the regulatory perimeter suggested by the proposed Guidance would extend to mere involvement in the transaction flow which does not traditionally, and should not in future, constitute a financial service.

In modern digital systems, many actors may interact with a transaction lifecycle without exercising legal or technical control over whether the transaction occurs, how it is executed, or which counterparties are engaged. For example:

- API providers may generate transaction data that is ultimately signed and broadcast solely by the user;
- User interfaces may display execution pathways without influencing or committing the transaction;
- Infrastructure providers may transmit or process messages without the ability to alter or route them.

In each of these cases, the decisive act—cryptographic signing and submission of the transaction—remains entirely with the user. The absence of control over this decisive step is inconsistent with any meaningful concept of intermediation.

The proposed inclusion of “helping” a transaction arguably goes even further in expanding the regulatory perimeter. This risks treating non-custodial, non-discretionary infrastructure services as financial intermediation, capturing communications applications and networks (e.g. WhatsApp, Telegram) and generic cloud hosting (e.g. Azure, Google), just to name two examples. Blurring the line between financial intermediation and technical services in this way is neither proportional nor compatible with clear boundaries drawn within traditional financial markets.

By contrast, a function-based approach anchored in the regulation of those who exercise control, discretion, and intermediation preserves the proper boundary between infrastructure and financial services.

## **B. Continuity with Existing Principles—and the Need for Modernization**

We recognize that the FCA’s approach is grounded in long-standing principles under the Regulated Activities Order and prior PERG guidance. We recognize that arranging has not traditionally required a causative element, but it nonetheless has required some anchor to a transaction beyond merely providing technology. The proposed Guidance’s use of the “helps” standard does not provide any clarity. For that reason, we submit that the FCA updates the proposed Guidance with the specific functions that constitute arranging. Without solid dividing lines based on existing law and practice, the proposed Guidance risks creating confusion and applications for registration that far outstrip capabilities. We would point to execution management and order management systems as a prime example. The FCA has not treated either type of system as arranging. We think these provide a useful paradigm for the proposed Guidance.

The principles around arranging were developed in traditional markets characterized by linear transaction flows and clearly defined intermediary roles.

However, the means by which financial services activities are conducted has evolved. In modern digital systems, including those that are blockchain-based:

- transactions are user-directed and automated,
- infrastructure is modular and widely accessible, and
- actors may interact with transactions without exercising control, custody, discretion, or the ability to change orders or effect trades.

Applying legacy formulations without refinement risks extending regulation beyond its natural scope to encompass all manner of technology providers, including hardware and communications network providers.

## **C. Comparison to the SEC’s Recent User Interface Guidance**

We believe recent guidance from the U.S. Securities and Exchange Commission’s Division of Trading and Markets appropriately balances the needs of consumer protection to create a workable regulatory perimeter analysis. In its [April 2026](#) staff statement on user interfaces, the SEC addresses when a software interface comes within its regulated activities.

The SEC applies a [functional](#) test grounded in existing law. The analysis turns on whether the provider performs traditional intermediary functions, including:

- solicitation
- recommendation
- effecting trades
- discretion
- transaction-based compensation
- custody
- representing counterparties

If these elements are present, registration is required. If they are not, the provider is not treated as a broker-dealer.

Importantly, the SEC recognizes that interfaces may:

- connect to trading venues,
- display execution options,
- allow users to set parameters, and
- transmit user instructions

without becoming intermediaries, provided they operate in a neutral, objective, and non-discretionary manner.

The FCA's proposed approach to arranging differs in a critical respect. Where the SEC focuses on whether an entity performs intermediary functions, the proposed Guidance seems to capture activities based on their involvement in transaction processes without any activities that are the hallmarks of an intermediary.

This reflects a fundamental distinction: the SEC defines intermediation by conduct that exposes the customer to additional risk (e.g. conflicts of interest), while the proposed Guidance risks defining it by mere processing. This creates a materially broader standard

## **D. Recommendations**

While UK laws and rules use different terminology from the equivalent US standards, the SEC's approach demonstrates that conduct-based boundaries can be drawn that both reflect commercial realities and traditional intermediary activities.

We recommend that the FCA clarify that:

- Arranging is limited to activities that constitute financial intermediation, including solicitation, negotiation, execution on behalf of users, custody or the exercise of discretion;
- The provision of infrastructure, such as validating blocks, operating APIs, and providing hardware, software and connectivity, does not constitute arranging; and
- Processing of transaction flows, without also exercising one of the intermediation activities listed above, does not constitute a regulated activity.

### **III. Staking: Custody, Control, and Functional Distinction**

The Consultation's proposed analysis of the regulatory perimeter as it relates to staking would also benefit from a clearer delineation, in accordance with our prior joint [submission](#). Staking encompasses a range of models with materially different characteristics and risk profiles. A clear functional distinction is therefore essential.

#### **A. Distinct Staking Models**

From a taxonomy perspective, types of staking arrangements include:

- Protocol-level staking (self-staking)
- Delegated (non-custodial) staking
- Custodial staking (staking-as-a-service)
- Hybrid models

These encompass fundamentally different activities, only some of which are within the regulatory perimeter.

In determining which staking-related activities fall within the regulatory perimeter, we have previously urged a test that looks at whether it involves:

- custody or safeguarding
- control over assets
- discretion in outcomes
- intermediation

Staking services that involve control, intermediation, and counterparty risk appropriately fall within the regulatory perimeter. They are akin to the other types of financial services the FCA regulates.

On the other hand, non-custodial staking is defined by:

- user control of private keys, signing and broadcasting transactions
- protocol-based activities defined by self-executing software, including staking rewards, and
- absence of intermediation

When the nature of the staking activity is self-directed participation in infrastructure, it should fall outside the regulatory perimeter. Such activities are individual in nature and do not share any of the characteristics of traditional financial intermediation.

## **B. Recommendation**

The proposed Guidance does not adequately and consistently distinguish these models, creating a risk that materially different activities are treated equivalently. The perimeter guidance should clearly and explicitly distinguish between custodial and self-directed staking.

We recommend that the FCA clarify that:

- Staking is regulated where it involves custody, control, or intermediation;
- Non-custodial and protocol-level staking fall outside the scope of regulation; and
- Technical participation in consensus does not constitute regulated activity.

This approach aligns regulatory obligations with actual sources of counterparty and operational risk.

## **Conclusion**

The Consultation represents a significant step toward a coherent regulatory framework. The key opportunity is to ensure that its application reflects modern market structure. To that end, we emphasize that the nature of the activity matters when determining the regulatory perimeter.

We respectfully recommend that the FCA:

- clarify the scope of arranging to focus on intermediation over mere involvement;
- anchor staking regulation to custody, control and counterparty risk; and
- preserve the distinction between infrastructure and intermediaries.

These steps will ensure that the framework remains technology neutral, functionally grounded, operationally workable, and appropriately protective of investors. This

approach supports the FCA's objectives of proportionality and market integrity. It also will support the continued development of robust and competitive markets in the UK.


We appreciate the opportunity to provide these comments and would welcome further engagement.

Respectfully submitted,


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