



payments and crypto network

FCA Cryptoasset registrations

Guide 2: Preparing an application for FCA cryptoasset registration

Guidance is provided for firms and is not intended as legal advice.

The FCA are the anti-money laundering (“AML”) and counter-terrorist financing (“CTF”) supervisor of UK cryptoasset businesses under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (“MLR”). Firms proposing to conduct cryptoasset activities in the UK must register with the FCA beforehand.

An Electronic Money Institution (“EMI”) or Payment Institution (“PI”) wishing to undertake cryptoasset activities in the UK will need to register with the FCA as a cryptoasset business. A cryptoasset application for registration can draw upon materials already prepared for an EMI / PI application for authorisation since there is a degree of overlap in the information that is required.

This guide provides an overview of the application process and content.

Application process

The application process is focused on the completion of an online application, completed and submitted in the FCA’s online system, “Connect”, and payment of a registration fee (at the time of writing £2,000 for businesses with a cryptoasset income of up to £250,000 and £10,000 for businesses with a cryptoasset income of greater than £250,000).

As with all applications, the FCA will likely ask for additional information whilst performing their assessment. Any work that can be done post-submission in order to develop the arrangements, procedures, documentation and resources of the business will stand the applicant firm in good stead, i.e. the ability to respond quickly to questions that will be raised by the FCA and thereby not unduly delay the registration timeline.

The FCA state that once they have all the information they need, they have up to 3 months to assess the application. The devil in the detail is in the wording “*all the information they need*”. By asking for further information (or even raising a question) the FCA can keep the clock ticking and extend the timeline as they wish (up to 12 months).

If you are considering submitting an application for cryptoasset registration, it would be advisable to first take a look at the application section of the FCA’s website to understand the information required to be submitted as well as their feedback on “*good and poor-quality applications*”, see: **Cryptoasset registration: Guide 3 - FCA Feedback on applications**.



The first cryptoasset guide describes the basis for which an application for registration may be required, e.g. presence in the UK or serving UK customers, see: **Cryptoasset registration: Guide 1 – Requirement to register**. It will be critical to the success of the application to establish (i) the services that are going to be provided and therefore require registration, and (ii) the basis for providing services in the UK (and therefore justifying a UK application).

Application content overview

The information that is required to be submitted, as part of an application for cryptoasset registration, is described below. In completing the application content in the FCA's Connect system the following sections will need to be addressed:

- **Application contact details** – contact person's name, email, address and telephone number.
- **Firm details** – details of the applicant firm, including company name (or individual's name if sole trader or partnership), company number, incorporation date, registered office and head office addresses (which might be the same). Legal entities will have their details checked against Companies House records as part of the process to complete the application (you will therefore need to incorporate the applicant entity in advance of submitting the application). Details of the contact person for complaints (to be published on the Financial Services Register), detail of any professional advisors, trading names and membership of any trade associations.
- **Programme of operations** – indicate via tick boxes which cryptoasset activities the applicant wishes to undertake and provide a description of those activities, including expected transaction volumes and values. Information on the history of the firm, including whether the applicant has ever had a licence / registration revoked by a regulator or government body (in the UK or overseas) or if the applicant has decided not to proceed with a regulatory application. *Note: it is usually best to incorporate a new (and therefore 'clean') entity for the purposes of a regulatory application.*
- **Cryptoasset supplement** – this section requires submission of a "Regulatory Business Plan" detailing information including a marketing plan, three-year financial forecast, a list of all of the cryptoasset public keys/wallet addresses and a corporate structure chart.
- **Individuals, Beneficial Owners and Close Links** – Details of the Individuals (i.e. directors and senior managers), Beneficial Owners (i.e. the ultimate owners who owns 25% or more) and Close Links (to be listed in the application). These key individuals and ultimate Beneficial Owners will need to provide information to be completed in the FCA's Connect system (including, details of the Individual, address history, employment history, and fitness and propriety information).

Application content details

The Regulatory Business Plan ("RBP") collates a significant amount of information that is required in an application and will form the centrepiece of the application package. Preparing the RBP will take time but will also deliver operational value to the business (e.g. it will provoke and clarify thinking in many different areas).

For more information on the process of preparing an RBP you could refer to our separate **Applications for Authorisation: Guide 11 - Preparing a Regulatory Business Plan**.



The information required to be included in an application, i.e. in the sections identified above, could be collated in the RBP:

- **Programme of operations:** setting out the specific cryptoasset activities. This involves completion of ‘tick boxes’ in the FCA’s Connect system – see screenshot in Annex I. Additionally, applicants should prepare a service description for inclusion in the RBP that describes the intended services and maps them to the six specific cryptoasset activities (as detailed in ***Cryptoasset Registration Guide 1 - Requirement to register***), as well as to help the FCA understand the proposed services, which should include:
 - A flow of funds and customer journey diagram - this diagram should also include any dependencies on linked group entities or other third-parties
 - A narrative describing how you have determined that business is carried on in the UK; and
 - An explanation of how the proposed cryptoasset services will be used.

Also required are a copy of the Articles of Association (unless the applicant is a sole trader or partnership) and an estimate of the annual income for cryptoassets activities during the first year of registration (required as the basis for calculating the FCA’s periodic fees).

- **Business Plan:** setting out the business model and its objectives, customers (the FCA will be particularly interested in whether the cryptoasset services will be offered to retail customers, i.e. consumers), employee / staffing arrangements, governance, plans and financial projections. This section of the RBP should provide enough detail to show that the application has been carefully thought through and that the adequacy of financial and non-financial resources has been considered. Include sections on:
 - **Marketing plan:** including a description of customers, distribution channels and jurisdictions in which the business will operate. A full ‘marketing plan’ is not required, rather a few pages of descriptions should suffice in order to provide context to the application.
 - **A financial forecast:** for the first three financial years will need to be submitted together with details of the assumptions underlying the forecast, including details on the volume and value of transactions, number and type of clients, pricing and the main lines of income and expenses. The financial forecast will need to demonstrate that the applicant is able to employ “*appropriate and proportionate systems, resources and procedures to allow it to operate soundly*”. The financial forecast should include:
 - An income statement and balance sheet forecast, including target scenarios and stress scenarios as well as base case assumptions (such as volume and value of transactions, number and type of clients, pricing, average amount per transaction and expected increase in profitability threshold)
 - an explanation of the main lines of income and expenses, the financial debts and the capital assets; and
 - a diagram and detailed breakdown of the estimated financial flows for the next three years.

Details of the number of clients in relation to cryptoasset activities is also required, (i) at registration, and (ii) 12 months after registration.



- **Staff organisation:** a detailed organisation chart should be included to show each business function / department, the roles overseeing them and the names of the persons responsible for performing each role. Descriptions of the responsibilities of each business function and role should also be included. An overall forecast of the staff numbers for the next three financial years will also need to be prepared (and obviously included in the financial forecast).

Also provide the Complaint Contact Person's Details for the Financial Services Register - Contact name and email will be published (so you should check with the relevant person that their details are ok to publish).

- **Structural organisation:** a description of how the business is structured and organised covering ownership / group structure (including a corporate structure chart) and a description of relevant outsourcing arrangements:

- **Ownership / group structure:** a corporate structure chart including names and percentages of shareholding held by all the shareholders with at least 25% ownership of the applicant entity (either direct or indirect shareholdings / control).
- **Outsourcing arrangements:** a description of relevant operational outsourcing arrangements, including: a description of the outsourced activities and their main characteristics, the identity and geographical location of the outsourcing provider, and the roles (and persons) within the applicant that will be responsible for oversight of the outsourced activities. A description of the way outsourced functions are monitored and controlled (as part of the internal control environment) including the maintenance and operation of an Outsourcing Policy, should also be included, see ***Applications for Authorisation: Guide 5 - Outsourcing arrangements.***

Copies of the outsourcing contracts (these may be draft) put in place with service providers to govern the delivery of the outsourced functions are required to be submitted.

- Where applicable, a description of the use of agents and distributors must also be provided.
- **Individuals, beneficial owners and Close Links:**
 - **Directors and senior managers:** any persons who are, or will be, responsible for the management of the applicant, must satisfy the FCA that they have a good reputation, and have the appropriate knowledge and experience to act in this capacity. Applicants must therefore submit Money Laundering Reporting ("MLR") Individual forms for all directors and relevant senior managers. The MLR Individual Form requires personal details, address history, employment history, and declarations relating to civil, criminal and administrative matters and is completed online in the FCA's Connect system.
 - **Beneficial owners:** Details of any Beneficial Owners (name, percentage of shares or voting rights in the applicant firm and, if applicable, the parent. MLR Individual information will need to be completed in the FCA Connect System for each ultimate Beneficial Owner.
 - **Close Links:** a list of all natural or legal persons that have a 'Close Link' with the applicant, indicating their identity and the nature of those links.
- **Governance arrangements and internal control mechanisms:** applicants will need to provide details of their governance and risk management arrangements. These



descriptions should be reasonably detailed in order to provide insight into the arrangements to be operated by the applicant. This section of the RBP should include:

- **Governance arrangements:** the composition of the Board (i.e. the management body) for corporate entities, Board responsibilities, oversight of the business, reporting lines to the Board, the frequency of Board meetings and scope of management information provided to the Board will all need to be described. If applicable, Board-level Committees and arrangements for reporting to the within a corporate group should also be described.
- **Risk management arrangements:** describing the management of enterprise-wide risks, including a mapping of the risks identified by the applicant (i.e. a table describing the type of risks and the mitigating controls that will be put in place to address them – this could be prepared on a risk category by risk category basis). A business-wide Risk Register should be prepared in order to focus thinking on the risks that exist within the business (and proposed activities) and how they will be managed. Note the financial crime risk assessment, as detailed below, would form part of the enterprise-wide risk environment.

Descriptions of the risk management arrangements should include responsibilities for risk management (in the context of the three-lines of defence model), the processes for recording, assessing, managing and reporting risks. Given the nature of the application there should be good coverage of risks related to the cryptoasset services.

- **Internal control arrangements:** provide a description of the different procedures that will be operated to carry out periodic and permanent controls, the frequency of control activities, the human resources allocated and the identity of the staff responsible for the various internal control functions (which should include compliance, risk, financial and administrative controls). Make sure that these descriptions align with the staff organization chart.

You will need to provide an up-to-date curriculum vitae and complete the MLR Individual information in the FCA's Connect system for each of these key individuals.

If applicable, a description of the way any agents and distributors are monitored and controlled.

The descriptions should reference supporting documents that will need to be drafted for use by the applicant (and which may be requested by the FCA during their assessment of the application), for example a Risk Register, Compliance Manual, AML Manual and Compliance Monitoring Programme. Preparing these documents in parallel to preparing the actual application always benefits the quality of the application content and will yield operational value to the business. See these guides for further details on their development:

- ⇒ ***Risk Management Arrangements: Guide 3 - Building a Risk Register***
- ⇒ ***Compliance Arrangements: Guide 2 - Developing a Compliance Manual***
- ⇒ ***Compliance Arrangements: Guide 3 - Building a Compliance Monitoring Programme***

- **Anti-Money Laundering / Counter Terrorist Finance framework and risk assessment:** If there is suitable policy document the FCA suggest that this could instead be provided, however, it would most likely be best to provide detailed



descriptions of the following areas and keep policy documents for provision to the FCA if specifically requested. The descriptions in the of the AML / CTF framework should include:

- A description of the internal controls in place to identify, assess and manage the money laundering and counter terrorist financing risks relevant to the business.
 - This must include the risks associated with the applicant firm's customer base, the products and services provided, the transactions, the delivery channels used and the geographic areas of operation. A financial crime risk assessment will need to be performed in order to inform the descriptions of financial crime risks and as the basis for the development of the risk based financial crime controls.
 - The description should explain the methodology for how AML / CTF risks will be identified, assessed and mitigated (this methodology should be consistent with the enterprise-wide risk management framework described above).
- The measures the applicant firm has or will put in place to mitigate the risks of non-compliance with applicable AML / CTF obligations, including:
 - The firm's risk assessment process
 - The policies and procedures to comply with customer due diligence requirements, including:
 - Enhanced due diligence, both initial and ongoing; and
 - Details of screening tools / processes for sanctions, politically exposed persons and adverse media.
 - The policies and procedures to detect and report suspicious transactions or activities, including:
 - Transaction monitoring procedures - descriptions should cover the arrangements in place for monitoring both fiat currency transactions and cryptoasset transactions, and
 - Suspicious activity reporting - processes for detecting, escalating and reporting suspicious activity.
 - The policies and procedures the firm has in place for monitoring both fiat currency transactions and cryptoasset transactions.
- If applicable, the systems and controls in place (or which will be put in place) to ensure agents comply with applicable financial crime requirements (including where the agent or distributor is located in another country).
- Arrangements in place (or which will be put in place) to ensure that staff, agents and distributors are appropriately trained in AML / CTF matters.
- The identity of the person in charge of ensuring compliance with financial crime obligations. They must provide evidence that their anti-money laundering, counter-terrorism financing and counter-proliferation financing expertise is sufficient to enable them to fulfil this role effectively (see MLRO section below).
- The systems and controls in place (or which will be put in place) to ensure AML / CTF policies and procedures remain up to date, effective and relevant, including:



- The monitoring controls and review procedures operated
- Training arrangements for staff, relevant outsourcing partners and third-parties; and
- Record-keeping procedures.
- The system and controls in place (or which will be put in place) to ensure that the agents and distributors do not expose the applicant to increased money laundering, terrorism financing and proliferation financing risk.
- Description of the anti-money laundering, counter-terrorism financing and counter-proliferation financing manual, i.e. “AML Manual”.
- **IT Systems:** whether the applicant will be using only commercial off the shelf computer packages and / or will use tailor-made systems, details of the key IT systems that are used to run the business, including those in relation to (i) on-chain transaction monitoring software, (ii) cryptoasset AML software, and (iii) other IT systems.
- **Access to national and / or international payment systems:**
 - An indication of the national and / or international payment systems that the applicant will access, if applicable, including details on both the fiat and blockchain systems used and the jurisdictions where bank accounts are held.
 - A list of all cryptoasset public keys / wallet addresses directly associated with the business - all keys directly connected to the internet (hot wallets) and those stored offline (cold wallets).
- **Financial promotions:** details of the financial promotion policy, including a description of the control mechanisms established to ensure that financial and other similar promotions will be appropriately approved. Include details of any previous promotions (i.e. adverts, etc) that have issued or which are planned to be issued in the future.

Money Laundering Reporting Officer

The applicant will need to appoint a Money Laundering Reporting Officer (“MLRO”) as the person responsible for compliance with the MLR, to monitor and manage compliance with policies, procedures and controls relating to money laundering and terrorist financing. The MLRO could, and often does, act as the Nominated Officer under the Proceeds of Crime Act 2002 (a position that is also required).

The role of MLRO will be a key position of responsibility for the operation of internal controls relating to the prevention of financial crime. The role and its associated responsibilities should be described in the application and an AML Individual form submitted as part of the application (as described above) in relation to the individual who will perform the role.

The FCA expect that the individual performing the MLRO role should have a sufficient understanding of cryptoasset-related technologies and be able to demonstrate that they have adequate skills and experience to manage the particular risks from dealing with cryptoassets and the risks from related activities like custody, exchange and initial coin offerings.

The FCA will look carefully at MLROs who are not based in the UK or who have a track record of *“regularly resigning from successful applicants once these applicants are registered or authorised and then joining another new applicant seeking authorisation or registration”*.

The FCA expect that the MLRO will be fully involved in the preparation of the application – recruitment will therefore need to be completed early on in the application process.

Annex I – Screenshot from FCA Connect system showing cryptoasset activities that form the basis for an application for registration

Requested Activity

CryptoAssets

Please select the activities the applicant firm carries out in relation to cryptoassets (Operations listed below relate to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) **Regulations 2017**). Tick all boxes that apply.

Select Regulated Activity

- The exchange of fiat currency for cryptoassets
- Providing custodian wallets for storing cryptoassets on behalf of customers
- The exchange of one cryptoassets for another
- Operating cryptoasset ATMs
- Facilitating the peer-to-peer exchange of cryptoassets
- Participation in Initial Coin Offerings (ICO)

Please provide a description of the cryptoasset activities that the applicant firm intends to provide including details of the expected volume and value of the activities 

