Global Blockchain Business Council: Response to FCA DP24/4: Market Abuse Regime for Cryptoassets

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).

Overview

The Global Blockchain Business Council welcomes the opportunity to contribute to the Financial Conduct Authority (FCA) Discussion Paper 24/4 (DP24/4) on the Market Abuse Regime for Cryptoassets (MARC).

This draft builds on GBBC's prior engagements with regulators and industry participants, including:

- Input into the ESMA MiCA consultation on Market Abuse
- Participation in the FCA Digital Assets Trade Association Roundtable
- GBBC UK Policy Working Group discussions

GBBC recognizes this consultation as a critical step toward establishing a proportionate, innovation-friendly market abuse framework for cryptoassets.

Introductory comments

The GBBC welcomes the FCA's initiative to introduce a regulatory framework tailored specifically for cryptoassets. However, we stress the importance of developing regulation that fully reflects the unique and decentralized and more volatile nature of crypto markets, rather than directly transplanting traditional securities regulation. Stakeholders in our recent working groups expressed significant concerns about prescriptive obligations being placed on centralized actors, such as CATPs, rather than on issuers who typically bear such responsibilities in traditional markets.

There is consensus within the industry that the UK faces competitive pressures from both the comprehensive regulatory approach embodied by the EU's MiCA regulation and changes to the regulatory posture anticipated in the United States. As such, the UK must adopt a balanced and proportionate regulatory approach that encourages innovation, protects investors, and maintains global competitiveness. Mutual recognition arrangements and alignment with international standards could mitigate potential regulatory fragmentation and reduce compliance costs.

Our Working Groups indicate particular concerns regarding the FCA's proposed liability framework for disclosures. Imposing significant disclosure obligations on exchanges, particularly in situations without identifiable or centralized issuers, creates disproportionate legal risks and operational burdens. Continuous post-admission disclosure requirements may also lead to increased compliance costs, significantly disadvantaging smaller and innovative market entrants and potentially driving business offshore.

Given the existing regulatory foundations—such as AML regulations, the Travel Rule, and financial promotion rules—we believe a new, comprehensive admissions and disclosure framework must be justified by clear evidence of its effectiveness and necessity. We encourage the FCA to consider consolidating and incrementally updating current regulations into a specialized sourcebook designed explicitly for the cryptoasset market, rather than introducing entirely new, disruptive measures. This approach would better reflect market realities, enhance investor protection without unnecessary burdens, and ensure a sustainable environment for innovation and market growth.

Rather than imposing traditional financial services regulations wholesale, we recommend that the FCA adopt a targeted and proportionate framework. A more principles-based approach, in collaboration with industry stakeholders, would ensure that regulatory objectives are met without unnecessary duplication or inefficiency. The FCA should also explore mechanisms for mutual recognition of disclosures and regulatory permissions with the EU, ensuring that the UK remains competitive while avoiding regulatory fragmentation.

The insights gathered from industry discussions, including our recent working groups, underscore these considerations, highlighting the need for tailored disclosures, clarity around liabilities and responsibilities, and practical recognition of industry-driven standards and governance mechanisms. GBBC remains committed to engaging constructively with the FCA to develop proportionate, effective, and innovative regulation that respects the distinctive attributes of the cryptoasset sector.

Discussion Paper Questions

Q2: Do you agree with our assessment of the type of costs (both direct and indirect) which may materialise as a result of our proposed regulatory framework for A&D and MARC? Are there other types of costs we should consider?

We agree with the FCA's assessment that regulatory compliance will introduce direct costs (e.g., additional staffing, legal fees, and disclosure preparation) and indirect costs (e.g., impact on competition, operational burdens). However, we urge the FCA to consider the following additional costs:

- Technology Compliance Costs: CATPs and issuers will need to implement enhanced market surveillance and on-chain/off-chain monitoring tools, significantly increasing operational expenses.
- Liability Insurance Costs: Given the proposed liability framework under the A&D regime, firms may face higher insurance costs e.g. due to potential extended liabilities under FSMA s.90 — where firms may seek to mitigate risks from disclosures, especially where there is no issuer.
- Cross-Border Compliance Costs: Firms operating across jurisdictions will need to navigate divergent frameworks (e.g., MiCA), potentially increasing legal and regulatory compliance costs.

We encourage the FCA to assess how cost burdens can be mitigated through regulatory clarity and alignment with international frameworks to avoid unnecessary duplication.

Question 3: How do you anticipate our proposed approach to regulating market abuse and admissions and disclosures will impact competition in the UK cryptoasset market?

The proposed approach risks creating disproportionate barriers to entry, favoring large incumbent firms that can absorb compliance costs while potentially driving smaller, innovative firms offshore. Key concerns include:

- Higher compliance costs for SMEs and startups: Regulatory burdens may discourage new entrants and innovation.
- Fragmentation of market participants: If requirements diverge significantly from MiCA firms may prioritize other jurisdictions.
- Potential chilling effect on cryptoasset listings: Exchanges may limit token offerings to reduce liability, restricting market diversity and competition.

We recommend that the FCA adopt a proportionate approach that balances consumer protection with maintaining a competitive, innovative UK digital asset market.

Question 4: Do you agree with our view that while the Consumer Duty sets a clear baseline for expectations on firms, it is necessary to introduce specific A&D requirements to help support consumers?

We agree that Consumer Duty provides a strong baseline for consumer protection but believe specific A&D requirements are justified, provided they are proportionate and tailored to the diverse cryptoassets and risks and liabilities thereof. Blanket, securities-style disclosures could result in information overload, diminishing their effectiveness. On the contrary, imports from disclosure regimes which evolved for traditional financial institutions risk ignoring or misidentifying specific market dynamics and consumer behaviours which are native to different types of cryptoassets. Requirements should focus on clear, accessible information directly relevant to the types of risks consumers encounter in cryptoasset markets.

While we acknowledge the importance of consumer protection, the proposed A&D requirements must not duplicate existing obligations under the Consumer Duty and Financial Promotions regime. Instead of imposing prescriptive disclosures that may not align with how consumers engage with cryptoassets, the FCA should:

- Ensure disclosures are relevant and accessible: Overly detailed disclosures risk overwhelming consumers rather than informing them.
- Incorporate risk-based tiering: Disclosure requirements should reflect the risk profile of the asset (e.g., stablecoins vs. meme coins).
- Leverage industry best practices: Encourage self-regulatory initiatives and industry-led disclosure standards.

Admissions & Disclosures (A&D)

Question 5: Do you agree with the risks, potential harms and target outcomes we have identified for the A&D regime? Are there any additional risks or outcomes you believe we should consider?

We would welcome further clarity from the FCA regarding the definition of CATPs, particularly ensuring consistency with the terminology used by HM Treasury. Clear and harmonized definitions will reduce regulatory ambiguity and provide greater certainty for market participants, especially concerning scenarios involving decentralized structures or cases without clear issuer involvement. Second, we'd like clarification on the categorization of service providers that act as principal (vs. agent) and confirmation that organizations serving as principal are not categorized as a CATP.

Separately, we would appreciate clarification on the role of third-party custodians. Specifically, confirmation is needed that entities regulated by the FCA are allowed to engage third-party custodians, provided those custodians operate under an equivalent regulatory regime, such as MiCA. This would support regulatory alignment internationally and facilitate efficient compliance practices.

Crucially, the FCA should clarify how the Consumer Duty specifically interacts with cryptoasset admission—particularly regarding whether admission to trading alone serves as the trigger point for disclosure obligations, given the unique dynamics of crypto markets, which often lack a clearly identifiable issuer.

Question 6: Should an admission document always be required at the point of initial admission? If not, what would be the scenarios where it should not be required? Please provide your rationale.

The issue of "grandfathering" existing cryptoassets without current white papers requires attention. The FCA should clearly outline its position on legacy assets already widely held and traded within the UK. Without clear guidance, exchanges might be forced to delist these assets, negatively impacting liquidity and consumer choice. One solution proposed during our discussions involves establishing a centralized FCA-managed database for standardized risk disclosures. This approach would facilitate consistency, reduce the compliance burden, and avoid repetitive disclosures across different trading platforms.

Question 8: Do you agree with our proposed approach to disclosures, particularly the balance between our rules and the flexibility given to CATPs in establishing more detailed requirements?

We support clear, relevant disclosures but caution against imposing rigid frameworks that replicate traditional financial market disclosures. A more effective balance would grant CATPs flexibility within clear FCA guidelines, enabling them to tailor disclosures to consumer behaviours specific to cryptoassets (and within that—distinguish the variety of use and behaviours within the spectrum of cryptoassets themselves), aligning more closely with MiCA standards to facilitate cross-border efficiencies.

While consumer protection is paramount, there must be recognition of investor responsibility once sufficient risks have been disclosed. Excessively detailed disclosures, such as those that evolved in traditional securities markets, risk overwhelming consumers and become ineffective. The FCA should explicitly set reasonable boundaries on disclosure requirements, preventing an indefinite escalation of risk factors that are rarely read by retail investors and are costly to prepare.

Given the complexity of enforcing disclosure responsibilities upon offshore or decentralized issuers, the FCA's current proposals place disproportionate liability on exchanges, which may be unable practically or financially to bear unlimited disclosure obligations. A balanced approach could include explicitly capped liabilities for exchanges, alongside consideration of alternative mechanisms, drawing on other market solutions like SPVs, although the latter requires careful examination of market integrity implications. Clear FCA guidance on liability limitations and permissible disclosure mechanisms would significantly enhance market stability and predictability.

Regarding the FCA's proposal to establish minimum disclosure requirements supplemented by more detailed disclosures determined by CATPs or industry-led initiatives, we support the concept broadly. Nonetheless, we emphasize the critical importance of including a unique identifier code, such as the Digital Token Identifier (DTI), within the minimum required disclosures. The DTI is essential for unambiguously distinguishing cryptoassets, ensuring clarity for consumers, facilitating cross-platform comparison, and enhancing market transparency. If any aspect of disclosures must be prescriptive, it should be the inclusion of this core identifier.

DTIs could be highly beneficial for standardizing disclosures across trading platforms. While acknowledging practical challenges similar to those previously experienced with ISINs under MiFID II, an industry-wide acceptance of DTIs would enhance comparability, transparency, and consumer confidence across jurisdictions. That said, our working group acknowledges that this requires considerable global coordination and adoption going beyond remit of UK regulators. Nevertheless, the FCA should actively support initiatives aimed at global definition and adoption of DTIs but avoid relying solely on this mechanism as a catch-all solution without addressing broader standardization issues first.

Moreover, our members have pointed out that native tokens possess distinctive characteristics which set them apart from other cryptoassets. Native tokens (including but not limited to Layer 1 tokens) typically underpin the fundamental operation, governance, and economic security of CATPs or related protocols, and as such present specific considerations regarding their design, decentralisation, issuer identity (or lack thereof), and intended functions. Given these distinct features, our members strongly suggest that the FCA explicitly accounts for the unique nature of native tokens when designing the regulatory framework and its associated obligations, particularly regarding disclosures, due diligence, and responsibilities around inside information. While this contributes to the FCA's approach of proportionality and practicality, it is also a salient consideration from the perspective of market abuse, safety of protocols and platforms.

To further enhance effectiveness, we recommend that the FCA:

- Ensure compatibility and alignment with existing regimes, particularly **MiCA's white paper standards,** to reduce unnecessary compliance duplication and cost burdens for firms operating internationally.
- Provide clear guidance on materiality thresholds, enabling firms to effectively identify and disclose genuinely material information without ambiguity or excessive compliance overhead.
- Encourage the establishment of industry-led initiatives or standards, promoting consistent yet adaptable disclosure practices that reflect consumer engagement patterns specific to the cryptoasset market.

Q10: Are there any disclosures in the proposed list that you believe should not be required?

We caution against excessive disclosures that may provide little benefit to consumers. For example:

- Legal status classification: The requirement for CATPs to disclose a cryptoasset's legal status may not be practical, as regulatory classification varies across jurisdictions.
- Repeated disclosures of publicly available information: If information is already available on the blockchain or in existing financial promotions, duplicative disclosures should not be mandated.

Industry discussions have raised significant practical challenges regarding the standardization of white papers, particularly concerning wrapped assets or variations of the same asset across different blockchains. Stakeholders emphasized the need for clearer guidance from the FCA on when a new or updated white paper is required. For example, wrapped tokens or assets represented on multiple blockchains could result in unnecessary duplication of white papers, creating confusion and inefficiencies.

Another key point concerns defining the precise objectives of white paper disclosures. If the primary purpose is consumer protection, then disclosures should provide concise, comprehensible information rather than exhaustive and potentially redundant disclosures. Overly prescriptive disclosure standards, without clear limits or materiality thresholds, could inadvertently create a 'race to the top' scenario, with exchanges continuously adding overlyextensive risk factors. Alternatively, the increased compliance burden might prompt a 'race to the bottom,' discouraging exchanges from listing innovative yet riskier assets. Thus, a balanced, collaborative, and centralized approach is essential.

Question 19: Do you agree with the suggested approach to our rules on filing admission documents on the NSM?

We support a centralized repository for disclosures but recommend that:

- Admission documents be machine-readable to enhance transparency and accessibility.
- International recognition mechanisms be explored to facilitate cross-jurisdictional compliance.

Market Abuse Regime for Cryptoassets (MARC)

Question 22: Are there any market behaviours that may not be covered by the proposed prohibitions?

Yes. Crypto-specific abuse mechanisms such as:

- Maximal Extractable Value (MEV) front-running in DeFi ecosystems.
- Cross-exchange wash trading facilitated by offshore platforms.
- DEX/CEX insider trading, which necessitates both on and off chain market surveillance
- Rug pulls and specifically hard-coded rug pulls - critical that firms admitting new crypto tokens will ensure their integrity to avoid lending credibility to illegitimate hard-coded scam tokens.
- Token governance manipulation through coordinated voting attacks.
- Flash loans used to artificially drive price action and create arbitrage opportunities

We recommend that the FCA provide specific guidance on emerging market manipulation typologies unique, but not limited to, the above cryptomarket-specific behaviours and assets.

Question 24: In cases where there is no issuer, should the person seeking admission be responsible for disclosing inside information?

Yes, but liability should be limited to information reasonably available to the admission-seeker. It is unreasonable to impose issuer-equivalent obligations on third parties with no control over the asset.

Further clarification is necessary regarding the liability regime proposed for CATPs, especially given the decentralized and global nature of crypto markets. This applies especially when an exchange lacks practical control over the completeness of disclosure, such as when dealing with offshore issuers or decentralized entities. Imposing issuer-equivalent obligations on exchanges without clearly limiting their liability to information reasonably available could deter market participation and innovation. A pragmatic alternative suggested during our industry consultations includes capping exchange liability at a reasonable level, with explicit guidelines clarifying exchanges' responsibilities in scenarios involving limited or incomplete issuer cooperation.

Question 30 & Question 31: Are there alternative options we should be considering? What might be the pros and cons of those alternative options? Should a central coordinating body oversee information dissemination?

We support exploring alternative, industry-led models—potentially through a self-regulatory organization (SRO) or a central data repository—rather than an FCA-run centralized body. An crypto SRO/repository model would facilitate dynamic industry input and quicker adaptability, although it requires effective oversight to mitigate risks of conflicts of interest and ensure consistency. A self-regulatory organization could:

- Facilitate information sharing among CATPs.
- Establish data standards and disclosure best practices including data formats, accuracy requirements and access rules - competition laws, technical standards (such as FIX, APIs, etc), data privacy considerations.
- Develop a standardized market abuse reporting framework with tailored functionalities specifically designed to handle the 24/7 trading environment and unique characteristics of crypto assets.
- Incorporate advanced RegTech solutions, such as blockchain-based verification and AI for information collection, to enhance efficiency and transparency.

Creating a Bespoke Crypto PiPs requires a thorough feasibility study to research, analyze and determine the best approach for the decentralized, and cross-border and cross on- and off-chain digital assets. To enhance market integrity and prevent manipulation in digital asset markets, it is important to establish a collaborative framework for information sharing and surveillance.

Regarding market surveillance and information sharing, our consultations highlighted the necessity of comprehensive on-chain and off-chain monitoring. Effective detection of abusive behaviours in digital asset markets requires both forms of monitoring due to the unique transparency and anonymity characteristics of blockchain-based transactions.

Although a centralized coordinating body or platform could facilitate information sharing, concerns were raised regarding the potential for free-riding, particularly by smaller exchanges benefiting disproportionately from larger exchanges' resources. To mitigate this, clear guidelines must be established, potentially supported by industry-wide agreements or standardized frameworks, including specific access rules, accuracy standards, and competition and privacy law considerations. The FCA should explore collaborative models involving industry participants and leverage specialist blockchain analytics providers to optimize surveillance efficacy and reduce compliance burdens.

Question 36: What, if any, amendments to the MAR formulation of these safe harbours should we make to them to ensure they align with the principles set out above and ensure they are tailored to the cryptoasset market? Is there any additional clarity you would need us to provide over how they would apply in order to be able to rely on them?

Our discussions emphasized critical distinctions in token project listings compared to traditional securities markets, particularly the multifunctional role exchanges frequently adopt—simultaneously acting as facilitators, market makers, and de facto underwriters in token launches. Recognizing this difference is essential to avoid inadvertently classifying necessary activities, such as initial token distribution and liquidity provision, as abusive. The FCA's safe harbour framework must be explicitly adapted to clearly distinguish legitimate market facilitation activities inherent in cryptoasset listings from genuinely abusive conduct. Clear guidance tailored to crypto market realities will significantly reduce ambiguity and compliance risk, supporting responsible market development.

Question 42: Do you agree on the proposals regarding insider lists for issuers and persons seeking cryptoasset admissions to trading?

We broadly agree with the FCA's approach regarding insider lists, recognizing their importance for enhancing market integrity through effective monitoring and deterrence of potential market abuse. Insider lists for CATPs could include individuals within business development, compliance, token listing, and other teams who regularly handle or have access to privileged or sensitive market information.

Industry consultations underscored support for insider lists, suggesting their sharing among regulated platforms to strengthen cross-venue monitoring. Stakeholders advocated firm-wide trading embargoes during critical periods when exchanges are processing or evaluating market-sensitive or privileged information, further enhancing market integrity and preventing insider trading risks. However, clarity is needed regarding practical implementation and potential competition implications, such as preventing free-riding by smaller platforms relying on monitoring conducted by larger exchanges. The FCA should provide clear rules or guidelines addressing these challenges.

We suggest the FCA considers facilitating the sharing of insider lists among regulated platforms to enhance cross-venue monitoring capabilities. Such an approach would significantly strengthen market surveillance and deterrence efforts.

Furthermore, CATPs might consider implementing firm-wide trading embargoes during periods when market-sensitive or privileged information is being processed or evaluated. This practice could further mitigate potential risks associated with insider trading and market abuse, thereby promoting greater market integrity and investor confidence.

Question 44: Do you agree with requiring on-chain monitoring from CATPs and intermediaries?

We support on-chain monitoring but emphasize the need for proportionality and feasibility. Requirements should consider:

- Resource constraints for smaller firms.
- Collaboration with existing blockchain analytics providers rather than imposing duplicative monitoring mandates.

Conclusion

We commend the FCA's initiative to enhance market integrity and consumer protection in the cryptoasset sector. However, we urge a proportionate, industry-informed approach that ensures regulatory clarity, minimizes unnecessary burdens, and aligns with international frameworks. The working group discussions highlighted the need for a regulatory framework that acknowledges the distinct nature of crypto markets, rather than one that simply mirrors securities regulation. A tailored, collaborative approach will ensure that the UK remains competitive while fostering responsible innovation. We look forward to continued engagement with the FCA to refine these proposals in a way that supports both innovation and responsible market development.