

Cabinet News and Views

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FCA Issues Warning to Cryptoasset Firms



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The FCA has warned cryptoasset firms to get ready for new rules controlling their financial promotions that reach UK residents. Regardless of whether they are operating from the UK or from abroad, cryptoasset providers are going to be required to ensure that promotions are:

- issued by an FCA-authorized firm (the majority of cryptoasset firms are not authorised);
- approved by an FCA-authorized firm that has passed through an FCA “gateway” and has been assessed as suitable to perform the approval process to an appropriately detailed level;
- issued by a cryptoasset firm registered with the FCA for the purposes of supervision under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the “MLRs”) – registration under the MLRs involves fit and proper assessments and reviews of conduct, solvency and past history by the FCA as the supervising authority;
- otherwise exempt under the UK’s Financial Promotion Order.

The FCA is both bringing the universe of cryptoasset promotions under its auspices and making sure that they are regulated in a way that is commensurate with new requirements for promotions relating to “high risk investments” (in force February 2023). These requirements include cooling-off periods, risk warnings and positive friction points along the consumer’s journey, all of which will have to be factored into planning cryptoasset promotions strategies.

Legislation is currently before Parliament to enact these changes, and it is worth noting that not only will the implementation period be shortened to four months,

but the FCA is emphasising the criminal penalties in place for a breach of these new financial promotions requirements.
