



payments and crypto network

FCA Cryptoasset authorisation: Financial Forecast and Capital Requirements.

A quick-reference guide to building your three-year financial forecast model and preparing your capital requirements for a CASP application.

From narrative to numbers

In Guide 6 ("Preparing your Regulatory Business Plan") we set out in section 5 the financial forecast content that could be included in your RBP. That section essentially focused on providing a narrative on the financial forecast, summary tables to highlight the key numbers and a description of the underlying assumptions. The objective of this RBP section is to provide the reader (the FCA Case Officer allocated to the assessment of the application) with details designed to complement the model itself and thereby facilitate their understanding. This guide takes a more detailed look at the practicalities of building a three-year forecast and a high-level look at the capital requirements that will need to be considered when preparing the forecast.

01

Builds on Guide 6

This guide expands the content in the previous guide "Preparing your Regulatory Business Plan" in three practical stages: preparing the model, building the numbers, and including the output in your RBP.

02

A model, not a spreadsheet

Treat the forecast as a live financial model that gets updated throughout the application preparation process and which supports stress testing and wind-down planning rather than a spreadsheet completed once just before submission.

03

Capital requirements

Covers how the forecast reflects the firm's own funds requirement under CRYPTOPRU — the highest of the Permanent Minimum, Fixed Overheads and K-factor Requirements — and what own funds are actually held throughout the forecast period.

Why this matters: the financial forecast is heavily a cross-referenced part of any application for authorisation. It must align with the RBP narratives, the fee calculations, the FCA financial data template, the capital resources calculation, and the wind-down plan. Getting the model right early and building it / maintaining it during the application preparation will help to build consistency in your application materials as well as inform decision-making.

Preparing the model and seeking engagement

Before focusing on the specific numbers make sure that you get the foundations of the model right: the model's structure, the reporting periods / financial years it covers, and buy-in from the people who will actually supply the inputs. There is no specific format for the structure of the model, although it will need to produce Profit & Loss, Balance Sheet and Cash Flow statements. Working sheets with the assumptions and calculations underpinning the forecast will need to be set out.

- **Build a live model, not a one-off** — construct the forecast in Excel (or similar) as a working model that can be updated throughout the application process, rather than a static spreadsheet finished once and left untouched.
- **Start with a base case** — build a base case model first and start to populate with figures as the application progresses. Keep it updated and once you have a final version (or near final) you can re-save the base case model to create separate versions for stress testing.
- **Set the forecast period** — typically three full financial years from the anticipated date of authorisation. First establish the firm's Accounting Reference Date (ARD), i.e. the date to which its financial statements are made, keeping this consistent with the wider group's ARD (if the applicant is part of one, since this helps your finance team). Then work back from the FCA's typical six-month assessment timeline to decide which year should be your "Year 1".
- **Build in a buffer year** — prepare the model to cover the three required years plus one additional year, as a prudent measure in case the FCA's assessment runs longer than expected.
- **Map the workbook structure** — separate but linked tabs for the P&L, Balance Sheet, Cash Flow, assumptions, workings, etc, so that a single assumption change flows through automatically rather than needing to be entered in several places. This also enables the reader to navigate easily through the spreadsheet. Build it on a monthly basis, not just annually, so it can support both the annual summary tables typically shown in the RBP and the monthly detail required to properly identify any capital or cash shortfalls.
- **Identify contributors** — the model needs input from more than finance alone: commercial and growth assumptions from the business lead, cost assumptions from operations, staffing plans from HR, and compliance and financial crime costs from the compliance function.
- **Reflect group inter-company charges** — if the applicant sits within a group, the forecast may need to reflect inter-company charges or revenues, for example outsourcing recharges from the group, or the group reimbursing the applicant's costs, often on a "cost plus" basis, which can also help the applicant maintain capital.
- **Assign ownership** — a single named owner (typically finance, the CFO, or a founder) responsible for developing the model, resolving conflicting inputs, and maintaining version control.
- **Agree a timetable** — build in enough lead time for iteration. The model rarely survives first contact with the RBP narrative unchanged, so plan for at least one full review cycle before submission.

Building the numbers

With the model structure agreed and contributors identified, this stage covers the mechanics of actually populating the model.

Revenue build

Construct revenue bottom-up from the activities described in the RBP (services, fee structure, development) rather than as a top-down generic growth percentage. Top line figure will need to be traced to assumptions.

Cost build

Cost of sales and Overheads should be modelled, again, based on granular assumptions. Keep generic cost growth assumptions to a minimum and align to RBP narratives.

Headcount plan

A staffing plan by role and start date, linked to the staff organisation chart and job descriptions prepared elsewhere in the RBP, since headcount is usually the single biggest cost driver.

Three statements

Profit and Loss, Balance Sheet, and Cash Flow statements should be fully linked, using clear calculations based on specific assumptions. These three statements will be the first point of reference for financial forecast matters.

Capital and funding

Clear entries regarding how the business is funded through the forecast period (inc. investments) through share capital, share premium and retained earnings (plus other qualifying items where applicable) and how these amounts relate to the calculated requirement.

Assumptions

Clearly defined assumptions (growth rates, launch timing, fee rates, headcount timing, etc.) that underpin all of the calculations performed by the model. Typically it makes sense to collate your assumptions in a dedicated tab in the model.

Stress testing

Once the base case forecast is complete, the model should be re-saved and stress testing performed. Flex the base case assumptions to reflect a defined stress scenario to identify impacts on the forecast, particularly the capital held vs requirement and liquidity.

Sense-check the outputs

Build and review every assumption and output against the two questions the FCA is really asking: will the firm meet its capital requirements, and will it hold enough cash to remain a going concern (able to meet its liabilities as they fall due)? Compare the forecast against the FCA's financial data template and the fee income calculation to catch inconsistencies before submission.

Incorporating into your RBP

The financial forecast does not stand alone and is an integral part of the application package. The RBP should include a section that describes the financial forecast (see Guide 6 — Preparing your CASP RBP), including extract tables of the main statements and assumptions.

- **Narrative summary** — introduce the financial forecast in the RBP, in a dedicated section, with a short narrative explaining the basis of the model and headline outputs, supported by summary tables of the three statements. The level of detail could increase to help explain the assumptions which will need to be quite detailed. The narratives and tables should help the FCA Case Officer understand the basis for the preparation of the model and serve as an initial reference point in case there are queries.
- **Assumptions cross-check** — walk back through the RBP sections (business model, staffing, outsourcing, wind-down, etc) to confirm that the written descriptions are aligned with the assumptions used in the model. Discrepancies between the numbers and the narratives are often highlighted by the FCA during their assessment of applications and do not help to build confidence in the firm.
- **FCA financial data template** — complete this using the same underlying numbers as the model to ensure consistency.
- **Fees** — confirm the fee calculation submitted in the core application is consistent with the projected income in the model.
- **Board approval** — the model should be agreed and approved by the Board. Ideally, with the RBP narrative being written based on the approved model. This approach seems to work best, rather than the other way around.
- **Keep it live** — treat the model as a working document and update it throughout the application process as the underlying assumptions change (e.g. product launch timing, recruitment, partners used, etc.).

Capital requirements under CRYPTOPRU

The FCA's cryptoasset prudential regime CRYPTOPRU, alongside common rules in COREPRU, requires an authorised CASP to hold 'own funds' equal to the highest of three separate tests. This connects to the financial forecasting work — calculations of the own funds requirement and the own funds held should be included in the forecast model.

- **Permanent Minimum Requirement (PMR)** — a fixed base level of capital that depends on the regulated activities the firm holds permission for: £75,000 for arranging or dealing in qualifying cryptoassets as agent, £150,000 for safeguarding cryptoassets, arranging staking or operating a qualifying cryptoasset trading platform, £350,000 for issuing qualifying stablecoins, and £750,000 for dealing in qualifying cryptoassets as principal. Where a firm holds more than one permission, the highest applicable PMR applies.
- **Fixed Overheads Requirement (FOR)** — broadly one quarter of the "relevant expenditure" for the previous year (total expenditure less genuinely discretionary items such as staff bonuses, profit shares and non-recurring costs), taken from the most recent audited financial statements. A firm that does not yet have a full year of audited accounts would typically base this on the relevant expenditure projected in its financial forecast, though the FCA has indicated some flexibility to use unaudited actual figures where available.
- **K-factor Requirement (KFR)** — a set of activity and exposure based charges that scale capital requirements proportionate to the firm's specific risks and potential harms. Key examples include K-SII (a percentage of average qualifying stablecoins in circulation) for issuers, K-QCS (0.04% of safeguarded or staked client cryptoassets) for custodians and staking providers, and charges linked to client order / trading flow and, for principal dealers, net cryptoasset positions (weighted more heavily for volatile or illiquid tokens).

Initial capital vs ongoing own funds: at authorisation, an applicant needs to demonstrate it already holds capital resources meeting at least its Permanent Minimum Requirement, with the FOR and KFR components typically based on the projections in its financial forecast where a full year of audited accounts is not yet available. Once authorised, the FOR and KFR are recalculated on an ongoing basis against actual expenditure and activity — so, unlike the fixed PMR floor, the capital a firm needs to hold typically grows as the business scales. The Board should expect to review and refresh this calculation at least annually, and more often if the forecast or actual activity changes materially.

This sits alongside a liquid assets requirement (broadly a third of the FOR, plus a charge on any guarantees given to clients) and an ongoing firm-wide risk assessment process (similar in spirit to the ICARA used elsewhere in the FCA Handbook) — both outside the scope of this guide.

A practical companion to Section 5 of your RBP

This guide expands on the Financial forecast section of "Preparing your Regulatory Business Plan" (Guide 6 in this series), setting out a practical approach to building the model itself before it's written up in the RBP. It is deliberately high-level and should be read alongside the FCA's own application form guidance and financial data template before you finalise your submission.

Model early, not late

Start the financial model well before the RBP narrative is finalised — the numbers usually shape the story, not the other way round.

Cross-check relentlessly

Every figure in the model should trace back to a written assumption somewhere in the RBP, and every written assumption in the RBP should trace back to the model.

Use the primary sources

Refer to the FCA's own application form guidance and financial data template before finalising your forecast and capital calculations.

Get in touch

If you are preparing a CASP application and want help building your financial forecast or capital requirements, feel free to get in touch!

A starting point for payments and cryptoasset firms

The Payments and Crypto Network (PACNET) is a compliance community for UK payment institutions, electronic money institutions and cryptoasset service providers. This guide is designed as a first point of reference: use it to orient yourself, then go to the FCA's own application form guidance and financial data template for the detail your forecast will need to rest on.

Free guides and articles

Practical breakdowns of regulation and guidance for the CASP regime as it develops, written by compliance professionals for compliance teams. All materials available for download at our website: www.pacnet.info

Search and Quote tools

PACNET is developing tools for finding job opportunities (PACNET Search) and obtaining quotes from service providers (PACNET Quote).

Slack community

400+ compliance professionals discussing compliance matters and opportunities. Sharing information and updates. Join for FREE via the link on our website: www.pacnet.info

The rest of this series

Previously published: The FCA CASP Authorisation Gateway, FCA Cryptoasset authorisation: Published materials, FCA Cryptoasset authorisation: Application of the FCA Handbook, FCA Cryptoasset authorisation: Operational Resilience for CASPs, FCA Cryptoasset authorisation: Application Requirements, and FCA Cryptoasset authorisation: Preparing your Regulatory Business Plan.