GBBC Response to FCA Consultation Paper CP25/25 (Part 1)

Discussion Chapters (6 & 7)– Consumer Duty, Conduct of Business, Product Governance, and Access to Redress

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).

Introductory remarks

GBBC welcomes the opportunity to respond to the FCA's Consultation Paper CP25/25 on the proposed conduct regime for cryptoasset activities. We strongly support the FCA's objective of ensuring high, consistent standards of consumer protection while enabling responsible innovation in the UK's digital-finance market.

The UK's approach to bringing cryptoassets within the existing Financial Services and Markets Act (FSMA) framework represents an important regulatory inflection point. Properly implemented, it can deliver two strategic outcomes: first, a coherent and outcomes-based regime aligned with established financial-services standards; and second, a proportionate framework that recognises the distinctive operational and technological characteristics of digital assets.

GBBC considers that integrating cryptoasset activities into the existing FCA Handbook—rather than creating stand-alone, prescriptive rulebooks—is the right direction of travel. The key to success will be clarity, consolidation, and guidance that is specific enough to be operational, yet flexible enough to accommodate market evolution.

Our response therefore focuses on ensuring that:

- The **Consumer Duty** is applied in a way that is proportionate, practical, and clearly scoped.
- The **FCA Handbook** provides coherent cross-references, with unnecessary duplication or fragmentation avoided.
- The **Conduct-of-Business** and **redress** regimes are implemented in a phased and technically informed manner that maintains competitiveness while protecting consumers.

Question 13

Do you consider that we should apply the Duty (along with additional sector-specific guidance)?

GBBC supports the FCA's proposal to apply the Consumer Duty in full to regulated cryptoasset activities, accompanied by proportionate and sector-specific guidance. The Duty's outcomes-based structure provides a coherent framework for consumer protection across all financial services and can serve as a single, unifying standard for conduct expectations.

Applying the Duty, however, must be operationally feasible. Many cryptoasset firms will be newly authorised under FSMA and are not yet accustomed to the FCA's evidential or reporting standards. Without additional guidance, these firms could face disproportionate implementation costs and uncertainty over how to demonstrate "good outcomes" in the specific context of digital-asset markets.

GBBC therefore recommends that the FCA supplement the Duty with clear, illustrative guidance for cryptoasset firms — including examples of good and poor practice and proportional expectations for firms without retail exposure. The Duty should replace the need for a separate product-governance sourcebook, provided that the guidance clarifies how proportionality will be applied across different business models, such as custody, brokerage, trading, and stablecoin issuance.

GBBC also recommends that the FCA explicitly confirm that where a firm has no retail clients, evidencing this fact (and maintaining controls to prevent retail onboarding) satisfies its Consumer Duty obligations for those activities. Firms should not be required to build extensive Duty reporting frameworks where no retail exposure exists. The FCA should clarify what constitutes proportionate documentary proof — for example, customer-type MI, onboarding policies, and attestations.

Furthermore, firms that already operate Consumer Duty frameworks in other parts of their corporate groups should be encouraged to re-use those structures, adapting them for crypto-specific risks. This approach will accelerate compliance for newly regulated entities and avoid duplicative build.

Finally, we note that proportional guidance and consolidated sign-posting will directly influence jurisdictional entry decisions. A clear, outcomes-based approach will strengthen the UK's competitiveness relative to the EU's MiCA regime without compromising consumer protection.

Many crypto businesses will be first-time authorisations applying multiple requirements simultaneously. While we do not seek a lighter standard, early-stage supervision should be sequenced to prioritise outcomes most material to retail harm. The FCA should explicitly permit reliance on pre-existing group frameworks and, where appropriate, sequence supervisory expectations for newly authorised firms during the initial bedding-in period.

Question 14

Do you have views on where applying the Duty would be an effective way to achieve broadly comparable standards of consumer protection in the cryptoassets market, or where it might not?

GBBC agrees that the Consumer Duty can achieve comparable protection standards in areas where regulated firms have direct control over retail outcomes — including custody, brokerage, trading, and other intermediation activities. In these contexts, the Duty's principles of fairness, consumer understanding, and price-and-value are directly applicable.

However, the Duty's application must reflect the diversity of cryptoassets and business models. A uniform approach would not be workable across all asset types. Stablecoins designed for payments, for example, pose different risks from unbacked or speculative tokens, and firms should be able to calibrate their approach accordingly.

The Duty's limits are most evident in decentralised environments. Where there is no identifiable manufacturer or issuer, and consumer outcomes are determined by the code of an open blockchain network rather than a regulated intermediary, the Duty cannot apply in practice. In such cases, the FCA should clarify that expectations are confined to activities within the regulatory perimeter.

GBBC also notes definitional and jurisdictional challenges. The Law Commission's definitions of "cryptoasset" and "distributed ledger technology" differ from the FCA's usage, and this could lead to confusion in supervision and redress. The FCA should therefore publish explicit guidance explaining how the Duty applies to cross-border services and to stablecoins issued outside the United Kingdom.

The concept of "fair value" requires particular attention. The FCA's discussion paper example suggested that percentage-based fees might become unfair as asset prices rise while costs remain stable. GBBC cautions that requiring firms to reduce percentage fees as asset prices appreciate would amount to de facto price regulation that is not present in comparable sectors such as fund management. Instead, "fair value" in crypto should be demonstrated through transparency and benchmarking, not enforced fee adjustments. Firms should be able to evidence fairness by showing that pricing is clear, competitive, and well-understood by consumers.

In the specific case of stablecoins, GBBC recommends a use-case-sensitive approach to fair value. B2B treasury or settlement arrangements, retail payment flows, and exchange trading each exhibit different cost drivers (spreads, per-transaction fees, subscription models). Guidance should recognise these differences and assess fairness primarily by transparency and competitiveness within each use case, rather than by movements in the underlying asset price.

GBBC also recommends that the FCA establish a "reasonable steps" safe harbour for issuer-less or decentralised assets. In such cases, regulated intermediaries should be deemed to have met their Duty obligations if they rely on publicly available information, standardised market data, and observable usage patterns when defining target markets or assessing value. This would allow compliance to remain meaningful without imposing impossible information-sharing requirements.

Question 15

Do you consider that not applying the Duty, but introducing rules for regulated cryptoasset activities, would achieve an appropriate standard of consumer protection?

GBBC does not support replacing the Consumer Duty with a bespoke rulebook for cryptoassets. Creating new prescriptive conduct rules would fragment the regulatory framework, increase compliance costs, and erode consistency across financial-services sectors. The Duty already provides sufficient flexibility to adapt to crypto-specific risks through tailored guidance.

That said, there are operational and technological issues unique to blockchain systems — such as gas-fee disclosure, transaction irreversibility, and reconciliation between on-chain and off-chain holdings — that may not fit neatly into existing Handbook concepts. GBBC recommends that the FCA address these through limited, technical guidance or standards under the Duty, rather than through a new conduct regime.

Question 16

If the Duty was not to apply, do you have views on what matters should be dealt with by sector-specific rules and guidance?

Although GBBC supports applying the Duty, several topics may still warrant specific guidance under its framework. These include disclosures around asset volatility, operational resilience, staking and segregation of client assets, and communication of technological risks such as transaction finality and smart-contract failure. Each can be addressed effectively through additional guidance rather than new rules.

Question 17

Do you agree with our suggested approach under the Admissions and Disclosures (A&D) regime?

We agree with the FCA's approach of aligning the A&D regime with the principles of the Consumer Duty. Focusing on transparency and consumer understanding is preferable to replicating the detailed disclosure requirements of MiFID or the EU's MiCA regulation. The disclosure framework should be proportionate and technology-appropriate, concentrating on essential information such as governance, reserve composition, and audit status.

The FCA should coordinate its disclosure expectations with other jurisdictions to ensure cross-border consistency. Divergent formats between the UK and MiCA frameworks could increase costs for firms operating internationally and undermine comparability for consumers.

Questions 18–20: Access to the Financial Ombudsman Service (FOS)

GBBC supports extending access to the Financial Ombudsman Service to regulated cryptoasset activities but urges the FCA to phase in its application and ensure that the Ombudsman has sufficient expertise before implementation.

Experience across other sectors indicates that the FOS's current model may not be ready for the complexity of crypto-related disputes. The Service relies on a "fair and reasonable" standard rather than legal criteria, and in highly volatile markets this could lead to inconsistent or retrospective judgments. There is a risk that consumers could seek redress for market-driven losses outside firms' control, or that case handlers unfamiliar with crypto technology could misdirect liability.

GBBC recommends a staged introduction of FOS jurisdiction, beginning with FCA-supervised internal complaints processes and moving to full FOS access once appropriate training and procedural safeguards are in place. The FCA should coordinate with the Law Commission to align definitions of "cryptoasset," "fiat currency," and "redemption" to prevent inconsistent determinations.

A phased approach should also mitigate the risk of mass complaint campaigns or look-back liability, which could impose disproportionate costs on newly regulated firms. GBBC emphasises that clear guidance on liability mapping is essential to prevent complaint spill-over to banks or payment firms, which has already led to account closures and de-risking of crypto customers.

The FCA should additionally require clear pre-contract disclosure of FOS eligibility, particularly for cross-border services. Where overseas firms serve UK customers under MLR registration but outside FSMA authorisation, consumers must be explicitly informed whether FOS jurisdiction applies.

These steps will allow the UK to extend redress responsibly, balancing consumer protection with market stability and competitiveness.

Question 21

Do you agree with our proposed approach to financial promotions for qualifying stablecoins?

We agree with the FCA's proposal to remove the *Restricted Mass-Market Investment* (RMMI) classification for UK-authorised qualifying stablecoins. This approach appropriately recognises that such stablecoins, when issued and backed in accordance with FCA authorisation and prudential standards, present a markedly different risk profile from unbacked or speculative cryptoassets.

Removing RMMI frictions, while maintaining the overarching *"fair, clear and not misleading"* communication standard, will facilitate responsible adoption and provide a measured competitive advantage for UK-based issuers. It will also help attract issuance and settlement infrastructure onshore, reinforcing the UK's ambition to become a credible jurisdiction for digital money instruments.

At the same time, the FCA should provide clarity on residual perimeter treatment. Some firms undertaking limited-scope crypto activities—such as NFT or utility-token platforms—will remain under the Money-Laundering Regulations (MLRs) rather than FSMA authorisation and will therefore continue to fall under the Financial Promotions Order (FPO). A short explanatory note linking the FSMA, MLR and FPO regimes would help firms and supervisors navigate these overlaps and prevent inadvertent breaches.

GBBC also notes that market activity is currently dominated by non-GBP stablecoins. The FCA should therefore ensure that the new regime does not inadvertently discourage legitimate use of stablecoins for payment, treasury and liquidity purposes before domestic GBP-denominated issuance reaches scale.

Question 22

Do you agree with our proposal that financial promotions for qualifying stablecoins not issued by an FCA-authorised UK issuer should include additional risk warning information? Why/Why not?

Different warnings displayed for functionally equivalent coins on the same UK-regulated platform could mislead consumers into thinking that one product is unsafe or that the platform itself lacks authorisation. In payment settings, pop-up warnings could interrupt real-time or "sandwich" multi-stable payment flows, undermining user experience and commercial viability.

Non-UK stablecoins are not all more risky than those regulated under the UK issuance regime. Some global stablecoins are regulated under very high standards - eg those . For these, it is not proportionate to include risk warnings, for example stating that investors may lose all of the money. We suggest that stablecoins that are issued under regulatory regimes that meet relevant international standards (eg the FSB's High Level Recommendations for Global Stablecoins) should not be subject to this requirement.

Question 23

Do you agree with our proposed approach to disapply COBS 5 (Distance Communications) and apply high-level conduct standards instead?

GBBC agrees with the FCA's proposal not to apply the Distance Marketing chapter (COBS 5) to cryptoasset activities. The requirements under that regime were developed for analogue sales processes and would constrain firms' ability to communicate effectively through digital and automated channels.

The Consumer Duty already embeds the desired outcome of ensuring that communications enable consumer understanding, making the Distance Marketing obligations redundant. Applying both regimes would create overlap without enhancing protection.

GBBC supports the application of high-level COBS principles—particularly the obligation that communications be *fair, clear and not misleading*—as the correct standard for this market. To assist implementation, the FCA should publish a mapping document identifying:

- which COBS chapters apply,
- which are disapplied, and
- how these provisions interact with related consultations on stablecoin issuance and custody.

Finally, we encourage the FCA to include a concise perimeter explainer clarifying how FSMA authorisation, MLR registration and the FPO interact for firms outside the full regulatory regime, such as NFT-only or non-custodial service providers. This will ensure consistent understanding across supervisors and firms.

Question 24

Do you agree with our proposed approach to the appropriateness assessment for cryptoasset investments, including converting the twelve matters in COBS 10 Annex 4G into rules?

GBBC supports the proposal to elevate the existing twelve appropriateness-assessment criteria from guidance to rule, ensuring consistent minimum coverage across firms. Making these factors binding will help close gaps observed under the current regime, where some firms allowed customers to invest regardless of assessment results.

However, rule conversion alone will not guarantee better consumer outcomes. The FCA should clarify what actions are required when a customer fails the assessment—specifically whether a fail should block the transaction or merely trigger an enhanced warning. Without this clarity, implementation will vary widely and may create uneven consumer experiences.

GBBC recommends that the FCA accompany the rule conversion with illustrative scoring frameworks, model question banks, and proportional expectations for different business models. This will help ensure convergence on good practice while avoiding unnecessary complexity for smaller firms. The FCA should also confirm that the purpose of the test is to ensure informed decision-making, not to impose de facto suitability requirements on non-advised services.

In addition, operational lead-times should be realistic, as redesigning online assessment journeys and back-testing thresholds will require development work. Early publication of example templates and guidance would allow firms to adjust systems efficiently.

Question 25

Do you think there should be cancellation rights for distance contracts related to cryptoasset products or activities whose price is not driven by market fluctuation (such as staking and safeguarding)?

GBBC agrees with the FCA that cancellation rights should not apply to contracts whose value is driven by market fluctuations, consistent with established COBS principles. For service-based arrangements such as safeguarding or staking where the service, rather than asset price, defines the value, a limited and clearly defined cancellation right may be appropriate.

GBBC also invites the FCA to consider narrow edge cases such as pre-funded but unexecuted orders or subscription-style service arrangements, where a short cancellation window might enhance consumer clarity without distorting market operation.

Question 26

Do you agree with our overall approach to Conduct of Business requirements? If not, why not?

GBBC supports the FCA's proposal to apply high-level COBS principles — such as the requirement that communications be clear, fair and not misleading — while omitting the Distance Marketing rules and other prescriptive MiFID-derived provisions. This approach is balanced and proportionate for cryptoassets.

GBBC strongly supports the explicit non-application of the Distance Marketing chapter, as it was designed for analogue financial sales and would constrain flexibility in digital communications. The Consumer Duty already ensures sufficient consumer-understanding standards.

To ensure clarity, the FCA should publish a mapping document identifying which COBS chapters apply, which are disapplied, and how they interact with other crypto consultations (including those on stablecoin issuance and custody). GBBC further recommends that the FCA include in this guidance a short explanation of how FSMA authorisation, MLR registration, and the Financial Promotions Order interact for residual activities (e.g., NFT-only platforms), to prevent confusion about perimeter expectations.

GBBC also supports the FCA's treatment of stablecoin promotions. Removing Restricted Mass Market Investment (RMMI) frictions for UK-authorised stablecoins is a positive and proportionate step. For non-UK stablecoins, additional risk warnings should be user-tested to ensure they inform rather than confuse. GBBC recommends testing not only wording but placement and trigger conditions in payment journeys (including multi-stable routing), to ensure warnings inform users without interrupting legitimate flows or implying that platform-level protections are absent.

To maintain competitiveness, GBBC encourages HM Treasury and the FCA to explore a criteria-based equivalence or transitional recognition pathway for stablecoins issued under robust overseas frameworks (e.g., MiCA or forthcoming US regimes), allowing UK users and firms to operate without unnecessary friction until GBP-denominated issuance reaches scale.

GBBC also supports elevating the existing 12 Annex G appropriateness-test factors from guidance to rule to ensure consistent minimum coverage. However, converting guidance into rule alone will not solve the underlying behavioural issue of firms permitting investment despite poor test outcomes. The FCA should clarify whether a failed appropriateness assessment must block the investment journey or may instead trigger an enhanced warning, and should publish illustrative scoring frameworks and model question banks to promote consistent good practice across firms.

Because firms plan multi-quarter delivery, GBBC recommends the FCA adopt a predictable guidance cadence (for example, periodic consolidated updates with clear effective dates) and treat interim FAQs as non-binding until incorporated. A stable change-management process will avoid "guidance drift" and reduce unnecessary rework.

Question 27

Do you agree that applying the Duty and additional guidance would be sufficient to achieve adequate product governance for cryptoassets, or should we consider more specific rules such as those set out in PROD?

GBBC agrees that the Consumer Duty, supplemented by targeted guidance, is sufficient to ensure adequate product governance for cryptoasset activities. The PROD Sourcebook is not appropriate for decentralised or issuer-less markets, where the manufacturer–distributor model and prescribed information flows cannot be replicated.

Moreover, non-application of PROD avoids extending institutional lifecycle and governance obligations that are unnecessary for crypto. Whereas PROD applies to both retail and institutional business, the Consumer Duty remains retail-focused and therefore more proportionate for this sector. Stated plainly: avoiding PROD avoids importing institutional lifecycle obligations that do not map to issuer-less assets; the Consumer Duty's retail focus is the appropriate instrument, supplemented by crypto-specific guidance.

Nonetheless, further clarity is required on what constitutes "reasonable steps" to identify and monitor a target market in the absence of a formal manufacturer. GBBC recommends that the FCA issue practical guidance showing how firms can rely on public blockchain data, aggregated analytics, or other objective indicators to meet their obligations. Case studies illustrating proportional application of the Duty to different business models — such as exchanges, stablecoin issuers, and custodians — would provide helpful operational certainty.

We also ask the FCA to reiterate, wherever examples are provided, that guidance is non-exhaustive and that firms may meet the Duty's outcomes by alternative, objectively justified means. This preserves innovation while ensuring consistent consumer protection.

Closing Remarks

We support the FCA's overarching direction to integrate cryptoassets within the existing Handbook structure rather than establish stand-alone rules. If implemented with appropriate guidance, this approach can advance the long-term goal of a coherent and unified regulatory framework for digital assets.

The FCA's commitment to embedding crypto into existing rulebooks can, if executed clearly, serve as a step toward regulatory consolidation rather than further fragmentation. GBBC strongly recommends that the FCA create a dedicated crypto-handbook landing section linking all relevant FSMA statutory instruments, Handbook provisions, Consumer Duty materials, and sector guidance. Consolidation will materially reduce complexity and cost, improve enforceability, and enhance the UK's competitiveness as a jurisdiction of choice for digital-asset innovation.

Nevertheless, the regime's effectiveness will depend on the clarity and proportionality of its application. The FCA should continue to engage with industry as guidance develops, ensuring that consumer protection, market integrity, and innovation advance together within a coherent, accessible framework.