



payments and crypto network

FCA Cryptoasset authorisation: Application of the FCA Handbook.

A quick-reference guide to how PS26/13 brings cryptoasset firms into the FCA's core Handbook framework.

Cryptoasset activities become Designated Investment Business

PS26/13, published 30 June 2026, confirms that qualifying cryptoasset activities are now classified as Designated Investment Business under the FCA Handbook. That single change pulls most of the FCA's existing cross-cutting rulebook into scope for CASPs in broadly the same way that it already applies to other FSMA-authorised firms.

Main sourcebooks that apply

- **PRIN** Principles for Businesses
- **COND** Threshold Conditions
- **SYSC** Senior Management Arrangements, Systems and Controls
- **FIT** Fit and Proper test for employees and senior personnel
- **COCON** Code of Conduct
- **SUP** Supervision
- **CASS** Client Assets
- **COBS** Conduct of Business Standards
- **DISP** Dispute Resolution: Complaints

In addition, Consumer Duty, SM&CR, Operational Resilience, and prevention of financial crime requirements all apply.

25 Oct 2027

Deadline

The date full Handbook compliance is expected of every authorised CASP.

Worth reading alongside: the FCA's finalised non Handbook guidance FG26/5 on Consumer Duty and FG26/6 on Operational Resilience which add practical detail for these two areas. See our **FCA Cryptoasset authorisation: Published materials**.

Principles for Businesses (PRIN) and Threshold Conditions (COND)

These two high-level sourcebooks sit above the detailed, activity-specific rules covered in other sourcebooks — one sets the overarching standards of behaviour expected of every FSMA authorised firm (Principles), the other sets the bar for becoming and remaining authorised (Conditions).

APPLIES IN FULL, UNMODIFIED

PRIN — Principles for Businesses

The twelve high-level Principles — covering Integrity; Skill, care and diligence; Management and control; Financial prudence; Market conduct; Customers' interests; Communications with clients; Conflicts of interest; Customer relationships of trust; Clients' assets; Relations with regulators; and Consumer Duty — apply to CASPs exactly as they do to any other FSMA authorised firm.

ASSESSED AT AUTHORISATION, MONITORED ONGOING

COND — Threshold Conditions

Sets the minimum conditions a firm must meet to be authorised and to stay authorised — covering legal status, location of offices, effective supervision, adequate resources, suitability, and a business model appropriate to the firm's proposed activities.

Why it matters early: COND is effectively the FCA's authorisation test — the "ready, willing and organised" standard applied throughout the gateway process is drawn directly from these threshold conditions, making it a natural starting point for your gap analysis.

Consumer Duty

The Consumer Duty applies to cryptoasset firms in the same way it applies elsewhere in FCA-regulated markets, subject to two narrow, activity-based exemptions.

Exemption 1

Platform-to-platform trading

The Duty does not apply to trading between participants of a qualifying cryptoasset trading platform (i.e. the execution of a buy or sell order between two independent users on the platform) since outcomes are driven by market demand / pricing rather than the CASP. The FCA considers the dedicated CRYPTO 6 conduct rules provide equivalent protection for that activity and applying the Duty on top would be disproportionate.

Exemption 2

Public offers and admissions

The Duty does not apply to public offers or admissions to trading for qualifying cryptoassets — except UK-issued qualifying stablecoins where it will apply in full. This means that when a firm issues a new token to the public or lists a cryptoasset on an exchange, it does not need to comply with the Duty; instead the FCA has created a bespoke Admissions & Disclosures (A&D) regime which is aligned to the requirements of the Duty.

In practice: the Duty's four outcomes — products and services, price and value, consumer understanding and consumer support — need translating into your specific cryptoasset business model, not applied as a generic checklist. FG26/5 sets out the FCA's illustrative thinking on how to do this. A practical starting point is to map your products against the manufacturer / distributor framework to provide a classification that helps determine which specific obligations are applicable. From there, performing a fair value assessment and target market definition exercise are key and likely to be requested by the FCA.

Is your firm a Manufacturer or Distributor?

Assess whether your firm is a cryptoasset 'Manufacturer' or a cryptoasset 'Distributor'. The FCA highlight the following examples:

- Issuers of qualifying cryptoassets or stablecoins are Manufacturers.
- Firms operating cryptoasset lending and borrowing services would be a manufacturer of the lending and borrowing service and a distributor of the cryptoassets being lent or borrowed as part of the service.
- UK qualifying cryptoasset trading platforms (UK QCATP) providing a service of trading on the platform would be a manufacturer of the trading platform product and a distributor of the cryptoassets traded on the platform.

Client Money and Assets (CASS)

The Client Assets Sourcebook (CASS) applies to cryptoasset firms holding client money or client cryptoassets, extended and adjusted through the addition of two new chapters written specifically for the sector and the introduction of targeted provisions in existing CASS chapters.

CASS 6

Custody Rules

Applies to cryptoasset firms through two specific regulatory avenues — Safeguarding Relevant Specified Investment Cryptoassets (RSICs) and traditional securities or collateral held within lending, borrowing, or trading structures. The FCA opted not to move tokenised securities immediately to the new CASS 17 (Cryptoasset Custody) framework, keeping them anchored under CASS 6 for the time being.

CASS 7

Client Money

The existing client money rules extend to cryptoasset firms holding client money in connection with regulated cryptoasset activities.

CASS 16

Stablecoin Backing Assets

Distinct requirements for firms issuing stablecoins, covering how backing assets must be safeguarded on behalf of holders.

CASS 17

Cryptoassets

A new chapter addressing the safeguarding of client cryptoassets specifically, sitting alongside the existing client money and custody rules.

Why it matters: firms conducting stablecoin issuance in particular should not treat CASS 16 as an afterthought — the backing asset requirements are distinct from, and sit alongside, standard client money protections.

The professional client opt-out enabling firms to agree with professional (not retail) clients that money held on their behalf will not be treated as client money will not be applied to cryptoasset activities.

SYSC — Senior Management Arrangements, Systems and Controls

SYSC applies to cryptoasset firms in full and largely unmodified. The FCA considers the SYSC requirements to be deliberately high-level and technology-neutral, and does not think it necessary to tailor them specifically to cryptoasset business models. Firms must therefore map their risks, controls and arrangements onto this existing framework and fix any gaps.

CHAPTER	WHAT IT COVERS
SYSC 2	Senior management arrangements — apportionment of significant responsibilities among the firm's directors and senior managers.
SYSC 3	Systems and controls — establishing and maintaining systems and controls appropriate to the scale and nature of the firm's business.
SYSC 4	Organisational requirements — apportionment of responsibilities, business continuity arrangements and general organisational standards.
SYSC 5	Skills, knowledge and expertise — ensuring staff are competent and suitably skilled for their role.
SYSC 6	Compliance and financial crime systems and controls, including the compliance function itself.
SYSC 7	Risk control — risk management systems and, for larger firms, the role of risk committees.
SYSC 8	Outsourcing — requirements for outsourcing arrangements, subject to the permissionless DLT exemption covered later in this guide.
SYSC 9	Record-keeping — maintaining adequate records to demonstrate ongoing compliance.
SYSC 10	Conflicts of interest — identifying, managing and, where necessary, disclosing conflicts.
SYSC 12	Group risk systems and controls — requirements for firms operating as part of a wider group.
SYSC 15A	Operational resilience — mapping important business services, impact tolerances and scenario testing, covered in detail later in this guide.
SYSC 18	Whistleblowing — internal arrangements and the required whistleblowers' champion.

Not tailored, but not optional: because SYSC is not written with cryptoassets specifically in mind, firms need to do the translation work themselves, mapping SYSC requirements to business arrangements as part of the development of the compliance framework.

Training and Competence (TC) and Senior Managers and Certification Regime (SM&CR)

Alongside SYSC, these two areas govern how a firm develops its people, including defining the key roles that are maintained and their respective reporting lines and responsibilities.

APPLIES TO SPECIFIED RETAIL-FACING ACTIVITIES

TC — Training & Competence

Applies to staff carrying out designated retail-facing operations including dealing in qualifying cryptoassets as principal or agent, safeguarding, and arranging staking, for retail customers. Wholesale-only cryptoasset firms, or staff dealing exclusively with professional clients or eligible counterparties, generally fall outside the direct scope of the TC sourcebook. No formal cryptoasset qualifications are required yet, though the FCA will keep this under review as the qualification market develops. Even where the granular requirements of the TC sourcebook do not apply directly, general baseline obligations for employee skills, knowledge, and expertise under SYSC 5 still govern the broader workforce.

APPLIED IN FULL TO ALL CASPS

SM&CR

All authorized cryptoasset firms are subject to the Senior Managers and Certification Regime (SM&CR) in a similar manner to other FSMA authorised firms. Senior Management Functions (SMFs), certification functions (the firm must self certify that these staff are fit and proper), prescribed responsibilities and conduct rules all apply. Prospective firms should start by mapping out the specific SMFs to be maintained such as Chief Executive (SMF1), Executive Director (SMF3), and Compliance Oversight (SMF16), identifying individuals and preparing Statements of Responsibilities for each. The Code of Conduct (COCON) sourcebook will also apply.

Why it matters: SM&CR puts personal accountability behind every other requirement in this guide — named senior managers become responsible for defined operational areas from day one of authorisation.

Operational Resilience (SYSC 15A)

The FCA considers the sector's reliance on technology, and the risks that come with it, make applying its operational resilience framework both appropriate and proportionate. This will be familiar territory for payments and other FSMA-authorised firms, but is a genuinely new discipline for firms that have only operated under MLR registration.

COMPONENT	WHAT IT REQUIRES
Important business services	Identify the Important Business Services (IBS) whose failure would risk intolerable harm to consumers or market integrity. This is the starting point for the development of the whole operational resilience framework.
Mapping	Map the people, processes, technology, facilities and information needed for the end to end delivery of each IBS.
Impact tolerances	Set the maximum tolerable level of disruption, usually expressed in time, for each IBS.
Scenario testing	Test the firm's ability to remain within its impact tolerances under severe but plausible disruption scenarios, and act on the results.
SYSC 8 exemption	SYSC 8 outsourcing rules will not apply to the use of permissionless DLTs, reflecting industry consensus that there's no direct contractual counterparty to hold to those standards.

Worth reading alongside: the FCA's finalised non-Handbook guidance FG26/6, published June 2026, adds practical detail on applying this framework across five different cryptoasset business models.

Financial Crime

The FCA considers it proportionate for cryptoasset firms to sit under the same financial crime rules as other FSMA-authorised firms; CASPs will therefore need to satisfy both the MLR and FSMA regimes side by side. The expectation is that this dual framework will push cryptoasset firms toward stronger systems and controls for identifying, assessing, monitoring and managing financial crime risk.

Money Laundering Regulations

Continue to apply in full

Cryptoasset firms remain subject to the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 (MLRs) — CDD, ongoing monitoring and reporting obligations are unaffected by authorisation as a cryptoasset firm.

SYSC 6

FSMA financial crime rules

Now applies in full alongside the MLRs, requiring firms to establish, implement and maintain comprehensive, up-to-date policies and systems to identify, assess, monitor and manage financial crime risk. Firms must designate an individual responsible for overall anti-money laundering systems and controls, running parallel to or integrated with the mandatory Money Laundering Reporting Officer (MLRO / SMF17) function.

Guide & reviews

Financial Crime Guide and Thematic Reviews

Cryptoasset firms are expected to benchmark their financial crime programs against the FCA's Financial Crime Guide (FCG) and Financial Crime Thematic Reviews (FCTR). The FCG is a structured, living document within the FCA Handbook providing detailed guidance on the specific steps that firms should take to combat money laundering, terrorist financing, fraud, sanctions violations, and insider dealing. Thematic Reviews are targeted, deep-dive investigations that the FCA conducts across a sample of firms in a specific sector to uncover systemic weaknesses.

JMLSG

Industry guidance stays live

The JMLSG Guidance Notes will apply to authorised cryptoasset firms and the FCA will continue engaging with the JMLSG to keep the guidance aligned with the cryptoassets regulations as the regime develops. The FCA has stated that having a fully documented, risk-based AML framework that is calibrated to JMLSG standards is a prerequisite for authorisation.

The foundation: a financial crime risk assessment proportionate to the nature, scale and complexity of your specific cryptoasset activities must be performed and used as the basis for the development of your whole financial crime framework. The JMLSG breaks financial crime risk assessment into two core areas: the Business-Wide Risk Assessment (BWRA) and the Individual Customer Risk Assessment. The BWRA is based on four pillars of risk: Customer risk, Geographic risk, Product and Service risk and Delivery Channel risk. Use these to structure your BWRA and keep it updated as your services develop and the market factors change.

Conduct of Business (COBS) and Dispute Resolution (DISP)

These two areas govern the day-to-day relationship between a firm and its customers — how it conducts business (COBS) and what happens when something goes wrong (DISP).

COBS

Conduct of Business Standards

Sets core standards for client interactions. Qualifying cryptoassets — other than UK-issued stablecoins — remain classified as Restricted Mass Market Investments, triggering mandatory risk warnings, appropriateness tests and investor self-certification.

DISP

Dispute Resolution & the FOS

CASPs must operate processes for the prompt and fair handling of complaints and the resolution of disputes in accordance with the requirements of DISP. Retail customers gain access to the Financial Ombudsman Service - CASPs will therefore be required to pay FOS levies and case fees. FSCS coverage will not be extended to the new cryptoasset activities.

Financial Promotions (COBS 4.12A)

Qualifying cryptoassets are classified as Restricted Mass Market Investments (RMMIs), bringing any promotion of them within the specific regime set out in COBS 4.12A. Firms need to build the following into their promotions and onboarding journeys:

- **Standardised risk warning** — every direct offer financial promotion must carry the FCA's prescribed warning ("Don't invest unless you're prepared to lose all the money you invest...") prominently, for the duration of the promotion.
- **24-hour cooling-off period** — first-time retail clients must wait a minimum of 24 hours between receiving a direct offer promotion and being able to invest.
- **Appropriateness assessment** — firms must assess a retail client's knowledge and experience before letting them proceed, with a personalised risk warning issued to anyone who fails the assessment.
- **Ban on incentives** — promotions cannot offer monetary or non-monetary benefits (bonuses, "refer a friend" rewards, and similar) to encourage investment.
- **Client categorisation and certification** — firms must correctly categorise clients (retail, professional, high net worth, or certified sophisticated investor) and hold the relevant certification before relying on any exemption. Self-certified sophisticated investors are excluded from this route for cryptoassets, unlike most other RMMIs.

Firms must also keep records of every financial promotion they communicate or approve, in line with COBS 4.11. The COBS 4.12A financial promotion requirements will not be new to firms who have been promoting under the FCA's existing crypto financial promotions regime since October 2023.

Worth noting: the FOS will assess investment-loss complaints under the usual fair-and-reasonable test — firms are more exposed where their own conduct caused a loss than where a loss simply reflects market performance.

Turning PS26/13 into an authorisation-ready business

1

Run a sourcebook-by-sourcebook gap analysis

Work through Consumer Duty, CASS, SYSC, TC, SM&CR, operational resilience, financial crime, COBS and DISP against your current arrangements, and identify what needs to change.

2

Read the non-Handbook guidance alongside PS26/13

FG26/5 and FG26/6 add illustrative detail on Consumer Duty and operational resilience that the Policy Statement itself doesn't spell out in full.

3

Operationalise, don't just document

Translate your gap analysis into updated policies, procedures and evidenced systems and controls — the FCA expects arrangements that it can see working, not just paperwork that describes them (this is part of the "ready, willing and organised" authorisation threshold).

4

Prioritise the application window

If you are already providing cryptoasset services in the UK, submitting your application for authorisation within the FCA's 'application window' will preserve your ability to continue operating (via access to the saving provision) if your application has not been determined when the new regime goes live. This is an important commercial protection.

Application window: 30 September 2026 – 28 February 2027

Regime commences: 25 October 2027

PS26/13 defines much of what "ready" means at the gateway.



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ABOUT PACNET

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 PS26/13 itself for the detail your application 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

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The rest of this series

Previously published: The FCA CASP Authorisation Gateway, and FCA Cryptoasset authorisation: Published materials.

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