



CP25-40 REGULATING CRYPTOASSET ACTIVITIES

Issued 2 February 2026

ICAEW welcomes the opportunity to comment on CP25/40: Regulating Cryptoasset Activities published by the Financial Conduct Authority (FCA) on 16 December 2025, a copy of which is available from this [link](#).

ICAEW welcomes the FCA's proposals to establish a comprehensive regulatory framework for cryptoasset activities and supports the overall objective of enhancing market integrity, consumer protection and operational resilience.

We broadly agree with the direction of travel and the extension of regulation to activities such as trading, lending, borrowing, staking and certain decentralised finance arrangements, although in some areas the detail will clearly need further work as the regime develops.

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)1908 248 250 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

This response of 2 February 2026 has been prepared by the ICAEW Financial Services Faculty. As a leading centre for thought leadership on financial services, the faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk, auditing and reporting issues facing the financial services sector. The faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of sustainable economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2026

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: Financial Services – fsf@icaew.com

KEY POINTS

1. We reiterate the importance of applying the principle of “same risk, same regulatory outcome”, particularly where cryptoasset activities give rise to risks comparable to those in traditional financial markets. Greater alignment with existing regulatory frameworks would support consistency, proportionality and supervisory clarity.
2. While we support enhanced protections for retail consumers, we again note that a clearer differentiation between retail and institutional activity would improve proportionality across the regime overall, and this is a point that we return to elsewhere in this response. A more explicit distinction would help ensure that protections are appropriately targeted and avoid imposing unnecessary constraints on wholesale market activity, which in practice operates differently.
3. Given HMRC’s current lack of clarity on the tax treatment of stablecoins, we consider it essential for the FCA and the Bank of England to consult on the potential frictions that taxation may create for the broader objective of enabling stablecoins to function as a payment instrument.
4. In particular, it is our understanding that the taxation of non-GBP-denominated stablecoins is problematic, as each use of such a stablecoin for payment would constitute a taxable event, potentially giving rise to gains or losses, which in practice could occur very frequently. This would inevitably increase administrative burdens, especially for retail users who may choose to use stablecoins for everyday payments, and this could act as a disincentive to adoption. The ICAEW would be pleased to facilitate further discussions on this issue, should that be helpful.
5. We also think that the FCA should consider whether it is seeking a particular accounting and financial reporting outcome that would arise as a result of regulating cryptoasset activities. We say this noting that the accounting for, and financial reporting of, digital assets is very nuanced and that most digital assets are currently classified as intangible assets, with some being inventory, which may not align with the policy intent behind regulation.
6. This is an area where, in our view, there is a risk that expectations around regulatory treatment, accounting classification and broader policy objectives do not fully line up at this stage, particularly given the pace at which the market has developed and the fact that relevant standards continue to evolve. If it is the FCA’s desire for the cryptoassets that it regulates to constitute cash, a cash equivalent or another type of financial asset, then we suggest that the FCA engages with the UK Endorsement Board and the FRC under its memorandum of understandings, so as to assess what the classification of these cryptoassets would be under UK-adopted international accounting standards and UK GAAP, as this is not straightforward.
7. The ICAEW is happy to facilitate and work with the FCA, the UK Endorsement Board and the FRC on this, if appropriate. Given that neither the FCA’s CP25/40 nor the Bank of England’s systemic stablecoin consultation explicitly consider the role that independent assurance could play in strengthening trust and operational resilience in this ecosystem, we believe there is value in exploring how established assurance frameworks might support the broader regulatory objectives.
8. This could be achieved, for example, by leveraging criteria set out in CASS 16 and CASS 17 or, in particular, internationally recognised standards such as ISAE 3000, which could provide a consistent and credible basis for assessing governance, systems and controls, and reserve-related disclosures.
9. The ICAEW would be pleased to help facilitate dialogue with relevant professional bodies, including the AICPA, to consider how assurance providers could contribute to enhancing transparency, improving the quality of information available to regulators across different jurisdictions, and supporting firms in evidencing compliance with emerging requirements. We believe that such collaboration could help reduce ambiguity for firms, while also supporting the FCA and the Bank of England in their objective of building a safe, trusted and resilient digital asset environment.

ANSWERS TO SPECIFIC QUESTIONS***Question 2: Do you agree with our proposals on UK CATP access and operational requirements? If not, why not?***

10. We support the objective of strengthening operational, governance and transparency standards for UK-facing cryptoasset trading platforms. We reiterate the importance of applying the principle of “same risk, same regulatory outcome”, particularly where activities give rise to risks comparable to those in traditional financial markets. While the proposals are comprehensive, the links to established regulatory frameworks, for example client asset and market transparency regimes, are not always made explicit, which may make implementation more challenging for some firms, particularly in the early stages of the regime. Greater alignment with familiar standards would support consistency, supervisory clarity and proportionality.
11. We also encourage further consideration of data standards and reporting expectations. In particular, clearer guidance on transaction data requirements would help firms to align regulatory reporting with international initiatives such as CARF (Crypto Asset Reporting Framework), reducing duplication and improving overall data quality, and avoiding firms having to build multiple reporting systems for similar data.
12. Finally, while we welcome the enhanced transparency proposals, we recommend that any use of transparency waivers or deferrals is narrowly defined, supported by clear thresholds, and applied consistently, so as to avoid undermining market integrity and price discovery, which remains an important objective. That said, we recognise that there may be some practical challenges in applying these requirements across a wide range of business models and trading structures, particularly where firms operate across jurisdictions or are transitioning from less formalised arrangements, and this is an area where further guidance may ultimately be required.

Question 3: Do you agree with our proposals for additional protections for UK retail customers? If not, why not?

13. We support the focus on enhanced protections for retail consumers and agree that higher standards are appropriate where retail customers are exposed to cryptoasset risks. However, we reiterate the importance of maintaining a clearer distinction between retail and institutional activity across the framework, as noted above. A more explicit differentiation would support proportionality, ensure protections are appropriately targeted, and avoid imposing unnecessary constraints on wholesale market activity, which operates differently in practice.
14. We also note the treatment of stablecoins within the proposals and reiterate our view that appropriately scoped exemptions for low-risk use cases could be beneficial. Any such exemptions should be subject to clear limits, caps and consumer protection requirements, alongside greater clarity on the underlying policy intent and relevant risk thresholds, which are not always clear from the current proposals.

Question 5: Do you agree with our proposals on cryptoasset lending and borrowing? If not, why not?

15. We support the inclusion of cryptoasset lending and borrowing activities within the regulatory perimeter and the associated focus on safeguarding and risk management. We reiterate the importance of robust segregation, accurate record-keeping and regular reconciliation of client cryptoassets used in these arrangements. Further guidance on reconciliation frequency, potentially linked to transaction volumes or differing risk profiles, would support more consistent implementation and supervisory oversight, as firms currently apply this in different ways.

16. We also highlight the importance of coherent data and reporting standards across lending and borrowing activities, particularly where firms are subject to multiple regulatory and tax reporting obligations, which can overlap.

Question 6: Do you agree with our proposals on staking? If not, why not?

17. We welcome the FCA's proposals to regulate staking and to enhance consumer protections in this area. However, we reiterate our view that further clarity is required on the scope of firm accountability for retail losses. In particular, clearer definitions are needed to distinguish between losses arising from preventable operational or technical failures, and those resulting from inherent protocol or market risks that are outside a firm's control, which firms may not be able to mitigate. Clearer boundaries would support more consistent application of the rules and help to manage consumer expectations, which is important in this area.
18. We also reiterate the importance of strong safeguarding arrangements for staked cryptoassets, including segregation, accurate record-keeping and regular reconciliation. As with other activities, additional guidance on reconciliation frequency would be helpful, and would mirror our comments above.

Question 7: Do you agree with our proposals on decentralised finance (DeFi)? If not, why not?

19. We support the FCA's activity-based approach to decentralised finance and the intention to regulate where there is a clear nexus of control or responsibility. However, we consider that further work is needed to support regulatory capacity-building in this area. This includes clearer perimeter guidance, proportionate supervisory tools, and more structured engagement with industry and professional bodies, to ensure the framework remains effective as DeFi models continue to evolve, which they are doing at pace.