

## Summary of FCA Discussion Paper DP24/4: Regulating Cryptoassets

The FCA's Discussion Paper (DP24/4) explores a proposed regulatory framework for cryptoassets, focusing on **Admissions & Disclosures (A&D)** and the **Market Abuse Regime for Cryptoassets (MARC)**.

### 1. Overview

The UK government aims to introduce comprehensive legislation to bring cryptoasset activities under the FCA's regulatory scope. This includes fiat-referenced stablecoins and crypto trading, exchange, and other related activities. Unlike earlier plans, the new approach will address all cryptoasset activities simultaneously.

#### Scope and Objectives

- The definition of cryptoassets covers stablecoins and unbacked cryptoassets like Bitcoin and Ether but excludes tokenized financial instruments already regulated under the FSMA.
- Strategic objectives include consumer protection, market integrity, effective competition, sustainability, and international competitiveness.

### 2. Admissions & Disclosures Regime (A&D)

The A&D regime seeks to mitigate risks like fraud, scams, and inadequate information, while promoting transparency and informed decision-making for consumers.

#### Key Features

1. **Disclosure Requirements:**
  - Issuers or persons seeking admission to trading must provide comprehensive information, including features, risks, governance, and technical details.
  - Cryptoasset Trading Platforms (CATPs) are responsible for ensuring that admission documents meet the necessary information standards.
2. **Due Diligence:**
  - CATPs must conduct due diligence on issuers, disclosures, and underlying technology, including code audits and operational resilience assessments.
3. **Liability Standards:**
  - Preparers of admission documents will be liable for inaccuracies or omissions.
  - Proposals include protected forward-looking statements (PFLS) to encourage detailed disclosures.

#### 4. **Rejection of Admission:**

- CATPs must establish processes to reject cryptoassets that pose significant risks to consumers or market integrity.

#### 5. **National Storage Mechanism (NSM):**

- Admission documents will be filed on the NSM in a machine-readable format for public access.

### **Key Risks Addressed**

- Financial crime, including fraud, scams, and money laundering.
- Inadequate consumer information and market inefficiencies.
- Misuse of cryptoassets for illicit activities.

### **3. Market Abuse Regime for Cryptoassets (MARC)**

The MARC framework aims to address market manipulation and insider trading while fostering transparency and aligning with global standards.

### **Key Features**

#### 1. **Prohibitions:**

- Insider dealing, unlawful disclosure of inside information, and market manipulation.

#### 2. **Disclosure of Inside Information:**

- Issuers must disclose inside information promptly and transparently.
- Where no issuer is identifiable, CATPs or other entities seeking admission will assume disclosure responsibilities.

#### 3. **Cross-Platform Monitoring:**

- CATPs must share information to identify and prevent abusive practices across markets.

### **Challenges**

- Decentralized and fragmented markets complicate enforcement.
- Some cryptoassets lack identifiable issuers, making disclosure responsibilities unclear.
- High retail participation increases surveillance complexity.

#### 4. Key Milestones (Crypto Roadmap)

- **Q4 2024:** Framework under Consumer Duty.
- **Q1/Q2 2025:** Trading platform rules and prudential sourcebook.
- **Q3 2025:** Conduct standards for regulated activities.
- **2026:** Full regime implementation.

#### 5. Next Steps

Stakeholders are invited to provide feedback by **14 March 2025** via the FCA website or email ([dp24-4@fca.org.uk](mailto:dp24-4@fca.org.uk)). Following the consultation, the FCA will refine proposals and draft rules to align with legislative updates.