Global Blockchain Business Council (GBBC): Response to FCA CP25/16 – Chapter 4: Lifting the Ban on Retail Access to cETNs

About us:

Global Blockchain Business Council (GBBC) is the trusted non-profit association for the blockchain, digital assets, and emerging technology community. Founded in 2017 in Davos, Switzerland, GBBC comprises more than 500 institutional members and 284 Ambassadors across 124 jurisdictions and disciplines.

GBBC furthers adoption of blockchain and emerging technologies by engaging regulators, business leaders, and global changemakers to harness these transformative tools for more secure and functional societies.

GBBC industry verticals: Financial Services, Global Commerce/Supply Chain, and Commodities, underpinned by AI, digital identity, governance, hardware, infrastructure, policy, regulation, and security.

GBBC initiatives: BITA Standards Council (BITA), Food for Crisis, Global Standards Mapping Initiative (GSMI), International Journal of Blockchain Law (IJBL), InterWork Alliance (IWA), and U.S. Blockchain Coalition (USBC).

Question 4.1: Do you agree with our overall proposal (outlined above and in Appendix 3) to the lifting of the ban on retail access to cETNs which are admitted to UK RIEs, so that retail consumers may access UK RIE cETNs in the same way as professional investors? Please explain.

GBBC welcomes the FCA's proposal to lift the retail ban on cryptoasset exchange traded notes (cETNs) admitted to trading on a UK Recognised Investment Exchange (RIE). We view this as a proportionate and timely recalibration of the UK's regulatory framework in light of market developments, international competitiveness objectives, and the maturing state of cryptoasset infrastructure and oversight.

We agree that the regulatory environment has evolved materially since the original 2021 ban. Strengthened financial promotions rules, enhanced anti-financial crime controls under the Money Laundering Regulations (MLRs), and the broader consumer protection architecture established through the Consumer Duty provide a more robust foundation for enabling controlled retail access to these products.

We particularly support the FCA's recognition that retail investors are already exposed to cryptoasset-linked products via unregulated or higher-risk channels such as spot markets, offshore ETPs, and proxy investments. By creating a regulated, transparent avenue for access to cETNs through UK RIEs, the proposals help mitigate harm and support informed participation via intermediated and standardised investment products.

We also endorse the use of the existing listing regime and the eight-week implementation lead time following finalisation of the rules. These signal both regulatory continuity and operational clarity.

However, we respectfully submit the following recommendations to enhance the effectiveness, clarity, and competitiveness of the final regime:

1. Clarify Eligibility and Product Scope

As it appears that RIEs (e.g., LSE) will be the gatekeepers in determining which cryptoassets can be utilised for eligible retail cETNs we suggest that the FCA provide guidance on this topic to mitigate uncertainty for all actors on what will and will not be considered as acceptable underlying assets.

2. Improve Risk Summary Transparency and Structure

We believe it is appropriate to include a specific warning that cETNs are not protected by the FSCS. We also agree that it is necessary for consumers to understand the risks of a product with clear and easily understandable explanations. We would request the FCA to further engage with industry in determining the text for further risk warnings.

3. Future-Proof the Regime: ETFs and Fund Structures

While the current focus is on cETNs, we encourage the regulator to provide clarity on potential retail access to ETFs and broader ETP structures. During its roundtable, the FCA noted that UCITS funds cannot currently hold cryptoassets, but indicated openness to broader review.

GBBC welcomes the FCA's engagement on this front and encourages a cross-regime review of how funds, UCITS, and other structures may safely access crypto in the medium term.

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

We support the classification of UK RIE cETNs as RMMIs, aligning them with the treatment of qualifying cryptoassets under the COBS 4.12A regime. This will ensure that financial promotions are subject to appropriately stringent standards, including requirements for personalised risk warnings, cooling-off periods for first-time investors, appropriateness assessments, and prohibitions on promotional incentives.

This approach will help ensure that marketing is fair, clear, and not misleading, and that firms act in accordance with the FCA's Consumer Duty obligations. It also provides continuity with the wider regulatory perimeter established in 2023 for cryptoasset promotions.

A blanket RMMI categorisation, while appropriate for now, may become overly restrictive if more risk-calibrated crypto-linked products emerge. We encourage the FCA to take a flexible framework that evolves alongside product development that would best balance consumer protection with investment innovation.

Conclusion

GBBC commends the FCA's proactive engagement with industry and recognition of both innovation and consumer protection priorities. This proposal, if refined in line with the above points, will support responsible access to cryptoasset markets for UK retail investors.

We welcome continued dialogue and offer our assistance during implementation and review.