

CONDUCT OF BUSINESS (CRYPTOASSET PRODUCTS) INSTRUMENT 2025**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137D (FCA general rules: product intervention);
 - (3) section 137R (Financial promotion rules);
 - (4) section 137T (General supplementary powers);
 - (5) section 139A (Power of the FCA to give guidance);
 - (6) section 213 (The compensation scheme); and
 - (7) section 214 (General).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 8 October 2025.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Conduct of Business sourcebook (COBS)	Annex B
Compensation sourcebook (COMP)	Annex C

Notes

- E. In the Annexes to this instrument, the notes (indicated by “*Editor’s note:*”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Conduct of Business (Cryptoasset Products) Instrument 2025.

By order of the Board
31 July 2025

Annex A

Amendments to the Glossary of Definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

UK RIE cryptoasset exchange traded note a *cryptoasset exchange traded note* which is traded on a *UK RIE*.

non-UK RIE cryptoasset exchange traded note a *cryptoasset exchange traded note* which is traded on:

- (a) a *trading venue* which is not a *UK RIE*; or
- (b) a market operated by an *ROIE*.

Amend the following definitions as shown.

restricted mass market investment any of the following:

- ...
- (e) a *qualifying cryptoasset*;
- (f) a *UK RIE cryptoasset exchange traded note*.

non-mass market investment (1) (except in *COBS 4*, *COBS 10* and *COBS 10A*) either of the following:

- (a) a *non-mainstream pooled investment*;
- (b) a *speculative illiquid security*.

(2) (in *COBS 4*, *COBS 10* and *COBS 10A*) either of the following, provided it is not a *UK RIE cryptoasset exchange traded note*:

- (a) a *non-mainstream pooled investment*;
- (b) a *speculative illiquid security*.

non-readily realisable security (1) (except in *COBS 4*, *COBS 10* and *COBS 10A*) a *security* which is not any of the following:

- ...

(g) [deleted]

(2) (in COBS 4, COBS 10 and COBS 10A) a security which is not any of the following:

(a) a readily realisable security;

(b) a packaged product;

(c) non-mass market investment;

(d) a mutual society share;

(e) a deferred share issued by a credit union;

(f) credit union subordinated debt; or

(g) a UK RIE cryptoasset exchange traded note.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

4 Communicating with clients, including financial promotions

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4.7 Direct offer financial promotions

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Warrants and derivatives

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4.7.6B G *Firms* are reminded of the prohibitions in relation to the marketing, distribution and sale of *cryptoasset derivatives* and ~~*cryptoasset exchange traded notes*~~ *non-UK RIE cryptoasset exchange traded notes* in COBS 22.6.

4.8 Cold calls and other promotions that are not in writing

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Restriction on cold calling

4.8.2 R *A firm* must not make a *cold call* unless:

...

(3) the *cold call* relates to a *controlled activity* to be carried on by an *authorised person* or *exempt person* and the only *controlled investments* involved or which reasonably could be involved are:

- (a) *readily realisable securities* (other than warrants or *UK RIE cryptoasset exchange traded notes*); and
- (b) generally marketable non-geared *packaged products*.

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4.12A Promotion of restricted mass market investments

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Risk warning

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- 4.12A.1 R (1) For the purposes of COBS 4.12A.10R, the *financial promotion*
1 must contain:
- ...
- (d) the following risk warning if the *financial promotion* relates to one or more *qualifying cryptoassets* or UK RIE cryptoasset exchange traded notes:
- ...
- (2) Where the number of characters contained in the risk warning in (1) exceeds the number of characters permitted by a third-party marketing provider:
- (a) the following risk warning must be used if the *financial promotion* relates to one or more *non-readily realisable securities* or *qualifying cryptoassets* or UK RIE cryptoasset exchange traded notes:
- ...
- ...
- ...

Fourth condition: appropriateness

- ...
- 4.12A.2 R (1) The fourth condition applies where the *firm* itself or the *person*
8 who will:
- ...
- (d) transact in a *qualifying cryptoasset*; or
- (e) arrange or deal in relation to a UK RIE cryptoasset exchange traded note,
- ...
- ...

4 Annex Risk summaries
1R

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[Editor's note: The words 'here' and 'high-risk investments' are to appear as underlined wherever they are used in section 9 of COBS 4 Annex 1R.]

...	
8	Risk summary for <i>qualifying cryptoassets</i>
...	
9	<p><u>Risk summary for <i>UK RIE cryptoasset exchange traded notes</i></u></p> <p><u>Estimated reading time: 2 min</u></p> <p><u>Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.</u></p> <p><u>What are the key risks?</u></p> <p><u>1. You could lose all the money you invest</u></p> <ul style="list-style-type: none"> <u>• The performance of most cryptoassets can be highly volatile, with their value dropping as quickly as it can rise. You should be prepared to lose all the money you invest in cryptoasset exchange traded notes.</u> <u>• The cryptoasset market is largely unregulated. There is a risk of losing money due to risks such as cyber-attacks, financial crime and firm failure.</u> <p><u>2. You should not expect to be protected if something goes wrong</u></p> <ul style="list-style-type: none"> <u>• The Financial Services Compensation Scheme (FSCS) doesn't protect this type of investment because it's not a type of investment that the FSCS can protect. Learn more by using the FSCS investment protection checker here. [https://www.fscs.org.uk/check/investment-protection-checker/]</u> <u>• Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance. If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection here. [https://www.financial-ombudsman.org.uk/consumers]</u> <p><u>3. Cryptoasset investments can be complex</u></p> <ul style="list-style-type: none"> <u>• Investments in cryptoasset-linked products can be complex, making it difficult to understand the risks associated with the investment.</u> <u>• You should do your own research before investing. If something sounds too good to be true, it probably is.</u> <p><u>4. Don't put all your eggs in one basket</u></p> <ul style="list-style-type: none"> <u>• Putting all your money into a single type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well.</u> <u>• A good rule of thumb is not to invest more than 10% of your money in high-risk investments. [https://www.fca.org.uk/investsmart/5-questions-ask-you-invest]</u>

<p><u>If you are interested in learning more about how to protect yourself, visit the FCA's website here. [https://www.fca.org.uk/investsmart]</u></p> <p><u>For further information about cryptoassets, visit the FCA's website here. [https://www.fca.org.uk/investsmart/crypto-basics]</u></p>

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4 Annex 5R Restricted investor statement

This Annex belongs to *COBS* 4.12A.22R.

RESTRICTED INVESTOR STATEMENT
<p>Putting all your money into a single business or type of investment is risky. Spreading your money across different investments makes you less dependent on any one to do well.</p> <p>You should not invest more than 10% of your net assets in high-risk investments. Doing so could expose you to significant losses.</p> <p>For the purposes of this statement, net assets do NOT include: your home (primary residence), your pension (or any pension withdrawals) or any rights under qualifying contracts of insurance.</p> <p>For the purposes of this statement high-risk investments are: peer-to-peer (P2P) loans; investment based crowdfunding; units in a long-term asset fund; cryptoassets (such as bitcoin); <u>cryptoasset exchange traded notes</u>; and unlisted debt and equity (such as in companies not listed on an exchange like the London Stock Exchange).</p>
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10 Appropriateness (for non-advised services) (non-MiFID and non-insurance based investment products provisions)

10.1 Application

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- 10.1.2 R (1) This chapter applies to a *firm* which:
- (a) arranges or deals in relation to a:
- ...
- (iv) *warrant*; ~~or~~

- (v) *unit in a long-term asset fund;* or
- (vi) a UK RIE cryptoasset exchange traded note,

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10.2 Assessing appropriateness: the obligations

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Restricted mass market investments

- 10.2.9 G (1) When determining whether a *client* has the necessary knowledge to understand the risks involved in relation to a *restricted mass market investment*, a *firm* should consider asking the *client* questions that cover, at least, the matters in:

...

- (m) *COBS 10 Annex 3G in relation to units in a long-term asset fund;* ~~or~~
- (n) *COBS 10 Annex 4G in relation to qualifying cryptoassets;* or
- (o) *COBS 10 Annex 5G in relation to UK RIE cryptoasset exchange traded notes.*

...

Insert the following new Annex, COBS 10 Annex 5G, after COBS 10 Annex 4 (Assessing appropriateness: qualifying cryptoassets). All the text is new and is not underlined.

10 Annex 5 Assessing appropriateness: UK RIE cryptoasset exchange traded notes

- 10 Annex 5.1 G This Annex belongs to *COBS 10.2.9G(1)(o)*.

- 10 Annex 5.2 G When determining whether a *retail client* has the necessary knowledge to understand the risks involved in relation to a *UK RIE cryptoasset exchange traded note*, a *firm* should consider asking the *client* questions that cover, at least, the matters in *COBS 10 Annex 5.3G(1) to (12)*.

10 Annex 5.3 G *Firms* may need to ask additional or alternative questions to ensure that the retail client has the necessary knowledge to understand the risks involved in relation to the specific type of *UK RIE cryptoasset exchange traded note* offered.

The matters are:

- (1) the role of the business offering or marketing the *UK RIE cryptoasset exchange traded note* (the business) and the scope of its services, including what the business does and does not do on behalf of *clients*, such as what due diligence is and is not undertaken by the business on any underlying investments;
- (2) the nature of the *client's* contractual relationship with the *issuer* and any underlying beneficiaries of the investment;
- (3) the role of the *issuer* (including its role in assessing and making underlying investments);
- (4) that the *client* can lose all of the money that they invest in *UK RIE cryptoasset exchange traded notes*;
- (5) the potential complexity of investments in *UK RIE cryptoasset exchange traded notes* and the associated difficulty of understanding the risks of the investment;
- (6) that the performance of many *UK RIE cryptoasset exchange traded notes* can be highly volatile and that the value of an investment linked to cryptoassets can fall as quickly as it can rise;
- (7) the risk of losing money as a result of operational risks (such as through cyber-attacks, loss of private keys, comingling of funds) or financial crime;
- (8) the risk to any management and administration of the *client's* investment in the event of the business becoming insolvent or otherwise failing;
- (9) the extent to which the protection of the *Financial Ombudsman Service* or *FSCS* applies to the investment activity (including the fact that these services might not be available and do not protect investors against poor investment performance);
- (10) the benefits of diversification and that *retail clients* should not generally invest more than 10% of their net assets in *restricted mass market investments*;
- (11) in respect of the *UK RIE cryptoasset exchange traded note*:
 - (a) the *client's* exposure to the credit risk of the *issuer*;

- (b) that returns may vary over time; and
- (12) where an investment in a *UK RIE cryptoasset exchange traded note* is, or is to be, *arranged* by a *firm*:
 - (a) the nature of the *client's* contractual relationships with the *firm*;
 - (b) the role of the *firm* and the scope of the service it provides to *clients* (including the extent of the due diligence that the *firm* undertakes in relation to the securities that it distributes); and
 - (c) the risk to any management and administration of the *client's* investment in the event of the *firm* becoming insolvent or otherwise failing.

Amend the following as shown.

10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

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10A.2 Assessing appropriateness: the obligations

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Restricted mass market investments

- 10A.2.11 G When determining whether a *client* has the necessary knowledge to understand the risks involved in relation to a *restricted mass market investment*, a *firm* should consider asking the *client* questions that cover, at least, the matters in COBS 10 Annex 1G in relation to *non-readily realisable securities* or COBS 10 Annex 5G in relation to *UK RIE cryptoasset exchange traded notes*.

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22 Restrictions on the distribution of certain complex investment products

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22.6 Prohibition on the retail marketing, distribution and sale of cryptoasset derivatives and cryptoasset exchange traded notes

Application

- 22.6.1 R This section applies to:

- (1) *MiFID investment firms, with the exception of collective portfolio management investment firms;*
- (2) *branches of third country investment firms*
- (3) *MiFID optional exemption firms; and*
- (4) *TP firms which are EEA MiFID investment firms with the exception of collective portfolio management investment firms,*

in relation to the marketing, distribution or sale of *cryptoasset derivatives* and ~~*cryptoasset exchange traded notes*~~ *non-UK RIE cryptoasset exchange traded notes* in or from the *United Kingdom* to a *retail client*.

...

Prohibitions

- 22.6.5 R (1) A *firm* or *TP firm* must not:
- (a) sell a *cryptoasset derivative* or a ~~*cryptoasset exchange traded note*~~ *non-UK RIE cryptoasset exchange traded note* to a *retail client*; or
 - (b) distribute a *cryptoasset derivative* or a ~~*cryptoasset exchange traded note*~~ *non-UK RIE cryptoasset exchange traded note* to a *retail client*; or
 - (c) market a *cryptoasset derivative* or a ~~*cryptoasset exchange traded note*~~ *non-UK RIE cryptoasset exchange traded note* if the marketing is addressed to or disseminated in such a way that it is likely to be received by a *retail client*.
- (2) “Marketing” includes, but is not limited to, *communicating* and/or *approving financial promotions*.

Annex C

Amendments to the Compensation sourcebook (COMP)

In this Annex, underlining indicates new text.

5 Protected claims

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5.5 Protected investment business

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Advising without a personal recommendation

5.5.4 R ...

Claims relating to cryptoasset exchange traded notes

5.5.5 R This section does not apply in respect of a claim relating to *protected investment business* to the extent that it involves any assets or products backed by or secured by cryptoassets, including *UK RIE cryptoasset exchange traded notes* and *non-UK RIE cryptoasset exchange traded notes*.