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To:
Nikhil Rathi
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Via email: cp25-40@fca.org.uk

18 February 2026

Response to FCA consultation on regulating cryptoasset activities (CP25/40)

Coinbase Global, Inc. (together with its UK subsidiary CB Payments Ltd. and its other subsidiaries, **Coinbase**) appreciates the opportunity to respond to CP25/40 (**the Consultation Paper**) published by the Financial Conduct Authority (**FCA**).

Coinbase is a trusted service provider of crypto trading, custody, and infrastructure. Founded in 2012 and publicly listed in the United States, 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 and are doing so with the strongest regulatory compliance and security protocols available.

Coinbase supports the FCA's continued development of its regime for cryptoassets in the UK. We are encouraged by the engagement and pragmatism behind the FCA's proposals for trading platforms, which combine clear regulatory standards with a recognition of the global nature of crypto markets. Key revisions to support retail access to appropriate lending and borrowing services will help to deliver a competitive regime without compromising strong protections for consumers.

In this response we highlight our key recommendations to ensure that firms are able to offer high quality products and services that meet the needs of their customers, with clear safeguards targeted to reducing risks of harm. We stand ready to assist the FCA as it prepares to finalise and implement its regime.

Yours sincerely,

Tom Duff Gordon, Vice President, International Policy, Coinbase

Keith Grose, UK CEO, Coinbase

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Introduction

We appreciate the opportunity to respond to the FCA's Consultation Paper on *Regulating Cryptoasset Activities*. The proposals set out reflect careful consideration of how cryptoasset markets operate in practice, the feedback provided by the industry on the Discussion Paper (DP25/1), as well as on the implementation challenges faced in other jurisdictions. The UK has a significant "second-mover advantage" and the FCA's proposals are a clear reflection of this. We commend the FCA's innovative approach to the licensing and custody arrangements for cryptoasset trading platforms (CATPs) to ensure UK customers benefit from global liquidity as well as appropriate protections. We appreciate the FCA's thoughtful approach and close engagement with industry on how the FCA's proposals would be operationalised, and are encouraged by the many pragmatic changes that have been made across the policy areas included in this consultation paper. However, there remain a number of areas where we believe changes are needed for the UK to truly offer a world leading regulatory regime for cryptoasset firms and their UK customers, which we set out below.

Positive direction of travel

We commend the FCA for the positive direction of travel the FCA is taking with respect to a number of areas in the future regulatory framework for cryptoassets, which we believe align well with its objective to deliver a trusted but competitive crypto regime in the UK:

1. **The FCA's proposed licensing structure will preserve access to global liquidity to the benefit of UK customers**

Providing the option for a trading platform to operate through a branch model in the UK (and permitting them to carry out matched principal dealing i.e., where a firm steps in between a buyer and a seller so that it is formally a counterparty to both legs of the trade, but is never exposed to market risk because both sides are executed simultaneously at the same price), alongside a consumer facing entity, is an elegant solution to the local regulation of digital asset markets which are global by design.

Like the protocols underlying the internet, permissionless blockchains have no national boundaries and can be accessed by anyone. Sending digital assets can be akin to sending an email – it can be to anyone, anywhere. For this reason, it is important that the FCA supports the use of global liquidity pools, ensuring that a local user in one jurisdiction is not disadvantaged relative to users in other jurisdictions. We believe it is important for cryptoasset service providers to continue to offer centralised order books globally, but with appropriately permissioned business models in each jurisdiction in which they operate. The execution benefits of doing so will be immediately tangible to customers who would unduly suffer from any localised liquidity requirements.

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Moreover, there are significant opportunities for growth and competition when firms have the right incentives to offer high-quality services in the UK. We believe allowing CATPs to operate through a branch alongside an authorised subsidiary is a pragmatic solution to ensure clear accountability is placed on an FCA-authorised firm. We strongly support the FCA's innovative approach in this regard, as it will deliver a positive outcome for UK consumers and position the UK strongly in the global race for digital assets.

2. **Permitting CATPs to act as a matched principal on their own platforms is a welcomed revision which will reduce costs for firms without introducing the conflict of interest risks that could arise from other forms of principal dealing**

In response to DP25/1, we noted that the lack of market risk in matched principal trading means it would be disproportionate for the FCA to prohibit CATPs from carrying out this activity on their own platforms, given it is central to many existing business models and can be accompanied by clear disclosures and risk assessments. Matched principal trading carries little risk under the proper structural protections we support, including non-discretionary order execution and requiring clients (or their intermediaries) to pre-fund trades or post collateral so that the CATP is not exposed to unsecured settlement risk, where appropriate. Moreover, it benefits customers by enabling fast, efficient, and safe trade execution and settlement of cryptoassets. We therefore welcome the FCA's change of course. Notwithstanding the FCA's positive step forward, we consider the proposals could be taken further by revisiting certain limitations on CATP principal dealing activity, including those applicable to CATPs established under the branch model, as detailed in the section below.

3. **Opening up access to lending and borrowing services for retail consumers is welcome, but further change to proposals for express consent and collateral top ups required**

In our response to DP25/1, we advocated strongly against the proposal to prohibit retail consumer access to cryptoasset borrowing and lending. Collateralised borrowing within cryptoasset markets can be combined with disclosures and informed consent to deliver products appropriate for retail consumers with a reduced risk of harm. We therefore strongly support the FCA's revised position to allow retail consumers to access lending and overcollateralised borrowing services, with clear information requirements and negative balance protection. This is a more proportionate approach, given retail access to lending and borrowing services (including unsecured loans) is widely supported in other sectors.

4. **More proportionate consumer protection rules for staking services recognise the low-risk nature of the activity**

We set out in our response to DP24/4 that the FCA should support the ability for both retail and non-retail customers to access staking services without unnecessary frictions. Staking offers a low-risk way for customers to benefit from participation in a blockchain's consensus mechanism, providing them remuneration for their support of well-functioning blockchains. Focusing proposals on clear information, consent, and record keeping, will inform and empower consumers while avoiding undue barriers for firms. This is a more proportionate method of protecting customers than the rigid compensation proposals set out previously, while allowing customers to access low-risk services suitable for them. For this reason, we believe the FCA should ensure that retail customers are able to give express consent for future staking, rather than separately consenting each time.

Areas where change is needed

Beyond these positive changes, there are other areas where the proposals require further consideration to ensure the UK regime is fit for purpose for all business models. In particular:

1. **The application of best execution requirements, which prioritise total consideration could prevent firms from acting in a way that best meets their customers' needs**

We support the FCA's objective to ensure firms have a clear responsibility to obtain the best results for their customers' needs, particularly in fast moving, globally fragmented cryptomarkets where liquidity, where latency and venue resilience are more often determinative of outcome than marginal differences in quoted prices.

We support the FCA's objective to ensure firms have a clear responsibility to obtain the best results for their customers, and believe this can be primarily accomplished through market forces and without necessitating regulatory obligations. As such, we welcome the recognition that a wider range of factors beyond price and cost is important. Nonetheless, we are concerned that the FCA's proposals risk a rigid prioritisation of price and cost at the expense of other important factors determining execution quality such as speed, reliability, or counterparty risk. Unlike in traditional securities markets, cryptoassets are also consumer products and their transfer and trading entail uses where small differences in execution speed or venue stability can materially affect slippage, failed transactions or exposure to adverse price movements, meaning that a narrow total consideration test may not reflect real economic consequences.

We therefore urge the FCA to clarify that firms should consider execution quality holistically, and that total consideration should not be applied in a manner that mechanically overrides other relevant execution factors. As detailed in the relevant questions below, in our view, a 'best interests'–based standard requiring firms to take all

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sufficient steps to achieve the best overall outcome for the client in the circumstances would be more appropriate than a rigid transposition of traditional best execution concepts. Clear guidance confirming that firms may legitimately prioritise speed, resilience or liquidity depth where this is in the client's best interests would reduce the risk of defensive, price-only routing behaviours. This would help avoid outcomes where a strict focus on price and cost results in the use of slower, less secure, or less reliable venues for the sake of negligible cost savings.

2. **Proposals to limit the execution of retail and elective professional client orders to UK venues risk an adverse impact on execution quality and price competition to the detriment of consumers**

While we appreciate the FCA seeks to ensure the adequate protection of retail consumers and elective professional clients, the number of regulated UK venues may be low while the market develops. Applying a strict requirement to execute retail and elective professional client orders on UK venues only, would unnecessarily limit competition by restricting access to deep liquidity pools, and lead to adverse impacts to customers. Moreover, extending this restriction to orders executed for elective professional clients is inconsistent with the FCA's broader perimeter and client-categorisation framework, particularly where elective professional clients are treated in practice as 'institutional' market participants. We provide further detail immediately below. **The FCA has recognised the benefits of access to global liquidity in its innovative approach to CATP branch models, and we urge it to allow intermediaries to similarly harness liquidity found overseas. The FCA could consider instituting venue requirements in the future if sufficient diversity and liquidity has developed among UK venues.**

3. **Clarity on the interaction between the statutory perimeter, client categorisation and cross-border execution is essential for firms to commit to the UK regime**

Clarity on the interaction between the branch model and the statutory perimeter is essential for firms to commit capital and infrastructure to the UK regime.

We strongly support the FCA's innovative branch model, which can give UK customers access to global liquidity while ensuring clear accountability to a UK-authorised entity. However, for the model to be viable in practice, firms require greater certainty as to how the amended section 418 location policy will operate, particularly in relation to cross-border and institutional business. CP25/40 indicates that authorisation is required where a CATP operates in the UK or operates overseas and serves UK consumers.

While we support this consumer-focused approach, based on the cryptoasset statutory instrument underlying the FCA's proposed regime, it remains unclear whether activity conducted by a non-UK firm with UK institutional or elective professional clients will always fall outside scope, or whether certain UK nexus factors could

nonetheless bring such activity within the regime. This uncertainty has material implications for booking models, group structuring and client segmentation. It also creates potential tension with other aspects of the proposals, including execution venue requirements, where UK-authorised firms servicing elective professional clients may face stricter constraints than non-UK firms serving the same institutional clients that happen to fall outside the UK perimeter. Clear articulation of how the statutory perimeter interacts with client categorisation and cross-border execution is therefore essential to avoid competitive distortion and unintended regulatory asymmetry.

In addition, further clarity is required on how the FCA will assess “equivalence” of overseas supervisory regimes and the regulatory treatment of the overseas parent within a branch structure. Without early, detailed perimeter and equivalence guidance (for example in PERG, with worked cross-border examples), there is a real risk that firms enter the accelerated process on the basis of a branch structure only to face late-stage restructuring if their home regime is later deemed non-equivalent or their non-UK activity is unexpectedly brought into scope. We plan to comment further on this in our response to CP26/4.

4. **Targeted refinements to the principal dealer activity framework are needed so that both UK-incorporated CATP subsidiaries and branches can undertake limited principal activity where it helps to ensure good outcomes.**

At a high level, we think the proposed principal dealer framework should allow CATPs to undertake limited principal dealing activity within certain parameters. **Specifically, both UK-incorporated CATP subsidiaries and branch CATPs should have the flexibility to undertake carefully circumscribed principal activity where this enhances liquidity and execution quality without undermining market neutrality.**

For subsidiaries holding both CATP and principal permissions, this could include limited, tightly risk-managed proprietary activity and the ability to internalise flow or provide time-limited quotes, subject to robust governance, capital, disclosure and conflict controls.

For branch CATPs, the framework should recognise that consolidated supervision, local oversight and prudential safeguards can mitigate risks without imposing rigid activity constraints that differ materially from subsidiary models. **In both cases, UK-authorised entities should retain flexibility to source liquidity from global venues, including affiliated platforms, provided the UK entity remains the client counterparty and applies appropriate best execution and conflict management arrangements.**

5. A more flexible approach to collateral top-ups would ensure customers do not face avoidable loss when accessing borrowing services

We agree that customers should have control over their borrowing, and requiring consent to top up collateral is an important aspect of this. However, we strongly believe that blanket consent in advance for collateral top ups should be supported, to ensure that retail customers do not see their loans avoidably liquidated, and are able to realise the benefits of automated borrowing services which DLT can provide.

In addition, we believe retail customers should be able to top up collateral above the 50% limit proposed, if they have given express consent and have the funds available to do so. This would help to prevent customers from liquidation, for instance in the event of a flash crash in prices which may quickly recover.

6. The UK should embrace the innovation associated with CeFi-DeFi integration within the UK market

We think it is critical and appropriate for the new regime to apply to firms where there is a clear, centralised controlling person carrying on one or more cryptoasset activities. In doing so, it is also critical to recognise that genuinely decentralised protocols should remain outside the perimeter. To this end, we recommend that the FCA limit its definition of a “clear controlling person” to entities that have the practical ability to set or change the rules for execution, access, or custody, rather than those with no or purely administrative control over open-source software, non-custodial interfaces, or analytics, verification, or other administrative tools layered on top of permissionless infrastructure.

DeFi is an established and growing component of the digital asset ecosystem, particularly because of the need for consumer self custody, i.e., in directing the use of crypto assets in apps and protocols that are designed to operate without the need for intermediation. We understand that the FCA is considering the extent to which regulated cryptoasset firms should be able to facilitate customers’ access to DeFi protocols, which if permitted, would vastly increase the reach into consumer products and services. As DeFi protocols are already accessible through self-custodied wallets, restricting regulated firms from facilitating access would not prevent participation; instead, it would encourage regulatory arbitrage, pushing participation to unregulated platforms.

A proportionate framework should be allowed for DeFi access through registered CeFi entities incorporating clear disclosures, opt-in mechanisms and clear demarcation between regulated and unregulated services, while preserving innovation. Calibrated safeguards, rather than blanket restrictions should allay any supervisory concerns, and support the innovation associated with CeFi-DeFi integration within the UK market.

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Answers to specific questions

Cryptoasset trading platforms

Question 1: Do you agree with our proposals on location, incorporation and authorisation of UK CATPs? If not, please explain why not?

We support the approach proposed, to allow a UK authorised branch of a non-UK CATP to serve UK customers, subject to a requirement that retail customers are generally papered against a separate UK legal entity for non-CATP activities. We believe this is a highly pragmatic solution which is consistent with the draft Cryptoasset Regulations, will deliver positive outcomes for UK customers, and will not compromise on compliance and supervisory effectiveness.

We note that, as at the date of this response, the guidance on international cryptoasset firms is currently under consultation within CP26/4. We will respond to that consultation separately to give our views on the proposed guidance, including that the industry would benefit from additional guidance on how the FCA will assess the "equivalence" of the supervisory regime that the overseas operator is subject to. Many firms will shortly be entering the accelerated application process for the new regime on the basis of the CATP branch structure; should down the line the FCA determine that this structure is not available to them due to a perceived lack of equivalence of their overseas supervisory regime then this will necessitate significant restructuring potentially at a late stage in the process.

Further, we would suggest that more guidance is required around the way in which the branch vs. the overseas "parent" is regulated by the FCA. In CP26/4 the FCA states "*the FCA will authorise the whole firm, including its UK and overseas offices*". We would suggest that further clarity is needed around how UK requirements will apply to the overseas entity's operations – for example overseas management should not be subject to SM&CR as this has a disproportionate extra territorial effect. These are important questions which will determine whether or not firms see the branch structure as being viable, and therefore further guidance and clarity is required as soon as possible to assist firms in setting the direction of their UK structure.

In addition, paragraph 2.7 of CP25/40 states that firms will need to be authorised as CATP operators where they operate a cryptoasset trading platform in the UK, and also where they operate such a platform overseas and it serves UK consumers, in line with the update to section 418 of FSMA. While we support this consumer-focused approach, it further underlines the need for clarity on territorial scope, which we consider is currently uncertain. In particular, given the SI's amendments to FSMA, it remains unclear whether activity conducted by a non-UK firm with UK 'institutional' clients is always outside scope, or whether certain UK nexus factors could nonetheless bring such activity within the regime notwithstanding the absence of UK consumers.

In the absence of further legislative change to the now finalised section 418 amendments, we consider that the FCA should provide clear and detailed guidance in PERG addressing the perimeter in cross-border and intra-group scenarios, including worked examples covering non-UK firms to non-consumer activity. Clarification in this area would materially reduce perimeter risk and support the effective operation of the proposed branch model described in paragraph 2.7.

We provide further related detail in responses to Questions 6, 7 and 11 below.

Question 2: Do you agree with our proposals on UK CATP access and operation requirements? If not, please explain why not?

We support the proposals for rules around fair access to non-discriminatory trading, including the requirement to publish and communicate these rules to users / potential users. Further, we agree that CATP operators should not be subject to best execution obligations, given the non-discretionary nature that will be required in relation to matching trades and how price discovery on CATPs will work. We have separately commented on best execution requirements for intermediaries in our responses to the questions in chapter 3, below.

We also support the general requirements around systems and controls for CATPs but would request that the FCA consider including within CRYPTO 6.3 greater recognition of the principle of proportionality with respect to the size and systemic nature of any particular CATP looking to comply with these requirements. In particular CRYPTO 6.3.2 can be read as requiring firms to go to extensive lengths on issues such as resilience, which could be disproportionate to the size of the operation and how systemic it is for the UK market.These rules should be capable of being “sized” to an extent such that their broad nature does not create a barrier for smaller firms to establish competing CATP operations.

With respect to the proposed requirements in relation to market makers, we welcome the FCA’s approach in relation to the identification and monitoring of market makers. We would note though that the definition of “market making” is relatively broad and would therefore recommend limiting this, primarily to clearly limit to legal entities that perform market making strategies as opposed to any “person” (natural or legal), as we feel it disproportionate for CATPs to monitor individuals who may be continuously posting bid and ask prices.

With respect to transparency of incentive schemes, whilst we agree that these should generally be disclosed as existing, we would suggest that requiring actual pricing / fees in relation to specific market maker relationships should remain confidential, as otherwise this will significantly reduce CATPs' ability to negotiate arrangements with market makers that will reduce costs to UK users. Instead we would suggest that non-specific information be provided which outlines the fee structures that market makers will be subject to (for example volume-based pricing), but without necessarily specifically disclosing individual agreements with market makers. We believe that this type of disclosure, combined with the general requirement in CRYPTO 6.4.1R(2)(b), will be adequate to ensure fair and orderly trading but retain some commercial discretion for CATPs to engage in specific deals with market makers that benefit the UK consumer.

We welcome that the FCA's approach to algorithmic trading is based around transparency to users, a monitoring obligation, and backed up by policy / procedure-based arrangements within the CATP. We believe that allowing CATPs to retain discretion to ensure that algorithmic trading operates appropriately and does not cause disorderly market conditions is the correct approach to retain flexibility and judge CATPs on outputs, rather than mandating strict, inflexible requirements that may not work for all CATPs.

In relation to MARC, again we broadly agree with the concepts proposed in paragraph 2.41 of CP25/40, and will respond in more detail on the core requirements of MARC in our responses to CP25/41.

Question 3: Do you agree with our proposals on additional rules to protect UK retail customers? If not, please explain why not?

We broadly agree with the FCA's proposals in paragraph 2.42 onwards of CP25/40, but would raise the following comments:

- We have provided more detailed comments on the A&D regime itself within our response to CP25/41, and this response should therefore be read alongside those responses.
- In our view, how a QCDD is delivered to the user within the trading flow could be more nuanced. The FCA proposes (at paragraph 2.51) that CATPs must "direct all users of the platform to the relevant QCDD" and that this should be done "in a clear and prominent way before the user places an order". We would suggest that in practice the QCDD can be clearly provided and the user can be reminded that a QCDD is available and should be reviewed before trading, but should not have to be actively shown to customers within the workflow each time they seek to place a trade. The wording in CRYPTO 6.2.3R(3) and (4) we believe should be amended to clarify that the wording "prior to trading" does not require the QCDD to be actively

placed before the user each time they want to trade – instead via links and shorter-form disclosures it should be possible to "direct" the user, without unduly disrupting the trade flow or creating "disclosure fatigue" for regular users that have already reviewed the QCDD / are willing to accept the risks of trading without actively reviewing the QCDD.

- We agree that retail customers should only be permitted to trade in assets that have been properly admitted to trading via a QCDD, but suggest that a CATP should only be obligated to enforce this requirement for its direct retail customers. That way, enforcing this requirement would be limited to what the CATP is able to control itself. More specifically, the CATP should not be under an obligation to actively ensure that intermediaries that trade on the CATP platform and may use the CATP's platform to facilitate trades for their own retail users comply with this prohibition. Instead this obligation should fall directly onto the intermediary itself (which should be FCA-authorised to engage with UK retail) without further ongoing monitoring being required at the CATP level.

Question 4: Do you agree with our proposals to manage conflicts of interest and related risks? If not, please explain why not?

We commend the FCA for engaging closely with market feedback and for adopting a measured and pragmatic approach to the management of conflicts of interest in the operation of UK CATPs. Overall, we consider that the proposals reflect a balanced attempt to preserve market integrity while recognising the commercial realities of cryptoasset market structure.

Matched principal trading and structural flexibility

We support the proposal to permit matched principal trading by CATPs on their own platforms. This provides important flexibility while maintaining the core objective that CATPs should remain broadly market-neutral trading systems.

We also acknowledge the position taken by the FCA in the international cryptoasset firm guidance (CP26/4) which contemplates that a UK third country CATP branch could obtain a limited principal dealer permission, alongside the CATP permission, to operate on a matched principal basis on and off-venue. This flexibility is constructive and supports workable group structures. **That said, we consider that there may be narrowly defined circumstances in which a UK branch could undertake limited 'pure' proprietary activity, subject to robust risk limits, governance and conflict controls. We will address this point in greater detail in our response to CP26/4, particularly in the context of location policy and supervisory expectations.**

We further support the FCA's proposal to allow 'pure' principal dealing activity to be undertaken alongside the operation of a UK CATP, including through affiliated entities trading on an affiliated CATP. It is helpful that a firm may hold both CATP and unrestricted principal dealer permissions within the same legal entity (i.e. a UK subsidiary), provided it does not engage in pure proprietary dealing on its own venue and instead undertakes matched principal trading on-venue, off-venue, or via an appropriately permissioned affiliate. This approach should facilitate certain RFQ-style products for retail clients while maintaining appropriate safeguards.

Targeted enhancements vis-a-vis RFQ retail products

We consider that the framework could go further in limited and clearly defined circumstances to allow retail clients to benefit from the efficiencies of crypto market structure.

Specifically, we believe it would be pragmatic for the FCA to clarify that firms are able to directly offer these types of RFQ models within the CATP entity, where the CATP can provide simple time-limited quotes to retail customers based on pricing on the order book. Because the CATP would hold the quote for a short period of time this would involve taking some limited market risk within the CATP and therefore may not technically be considered matched principal trading. However, in our view, this model does not create significant risks of conflicts of interest. Under this approach, the CATP would not be permitted to engage in proactive proprietary trading or to take discretionary positions on its own order book. The CATP would only be able to trade based on customers accepting quotes rather than by proactively taking positions on its own order book. Therefore we would ask the FCA to reconsider its position and allow CATP operators to undertake principal dealing on their own order books, but solely for tightly defined, limited-scope, purposes with appropriate risk controls and transparency safeguards.

Credit exposure and settlement efficiency

We note that CP25/40 already draws a principled distinction between impermissible credit exposure and settlement-related exposure. In particular, the FCA proposes legal separation only for activities which lead to credit exposure beyond that which arises from settlement. It also expressly recognises that firms holding UK CATP and principal dealer permissions may assume settlement risk arising from those activities.

In light of this drafting, **we consider that short-duration, fully secured exposures that arise strictly as part of settlement mechanics, including prefunding structures or temporary delivery versus payment timing gaps, are consistent with the FCA's stated objective that CATPs should remain risk-neutral trading systems.** These exposures are operational and designed to reduce counterparty and market risk rather than introduce leverage or discretionary credit risk.

To avoid uncertainty, we would welcome confirmation in the final rules or guidance that fully collateralised, short-term exposures which arise solely from settlement arrangements do not constitute prohibited credit activity. Such clarification would ensure that standard institutional settlement practices are not inadvertently captured, while preserving the FCA's objective of preventing CATPs from assuming material proprietary credit risk.

Proprietary tokens

Finally, we support the FCA's position to allow CATP operators to issue their own tokens, subject to controls on how those tokens can be deployed within the CATP operator's products. We consider this to represent a good compromise between operational freedoms, and protecting customers.

Question 5: Do you agree with our high-level proposals on settlement? If not, please explain why not?

We support the FCA's decision to provide flexibility to CATPs to determine whether settlement is internalised or externally arranged, provided that customers understand the firm's settlement responsibilities. We look forward to being able to respond to the FCA's proposed requirements and guidance on settlement, when this is released.

Cryptoasset intermediaries

Questions 6 and 7: Is any further guidance on best execution required? If so, what additional guidance can we provide to clarify the scope of and expectations around best execution? Do you agree with our proposed guidance (including the exemptions proposed) to check at least 3 reliable price sources from UK-authorised execution venues, such as a CATP or principal dealer (if available)? If not, please explain why not?

We would primarily note that in practice we do not see traditional (securities markets) methods of best execution as an effective method to achieving good customer outcomes within consumer crypto markets. Our experience of engaging with best execution in this space is that it places too much reliance on pricing that can span thousands of CeFi and DeFi venues and otherwise requires firms to deprioritise what we often see as important considerations that clients take into account when making trading decisions, such as the trusted nature of the venue they wish to trade on or execution quality, such as transaction immediacy, price impact, venue reliability, or counterparty risk. In our view, a more principles-based "best interests" style obligation would better reflect how execution quality is assessed in crypto markets, focusing on overall outcomes rather than venue-counting or purely price-driven benchmarks.

Cryptoasset markets are highly fragmented and often lack the depth and transparency of traditional financial markets. The FCA itself notes that "the fragmentation of liquidity pools in crypto can make the assessment of best execution particularly challenging" and that "the same regulatory outcomes as in traditional finance may not always be achievable." Rigid best execution rules do not in our view reflect the realities of how crypto intermediaries source liquidity or execute trades, potentially leading to suboptimal outcomes for customers in terms of price and execution quality. In particular, liquidity in high velocity cryptoassets (like BTC and ETH) is concentrated on a limited number of large international venues, and this structural feature should be reflected in the design of any execution framework. At the same time, many longer tail (smaller and emerging) assets may be thinly traded across a large number of venues that require an entirely different approach to providing consumer access.

Imposing traditional best execution requirements for what are often and ultimately consumer products may create significant operational and compliance burdens for intermediaries, especially smaller firms, without a commensurate benefit to end users. The FCA notes the need for proportionality and flexibility, particularly for smaller or less systemically important firms, and we would suggest that proportionality in relation to intermediaries should be further considered as part of the application of best execution obligations. This is particularly important in a market that operates on a 24/7 basis with rapidly moving central limit order books on CATPs and constant curve pool trading on DeFi protocols that are technologically distinct from traditional asset classes.

Having said that, in order to provide more detailed responses to shape policy, notwithstanding our position above we have set out below some more granular comments on the FCA's proposed rules on best execution.

UK Execution Venue Requirement

In relation to the distinction between firms acting as principal in qualifying cryptoasset transactions – where the firm is the direct counterparty to clients and provides transparent pricing and fees prior to order placement – and those acting as agent, we would urge the FCA to revise the current draft wording in CRYPTO 5.2. It should be made explicit that genuine principal dealers ought not to be subject to a requirement to "execute" on UK venues. While this is not, strictly speaking, a "best execution" issue (as the consultation question frames it), the concept is closely linked to best execution duties and, in our view, should be considered alongside them.

The main difficulty with the current drafting is the lack of clarity as to when a principal dealer is deemed to be "executing" when transacting with a retail client. Although the FCA does not state this outright (and we acknowledge that the definition of "execution of orders on behalf of clients" provides some assistance), certain sections of CP25-40 (such as paragraphs 3.22 and 3.23) imply that the FCA presumes all principal dealers for retail or elective professional clients are "executing" and thus subject to CRYPTO 5.2 in particular. CRYPTO 5.1.1 confirms that principal dealers fall within the scope of CRYPTO 5, but CRYPTO 5.2 is drafted to apply to firms conducting RTO or "executing orders" (which remains undefined). When this is read together with the language from paragraph 3.45 onwards (which does not specifically address how principal dealers trading with retail or elective professional clients should organise or route trades) and CRYPTO 5.4.4 (which states that the entire CRYPTO 5 chapter applies to principal dealers "executing orders" - again, undefined), this creates considerable uncertainty for firms wishing to operate as principal dealers. For example, if such firms take risk on their UK book and hedge trades in bulk with a liquidity provider at the end of the day (rather than engaging in back-to-back trading), does CRYPTO 5.2 apply to that hedging activity? This remains ambiguous, and as set out below, we believe it should not.

We consider it important to clarify that a principal dealer in the UK can transact with retail and elective professional clients without automatically being regarded as executing on behalf of clients, i.e. providing guidance beyond that stated in paragraph 3.24. Where a UK-regulated principal dealer is genuinely acting as the counterparty to a UK retail or elective professional client – so that the client's recourse is solely against the UK-regulated principal dealer – it is, in our view, inappropriate to require that dealer to execute its hedging trades on a UK-regulated execution venue. In this scenario, the principal dealer itself is the UK-regulated execution venue for the client, and the client is protected by virtue of trading with an FCA-regulated counterparty. Coupled with best execution obligations (discussed below), we believe this provides retail and elective professional clients with the necessary safeguards – they transact with an FCA-authorised counterparty, which must remain competitive with other UK execution venues. This is more readily achieved if the principal dealer can source liquidity from the wider market, including outside the UK, thereby introducing competitive pricing pressure into the UK market.

To reiterate, we believe principal dealers should retain flexibility in sourcing liquidity for their principal dealing activities in cryptoassets, whether via trading platforms, other intermediaries (intra-group or external), or from their own proprietary inventory. This flexibility enables firms to reduce liquidity costs and enhance operational efficiency, ultimately benefitting clients through lower prices and faster execution. This approach aligns with the European Securities and Markets Authority's (ESMA) observations in its Opinion on the convergent application of the Markets in Crypto-Assets Regulation (MiCAR), published on 31 July 2024 (the "ESMA Opinion"), which states:

- "Under MiCA, EU-authorised brokers may offer exchange services (i.e., exchange of crypto-assets for funds or other crypto-assets to EU clients) and enter into agreements with non-EU entities to manage their liquidity and hedge their risk"; and
- "...such EU-authorised brokers should maintain discretion regarding how they manage their market risks and source their liquidity".

We note the FCA's innovative approach to overseas CATPs in response to challenges around EU liquidity, and would ask that similar flexibility be extended to principal dealer firms.

With respect to firms dealing as agent, whilst we agree with the general desired outcome to execute retail trades on UK venues where possible, our view is that this requirement should be illustrative, risk-based guidance, not a quasi-rule, with explicit flexibility where checking at least 3 reliable price sources from UK-authorised execution venues is not realistic or would harm execution quality (with regard to a holistic view including factors such as speed, reliability, and counterparty risk) as we have explained above. In many crypto markets there may not be three UK-authorised venues with meaningful liquidity for a particular asset. A rigid requirement to prioritise or benchmark against UK venues may, in practice, constrain firms to a suboptimal subset of execution options. This will be of significant detriment to UK consumers both in terms of price but also potentially execution quality. When combined with the possibility of this requirement also being applied to principal dealers (as discussed above) this will likely lead to poor outcomes for UK retail and elective professional customers.

In addition, there appears to be a disconnect between the proposed execution expectations and the territorial perimeter in respect of elective professional clients. CP25/40 frames authorisation requirements by reference to activity in the UK and services to UK consumers, which implies that non-UK firms may provide services to UK institutional clients outside the UK regulatory perimeter. If elective professional clients are treated, in practice, as institutional market participants for perimeter purposes, a non-UK firm could execute their orders without being subject to UK-specific best execution expectations, while a UK-authorised firm dealing as agent for the same category of client could be required to benchmark against multiple UK-authorised venues. This would create an uneven competitive outcome and risks constraining UK firms to a narrower execution universe than their non-UK competitors when servicing comparable elective professional client flow.

Finally, we would note that the "UK venue" requirement, if applied broadly, has some parallels to the now-repealed UK share trading obligation that previously existed to require MiFID firms to execute share trades only on EU / equivalent third country venues. In the wake of Brexit this was repealed as its effect was to significantly affect liquidity and execution quality for UK market participants. In our view there are clear parallels here – by requiring execution on UK venues only, or by effectively constraining firms to a UK-authorised venue universe, this risks creating a "cryptoasset trading obligation" which we argue will have a similar effect to the share trading obligation – a dilution of liquidity for UK market participants, increase in cost and reduction in availability of global-standard execution speed and quality.

Application of Best Execution

We believe that further guidance on the application of best execution requirements, specifically in the context of cryptoasset markets, would be valuable. While our comments below focus on principal dealers, we also consider that greater clarity is needed on the general principle that best execution is mandatory where a firm owes contractual or agency obligations to the client when executing orders. As discussed below in relation to "execution", the concepts underpinning this requirement are broad and at times ambiguous, and we would welcome FCA guidance on the application of the "four-fold test", including illustrative examples for different business models.

Best Execution – General Observations

Overall, we find the general best execution obligations to be broadly clear, but there are certain aspects that would benefit from further guidance and refinement in CRYPTO 5.4.

Firstly, as noted above regarding the "UK execution venue" requirement for principal dealers, we recognise that, where principal dealers owe contractual or agency-style obligations to retail and elective professional clients, some form of best-execution-style duty will apply. However, that duty should be framed as a principles-based, "best interests" style obligation that is holistic and outcome-focused, rather than a rigid, transaction-by-transaction benchmark. However, the manner in which these rules apply to principal dealers should be further clarified through FCA guidance. Principal dealers may hedge in a variety of ways:

- Where the principal dealer operates on a back-to-back basis (where the position is immediately offset with a second, counteracting transaction), we believe the current regime can be applied as if the dealer were executing on behalf of the client.
- Where the principal dealer does not operate back-to-back (i.e. it takes risk in its position, hedges in blocks, nets trades, or uses its own inventory), the best execution principles should be interpreted differently. In such cases, the principal dealer should ensure its liquidity providers offer competitive pricing (benchmarked against UK execution venues as required under CRYPTO 5.4.39), so that the dealer can set its own execution price competitively, with best execution being achieved through the ongoing setting and refreshing of prices.

This approach would ensure UK clients receive competitive pricing, regardless of the principal dealer's operating model, with the dealer's prices benchmarked against UK venues. However, we maintain that the requirement in CRYPTO 5.2 for trades to be executed on a UK venue should not apply in these circumstances, as the combination of FCA authorisation and best execution obligations is, in our view, sufficient to achieve the FCA's objectives.

"Checking" Prices on UK Venues

We also recognise the FCA's willingness to allow greater flexibility in the proposed guidance on price checking, including the use of non-UK venues in other suitably regulated jurisdictions. However, mandating the inclusion of UK venues may still disadvantage consumers. For instance, if only three UK-authorised venues provide pricing for a cryptoasset, and all firms are required to check these venues, this could give those venues disproportionate influence over UK consumer pricing and create heightened opportunity for anti-competitive behaviour, potentially resulting in higher prices. Allowing firms to check prices across a broader range of suitably regulated global venues would likely result in better outcomes for UK consumers through increased competition and access to global market pricing.

We would also welcome specific guidance on what constitutes “checking prices”. Our understanding is that firms are not required to execute trades on these platforms, but may use price feeds from UK venues to benchmark competitiveness and to inform the firm’s order execution policies. Guidance to this effect would be helpful to clarify the intended meaning of “checking”.

Total Consideration

On the subject of total consideration, we wish to emphasise that price and cost are not the only relevant factors in assessing best execution. The price of immediacy – speed of execution and price impact – and the counterparty risk associated with the execution venue are also important considerations for firms dealing with retail clients. We would therefore welcome clarification that best execution is a holistic, outcome-focused obligation and does not require every individual trade to achieve the lowest possible price in isolation. Rather, it should be understood as a policy and governance requirement aimed at delivering consistently competitive outcomes over time.

In particular, we suggest that the wording in CRYPTO 5.4.11 be reconsidered. Although this is guidance, the idea that the listed factors are “instrumental in delivering the best possible result in terms of the total consideration” is unclear. For example, it is not obvious how a firm should assess and prioritise “speed” in relation to total consideration – if one venue is more expensive but offers faster execution, and another is cheaper but slower, the current guidance would still require the firm to use the cheaper venue as speed is not considered instrumental to total consideration (which, per CRYPTO 5.4.9, is defined solely as the cost of the asset plus execution and third-party costs). This approach does not allow firms to sufficiently take into account other important factors such as those listed in CRYPTO 5.4.11, since they are not factors that actually influence the value of the total consideration.

Furthermore, we would welcome clarification within CRYPTO 5 that best execution is a holistic concept, and does not require every individual trade to be executed at the best possible total consideration. CRYPTO 5 should make clear that best execution is a policy and process requirement, aimed at achieving the best outcomes for clients as a whole over time, rather than for each specific transaction.

Specific Instructions

With regard to firms acting on specific instructions from clients, we believe this should be given greater prominence in the context of crypto markets than in traditional finance. Many crypto traders have strong preferences regarding execution venues, and it is important that firms are permitted to act on specific client instructions. We strongly support the principles in CRYPTO 5.4.14G, which allow clients to select execution venues when provided with a reasonable and objective choice within the user interface.

Monitoring the Effectiveness of Best Execution

We support the FCA's approach to ongoing monitoring of best execution obligations, particularly the requirements in CRYPTO 5.4.32 for continuous monitoring and remediation of deficiencies. This enables firms to make reasonable, criteria-based determinations to ensure ongoing compliance with best execution requirements.

In assessing firms' compliance, we would encourage the FCA to adopt a proportionate approach, taking into account the size and systemic importance of the firm. For example, smaller firms may monitor on a more manual or less frequent basis, which we believe is appropriate for such intermediaries.

Carve-outs

Regarding exemptions for UK-issued qualifying stablecoins, we agree these should be excluded, as best execution obligations are not relevant to the general operation of stablecoins, which are pegged to fiat currencies and exhibit minimal price variation across venues. Moreover, it should be clarified that the requirement to check three UK venues is disapplied for other qualifying stablecoins given their similar price stability by design, not just those issued in the UK. To apply this exemption solely to UK-issued stablecoins would be disproportionate and unjustified, given that EU-issued stablecoins are subject to comparable regulatory standards and oversight.

We also support the inclusion of the other proposed carve-outs, which will help to reduce the compliance burden on firms.

Question 8: Regarding the general disclosure requirements when firms serve retail or professional clients, what changes or additions may help client understanding?

Generally we support the FCA's proposed framework for general disclosure requirements, with the following comments:

- Generally we would expect that firms should be able to adopt short, layered, outcomes-focused disclosures that are not required to emphasise less relevant information. Instead, the emphasis should be on fees transparency, disclosures of conflicts, and providing clarity on the role of the firm.

- Specifically with respect to layering, this would allow concise summary language to be actively displayed to customers, backed up by “drill-down” detail available to the client if they wish to view it, to make sure that user experience isn’t detrimentally affected by “disclosure fatigue”.
- For fee disclosures, our expectation is that these should be capable of being highly focused to provide clear and unambiguous disclosure on total consideration without requirement for extraneous information that may take away from the purpose, to provide a simple disclosure that the customer can easily and quickly get clear on.

Where possible we would suggest that standardised templates be adopted across the industry for recurring items such as conflicts, trade routing, use of affiliates, rehypothecation etc) in order to provide retail customers with clear information that allows them to easily compare one platform to another.

Question 9: Do you agree with the proposed specific pre-trade disclosures to clients by principal dealers? If not, please explain why not? Do you have any suggestions that can make these disclosures more effective?

We are supportive of the FCA’s objective that clients dealing with principal dealers should have a clear understanding of the price at which they can trade, the window for which that price is valid, and the overall costs they will incur. In broad terms, we agree that principal dealers should provide a firm or clearly-labelled indicative price, a defined validity period for that price, and transparent disclosure of fees and charges before execution, with a requirement to execute at the shown price (or better) where the client accepts within the validity window, save for clearly-defined exceptional circumstances.

However, we would encourage the FCA to refine the proposals so that they are proportionate across different principal dealing models and channels, and workable in practice, while delivering the intended outcome of price and cost transparency.

Scope: treatment of riskless/matched principal trading

First, we would welcome clarification that the specific pre-trade disclosure requirements are not intended to apply in the same way to pure riskless or matched principal trading that is functionally equivalent to execution on a UK CATP. Where a firm is effectively routing an order through to a multilateral order book and immediately hedging back-to-back at the same price, many of the transparency and protection outcomes are already achieved through the CATP’s own pre- and post-trade transparency regime and associated best execution framework. Imposing a second, per-order layer of granular principal-dealer disclosures on top of those venue-level protections risks duplication without clear incremental benefit. In our view, the Handbook text should make clear that the more detailed, bespoke pre-trade disclosure expectations are targeted at genuine principal dealing where the firm is setting prices to clients and taking market risk, rather than at matched principal flows that are effectively pass-throughs to a transparent venue.

Focus on total consideration rather than rigid line-by-line fee items

Secondly, we strongly support an emphasis on total consideration – the "all-in" price the client will pay or receive – rather than a rigid requirement to disaggregate every fee component on a per-trade basis. For many models, particularly where spreads and explicit fees are both used, the most meaningful disclosure for clients is a simple, prominent statement of the total price, with clear labelling as to whether that includes the firm's spread and any separate fees.

We agree that clients should be able to understand how they are being charged overall, but would ask the FCA to allow flexibility in how components are presented. In some cases it will be appropriate to show separate line items (for example, for a fixed commission plus a spread). In other cases, especially where firms already publish a comprehensive, up-to-date fee schedule on a durable medium, it will be more proportionate to show a single all-in figure at order level and rely on that standing disclosure (and periodic reminders) to explain how the firm's revenue is split between spread and explicit fees. This is particularly important where firms charge multiple fee components; requiring those to be broken out and reiterated on every trade would add complexity without improving comprehension.

Avoiding a one-size-fits-all approach across client types and channels

Thirdly, we would caution against a one-size-fits-all pre-trade disclosure model that applies identically across all client types and execution channels. Different clients seek and process information in different ways:

- For retail clients trading through an app or web interface, concise, on-screen disclosures focused on total consideration, quote validity and high-level fee structure (with links to more detailed schedules) are likely to be most effective and least prone to "disclosure fatigue".
- For professional and institutional clients (including high-velocity OTC and messaging-based RFQ channels), it is often more appropriate to rely on contractual documentation (e.g. master trading agreements and rate cards) that sets out fee structures and pricing methodologies in detail, backed up by periodic reviews and relationship-level reporting, rather than highly granular per-trade messages. Requiring full textual repetition of all fees and charges for every order would be operationally challenging and could materially impede execution in fast markets.

We therefore recommend that the FCA confirm, in the CRYPTO Sourcebook and guidance, that firms may satisfy the pre-trade disclosure requirements through a layered approach: clear, intuitive order-level messages tailored to the channel and client segment, supported by durable, easily accessible fee and pricing documentation, rather than a rigid template that must be reproduced verbatim on every interaction.

Slippage and execution in volatile conditions

Finally, we support the proposal that, where a client accepts a quote within its validity window, the firm should execute at that price or better, except in clearly-defined exceptional circumstances such as extreme market moves. In those limited scenarios, execution at a different price should only be permitted where the client provides explicit, order-level consent within the same trading flow – for example, by affirmatively accepting an updated quote or slippage tolerance – rather than relying solely on generic terms and conditions.

We would welcome guidance confirming that principal dealers may meet this expectation by:

- Implementing reasonable, pre-defined slippage tolerances (which may differ by asset or product); and
- Clearly disclosing to clients, at or before order placement, how those tolerances work and in what circumstances an order will (i) execute at a revised price within the tolerance, (ii) be re-quoted, or (iii) not execute.

This approach preserves client protection and predictability while allowing principal dealers to continue providing liquidity in stressed or rapidly-moving markets.

Question 10: Do you agree with the proposed client order handling rules? If not, please explain why not?

We strongly support the general requirement on firms to prioritise client interest, treat orders on a sequential basis, and avoid undue delays. However we would ask for additional guidance and examples around how some of the proposed rules interact with existing, well-established trading structures within the cryptoasset ecosystem, including:

- Internalisation of trade flows – in many cases firms will internalise trade flows to increase efficiency and reduce costs to clients. This does not result in proprietary firm trades being favoured over client trades, but could be prohibited in some circumstances by CRYPTO 5.6.5. In this case we would argue that examples be given by the FCA such that it can be made clear how the requirements of CRYPTO

5.6.5 / 5.6.8 (for example compliance via general disclosures to clients for order aggregation, and the operation of internalisation being generally accepted as being for the benefit of clients even when carried out on a notionally principal basis by the firm)
- Order aggregation / batching – similar to internalisation, we would request further guidance from the FCA on acceptable activities in relation to order aggregation / batching to ensure it is clear how firms can operate in terms of generating efficiencies internally, without being of detriment to the client
- "Instant buy / sell" products – these types of products can often be structured as a simultaneous order placement and execution. Again in this context we would request further views from the FCA on how products of this type can fit within the order handling requirements, to avoid any situations where these products cannot reasonably be made to fit the requirements

Question 11: Given the overall location policy established by the amendments to section 418 of FSMA set out in the Cryptoasset Regulations, do you agree with our proposed execution venue requirement? If not, please explain why not? What changes do you propose?

Please see our response to question 6 for further information on our views in relation to the UK execution venue requirement. In summary, we do not agree that the proposed execution venue requirement is appropriately calibrated in light of the overall location policy.

In particular, we consider that the requirement should be explicitly disapplied for firms genuinely dealing as principal, where the firm is the direct FCA-authorised counterparty to the client and subject to best execution obligations in its own right. In those circumstances, requiring the principal dealer to execute or hedge on a UK venue is unnecessary to achieve the FCA's consumer protection objectives and risks impairing liquidity sourcing and price competitiveness.

We also note the proposal that, where a firm executes orders for UK retail or elective professional clients as principal, it should not systematically or predominantly source liquidity from an affiliated entity operating a cryptoasset trading platform which does not hold UK authorisation. We understand that this reflects the FCA's broader location policy objective of ensuring that UK client order flow is executed within the UK regulatory environment, rather than being routed in substance to overseas venues.

However, we consider that a blanket restriction on systematic or predominant sourcing from a non-UK affiliated venue is likely to be disproportionate in certain market conditions. In cryptoasset markets, liquidity for many assets is concentrated on a small number of large global venues. Preventing a UK principal dealer from accessing affiliated international liquidity pools, even where this delivers materially better pricing, depth or execution certainty, may lead to inferior trading outcomes for UK retail and elective professional clients.

A more proportionate approach would focus on outcomes and governance rather than strict liquidity-location metrics. Where the UK principal dealer:

- applies robust best execution policies,
- manages conflicts of interest transparently, and
- ensures appropriate risk management and oversight,

it should be permitted to source liquidity from global venues, including affiliated platforms, where this demonstrably improves execution quality.

For firms dealing as agent, we consider that the expectation to reference UK execution venues should operate as illustrative, risk-based guidance rather than as a quasi-rule. There should be explicit flexibility where three UK-authorised price sources are not realistically available or where limiting comparison to UK venues would harm execution quality. Cryptoasset liquidity is frequently concentrated on international venues, and a rigid UK-venue requirement risks constraining firms to a narrow execution universe, to the detriment of client outcomes.

More broadly, the proposed execution venue requirement should be aligned with the perimeter logic in section 418 FSMA. If non-UK firms may provide services to certain UK clients outside the UK authorisation perimeter, imposing stricter venue-location constraints on UK-authorised firms risks creating competitive distortion without a corresponding improvement in client protection.

We would therefore propose that the execution venue requirement be reframed as a flexible, outcomes-based expectation focused on achieving best results for clients, rather than mandating or effectively mandating execution or benchmarking solely against UK venues.

Question 12: Do you agree with our proposed restrictions on the cryptoassets in which an intermediary can deal or arrange deals for a UK retail client? If not, please explain why not?

We broadly support the FCA's proposal that intermediaries should only deal in, or arrange deals for, UK retail clients in cryptoassets that are admitted to trading on a UK-authorised CATP with a QCDD in place, subject to the proposed exemptions.

For new retail exposures, our view is that requiring admission to at least one UK CATP and the existence of an FCA-standard QCDD is an essential safeguard. This approach is consistent with the principle of "same risk, same regulatory outcome" and is fundamental to ensuring that retail clients benefit from a minimum standard of disclosure and market oversight, as is the case in traditional financial markets.

We strongly support the proposal that, once all UK CATPs have withdrawn admission for a given cryptoasset, intermediaries should be permitted to buy (but not sell) that asset from retail clients. This mitigates the risk of retail clients being left with "trapped" or illiquid assets, while still respecting the rationale for delisting and the associated consumer protection objectives.

The FCA should in our view set out clear, workable transitional arrangements to manage the migration of existing retail holdings into the new regime. This should include:

- grandfathering provisions for legacy positions,
- defined timelines for compliance,
- transitional arrangements for admission assessments and QCDD publication for assets already listed prior to implementation, and
- clear expectations for client communications regarding changes to asset eligibility and withdrawal processes.

Such measures are necessary to avoid cliff-edge effects and ensure that retail clients are not unfairly disadvantaged during the transition to the new regulatory framework.

We also recommend pragmatic treatment of withdrawals, particularly for legacy holdings. Firms should be able to support retail clients in exiting positions in cryptoassets that become ineligible under the new rules, without being forced to cease all activity immediately upon regime implementation.

We would emphasise the importance of clear lines of responsibility in this context however. Intermediaries should be required to verify that a valid QCDD exists and is made available when dealing in or arranging deals for retail clients. However, intermediaries should not be expected to duplicate the due diligence or content review already performed by the CATP as part of the admission process. This division of responsibility will ensure efficiency and clarity in compliance, and generally avoid unnecessary complexity and duplication of effort across the industry.

In terms of additional considerations, we would encourage the FCA to provide further guidance on the practicalities of referencing and updating QCDDs, especially in cases where tokens are fungible or where supplementary disclosure documents are issued – we cover this further in our response to CP25/41.

Question 13: Do you agree with our proposed approach to addressing conflicts of interest during order execution when a firm is engaged in proprietary trading? If not, please explain why not?

We support the FCA's proposed principles-based approach to managing conflicts of interest where intermediaries also engage in proprietary trading. In our view, the focus on functional separation, robust governance, and transparent disclosure is appropriate and proportionate for the cryptoasset sector. We do not believe that additional crypto-specific hard bans or mandatory legal separation are warranted beyond what is already proposed, provided that expectations are calibrated to the business model and scale of the firm.

We endorse the expectation that, at a minimum, there should be functional separation between client order execution and proprietary trading activities. This should include clear governance structures, distinct reporting lines, and effective information barriers to prevent conflicts from adversely affecting client interests. Such arrangements are consistent with established practice in traditional finance and are well-suited to the diverse business models found in the crypto sector, by allowing flexibility.

We strongly support the requirement for transparent disclosure where a firm or its affiliates trade on the same venues or against client flow. As noted in our responses to question 8, firms should clearly communicate to clients how such conflicts are identified and mitigated, including through order-handling rules and (where relevant) best execution governance. This transparency is essential for maintaining client trust and market integrity.

We agree with the FCA's assessment that, in many crypto business models, strict legal separation would be disproportionate and could have unintended negative consequences for market liquidity. We encourage the FCA to continue its case-by-case approach at the authorisation gateway and in ongoing supervision, taking into account the specific risks and scale of each firm.

Equally, we would recommend that the FCA aligns its expectations for crypto intermediaries with established practices for multilateral trading facilities (MTFs) and broker-dealers, particularly regarding matched principal trading and affiliate market-making. This should be complemented by a focus on retail client protections under the Consumer Duty. We believe that this position does not undermine the view that crypto exchanges can be vertically integrated; rather, it addresses the operational standards required for such integration to ensure fair client outcomes.

Finally, we suggest that the FCA provide illustrative examples of red-flag practices – such as undisclosed internalisation that systematically disadvantages clients – as clear instances of non-compliance. This would help firms understand the boundaries of acceptable conduct and reinforce the importance of effective conflict management.

Question 14: Do you agree with our proposed approach to PFOF? If not, what carve outs do you consider necessary and why?

We support the FCA's position on PFOF, and do not see a case for any additional carve-outs. Indeed we would suggest going further to ensure that any form of avoidance structure that leads to PFOF by another name (for example rebates, payment-like tiering linked directly to order flow and similar), will be treated as PFOF and therefore not permitted. In our view the risks of PFOF, when used within the crypto ecosystem, are amplified as a result of vertical integration, data and latency challenges, and reliance on retail volume and therefore we strongly support the FCA's position here.

Question 15: Do you agree with the proposal to apply personal account dealing rules to cryptoasset intermediaries? If not, please explain why not?

We generally support the FCA's proposal to apply COBS-style PA dealing rules, adapted for the cryptoasset context, to intermediaries. Given the heightened risks of market abuse and conflicts of interest in crypto markets, we believe it is appropriate to extend robust PA dealing controls across the sector, with proportionality and crypto-specific clarifications.

Specifically we would raise the issue of UK-issued stablecoins being carved out specifically from the PA dealing regime. We agree with this, but would strongly suggest that trading in qualifying stablecoins be carved out generally, rather than limiting the exemption to UK-issued stablecoins only. Stablecoins by their nature are not speculative assets and generally do not suffer price movements except in extreme circumstances – and in our view it is likely that, given the A&D regime and controls that CATPs will have on listing only quality non-UK issued stablecoins, depegging of stablecoins that are circulating within the UK environment will be highly unlikely. As a result we do not see an argument for limiting the exemption on PA dealing requirements to UK-issued stablecoins only – instead it should apply to all stablecoins that have passed the A&D process at the CATP level.

More broadly, we agree that staff and connected persons at crypto intermediaries may have access to sensitive information – whether client-specific, venue-level, or relating to order flow - that could be misused for insider trading or front-running. The unique features of crypto markets, including 24/7 trading, multiple venues, and the use of DeFi and self-custody, increase the risk of such misconduct. PA dealing controls are therefore necessary to manage these risks and uphold market integrity, but they must be applied proportionately and taking into account the nature of each staff member / connected person's role and their knowledge. Our view is that the FCA should provide further guidance to confirm that firms may implement proportionate PA dealing regimes based on staff roles and risk exposure. For example, stricter controls should apply to trading and market-facing staff, while lighter regimes may be appropriate for low-risk roles. This approach will ensure that controls are effective without being unduly burdensome – a PA dealing arrangement that is heavy-handed for staff at all levels will create unnecessary administration when the risk of insider trading at staffing roles that do not have access to inside information, is very limited.

The FCA should also set clear expectations regarding the disclosure of personal wallets and accounts, including on-chain addresses, and provide guidance on how firms will be expected to demonstrate reasonable efforts to monitor PA activity across platforms. Given the technical challenges of monitoring activity in decentralised and self-custody environments, firms should be able to understand clearly the expected processes for identifying and managing PA dealing risks, even where full surveillance is not feasible.

It is clear to us that prescriptive bans on staff holding cryptoassets are not warranted. Instead, the focus should be on time, information, and product-specific restrictions where conflicts are most acute. This will allow firms to manage risks effectively while recognising the realities of staff participation in crypto markets.

Question 16: Do you agree with our proposed requirements on intermediaries around settlement arrangements, where applicable? If not, please explain why not?

We support the FCA's proposed high-level requirements that intermediaries must ensure trades are settled in a timely and effective manner, with clear client disclosures on settlement responsibilities and documented arrangements, pending the introduction of fuller settlement and CASS rules.

We agree that explicit governance of settlement risk is essential for crypto intermediaries. The FCA's flexible, outcome-focused approach we believe is appropriate at this stage, given the diversity of business models and the evolving nature of cryptoasset settlement. We encourage the FCA to provide practical guidance and ensure alignment with forthcoming CASS 17 rules and the interpretation of the "temporary settlement" exclusion.

We would raise the following points for consideration:

- Our view is that intermediaries should be required to clearly explain to clients who is responsible for settlement and the associated risks, including where third-party custodians or DeFi protocols are involved. This links to our response on question 8 above, suggesting clarity around the roles of intermediaries when providing trading services to clients.
- Firms should be required to maintain robust, documented processes for both on-chain and off-chain settlement, and should monitor settlement timeliness and manage exceptions – without this, settlement can become unstructured, leading to poor customer outcomes.
- We welcome the flexibility for intermediaries to internalise or externalise settlement, provided clients are given clear, comprehensible disclosures about the model chosen by the intermediary, and its risks.
- We would request that the FCA ensure appropriate coordination of settlement expectations with future CASS crypto safeguarding rules and the forthcoming guidance on the temporary settlement exclusion, to ensure consistency and clarity for firms.
- To provide clarity to the market, we believe it would be helpful for the FCA to provide examples of acceptable internal ledger models versus scenarios where on-chain finality is expected, to assist firms in designing compliant settlement frameworks.
- We would request that the FCA seek to apply proportionate expectations: smaller firms should be able to meet requirements with less formal processes, while larger or more complex intermediaries should have formal governance, reconciliation, and incident-management frameworks for settlement. The operational burden should be set by reference to size of the firm's operation, to ensure that smaller firms are not unduly burdened when they do not pose a significant risk to clients or the market.
- We would highlight the importance of cross-border flows and the fact that settlement timelines and processes may vary by jurisdiction and blockchain. FCA guidance should focus on clear disclosure and risk management, rather than imposing strict timing metrics that may not be achievable or appropriate in all contexts.

In summary, we support the FCA's high-level, flexible approach to settlement for crypto intermediaries, and agree that settlement risk must be explicitly governed. We request practical guidance and alignment with forthcoming CASS 17 and "temporary settlement" interpretations, and encourage the FCA to provide illustrative examples and proportionate expectations based on firm size and complexity.

Proposals applying to cryptoasset trading platforms and intermediaries

Question 17: Do you agree with our proposed pre-and post-trade transparency requirements for UK CATP operators and principal dealers? If not, please explain why not?

We agree in principle with the majority of the FCA's proposed pre- and post-trade transparency requirements for UK CATP operators and principal dealers, particularly the emphasis on proportionality, the use of scope thresholds and deferrals, and the intention to align the framework with established transparency and market integrity principles. We offer the following comments and recommendations to ensure the regime is effective and workable for the unique features of cryptoasset markets:

Scope and Thresholds

We support the proposal that pre-trade transparency obligations should apply only to UK CATPs and principal dealers with average annual revenue over a certain threshold (see our response to question 18 on this point), while post-trade transparency should apply to all such firms. This approach is proportionate and targets the main sources of liquidity and price formation in the market.

Pre-Trade Transparency Design

We agree that large CATPs over the relevant threshold should publish top-of-book information (for example, the best five bid and offer levels), and that delayed public access to data is appropriate and consistent with established market practice. In principle, this promotes price transparency and may benefit retail market participants.

For large principal dealers, we support the requirement to publish quotes they are prepared to show clients. We recommend the FCA clarify that representative quote streams or indicative "screens" are sufficient, rather than requiring publication of every bespoke RFQ stream, to reflect the operational realities of crypto markets and reserving the ability of firms to be to able to exclude certain types of quotes, such as those offered in commercially sensitive situations.

Publication Requirements

Linked to the above, we would also welcome clarification as to what "publication" is intended to mean in practice. In crypto markets, market data is typically disseminated via APIs, streaming feeds and digital interfaces rather than static public webpages. It should be sufficient for transparency information to be made publicly accessible in a timely, continuous and non-discriminatory manner through commonly used technological channels. Firms should not be required to duplicate data across multiple interfaces where it is already publicly available in a machine-readable format. Clear guidance on acceptable publication methods would help avoid inconsistent implementation and unnecessary operational burden.

Pre-trade transparency waivers for large or market-moving orders

We support the FCA's proposal to permit pre-trade transparency waivers for orders that would have a significant market impact, provided firms apply objective, published criteria and keep appropriate records. This is an important safeguard for institutional and OTC activity, and is broadly consistent with the role that large-in-scale and negotiated trade waivers play in MiFID markets to avoid signalling risk for genuinely large transactions.

As drafted, however, CRYPTO 7 leaves the key limiter – whether disclosure would have a "significant effect" – largely to firm judgement, without quantitative guardrails or supervisory benchmarks. This creates a real risk that firms carrying out economically similar activity will reach different conclusions on when waivers apply, leading to uncertainty for CATPs and principal dealers and potential inconsistencies in how transparency rules bite across the market.

The issue is particularly acute for large OTC principal transactions. In traditional markets, large OTC block trades by venues or Systematic Internalisers are not subject to pre-trade publication of client trading intent. Instead, transparency is delivered post-trade, often across multiple execution prices, under clearly calibrated size thresholds and waivers. If CRYPTO 7 is intended to impose a higher pre-trade transparency standard on large crypto OTC trades than applies under MiFID, that would represent a material policy shift and should be stated expressly. Otherwise, we recommend that the FCA (i) set out more prescriptive, liquidity-calibrated size thresholds or other objective parameters for when pre-trade waivers are available, and (ii) clarify in guidance that the regime is not intended to require publication of initial taker orders for large OTC principal trades, which have never been made public in either traditional or crypto markets. Clear guardrails of this kind would support consistent application of the rules, protect execution quality for large transactions, and reduce the risk of activity migrating to less transparent channels.

Post-Trade Transparency and Protection of Liquidity

We support the requirement for near-real-time post-trade reporting (within one minute) of the core fields specified by the FCA (price, size, time, venue), and agree with the ability to charge for real-time data while providing delayed data for free.

We welcome the FCA's proposal to allow deferrals for trades likely to significantly affect the market, such as large or illiquid trades. We suggest the FCA emphasise that firms may calibrate these deferrals objectively using their own data and methodologies, to ensure the regime remains practical and does not inadvertently harm liquidity.

Exemptions and Proportionality

We agree with the proposed business-model exemptions for flows where venue-style transparency adds little to price formation, such as liquid/wrapped tokens, UK-issued qualifying stablecoin FX flows, and pure lending/borrowing legs. This ensures the regime remains focused on areas where transparency is most valuable.

Alignment and Consistency

We support the FCA's intent to align the transparency regime with the definitions used in the Market Abuse Regime for Cryptoassets (MARC) and prudential "large firm" thresholds, minimising overlapping or conflicting size tests and reducing compliance complexity.

In summary, we believe the proposed regime strikes an appropriate balance between transparency, market integrity, and proportionality, but there are some considerations to take into account around post-trade transparency, and thresholds for pre-trade transparency (see our response to question 18 below).

Question 18: Do you agree with our proposed methodology for determining the pre-trade transparency threshold? If not, please explain why not? What other methodology do you suggest?

We agree with the FCA that there should be a threshold for these requirements to ensure that the firms subject to them have the capacity to comply with them, and have sufficient UK market exposure to justify the significant undertaking required. However, we do not believe the proposed threshold – based on a very low global revenue over a three year average – sufficiently targets the firms which are large specifically for the activities carried out in the UK. As stated in our response to CP25/41 on the 'large CATP' threshold for market abuse requirements, a threshold based on trading volume in particular would be a more proportionate approach.

A fixed revenue threshold captures revenue in areas unrelated to the activities for which trade transparency requirements are applied, and does not target activity that occurs in the UK. Given the dynamic nature of the market and inflationary considerations, a £10 million threshold is also likely to quickly become outdated.

We therefore believe the FCA should recalibrate its threshold based on a high average trading volume, and a high number of UK users. This would help to future-proof the threshold and target it appropriately.

Further, to avoid cliff-edge effects, we suggest the FCA specify that when a firm first crosses the threshold, it is granted a defined implementation period to put pre-trade transparency arrangements in place.

Lastly, we agree with the FCA's decision not to introduce per-instrument or per-order book thresholds. A single, firm-level trigger is clearer and avoids unnecessary operational and compliance complexity.

Question 19: Do you agree with our proposals for transaction recording and client reporting requirements for UK CATP operators and intermediaries? If not, please explain why not?

Coinbase supports the FCA's proposed approach to transaction recording and client reporting requirements for UK CATP operators and intermediaries. We believe the direction and scope of these rules are appropriate for the cryptoasset sector and will help foster market integrity and client trust, provided that implementation remains practical and proportionate.

We agree that firms should retain five years of order and transaction data, capturing the fields the FCA has listed, such as unique asset identifiers, prices, sizes, costs, timestamps, and LEI/CONCAT-style identifiers. This level of record-keeping is consistent with best practices in both traditional and digital markets. We would encourage the FCA to ensure that this core dataset is designed to be reusable across other regulatory regimes, such as MARC, CARF and the Travel Rule, to avoid duplicative system builds and unnecessary operational complexity.

On the client reporting side, we support the requirement for same-day confirmations and cancellations, including the essential information specified by the FCA. We also agree with the proposal to allow clients to opt out of execution reports if they wish. The ability for clients to request at least three years of transaction history is a sensible safeguard, but we would suggest clarifying that firms may apply reasonable authentication and rate-limiting to such requests to ensure both security and operational efficiency.

We particularly welcome the FCA's flexibility in recognising that, where transaction details are easily and reliably available on-chain, firms may reference this data rather than duplicating every field in their own systems, provided clients can actually access and understand the information. This is a pragmatic approach that leverages the transparency inherent in blockchain technology. We recommend the FCA explicitly confirm that secure web portals or APIs with export capabilities (such as CSV or PDF downloads) qualify as a "durable medium" for providing confirmations and transaction history, as our experience is that this reflects how most clients expect to access their data in a digital environment.

Finally, we would emphasise the importance of proportionality. Smaller firms should be able to comply using simpler systems, as long as they can produce records promptly when required, while larger or high-volume firms will naturally implement more industrialised data and reporting pipelines. This proportional approach will help ensure that the requirements do not create unnecessary barriers to entry or innovation in the UK cryptoasset market.

Overall, we believe the FCA's proposals strike the right balance between robust record-keeping, client transparency, and operational practicality, and we encourage the FCA to maintain this flexible and proportionate approach as the regime is finalised and implemented.

Cryptoasset lending and cryptoasset borrowing

Question 20: Do you agree with our proposals on strengthening retail clients' understanding and express prior consent? If not, please explain why not?

We welcome the FCA's revised approach to lending and borrowing activities. We advocated in our response to DP25/1 for the FCA to reconsider its original proposal to ban retail access to lending and borrowing, recognising that the risks are not unique to crypto and can be effectively mitigated through disclosures and products appropriate for customer risk appetites. Opening up access for retail consumers with appropriate safeguards and clear information is consistent with the FCA's strategic objective to rebalance risk while protecting consumers from harm. We therefore strongly support the FCA's revised position to allow retail consumers to access lending and overcollateralised borrowing services; this is a more proportionate approach, given retail access to lending and borrowing services (including unsecured loans) is widely supported in other sectors.Requirements to provide information about the firm and the lending and borrowing service, and obtain express consent to key terms of the agreement, will ensure that consumers are informed and in control of how they interact with crypto services, while allowing them to access a broader range of products which meet their needs.

However, we would welcome greater clarity as to when "express prior consent" is required in practice. It is not entirely clear whether consent must be obtained on a per-product basis, per individual transaction, per variation of terms, or at the point of entry into a master agreement covering multiple services. Clarification on whether consent can be bundled within a framework agreement, and how frequently it must be refreshed, would materially reduce implementation uncertainty.

We agree that information on fees, charges, interest rates and yield is important to make clear to prospective users of lending and borrowing services. Some of these terms may be subject to change outside of the firm's control, for instance where services interact with third parties or rely on variable costs for executing transactions (such as gas or network fees). Therefore we strongly support the draft provisions set out in CRYPTO 9 that allow firms to state clearly where any terms may be subject to change, and how these changes will be communicated. Further guidance would also be helpful on the degree of specificity required in presenting variable or formula-based pricing, and whether illustrative scenarios would be sufficient where precise forward-looking costs cannot be known at the outset.

The FCA has proposed to apply appropriateness testing to regulated lending and borrowing activities. It is important that this allows firms to make informed assessments without creating undue barriers for customers to access products that meet their needs. We have responded to the FCA's proposed changes to client categorisation in CP25/36, and will respond in more detail to the application of appropriateness testing to cryptoasset services in our response to CP26/4.

Question 21: Do you agree with our proposal to prohibit the use of proprietary tokens for L&B as outlined above? If not, please explain why not?

We acknowledge the potential conflicts of interest that could emerge where firms use their own native tokens in relation to lending and borrowing services, and therefore agree that a restriction is appropriate on the use of tokens issued by the firm itself or by a member of its group, where retail clients are exposed to potential credit risk. We support the restriction on proprietary tokens lent to the firm by retail clients, borrowed by retail clients from the firm, and provided for cryptoasset borrowing.

However, while we believe using proprietary tokens *to pay yield* to retail clients would require clear disclosures of the firm's interest in the token, we do not agree it requires a ban. This is because the risk to consumers whose yield is determined by the price of a proprietary token is different to that faced by consumers reliant on the token's value for the collateralisation of their loan or the value of their liabilities to the firm. Proprietary tokens for reward purposes are a modern evolution of customer engagement strategies, which are enabled by blockchain technology similar to airline loyalty programs or in-game currencies or credits. Unlike traditional loyalty programs, such tokens have the added benefit of being tradable, making them tools for community building and platform adoption, with many offering utility outside of their native ecosystem too. This model empowers consumers to try different platforms without incurring high switching costs, enhancing both choice and competition. The FCA should therefore revisit its proposed prohibition on the use of proprietary tokens for the purpose of providing yield or accessing favourable terms, and focus on ensuring clear disclosures are in place to make the connection between the token and the provider clear to customers. This will ensure the focus is on the L&B activities where conflicts of interest bring the greatest risk of consumer detriment.

We agree that UK-issued qualifying stablecoins do not bring the same conflict of interest or price manipulation risk and therefore welcome their exclusion from all of these restrictions. Given the FCA is targeting a risk-sensitive approach, we believe this exclusion should also extend to other qualifying stablecoins. Assets which seek to maintain their value in relation to a fiat currency do not bring the potential for price manipulation that may exist among speculative assets. At a minimum, we believe the restriction should not apply to stablecoins which are regulated in a sufficiently similar way for their issuance in another jurisdiction.

Question 22: Do you agree with our proposed record-keeping requirements on regulated L&B firms? If not, please explain why not?

We agree with the proposal to require records to be retained for 5 years, or 7 if requested by the FCA. This is in line with requirements the FCA has set out in other areas of the regime.

Question 23: Do you agree with our proposals on additional collateral, mandatory over-collateralisation of retail clients' loans, and managing the limits/ levels of the loan? If not, please explain why not?

We understand that the FCA's position on overcollateralisation seeks to balance access to borrowing services for retail clients and limiting their potential loss. We believe this compromise is a more proportionate approach than the previously proposed ban on all borrowing services for retail clients. As set out in our response to DP25/1, product design and appropriate protections can be provided without a sweeping restriction that would be inconsistent with the treatment of lending and borrowing in other financial sectors. We also agree with the proposal to limit consumer loss to the collateral they have provided, which would protect consumers against severe volatility while allowing them to have appropriate risk exposure where they are appropriately informed.

We support the revised proposal not to apply CONC to cryptoasset borrowing. In our response to DP25/1 we stated that overcollateralised borrowing does not bring the need for creditworthiness and affordability checks which unsecured borrowing may justify - overcollateralisation would now be a necessary feature of permitted retail borrowing. The FCA should provide clarity on its comment at paragraph 5.47 that despite the lack of CONC application, L&B arrangements may also fall within the existing consumer credit perimeter - certainty on the boundary between regulated cryptoasset lending and borrowing activities and consumer credit is crucial, and we urge the FCA to include guidance on this perimeter in its upcoming PERG consultation.

Additional collateral

We agree with the position that retail clients should have control over limits for additional collateral and other key terms of the loan. **While it may be proportionate to obtain consent for additional collateral to be posted before a borrowing service is provided, consumers should be able to give blanket consent in advance.** Retail consumers are at a greater risk of harm if the need to adjust collateral levels changes quickly overnight or when the customer is inactive, and firms do not have the ability to act quickly to protect their customer's interests due to an absence of express consent. Many consumers will choose to access cryptoasset borrowing and lending services because of the automation possibilities they can provide - if they are informed and explicitly consent to collateral top-ups in advance, we do not believe further consent should be required.

Moreover, the FCA proposes the capping of automatic collateral top-ups at 50% of the initial collateral value to prevent consumers from chasing losses. We understand the intention behind this requirement but believe it could inadvertently crystallise losses that a client was willing and able to find, such as in a flash crash in an asset price that may recover quickly. Collateral top up limits are primarily utilised in unsecured lending to prevent unsustainable loss, but in an overcollateralised arrangement this risk is not applicable, and the focus should be on empowering customers to avoid liquidation where they are able to do so.

In short, we make two recommendations for change. First, consumers should be able to give blanket consent for collateral top-ups in advance to avoid unnecessary liquidation. Second, if a client gives specific, prior consent to utilise a greater amount of free balance, the FCA should remove the hard 50% limit to increase customer autonomy.

As regulation embeds, we urge the FCA to keep its approach to cryptoasset borrowing under review, to ensure that it is not unnecessarily restricting the availability of regulated products and services to meet a range of risk appetites. It should be noted that undercollateralised loans are available through decentralised protocols. While limiting retail clients to overcollateralised loans only may be appropriate initially, the FCA should consider whether this limit should be softened in light of evidence of consumer understanding and firms' provision of clear information. This is also important to maintain a tech neutral approach to regulation, given the breadth of unsecured lending available in the wider financial sector.

Question 24: Do you agree with our proposals on negative balance protection? If not, please explain why not?

Yes we agree that limiting retail client losses to the value of their collateral is appropriate under overcollateralised borrowing models. This allows services to be opened up to retail clients without the need for separate creditworthiness assessments.

In some cases, we believe the 50% limit for additional collateral leaves the possibility for firm losses if the value of collateral drops more sharply. This may disincentivise the provision of a broader range of borrowing services by firms, given the inability for clients to adjust collateral in response to price changes in order to avoid liquidation, even where they may be willing to do so. A more flexible approach to additional collateral that may be posted by clients, if backed by clear and informed prior consent, should be considered by the FCA.

In addition, we believe the FCA should confirm that any fees or charges levied in line with the agreed terms (whether by the provider, a third party, or a protocol), do not constitute a 'loss' which is prohibited under this rule.

Staking

Question 25: Do you agree with our proposal that regulated staking firms must provide retail clients with information on the firm and its staking service, and provide the key terms of agreement in relation to those services and obtain retail clients' express prior consent in relation to those terms each time cryptoassets are staked, as outlined in paragraphs 6.14-6.19? If not, please explain why not?

Overall we agree that the approach to staking in this Consultation Paper is proportionate, applying key protections while retaining flexibility for firms to use their own judgement to provide information. It is key that in its regulatory approach, the FCA recognises the low-risk nature of staking activities, the benefits they bring to consumers, and the importance of staking for a well-functioning blockchain validation process which benefits the broader ecosystem.

We agree that firms should provide information on staking services and the key terms of agreement to retail clients. In our response to DP25/1, we recommended that firms should have the flexibility to determine how to present this information, to allow it to be embedded into the customer journey. We therefore welcome the revised proposal the FCA has set out to give firms flexibility to provide this information in a way that suits their customers. Ensuring information is regularly updated, and available through the durable or digital mediums through which firms offer staking services, allows key information to be embedded in the staking workflow rather than in static, separate documents.

Express Consent

Generally, when a firm holds assets in custody, the client should be required to instruct the firm to stake, and therefore affect the instruction on their behalf. This is the case for Coinbase - staking of a client's assets is initiated by a specific client instruction in relation to a particular asset (with the client able to instruct "automatic" staking of further purchases of the same asset at the same time), and results in corresponding activity on the blockchain. Express consent should be required per asset, and that consent should be able to cover automatic staking of future purchases of the same asset, as well as restaking of rewards.

In short, we do not believe it is necessary for the FCA to mandate new consent each time cryptoassets are staked, just as the FCA has recognised that this is unnecessary where rewards from staking are 'restaked'. Firms may decide this is appropriate and necessary for their customers, but may also be able to reasonably conclude from their understanding of their customers' goals and objectives, and their knowledge of the services being provided, that additional consent is not required.

In the future, it may be deemed appropriate to allow firms to adopt an “opt out” policy for staking for a number of reasons:

- The risks associated with staking are extremely low;
- “Flexible staking” models ensure consumers’ assets are not inaccessible, depending on the staking service offered; and
- Participation in staking delivers benefits to consumers in the form of rewards in the blockchain’s native token, as well as to the broader ecosystem by contributing to the validation process.

For the reasons set out above, we think the FCA should be open-minded to the opportunities and benefits of a different approach than express consent. Even in an “opt out” approach, staking providers should expressly and plainly disclose in their terms of service that users are opted in, and provide straightforward procedures for users to opt out. This is particularly justified where firms carrying out custodial staking would remain subject to CASS 17 rules as per CP26/4 proposals, and where certain staking services allow for instant withdrawals without a lock-up period (which as a result do not impact consumers’ ability to access their assets).

On the key terms in respect of which consent must be obtained, we question whether providing a valuation in GBP of the cryptoassets being used is necessary. Staking cryptoassets does not remove a client’s exposure to the value of the underlying, which for most cryptoassets would not be at a fixed price in relation to a fiat currency. Firms may deem it helpful to provide an estimated valuation at the time of the agreement expressed in the customer’s preferred currency, but a strict requirement here risks hindering consumer understanding, if customers expect the same GBP value to be returned, rather than the same amount of the cryptoasset. We believe the requirement at CRYPTO 10.3.3(3) provides a sufficient requirement to confirm the amount of cryptoassets being staked, without the additional guidance at 10.3.4.

Information on Risks

Where information must be provided in relation to risks, the FCA notes that this should include that ‘the retail client may lose some or all of their qualifying cryptoassets’. While we do not disagree that this risk is possible, firms must be able to communicate it proportionately, given the benefits that retail costumes can receive through staking and the extremely remote risk of loss.

As we have stated previously, while network penalties in the form of “slashing” are possible (i.e., if the validator validates incorrect transactions), they are extremely rare. Even taking into consideration the performance of home stakers and across all “staking as a service” providers, slashing is very rare with less than 0.01% of all staked ETH lost to slashing on Ethereum due to validator/operator errors.[1] However, if there is slashing, Coinbase fully reimburses any network penalties imposed due to Coinbase's operational error. Coinbase has offered staking services since 2019, and no customer has ever lost their assets. Consumers would already face financial promotion frictions and associated risk warnings when staking services are offered - additional risk communication requirements could disincentivise consumers from accessing services that unlock benefits for them.

Finally, prudential requirements should also reflect the low probability of slashing or harm from staking activity more generally. We respond to the proposed staking own funds requirements in our response to CP25/42.

Question 26: Do you agree that our proposed information provision, key terms and express prior consent requirements should only apply to retail clients and not to non-retail clients? If not, please explain why not?

We strongly agree that express consent should not be required from non-retail clients, and welcome the FCA's recognition that existing contractual arrangements and client understanding of staking services can be relied upon.

We believe that firms should have the flexibility to determine if this is also a suitable approach for retail clients, depending on the staking service being offered and their knowledge of the clients in question. This could include giving flexibility for firms to ensure that customers are informed and have the ability to opt out of staking services, without mandating a specific 'opt in' in advance.

Question 27: Do you agree with our proposed record-keeping requirements on regulated staking firms? If not, please explain why not?

We agree that strong record-keeping is crucial to the responsible provision of staking services. Retaining records for 5 years is reasonable as it aligns with other record-keeping requirements under the proposed regime.

The burden of these requirements likely differs depending on the staking model and whether the staking firm is also safeguarding the staked assets, but we agree this comprehensive record-keeping is justified on the basis that the FCA has revised its proposal around liability and compensation.

[1] Calculated from network data on the Ethereum protocol provided by Rated.network

Application of operational resilience framework

Among the required record-keeping requirements, the FCA proposes to include information on any operational disruptions, which the proposed operational resilience framework will help to mitigate. For staking firms, as we set out in our response to CP25/25, we believe the key areas of focus for operational resilience should:

- Begin with best-in-class key storage and reliable cryptoasset custody. We do not believe that the FCA should mandate segregation of client assets for staking; whether the assets are staked or not should have no bearing on the custody solution deployed.
- Require firms to oversee operational performance to ensure validator nodes are operating correctly to reduce / avoid slashing risk.
- Require firms to carry out appropriate due diligence on validator node operators before selecting them to provide staking services (noting the potential benefits of using third party validators in terms of reducing concentration risk and providing contingency).
- Diversify vendor, hardware, and software selections to reduce concentration risk and the risk of overlapping failure points. This reduces the risk of downtime or network penalties. To be clear, the risk of such penalties is already very small at the protocol level.
- Ensure the firm takes commercially reasonable efforts to protect any staked assets from slashing, however, in the event they are, the staking firm should absorb the customer losses. A CATP's commitment to replace the customer's assets due to slashing should be subject to the following carveouts: (i) protocol-level failures caused by bugs, maintenance, upgrades, or general failure; (ii) customer acts or omissions; (iii) acts or omissions of any third party service provider (other than preventable errors of a CATP's third-party validator); (iv) the occurrence of a force majeure event; (v) acts by a hacker or other malicious actor; or (vi) any other events outside of the CATP's reasonable control. We note that Coinbase's customers have never lost any assets to slashing since Coinbase launched its staking services nearly six years ago.
- Transparently and proactively communicate the terms of engagement and risks associated with staking to customers.

Decentralised finance

Question 28: Do you agree with our proposal to apply rules and guidance in chapters 2-6 and guidance to firms engaging in DeFi where there is a clear controlling person(s) carrying on one or more of the new cryptoasset activities? If not, please explain why not?

We agree that where there is a clear, centralised controlling person or identifiable group carrying on one or more regulated cryptoasset activities it is generally appropriate to apply the rules and guidance described in Chapters 2-6 in a manner consistent with other intermediated business models. This is aligned with an activity-based perimeter and helps ensure that functionally similar risks are regulated in a comparable way. However, it is critical the FCA understands that decentralisation is a spectrum – drawing rigid or overly formalistic boundaries, or importing rules designed for traditional, vertically integrated intermediaries without adjustment, risks capturing arrangements that do not present equivalent control, agency or conflict dynamics. Such an approach could materially inhibit technological development without corresponding consumer protection benefits. With this in mind, we recommend that the FCA's regulatory approach to DeFi follows two principles:

(1) genuinely decentralised protocols must remain outside of regulatory scope; and

(2) regulated entities exercising only administrative discretion in providing access to decentralised protocols must not be treated as if they were operating a centralised trading venue or intermediary, and therefore should not require authorisation solely on that basis.

(i) The FCA's intermediary regime should not apply where there is true decentralisation

DeFi protocols are distributed, non-custodial infrastructure built upon open, permissionless blockchains. There are no controlling agents or intermediaries that have control over users' assets. In particular, when a protocol is sufficiently decentralised:

- Users retain control of their private keys and assets throughout the lifecycle of a transaction. This is "self-custody".
- Execution is driven by transparent, pre-defined smart contracts deployed on a public blockchain, and without human discretion over matching, pricing, routing, or other execution activities.
- Governance is dispersed such that no single person or group can unilaterally alter the protocol, seize assets, or selectively exclude users beyond what is publicly visible in the source code.

Where those conditions are met, applying full CATP or other intermediary framework to protocol contributors or governance participants would not advance consumer protection. Instead, it would reintroduce the very risks of traditional finance that decentralisation aims to eliminate – single points of failure, opacity, and custodial risk. This would represent a regulatory outcome that unintentionally incentivises architectural centralisation in order to create an identifiable point of accountability.

We encourage the FCA to focus on intermediated activities, not the mere development or publication of open-source code. The FCA should affirm that protocols that meet certain criteria (e.g., self-custody, open and auditable code, decentralised governance, non-discretionary execution, and real-time public data) should not, by themselves, be treated as "controlling persons" engaging in regulated activities by way of business in the UK, and therefore would not be subject to authorisation requirements or Handbook rules. In particular, the act of writing, publishing or maintaining open-source code, without ongoing operational control or discretion over user activity, should not in itself constitute the carrying on of a regulated activity. This would ensure that regulation remains on intermediated financial services and not on neutral software infrastructure.

We understand the FCA will set out further guidance for authorised firms who interact with DeFi. It is important that the FCA ensures that requirements are proportionate, and regulates where there are centralised points of control. We stand ready to support the FCA in getting the balance right between mitigating risks for consumers, and targeting obligations appropriately.

(ii) Limited, administrative discretion should not, on its own, trigger authorisation

Built on top of public, permissionless DeFi protocols, there are often centralised service providers who offer tools that help protocol users or token issuers meet regulatory and risk-management expectations. These services may include: on- and off-ramps, analytics, and compliance tooling; non-custodial interfaces that simply assemble and submit user-signed transactions; and identity verifications or "white listing" modules that sit alongside a protocol to enforce sanctions, AML/CTF, or investor eligibility constraints on a pool-by-pool basis.

These actors provide administrative functions layered on top of a DeFi protocol without ever taking custody of, or exerting control over, a users' assets at the decentralised protocol level. These roles entail minimal discretion and should not be treated as operating a CATP or acting as a cryptoasset intermediary on their own, provided that:

- They do not take custody of assets or require a unilateral ability to redirect or rehypothecate those assets;

- Any “kill switch” or pause functionality is used solely to address genuine technical emergencies or pursuant to lawful requests and cannot be used to reassign or rehypothecate user assets;
- They do not determine or modify how a trading or other interest is entered, stored, matched, executed, or displayed across the protocol as a whole;
- They do not control the priority or pricing of execution beyond the parameters transparently encoded in smart contracts and subject to market forces;
- Any software that provides access to the underlying protocol is similarly performed on a permissionless basis without contractual arrangements to act in concert with protocol parties; and
- Users remain free to interact with the underlying protocol or with other front-ends without going through that particular service provider.

We would encourage the FCA to adopt a substance-based assessment of control, which is readily understood by software providers, and focused on practical ability to change protocol rules or exercise unilateral authority over execution or custody outcomes, rather than the mere existence of technical capabilities or ancillary services.

To give firms and software developers clarity and to promote DeFi innovation in the UK, we recommend the FCA provide guidance that a “clear controlling person” in DeFi is one that has the practical ability to set or change the rules for execution, access, or custody at the protocol level – not simply any entity that provides tooling, user interfaces, or modular compliance services on top of an otherwise non-custodial protocol. The FCA should also recognise that providers of non-custodial wallets and non-custodial interfaces that cannot move user assets without the user’s signature, and that do not intermediate between counterparties, are better characterised as *neutral software providers* rather than financial intermediaries.

In addition, levels of decentralisation may change over time, as DeFi projects move through their lifecycle. This means some providers could conceivably begin outside of the perimeter and then fall outside it. The FCA should consider whether transitionary measures are required in these instances, and whether limited forbearance should be utilised.

Finally, the FCA’s guidance should provide a clear pathway for providers offering limited-scope services around DeFi (e.g., by confirming that such ancillary services are not regulated activities or fall into an exclusion to such), such as identity verification layers, transaction monitoring or risk-scoring tools, that support the FCA’s financial crime and consumer protection objectives without requiring those service providers to be authorised. This would avoid forcing true decentralised models into a centralised, intermediated paradigm.

This path would allow the FCA to capture risk-bearing, centralised business models that use “DeFi” branding but function like traditional platforms while keeping non-custodial infrastructure – and the narrower administrative services that support it – within an appropriate framework.

(iii) Rules regarding operational resilience and financial crimes evasion should focus on points of intermediation and control.

A key concern of the FCA is how regulated and centralised firms interact with DeFi, especially for operational resilience and financial crime or sanctions evasion. This issue is critical to get right, and we will continue to work with the FCA to strike a balance that focuses authorisation on points of control and intermediation while providing consumer protection. In particular, obligations relating to systems and controls, resilience and financial crime prevention should attach to identifiable entities exercising control or facilitating fiat on- and off-ramps, rather than to decentralised protocols that lack operational discretion or custodial capability.

Embracing CeFi-DeFi Integration

One of the true promises of DeFi protocols is their potential integration with regulated intermediaries. As the FCA considers its approach to regulating crypto asset firms that provide a user interface that allows customers to access to DeFi protocols, we believe there are a number of important considerations:

- **DeFi access cannot be prevented:** DeFi protocols operate on public blockchains and are accessible through self-custody wallets without intermediaries. Tens of millions of wallets have interacted with DeFi applications globally. Customers do not require a regulated exchange to interact with smart contracts, lend, borrow, or trade on decentralised exchanges. Prohibiting regulated firms from facilitating access would simply ensure that it remains outside of the regulatory perimeter, pushing participation to platforms with less robust or missing consumer protection provisions.
- **Restrictive policies can increase consumer harm:** Prohibiting regulated firms from facilitating access to DeFi would simply ensure that it remains outside of the regulatory perimeter, potentially pushing participation to platforms with less robust or missing consumer protection provisions. On the other hand, if the FCA deems it necessary, regulated entities can apply risk warnings and disclosures so that customers understand when they engage with (unregulated) DeFi products and services via regulated, centralised intermediaries.

- **DeFi as technology infrastructure:** DeFi protocols are software applications deployed on public blockchains with immutable source code, and when decentralised, offer no regulatory nexus. DeFi is fundamentally an infrastructure-level financial innovation, and restricting access hampers this revolutionary technology. Moreover, DeFi encompasses diverse activities and protocols with varying characteristics. Blanket restrictions fail to reflect this diversity.
- **DeFi integration does not mean a neglect of good consumer outcomes:** TVL in DeFi protocols is 125 billion GBP, demonstrating that DeFi constitutes mature, functioning financial infrastructure. This does not mean that DeFi will replace centralised intermediaries, nor that it would necessarily be utilised by all (or even many) UK users of cryptoasset services. Under the Consumer Duty, firms will need to consider the objectives of their customers in facilitating access to DeFi products and services. The ability for firms to make outcomes-based assessments when designing their services and the consumer journey, rather than facing disproportionate barriers, would appropriately balance consumer protection with support for innovation and a greater diversity of products which could meet customer needs.
- **Proportionate safeguards:** If the FCA deems it necessary, a framework of best practice for CeFi-DeFi integration utilising existing regulatory tools could either include risk disclosures, opt-in mechanisms, or clear demarcation between regulated and unregulated environments. Such measures preserve innovation while allaying regulatory concerns. Regulatory engagement is preferable to blanket bans or restrictions on consumer access.
- **Enhancing supervisory visibility:** Permitting DeFi access via centralised intermediaries enhances supervisory insight. Indeed, the FCA would have greater visibility where activity is connected to regulated intermediaries and as a result should embrace CeFi-DeFi integration.
- **CeFi platforms can mitigate risks**. By curating access to selected DeFi protocols, CeFi platforms can serve as an important filter to decentralised services, particularly given that the proliferation of protocols can exceed the ability of any single person to monitor and assess.

Potential Permissions for CeFi-DeFi Integration

We acknowledge that when centralised firms provide access to decentralised services, the centralised firm may, in certain circumstances, be potentially deemed to be carrying out a regulated activity under the RAO. For instance, a centralised exchange which, by way of business, facilitates customers' access to DEX trading may potentially be seen as 'making arrangements with a view to a person who participates in the arrangements for the buying, selling, subscribing for or underwriting a qualifying cryptoasset' under certain circumstances.

We urge the FCA to provide reasonable perimeter guidance which considers both currently observed and potential CeFi-DeFi integrations. We expect that a centralised firm will only be arranging (i.e., actually bringing about) deals in cryptoassets under article 9Y(1) RAO by way of a CeFi-DeFi integration if they truly intermediate customer transactions - and that this would be very rare.

Our expectation is that the majority of CeFi-DeFi integrations which result in the "CeFi provider" being required to be authorised will be because the provider is deemed to be "making arrangements with a view to…" under the proposed article 9Y(2) RAO. However, as noted above, limited administrative discretion including the provision of non-custodial interfaces should not in our view be within the regulatory perimeter.

Where centralised firms provide an integration to a decentralised protocol and in doing so *are* considered to be "making arrangements with a view to…" (under article 9Y(2)), we do not believe it would be appropriate to apply the full suite of regulatory requirements that would apply to more directly intermediated deals. As an example, where the relevant arrangements do not expose the centralised firm to the operational risk that would be borne from the handling of client orders, it would be inappropriate to apply the proposed client cryptoasset orders (K-CCO) capital requirement. The requirements which apply to such firms should instead be focused on enabling customers to understand the risks involved with DeFi, and therefore take responsibility for their own informed decisions.

Cost benefit analysis

Question 29: Do you agree with our assumptions and findings as set out in this CBA on the relative costs and benefits of the proposals contained in this consultation paper? Please give your reasons.

We are grateful to the FCA for providing a detailed articulation of the cost benefit analysis behind its proposed interventions. The CBA included in this and other consultations the FCA has published as part of its Crypto Roadmap help respondents to understand the rationale behind different policy choices.

We agree that applying proportionate regulation to firms offering crypto services will provide benefits to consumers through greater protections, and in turn to firms where increased trust in the market encourages greater participation. Clearer standards make compliance and market access more certain, and we acknowledge that implementation and ongoing compliance costs are a necessary impact.

We also appreciate that quantifying costs and benefits as this regime develops is challenging, and that it is necessary to rely on assumptions that may not allow for all costs and benefits to be captured.

However, we believe where the FCA *has* quantified costs and benefits, these are tied in some areas to inadequate assumptions. This has consequential effects because some of the FCA's proposals are very substantial, and therefore must be adequately assessed to ensure that the FCA is not only justifying intervention, but the specific intervention it is proposing.

Assumptions and findings behind quantified benefits

The FCA derives the £745 million in benefits it anticipates over a 10 year period from a behavioural experiment showing that consumers invested 13% more into cryptoassets when they were told it was regulated. The FCA multiplies the 2.6m consumers it estimates would purchase more cryptoassets if it were regulated (based on consumer research), by 13% of the current average crypto portfolio in the UK, to obtain its aggregate benefit figure. We do not agree with this assumption for two reasons:

1. The 13% increase in investments is based on consumers *being told that crypto is regulated*, and is therefore not connected to or reflective of the specific interventions the FCA is proposing. Under this assumption, the £745 million figure would be identical regardless of the extent of rules in place, which is highly unlikely given different regulatory approaches would determine the availability of different products, frictions to accessing them, and the extent to which regulation gives consumers sufficient confidence to participate. As the FCA would in any

event be required to regulate the activities subject to this consultation due to legislation, the CBA must consider the specific proposals when calculating benefits, not just the benefits of regulation in general.

2. The £745 million figure assumes that numerical increases in the size of consumers' crypto portfolios can be directly translated into identical quantified benefits. While we agree that an increase in participation is likely to benefit firms and consumers through greater protections, greater market liquidity, and increased revenue, it is not clear why the aggregate of these benefits is valued as 1:1 with the increase in consumer holdings. Firm fees and revenue for any of the regulated activities in question are only a very small proportion of the value of portfolios, and consumers' increased investment in crypto does not mean they have 'gained' this amount in value.

As a result, we believe this quantified benefit is significantly overstated, and is not calibrated to a specific regulatory approach. Given the quantified costs are based on the specific proposals set out in CP25/40 and CP25/42, the benefits need to also be tied to the proposals for a valid comparison to be made. For instance, it is not possible based on this central model to determine if reducing certain prudential costs would also reduce the quantified benefits, or more broadly to determine which policy choices would most likely achieve the greatest benefits for the lowest cost.

Considerations of international context

The FCA makes the assumption that "The overall regulatory treatment of issuers of *[sic]* market participants aligns with IOSCO recommendations and jurisdictions (e.g. EU, Singapore) in the long-term. Therefore the risks related to regulatory arbitrage are low.".

We do not believe this is sufficiently justified, both because of notable differences that are emerging between regimes, and because unregulated spaces will continue to exist. For example, the scaled 'K-factor' prudential requirements proposed in CP25/15 and CP25/42 are not present in the EU's cryptoasset prudential framework, and would make it substantially more burdensome to operate a cryptoasset business in the UK. Crypto markets are inherently mobile and borderless, and an institutional business with a global client base may determine that it is not viable to operate in the UK under the proposed regime, and serve a similar client base from overseas.

Similarly, if the UK regime were to apply excessive restrictions to retail activities or lead to a significant drop in the availability of different assets, consumers could choose to access these products and services in unregulated spaces where equivalent protections may not exist.

Because the CBA gives limited consideration to the international context, it does not capture competitiveness, product availability, and arbitrage risk trade offs that could arise from different policy choices.

Cost assumptions and findings

We appreciate the breakdown of costs specific to activities, and agree that firms will face both transition and ongoing costs across most obligations.

However, we believe many of the specific costs which have been quantified are highly optimistic and likely underestimated. For example:

- **Establishing a UK subsidiary**: The assumption that establishing a UK subsidiary costs only £1.1m seems optimistic for a regulated financial entity requiring local governance, compliance officers, and physical presence in the UK. Ongoing annual costs of £1.4m also appear very low for maintaining a fully staffed, compliant UK entity with dedicated risk, compliance, and audit functions.
- **Familiarisation costs:** The CBA assumes a one-off familiarisation cost of just £10,000 for CATPs, £3,000 for intermediaries, and £5,000 for lending/borrowing firms. For trading platforms as an example, the FCA assumes the task involves reading approximately "20 pages of text and conducting a legal review". We believe this significantly understates reality. The FCA's proposals span multiple interacting papers and hundreds of pages of new Handbook text. A full legal and compliance gap analysis for the proposals in CP25/40 and CP25/42 would likely cost multiples of these estimates, especially for international firms needing to map UK rules against other jurisdictions.
- **Technical implementation**: The implementation costs for specific technical requirements seem low, potentially because they do not consider the cost of building UK-specific back-end and customer journeys. For example, record keeping implementation costs of £35,000, £55,000 for pre- and post-trade transparency disclosures, and £40,000 for express prior consent flows likely cover simple code changes but fail to account for broader costs. For instance, firms operating in multiple jurisdictions will face costs from segregating UK users to provide them with different execution warnings, consent screens, or settlement flows.

Given the scale of the regime and the range of firms to which it is likely to apply, we believe these understated costs, alongside the FCA's assumption of full compliance, do not adequately reflect the realities of how these rules will impact firms of different sizes, or how the requirements will be implemented in practice. No financial sector achieves full compliance all of the time.

We note the FCA is seeking to publish a consolidated cost benefit analysis alongside its Policy Statements. While this does not leave scope for stakeholders to assess its adequacy before rules are finalised, we encourage the FCA to ensure that this analysis takes into account a broad range of counterfactuals, especially on key policy issues that have generated strong feedback from respondents, and does not rely on generalised assumptions on the benefits of regulation, rather than the specific interventions the FCA has proposed.

Question 30: Do you have any views on the cost benefit analysis, including our analysis of costs and benefits to consumers, firms and the market?

See our response to question 29.