

Seminar programme 2026



- Thank you for joining today's '**New UK crypto regime: proposed prudential regime and application of the FCA handbook**' seminar. We will begin shortly.
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New UK crypto regime:

Proposed prudential regime and application of the FCA handbook

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Agenda

01 Brief background

02 New UK crypto prudential regime and CP 25/42

03 Application of the FCA Handbook to regulated
cryptoasset activities

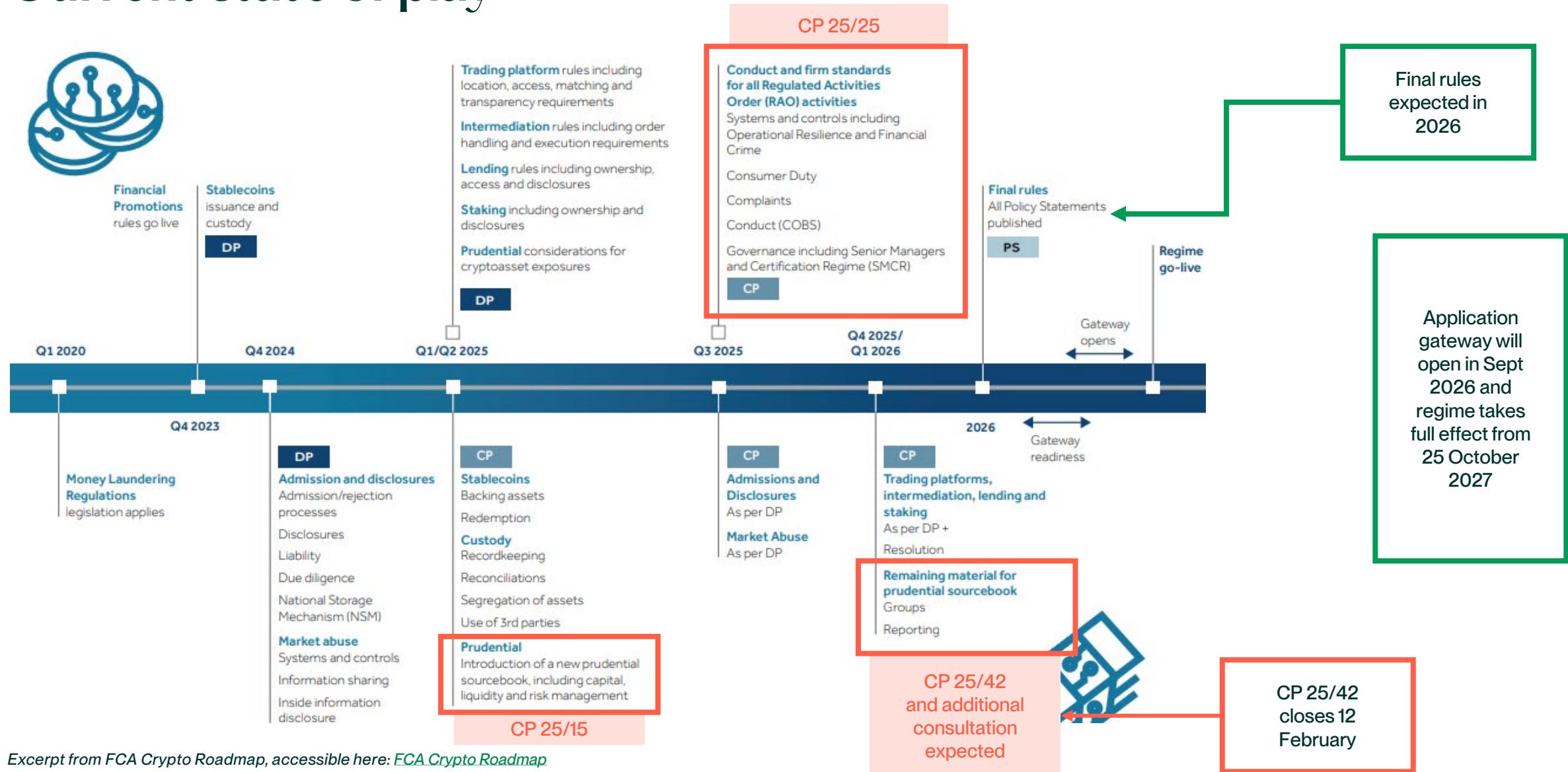


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Background



Current state of play



New prudential regime



New prudential regime

KEY POINTS

01 CP 25/42 **extends** CP 25/15 to cover **operating a qualifying cryptoasset trading platform, staking, arranging deals, and dealing as agent or principal**

02 Approach is **aligned with MiFIDPRU** to minimise duplication for firms performing both MiFID and cryptoasset activities

03 Two new sourcebooks:

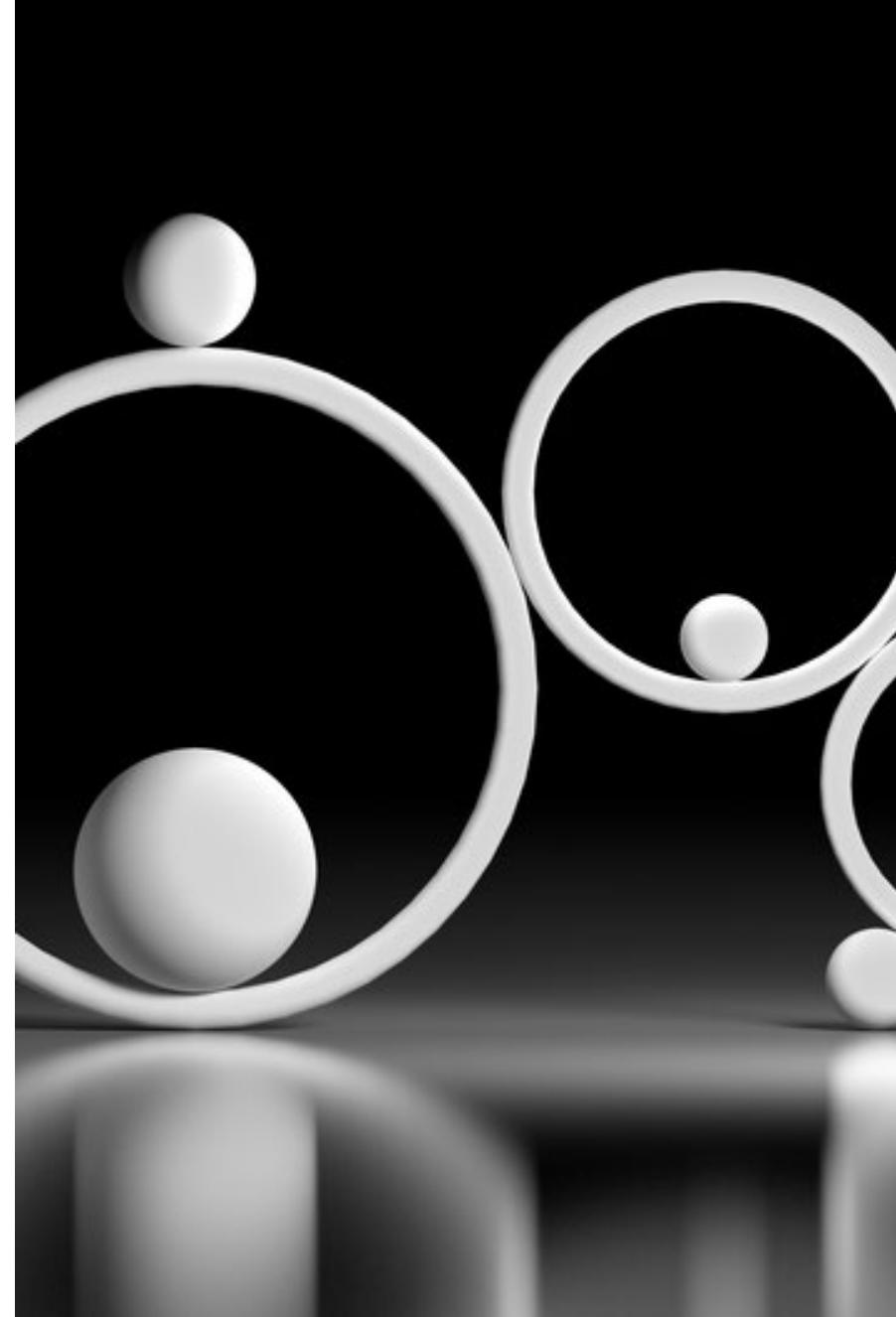
- **COREPRU** – foundations for all firms prudentially regulated by the FCA
- **CRYPTOPRU** – crypto sector specific rules

04 Proposed rules do **not** apply to firms subject to prudential regulation by the PRA*

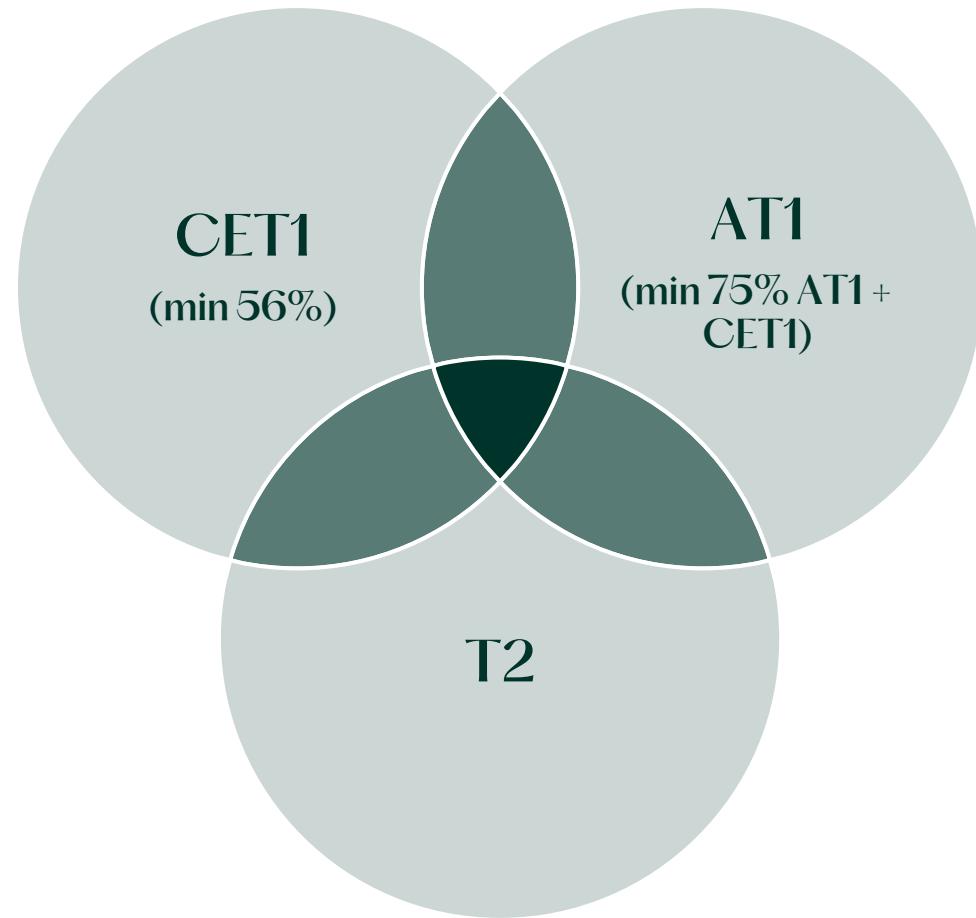
05 Potentially significant **capital costs**, with particularly conservative treatment applied to retail cryptoasset lending and trading book positions in 'category B' cryptoassets

06 Scope for firms to structure operations to **minimise prudential drag**

*NB The PRA's implementation of Basel standards for the treatment of cryptoasset exposures remains uncertain.



Definition and mix of capital



Regulatory capital requirements

Applied on the basis of the highest of the **permanent minimum requirement (PMR)**, **fixed overheads requirement (FOR)** and **K-factor requirement**



- ◆ Permanent minimum requirement depends on category of firm



- ◆ Based on $\frac{1}{4}$ fixed overheads, i.e.:

$$\frac{\text{total expenditure} - \text{variable costs}}{4}$$

4



- ◆ Applicable K-factors depends on activities undertaken
- ◆ The K-factor requirement is the sum of all applicable K-factors

Plus: **own funds threshold requirement**, set at the higher of the amount of its **own funds requirement** and the **total own funds necessary to fund its ongoing business operations**, taking into account potential periods of financial stress during the economic cycle, or own funds as necessary to wind-down without causing material harm.

Proposed permanent minimum requirements

Category of firm	Permanent minimum requirement
A firm with permission for dealing in qualifying cryptoassets as principal	£750,000
A firm with permission for issuing qualifying stablecoin	£350,000
A firm with permission for safeguarding qualifying cryptoassets and relevant specified investment cryptoassets	£150,000
A firm with permission for arranging qualifying cryptoasset staking	£150,000
A firm with permission for operating a qualifying CATP	£150,000
A firm with permission for dealing in qualifying cryptoassets as agent	£75,000
A firm with permission for arranging deals in qualifying cryptoassets	£75,000

Extract from proposed permanent minimum requirements at CRYPTOPRU 4.2.1R (CP 25/42)

Proposed K-factors

Operational K-factors capturing business volume risk

Exposure K-factors capturing position and counterparty risk in the trading book

K-factor	Description	Requirement
K-SII	Stablecoins in issuance	2% of average qualifying stablecoin in issuance
K-QCS	Cryptoassets in custody	0.04% of safeguarded cryptoassets
K-CCO	Client cryptoasset orders handled	0.1% of average client cryptoasset orders
K-CTF	Cryptoasset trading flow	0.1% of average cryptoasset trading flow
K-CCS	Cryptoassets staked	0.04% of average cryptoassets staked
K-NCP	Net trading book cryptoasset position	40% of net exposure value for category A cryptoassets 100% of net exposure value for category B cryptoassets
K-CCD	Counterparty credit default risk	Calculated by multiplying the exposure value by the risk factor based on counterparty type, and multiplying by a scalar of 1.2
K-CON	Concentrated exposures	Calculated using an exposure-based calculation with a multiplying factor applied, and subject to a concentration risk soft limit

Liquidity

BASIC LIQUID ASSETS REQUIREMENT (BLAR)

Firms subject to CRYPTOPRU

- Requirement to hold an amount of liquid assets
- Amount is at least equal to the sum of:
 - 1/3 of the amount of the FOR plus
 - 1.6% of the total amount of guarantees provided to clients
- Can be met using:
 - Coins and banknotes / Short-term deposits
 - UK government securities / Units or shares in certain MMFs



ISSUER LIQUID ASSETS REQUIREMENT (ILAR)

Qualifying stablecoin issuers only

- Separate requirement to hold on-demand deposits to cover potential shortfalls in value of stablecoin backing assets
- Calculated on the basis of the sum of **relevant charges**
 - Maturity bands
 - “Level” of asset (regime provides for 3 levels)
 - Coupon % (for levels 1 and 2 only)
- If a firm issues multiple stablecoins, ILAR must be calculated for each qualifying stablecoin

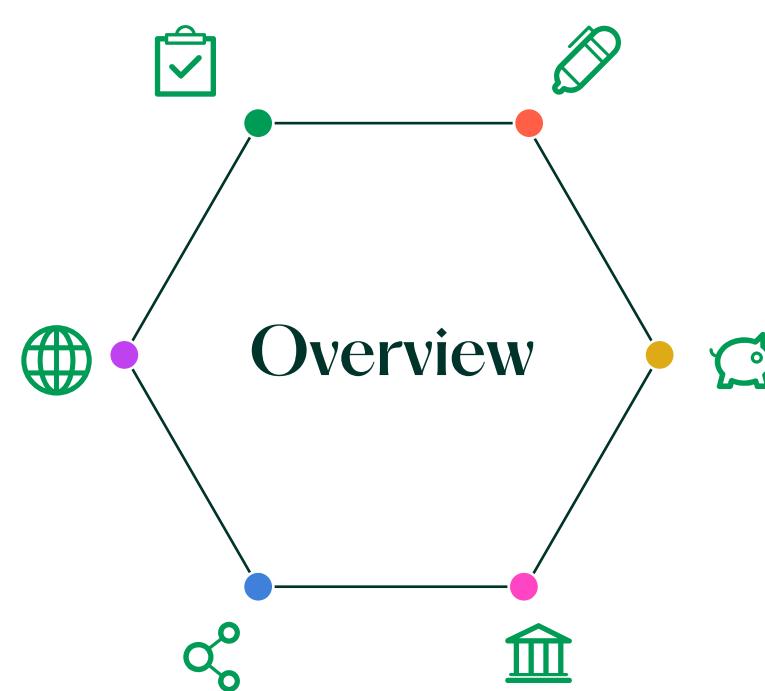
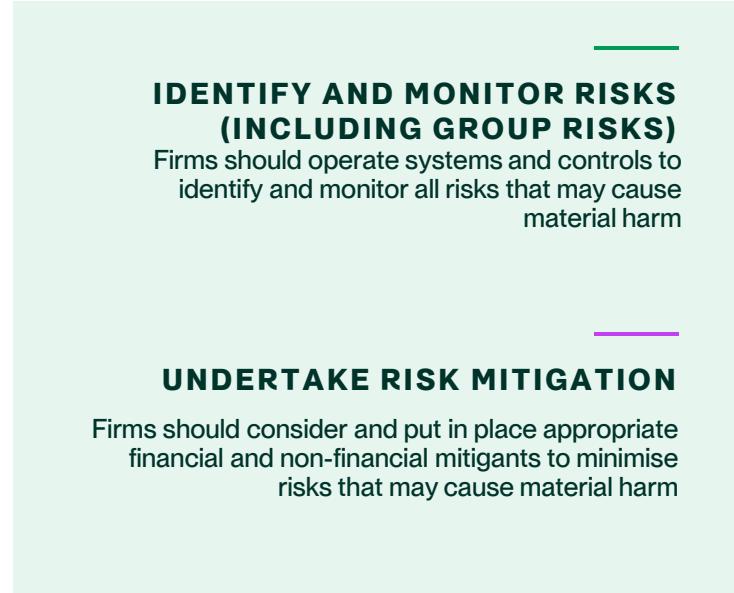


LIQUID ASSETS THRESHOLD REQUIREMENT

The sum of the basic liquid assets requirement, issuer liquidity asset requirement (where applicable), and the higher of:

- the amount of liquid assets the firm requires to fund ongoing operations, taking into account potential periods of financial stress
- the additional liquid assets required to begin its wind-down without causing material harm

Overall risk assessment



+ EVIDENCE COMPLIANCE WITH THE OVERALL FINANCIAL ADEQUACY RULE

RECOVERY ACTION PLANNING

Firms should determine appropriate and credible recovery actions to restore own funds or liquid resources where there is a risk of breaching threshold requirements

WIND-DOWN PLANNING

Firms should set out a credible wind-down plan, including timelines and triggers for when and how to execute the plan and an assessment of the amount of own funds and liquid assets required

ADEQUACY OF OWN FUNDS AND LIQUIDITY REQUIREMENTS

Firms should assess the adequacy of own funds and liquidity requirements where risks are not adequately mitigated through systems and controls

Public disclosure regime – *proposals*

- ◆ **Annual disclosures** covering risk management statements, own funds composition and features, own funds requirements with disaggregated K-factors and group arrangements
- ◆ **Clear, accessible, comparable disclosures**, ordinarily on the firm's website, updated more frequently upon material business changes
- ◆ **Proportionality in qualitative detail**, with enhanced ultimate parent disclosures where the firm deals as principal



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Application of the FCA handbook to regulated cryptoasset activities



Proposed Application of FCA Handbook

FCA Handbook Reference	Application / Modifications
PRIN (Principles for Businesses)	<ul style="list-style-type: none"> • Disapply Principles 6 and 9 for CATP services to professional clients. • Disapply Principles 1, 2, 6 and 9 for transactions concluded between platform members under the CATP's rules. • Principle 12 (Consumer Duty) not applied in this CP; later consultation will address the Duty for cryptoasset activities.
COND (Threshold Conditions)	Direct application with no modifications.
GEN (General Provisions)	Direct application with no modifications.
SUP (Supervision Manual)	<ul style="list-style-type: none"> • SUP 2 (Information gathering by FCA) • SUP 3 (Auditors) • SUP 5 (Reports by skilled persons) • SUP 6 (Applications to vary and cancel Part 4A permissions) • SUP 7 (Individual Requirements) • SUP 8 (Waiver and modification of rules) • SUP 9 (Individual Guidance) • SUP 15 (Notifications to FCA) • SUP 16 (reporting) to follow in future CPs. • Notification matrix in SUP 15 to apply.
SYSC (Senior Management Arrangements, Systems and Controls)	<ul style="list-style-type: none"> • SYSC 1 (Application / Purpose) • SYSC 4 (General Organisation Requirements) • SYSC 5 (Employees, agents and other relevant persons) • SYSC 6 (Compliance, internal audit and financial crime) • SYSC 7 (Risk control) • SYSC 8 (Outsourcing) - the use of permissionless DLTs should not be treated as an outsourcing arrangement. • SYSC 9 (Record-keeping) • SYSC 10 (Conflicts of interest) • SYSC 18 (Whistleblowing) • SYSC 15A (Operational Resilience) - to cover all cryptoasset firms even if they would not fall within its traditional scope.

Proposed Application of FCA Handbook

FCA Handbook Reference	Application / Modifications
Senior Managers & Certification Regime (SYSC 22–27; SUP 10C; COCON; FIT)	<p>Applies with no modification:</p> <ul style="list-style-type: none">• SYSC 22 (Regulatory references)• SYSC 23 (SMCR: Intro and classification)• SYSC 24 (SMCR: Allocation of prescribed responsibilities)• SYSC 25 (SMCR: Management responsibilities maps and handover procedures and material)• SYSC 26 (SMCR: Overall and local responsibility)• SYSC 27 (SMCR: Certification regime)• SUP 10C (FCA senior managers regime for approved persons in SMCR firms)• COCON (Code of Conduct)• FIT (Fit and Proper test for Employees and Senior Personnel)
Financial Crime (SYSC 6; Financial Crime Guide and the Financial Crime Thematic Reviews)	<p>Applies with no modification:</p> <ul style="list-style-type: none">• SYSC 6.1.1 R (Adequate policy and procedures)• SYSC 6.3.1 R (Financial Crime – systems and controls)• SYSC 6.3.3 R (Financial Crime – systems and controls assessments)• SYSC 6.3.8 R (Financial Crime – senior manager responsibility)• SYSC 6.3.9 R (Financial Crime – Money Laundering Reporting Officer) <p>Also applies the guidance contained in the Financial Crime Guide and the Financial Crime Thematic Reviews to cryptoasset firms, so they have practical help and information on actions they can take to counter financial crime risks.</p>
ESG Sourcebook	<ul style="list-style-type: none">• Applies as it does to FSMA-authorised firms with no modifications.• The anti-greenwashing rule (ESG 4.3.1R) applies broadly to all FSMA-authorised firms and requires that sustainability claims must be fair, clear and not misleading.

Proposed Application of FCA Handbook

FCA Handbook Reference	Application / Modifications
COBS (Conduct of Business) <i>Discussion only – no draft rules yet</i>	<p>Applies generally with no modification:</p> <ul style="list-style-type: none"> COBS 1.1/1.2 and Annex 1 (Application) – carve out for transactions between CATPs and professional clients COBS 2.1/2.2/2.3/2.4/2.5 (General COBS obligations, including inducements rules) COBS 4 (Communications & Financial Promotions) – possible exclusion of RMMI status for UK issued-stablecoins. COBS 6.1 only (Information about the firm) COBS 10 (Appropriateness) + amends Annex 4G COBS 16.1/16.4 (Reporting to clients) <p>Applies with plans for future consultation:</p> <ul style="list-style-type: none"> COBS 3 (Client categorisation) - except COBS 3.7; application subject to further consultation. COBS 8 (Client agreements) – possible obligation to notify clients of material changes to information given. COBS 11.7 (Personal account dealing) COBS 13 & 14 (Product information)
PROD (Product Intervention and Product Governance) <i>Discussion only – no draft rules yet</i>	Considering not applying PROD, nor designing a new chapter in PROD for crypto firms in favour of reliance on the Consumer Duty (remains subject to consultation).
Glossary (including “designated investment business”, “qualifying cryptoasset”, “qualifying stablecoin”, “customer”, “proprietary trading”)	<ul style="list-style-type: none"> Amends “designated investment business” to include cryptoasset activities enabling the application of CASS 7 client money rules where fiat is held in connection with crypto activities (e.g. on/off ramping, settlement flows). Adds/aligns definitions for qualifying cryptoasset/stablecoin and crypto activities. Widens “proprietary trading” to cover dealing in qualifying cryptoassets as principal, issuing qualifying stablecoin, and parts of operating a CATP.

Proposed Application of FCA Handbook

FCA Handbook Reference	Application / Modifications
CRYPTOPRU Sourcebook	<ul style="list-style-type: none">• CRYPTOPRU 1 (Application)• CRYPTOPRU 2 (Overall financial adequacy)• CRYPTOPRU 3 (Own funds)• CRYPTOPRU 4 (Own funds requirements)• CRYPTOPRU 5 (Concentration risk)• CRYPTOPRU 6 (Basic liquid assets requirement)• CRYPTOPRU 7 (Overall risk assessment)• CRYPTOPRU 8 (Disclosure)
CRYPTO Sourcebook	<ul style="list-style-type: none">• CRYPTO 2 (Stablecoins)• CRYPTO 3 (Admission of qualifying cryptoassets to trading on a UK QCATP and offers to the public of qualifying cryptoassets admitted to trading)• CRYPTO 4 (Cryptoasset market abuse)• CRYPTO 5 (Execution and orders) – i.e. best execution and order handling requirements (similar to COBS 11.2A).• CRYPTO 6 (Cryptoasset trading platforms)• CRYPTO 7 (Transparency)• CRYPTO 8 (Record keeping and reporting: client orders and transactions)• CRYPTO 9 (Cryptoasset lending and borrowing)• CRYPTO 10 (Qualifying cryptoasset staking)

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