

To:

Nikhil Rath
Chief Executive Officer
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

7 July 2025

Quarterly Consultation: *Chapter 4*

Coinbase Global, Inc., together with its UK subsidiary CB Payments Ltd. and its other subsidiaries (**Coinbase**), appreciates the opportunity to respond to Chapter 4 of the Quarterly Consultation published by the Financial Conduct Authority (**FCA**).

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system with greater retail inclusion and participation at its core.

Coinbase is committed to the UK, where we have a significant presence reflecting its importance as our largest international market outside of the US. The Government has delivered a powerful message to the market that it is open to cryptoasset businesses, giving firms like Coinbase the confidence to invest, grow in the UK. Our recent FCA VASP registration further strengthens our commitment to innovate and build here.

We are excited to follow the progress the UK is making in its mission to become a global centre of tokenisation and Web3 excellence, and we appreciate the thoughtful and strategic approach the FCA is taking to regulate the sector. We stand ready to support the FCA, as it develops a regulatory framework that raises standards across the industry, protects consumers, and delivers on the Government's ambitions to put the UK on a strong competitive footing in the journey towards Web3.

Yours sincerely,



Tom Duff Gordon
VP, International Policy, Coinbase

Introduction

Blockchain technology is the backbone of a new financial architecture. While nascent, it is already bringing efficiency, transparency, and resiliency to the existing financial system. Tokenization will deliver efficiencies, lower costs and reduced risk to financial systems. Blockchain applications enable people to transfer value quickly and at lower cost, particularly for cross-border transfers. Stablecoins that put fiat currencies on digital rails will drive competition in the payments space. Decentralised finance, smart contracts, and related new technologies will drive further innovation and exponentially expand opportunities for the financial system. Yet, cryptoassets are more than a financial innovation; they have the potential to transform every sector of the economy. Today's internet is dominated by a handful of companies that profit from monetising their users' personal data; web3, will be owned by builders and users, creating a more decentralised and community-governed version of the internet.

This new financial and technological architecture will be driven by tokens; Bitcoin is widely held as "digital gold" due to its scarcity, stablecoins are increasingly used in payments (particularly cross border), new utility tokens are emerging (e.g. the Adeno token incentivises businesses and individuals to release excess 5G capacity to the network in high density areas) and "technology backed tokens" are powering blockchains (e.g. ETH is the native token to the Ethereum network). Retail consumers may purchase tokens for consumptive use (e.g. purchase ETH to pay gas fees to mint an NFT or execute a transaction), but may also hold cryptoassets due to a belief that the value will appreciate, reflecting where the market is on the adoption curve i.e. reflecting an assessment of the future role of blockchains and their corresponding native tokens in this new technological and financial architecture. The "investment case" for Bitcoin and technology backed tokens (e.g. ETH and SOL), in particular, is widely recognised by institutional and retail investors alike.

Cryptoasset markets and products are maturing, with institutional grade custodians, the advent of a regulatory framework to regulate exchanges and compliant ETNs/ETFs are now widespread globally. We strongly welcome the FCA's proposal to lift the ban on retail exposure to cETNs as a positive step towards building a coherent and proportionate regulatory framework for retail access to cryptoassets and to embrace the benefits of this innovative new technology.

The Rise of Exchange Traded Products (ETPs)

In recent years, we have seen the launch of crypto Exchange Traded Funds (ETFs) in major jurisdictions around the world. In the US, the SEC approved 12 spot Bitcoin ETFs including offerings from Blackrock, Fidelity, Franklin Templeton, Invesco and others and



by the middle of 2024, the approval pathway was cleared for spot Ethereum ETFs, paving the way for US listings. Since the creation of cETFs, combined US cETF net inflows have hit over \$53bn, driving *global* cETF assets to over \$250bn, according to Bloomberg (as of June 30, 2025). Blackrock's iShares Bitcoin Trust (IBIT) became the fastest growing ETF in history, amassing approximately \$75bn in AUM, and its spot Ethereum ETF is also gaining momentum, reaching around \$4.5bn. Major institutional players, including Goldman Sachs, Barclays and Mubadala as well as pension funds like the State of Wisconsin Investment Board and State of Michigan Retirement System have invested heavily in Bitcoin ETFs, and traditional fund managers are providing cryptoasset exposures using traditional vehicles i.e. no longer raising separate funds/capital for digital asset investing.

Cryptoassets are widely recognised as a legitimate asset class by major investors; indeed, Bitcoin is the top performing asset of the last decade and institutional investors around the world are entering the space in earnest. Coinbase recently conducted a survey of over 300 institutional investors at CEO/COO level: 86% have exposure to digital assets, of which 85% increased their allocations in 2024 and plan to continue to do so; 60% prefer to gain exposure through registered vehicles, e.g. ETPs, and 59% plan to allocate over 5% of AUM.¹

Retail Participation

Institutional adoption of major digital assets is accelerating at pace and it is critical that UK retail consumers are able to participate in and benefit from the tremendous growth and opportunity presented by this new digital asset class. The UK's ban on retail exposure to cETNs makes it an outlier globally and precludes retail consumers benefiting from exposure to this asset class. It is widely recognised that there is low UK retail participation in financial markets - there has been a significant drop in retail consumers holding UK listed shares and the UK has higher than average saving rates - particularly compared to the US. This may be due to a culture of conservatism in financial market participation, but also due to market structure and regulation that historically has precluded or created access barriers for retail consumers; these may be mutually reinforcing trends.

In this vein, we strongly welcome the FCA's proposal to lift the ban on retail exposure to cETNs as a positive step towards building a coherent and proportionate regulatory framework for retail access to cryptoassets, which aligns the UK with international best practice. We think this is an important first step, but believe more should be done; the FCA should lift its broader ban on retail exposure to cryptoasset derivatives and recalibrate the UK's Financial Promotions (Fin Prom) regime, which does not reflect the

¹ See Coinbase-EY Parthenon, 2025 Institutional Investor Digital Assets Survey, March 18, 2025. <https://www.coinbase.com/institutional/research-insights/research/market-intelligence/2025-institutional-investor-survey>

risks posed by different cryptoassets i.e. treats all cryptoassets as a monolithic bucket and designates all cryptoassets as Restricted Mass Market Investments (RMMIs). Retail participation is crucial to the success and adoption of Web3, as well as the growth of UK financial markets; for the UK to truly position itself competitively as a global cryptoasset hub and centre of Web3 excellence, the FCA must pursue an approach that protects consumers in a way that is proportionate to the risks posed, whilst also recognising the role of this transformative new technology, powered by an emerging digital asset class.

Questions

Question 4.1: Do you agree with our overall proposal to the lifting of the ban on retail access to cETNs which are admitted to UK RIEs, so that retail consumers may access UK RIE cETNs in the same way as professional investors? Please explain.

We agree with the FCA's overall proposal to lift the ban on retail access to cETNs, so that retail consumers may access UK cETNs in the same way as professional investors; it is a proportionate and welcome step for the following reasons:

- **UK customers are already able to access spot cryptoasset trading through exchanges. Therefore, from a risk perspective, it is important for consistency to repeal a ban that prevents UK consumers from gaining exposure to the assets through cETNs admitted to trading on UK recognised investment exchanges (RIEs).** To maintain the ban could undermine confidence in regulated products such as ETNs by implying that these products have additional risks over directly owning the cryptoassets themselves. Lifting the ban will remove this inconsistency, and provide retail consumers with a different option for gaining exposure to the cryptoasset markets. ETN structures offer opportunities for retail market access: they are regulated, non-custodial, and subject to market-wide standards around pricing, disclosure and governance.
- **Since implementation of the ban in 2021, cryptoasset markets have evolved significantly; the ban should be repealed to reflect the maturity of the market.** Taking ETH as an example, the market benefits from very significant depth and liquidity: ETH's average global daily trading volume (spot) over the past 6 months has been \$10 billion (excluding suspected wash trading), and its total market value as of June 2025 is over \$300 billion. As a point of comparison, this notional dollar trading volume is orders of magnitude greater than the vast majority of the stocks that comprise the S&P 500, which benefit from a deep and liquid stock market. When plotted against market capitalization, ETH (like Bitcoin) exhibits trading behaviour that is characteristic of the largest U.S. equity stocks. Superior market

quality for ETH is also observed when looking at bid-ask spreads. Like Bitcoin, ETH also trades at considerably lower spreads as a percentage of market capitalization relative to the vast majority of stocks that comprise the S&P 500. Only a handful of the largest U.S. equity securities trade at lower adjusted spreads. Tighter spreads are indicative of a well-functioning market. More generally - beyond Bitcoin and ETH - the top 20 tokens by market capitalisation have shown similar volatility to US tech stocks.

- **UK retail customers are already able to access solutions offering synthetic exposure to cryptoassets, via investment into shares of listed companies that invest their treasury into cryptoassets.** This is a relatively unregulated access point into the cryptoasset markets, governed by an approved prospectus alone and loosely overseen by the exchange upon which they are listed. Shares in these companies are not treated as RMMIs. For example, UK retail customers are able to invest in companies such as The Smarter Web Company plc, traded on the Aquis Exchange in the UK, which is essentially a Bitcoin treasury company and which has, during June 2025, traded on the basis of a market capitalisation of 12 times its holdings of Bitcoin. We believe it is inconsistent to allow UK retail consumers to access products of this nature but exclude them from a cETN that offers 1:1 exposure via FCA regulated entities.
- **Lifting the ban brings the UK more closely in line with other jurisdictions - including the US and EU - that have, for some time, allowed retail investors access crypto markets through regulated products.** In the US, for example, we note that BlackRock's iShares Bitcoin Trust made industry records in its launch year of 2024. Blackrock's iShares Bitcoin Trust (IBIT) became the fastest growing ETF in history, amassing approximately \$75bn in AUM, and its spot Ethereum ETF is also gaining momentum, reaching around \$4.5bn; it is the best performing ETF of all time, up 133% since its inception, reflecting performance gains that UK retail investors are missing. The demand for these products is significant, and global markets have already demonstrated how cETNs can provide efficient and secure cryptoasset exposure to retail consumers. In addition, major European economies like Germany, Sweden and Switzerland all allow retail access to crypto ETNs. Bringing the UK in line with broader international practice is critical to the UK's competitive position in the global race for digital assets.
- **Institutional adoption of major digital assets is accelerating at pace and it is critical that UK retail consumers are able to participate in and benefit from the tremendous growth and opportunity presented by this new digital asset class.** The UK's ban on retail exposure to cETNs makes it an outlier globally and precludes retail consumers benefiting from exposure to this asset class. It is widely recognised that there is low retail participation in financial markets - there has

been a significant drop in retail consumers holding UK listed shares and the UK has higher than average saving rates - particularly compared to the US. This may be due to a culture of conservatism in financial market participation, but also due to market structure and regulation that historically has precluded or created access barriers for retail consumers. There is no evidence that removal of the ban on retail exposure to cryptoasset ETNs will result in an exodus from traditional finance/equities to cryptoassets; US spot cryptoasset ETFs only represented approximately 4% of new ETF money in 2024 and crypto ETFs in the US currently represent only 0.28% of the total global fund assets available. However, retail participation is crucial to the success and adoption of Web3; for the UK to truly position itself competitively as a global cryptoasset hub and centre of Web3 excellence, the FCA must pursue an approach that protects consumers in a way that is proportionate to the risks posed, whilst also recognising the transformative role of this transformative new technology, powered by a new emerging digital asset class.

For the reasons set out above, we strongly welcome the FCA's proposal to lift the ban on retail exposure to cETNs as a positive step towards building a coherent and proportionate regulatory framework for retail access to cryptoassets, which aligns the UK with international best practice. We think this is an important first step, but believe more should be done. For the UK to truly position itself competitively as a global cryptoasset hub and centre of Web3 excellence, the FCA must pursue an approach that protects consumers in a way that is proportionate to the risks posed, whilst also recognising the transformative role of this new technology, powered by an emerging digital asset class.

With this in mind, we believe the FCA should repeal the ban on retail exposure to cryptoasset derivatives more generally for the following reasons:

- **Banning retail exposure to cryptoasset derivatives fails to recognise the important role derivatives play in portfolio diversification and hedging.** Contrary to the assumption that derivatives are inherently speculative, they serve a critical function in responsible portfolio management, particularly for hedging risk: futures contracts allow investors to hedge price fluctuations, reducing exposure to market volatility; options provide structured risk management versus engaging in unhedged spot trading; and similar risk management instruments (e.g. forex derivatives, equity options) are already accessible to UK retail investors. We have direct experience with how customers benefit from cryptoasset derivatives, as we

operate a federally regulated US crypto futures market and broker². These products give clients options for management of their own portfolio that are currently unavailable for UK customers, to their detriment. Derivatives are a core part of any developed financial market, and retail participation supports price discovery, liquidity and broader adoption of this asset class. Prohibiting access denies retail investors effective risk management tools that institutions already use. Providing retail consumers with the ability to manage their own risk would support the FCA in meeting the Chancellor's expectation that the FCA enables "responsible risk-taking" by customers.

- **Cryptoasset derivatives, if allowed, would benefit from the same robust regulatory oversight applicable to all derivatives markets.** The FCA has emphasised the regulatory oversight and consumer protection available in respect of cETNs listed for trading on UK RIEs when justifying the removal of the retail trading ban for such products. In fact, *all* financial instruments listed for trading on a UK RIE or similarly regulated overseas platform – including cryptoasset derivatives – would need to meet similarly stringent regulatory requirements as a precondition to being listed.
 - Specifically, all UK RIEs must comply with the provisions of the Recognition Requirements Regulations as well as the FCA's REC Sourcebook, which together establish a comprehensive regime for the regulation and oversight of the financial instruments available for trading on a UK RIE. For example, a UK RIE must have rules to ensure that all products it lists for trading are capable of being traded in a fair, orderly and efficient manner and, specifically in relation to derivatives, that such products are designed to allow for orderly pricing and efficient settlement. A UK RIE must also have appropriate systems and controls to monitor transactions, including to detect instances of market abuse. In addition, a UK RIE must provide notice to the FCA before listing a new contract for trading, including providing the terms and conditions of the product. A UK RIE would only be able to list a cryptoasset derivative for trading when all such standards have been met.
 - These standards also ensure that, where a UK RIE does list a new financial instrument for trading, the instrument is suitable for trading by all investors, including retail. This is the case even where the underlying reference asset is prone to a certain level of price volatility; in this regard we note that, as

² Coinbase Derivatives Exchange is registered with the U.S. Commodity Futures Trading Commission as a Designated Contract Market and lists Bitcoin and Ether futures in both regular full sizes (1BTC, 10ETH), and nano sizes (0.001 BTC, 0.1 ETH) as well as planned US perpetual-style futures. Coinbase Financial Markets, Inc is a CFTC-regulated Futures Commission Merchant and National Futures Association member authorized to offer and clear these futures for customers.

the cryptoasset market has matured, the price volatility for the most liquid cryptoassets is no greater than, and in many cases is less than, other commonly accepted reference assets underlying exchange-traded derivatives listed on UK RIEs. We further note that cryptoasset derivatives concluded on UK RIEs would, as with any other UK RIE-listed derivatives, need to be cleared at an EMIR authorised central counterparty, and would therefore be subject to margin and other risk management requirements that are designed to ensure the financial integrity of such transactions and, by the act of clearing, limit risks to the wider market and investors generally.

- It is therefore clear that any cryptoasset derivative listed for trading on a UK RIE would need to meet standards equivalent to those applicable to cETNs. Accordingly, there is no principled reason to permit UK retail investors to trade in certain UK RIE listed cryptoasset products but not others. In fact, permitting such trading by UK retail investors would bring the UK in line with other leading jurisdictions; as we have noted elsewhere in this letter, both the US and the EU permit retail investors to transact in exchange-traded cryptoasset derivatives.

Moreover, regulatory obligations applicable to MiFID-regulated brokers / dealers dealing with UK retail clients that transact in derivatives also provide significant and robust retail protections. These include obligations relating to product information and disclosure, suitability and appropriateness assessments, and the overarching duty for such brokers to act in the best interests of their clients. This comprehensive regulatory framework has protected clients across various types of derivatives activities and should provide comfort to the FCA that lifting the ban on retail access to all types of cryptoasset derivatives can be done in a manner that is protective of retail investors.

- **Maintaining a ban on retail exposure to cryptoasset derivatives creates regulatory inconsistency and does not take into account other measures that can be taken to address risks to retail consumers.** We note that many other products (e.g. CFDs) are deemed suitable for retail consumers subject to additional regulatory protections, such as disclosures and leverage limits. Singling out cryptoasset derivatives as so exceptionally risky that a ban is warranted is inconsistent with the treatment of other products that may be prone to more volatility but remain accessible. We strongly believe that proper regulation makes retail participation safer than any prohibition.
- **Further, differentiating between cETNs and cryptoasset derivatives creates a degree of inconsistency in regulatory approach.** Under the current regime, a retail investor may freely purchase a cryptoasset directly for example via an

exchange, and take on all the associated operational, technical, and custody risks. But that investor could not access exposure via a centrally cleared, exchange-listed futures contract, or even hedge using a regulated options product. Under this proposal, the same investor will be permitted to invest in a cETN, but not in other regulated financial instruments designed to manage risk.

As noted above, UK retail customers can already invest in cryptoasset treasury companies, some of which trade at multiples of their treasury holdings. These types of entities essentially offer “market-generated leverage” as market sentiment pushes the value of the shares higher against the value of the underlying treasury, but these types of products do not have the same protections as a regulated derivatives product would have. This demonstrates a strong appetite within UK retail to gain exposure to cryptoasset market movements and we believe that a well-regulated derivatives product can offer a liquid and properly structured way of UK retail gaining access to that exposure.

- **The UK ban on offering cryptoasset derivatives to retail is out of step with the global market, including the EU.** A large and growing number of firms in the US and EU offer access to a range of different crypto-linked derivatives products for retail customers (including futures, options, perpetual futures and CFDs). The EU market is small but growing, with crypto futures and other derivative products increasingly being made available by regulated EU platforms (e.g., Eurex³). In the US, multiple federally-regulated exchanges and clearing houses including Coinbase Derivatives Exchange and Chicago Mercantile Exchange have offered futures on certain digital assets since 2019. Moreover, Hong Kong and Australia also permit retail access to regulated cryptoasset derivatives, recognising their role in risk management and responsible market participation. The FCA's ban places the UK at a competitive disadvantage with the EU and other major jurisdictions.
- **UK retail consumers can currently access unregulated crypto derivatives products on a cross-border basis given that the ban only applies to FCA-authorized firms.** UK customers therefore will in many cases transact on platforms that are not authorized by the FCA; the UK should set out an approach that brings UK customers' activities within the protections of the regulatory perimeter. With appropriate controls we believe cryptoasset derivatives can be sensibly and safely offered to retail in the UK.

³ Eurex launched regulated FTSE-Russell-based Bitcoin and Ethereum index futures and options in 2023 (standard and “nano” sizes) in both USD and EUR, cash-settled via Eurex Clearing; nano-sized futures began trading on May 5, 2025 to expand accessibility to retail investors; Crypto.com—through a CySEC MiFID II license—is now authorized to offer crypto futures and options across the EEA;

- **With the potential lifting of the ban on cETNs to retail (and the advent of the new UK regulatory regime), it becomes an unusual situation for UCITS to not be able to take cryptoasset exposure - allowing debt products but not retail fund products in our view is not a consistent approach.** We therefore suggest that certain types of “blue-chip” cryptoassets be included as eligible investments for UCITS (or at the least, cETNs), thereby enabling UCITS to be able to take some exposure to less volatile cryptoassets and allow an alternative route for UK customers to gain exposure to price movements in the cryptoasset markets.

Finally, it is not clear if cETNs would be treated in the same way as other exchange-traded products (such as equity ETNs or UCITS funds) for capital gains tax purposes. Specifically, certain ETNs and collective investment vehicles benefit from specific exemptions or allowances that make them more tax-efficient for retail investors. We encourage the FCA to work with HMRC and HMT to provide clear guidance on tax treatment. Failure to provide clarity, or treating cETNs as different to other ETNs, could result in a distortion in the market, making the regulated product less attractive than direct cryptoasset purchases. It may also introduce unintended complexity for consumers who are otherwise familiar with the tax treatment of conventional ETNs.

Question 4.2: Do you agree that UK RIE cETNs should be subject to broadly the same financial promotions rules as qualifying cryptoassets and classified as restricted mass market investments?

No, we do not believe that UK RIE cETNs should be classified as RMMIs. cETNs will necessarily be offered to retail customers by firms operating within the “traditional” regulatory perimeter. They will therefore be in scope of the protections of the Consumer Duty. We therefore believe that designating cETNs as RMMIs would be disproportionate and unnecessary.

It is not intuitive that there should be a ban on providing retail consumers access to cETNs, in the same way that it does not make sense for Bitcoin and ETH, for example, to be designated RMMIs for the purposes of the Fin Prom regime. Lifting the retail ban for cETNs is an important first step in delivering proportionate regulatory treatment with respect to retail access to cryptoassets, and in recognising the different risk profiles of different cryptoassets. In the same way, we encourage the FCA to consider recalibration of the Fin Prom regime.

The UK is already a significant outlier in the application of the Fin Prom regime, which risks leaving the UK on the sidelines of digital asset innovation as a result of the significant barriers that it places on access to crypto asset products for retail customers

(e.g. 24 hour cooling off period). With the Fin Prom regime operational, and in anticipation of the forthcoming regulatory framework, now is an opportune moment to assess its impact and make changes to ensure the regime is well calibrated and risk based. In particular, the Fin Prom regime currently treats all cryptoassets as a monolithic category and for many of the top cryptoassets the RMMI characterisation is no longer appropriate; many cryptoassets are currently subject to overly punitive treatment, which is not commensurate with their risk profile.

We have undertaken significant analysis that shows the top 20 tokens by market capitalization have similar volatility to certain listed equities, which consumers can purchase without frictions introduced by RMMI categorisation (e.g. 24hr cooling off period). In line with this analysis, our recommendation is for the FCA to remove the top 20 cryptoassets by market cap from RMMI designation (and it follows that any cETNs that reference those cryptoassets should also be excluded, if the FCA determines that the broader category are RMMIs, which we disagree with), excluding memecoins and platform tokens (with all cryptoassets still falling under the broader Fin Prom regime with associated protections). If the FCA prefers a more conservative approach, Bitcoin, ETH and fiat-backed stablecoins should be removed from RMMI designation in the first instance. Such a move would drive blockchain-based innovation and growth for the UK, while providing consumers with an appropriate level of protection.

Finally, classifying cETNs as RMMIs leaves an unusual position with respect to the narrowed availability of exemptions for financial promotions regarding cryptoassets - in particular the non-availability of the exemptions for communications to certified sophisticated investors and high net worth individuals. Communications to these types of investors are exempted from the Fin Prom regime for a number of different higher-risk regulated products (such as unlisted shares and CFDs that reference prices of listed or unlisted stocks) but it is proposed that they not be exempted for the purposes of investing in cETNs. This is not a coherent position given that a cETN on Bitcoin is inherently a less risky product than a CFD referencing an unlisted share, and therefore should benefit from wider exemptions.