MiCA Crypto Alliance

UK CBT UK Centre for Blockchain Technologies

Response to FCA Consultation Paper CP25/25

Application of FCA Handbook for Regulated Cryptoasset Activities

Endorsed by Cardano Foundation Cointegrity

MiCA Crypto Alliance
UK Centre for Blockchain Technologies
11 November 2025

Crypto Policy
Payments & Digital Assets Division
Financial Conduct Authority
12 Endeavour Square
London E20 1J

Re: Response to FCA Consultation Paper CP25/25 – Application of FCA Handbook for Regulated Cryptoasset Activities

To Whom It May Concern,

Please find enclosed our joint response to Consultation Paper CP25/25 – Application of FCA Handbook for Regulated Cryptoasset Activities. This submission represents a shared perspective from:

- The **MiCA Crypto Alliance**, a collaborative initiative developing best practices under the EU Markets in Crypto-Assets (MiCA) Regulation and assisting the cryptoasset ecosystem in conforming to them.
- The **UK Centre for Blockchain Technologies (UK CBT)**, a national hub driving the UK blockchain agenda and supporting collaboration in research, education, and community-building activities among its university members (Oxford University, University of Birmingham, and University College London).

We are pleased to contribute to this important policy dialogue. Our response draws on experience from EU implementation, academic research, and practical engagement with regulated entities, which we believe may provide useful perspectives for the UK's evolving regulatory framework.

Our response is concentrated on **three key areas** highlighted in CP25/25 and addressed through the corresponding questions in Annex 1:

- **Question 4 – Governance, conduct, and consumer protection** under the SYSC sourcebook;
- **Question 7 – Operational resilience**, with a focus on emerging **quantum-transition risks**;
- **Question 12 – Application of the ESG Sourcebook** to cryptoasset firms;

We also offer general observations on the role of research and educational institutions in supporting effective implementation and supervisory capacity.

We would welcome the opportunity to engage further with the FCA on these matters and to support any follow-up technical or stakeholder engagement processes arising from this consultation.

Should you have any questions or require further clarification, please contact us at contact@micacryptoalliance.com.

Yours faithfully,

Juan Ignacio Ibañez
General Secretary
MiCA Crypto Alliance

Dr Francesco Pierangeli
Deputy Director
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Joint Response to CP25/25

We welcome the opportunity to comment on the implications of the proposals set out in CP25/25 and on the FCA's approach to engaging with the sector through multiple channels. We recognise the FCA's invitation to the UK CBT to industry roundtables (April 2024 on Market Abuse and May 2025 on Trading Venues and Intermediaries), and commend the FCA's direction of travel aligning with international standards such as IOSCO and MiCA.

In this joint response, submitted by the **MiCA Crypto Alliance** and the **UK Centre for Blockchain Technologies**, we provide feedback on CP25/25 regarding **Chapter 3 about Senior Management Arrangements, Systems and Controls (SYSC), Chapter 5 and its corresponding point 13 in Annex 3 on Business Standards**. The responses draw on the UK CBT's participation in FCA roundtables, research projects and policy forums, as well as the MiCA Crypto Alliance's experience in supporting best practices under the EU MiCA Regulation.

Governance, Conduct, and Consumer Protection

> ***Question 4:*** *Do you agree with our proposals for applying governance and conduct provisions to cryptoasset firms under SYSC 1, 4–7, 9–10, and 18?*

The UK CBT supports the FCA's proposal to align governance and conduct standards for cryptoasset firms with those applied to other FSMA-authorised entities. Through our participation in the FCA's Market Abuse and Trading Venues & Intermediaries roundtables in 2024, we observed strong industry consensus on the value of consistent supervisory expectations.

Drawing on our academic research on algorithmic trading, behavioural finance, and decentralised-system governance, we note that independent oversight mechanisms, such as risk committees and conflict management protocols, are essential for maintaining market integrity. Cryptoasset firms deploying automated or algorithmic strategies would benefit from clear guidance on model validation, disclosure of key parameters, and segregation of functions between system design and execution oversight.

Building on the FCA's August 2025 Multi-Firm Review, which identified significant weaknesses in algorithmic-trading controls such as outdated policies, limited compliance expertise, and inadequate market-abuse surveillance, we recommend aligning crypto-algorithmic-trading standards with MiFID II RTS 6. This would introduce clear expectations around pre-deployment testing, definitions of material changes, formal accountability frameworks, and surveillance capabilities, ensuring consistency with established financial-market controls.

We also emphasise that consumer protection in decentralised environments requires adapted communication standards. As users increasingly interact directly with protocols rather than

intermediaries, firms should focus on transparent risk labelling, accessible disclosures, and user testing of interfaces to ensure clarity of information and mitigate behavioural biases.

We also encourage the FCA to address potential conflicts of interest in vertically integrated cryptoasset business models, where a single entity may operate as an exchange, custodian, and market maker. In line with SYSC 10 principles, firms should be required to implement functional segregation and conflict-management inventories to uphold market integrity and investor confidence.

These measures reinforce the FCA's objectives of integrity and consumer protection while recognising the technological distinctions of digital asset markets.

Operational Resilience

> ***Question 7:*** *Do you agree with our proposed approach to applying SYSC 15A (Operational Resilience) and related rules to cryptoasset firms?*

The UK CBT welcomes the FCA's inclusion of operational resilience requirements but notes that **quantum-related risks** remain insufficiently addressed. As quantum-computing capability advances, the cryptographic primitives underpinning blockchain and digital-asset custody could face accelerated obsolescence. This risk is immediate rather than hypothetical, given the potential for "harvest-now, decrypt-later" attacks that compromise data confidentiality today. Accordingly, firms should be required to undertake crypto-agility assessments and develop migration triggers within their SYSC 15A impact-tolerance frameworks.

We further recommend that the FCA establish a formal cross-reference matrix between SYSC 15A and the EU Digital Operational Resilience Act (DORA). This would enable dual-regulated firms to apply a single set of ICT-risk and incident-management controls, reducing compliance duplication and promoting regulatory harmony.

Based on the UK CBT's research, we recommend that the FCA explicitly recognise **quantum-transition risks** within its operational resilience framework. This would align with the FCA's broader objectives under SYSC 15A to ensure that firms can continue critical business services in the face of disruptive events.

We suggest the following additions to supervisory expectations:

- Incorporating *cryptographic-agility assessments* into resilience testing, including inventory of algorithms, migration planning, and hybrid signature adoption;
- Encouraging *scenario-based exercises* exploring quantum disruption events, coordinated with relevant industry and academic partners; and

- Referencing *post-quantum migration readiness* in guidance on technology risk management.

These steps would future-proof the UK framework, promote international alignment with NIST and ENISA initiatives, and position the FCA as an early leader in integrating quantum resilience into digital asset supervision. We also suggest that the FCA clarify expectations for managing dependencies on permissionless networks that underpin cryptoasset operations. Firms should perform formal risk assessments covering protocol governance and code provenance, validator or oracle concentration, and contingency planning for forks or bridge compromises. This would reflect the intent of SYSC 8 while acknowledging the distinct nature of decentralised infrastructures.

Application of the Environmental, Social and Governance (ESG) Sourcebook

> ***Question 12:*** *Do you agree with our proposal to apply the Environmental, Social and Governance (ESG) Sourcebook to cryptoasset firms?*

We support the proposal in Chapter 5 of the FCA's Consultation Paper to apply the ESG Sourcebook to cryptoasset firms in the same way it applies to all FSMA-authorised firms without requiring any additional ESG indicators that are specific for cryptoasset firms. This means that all FSMA-authorised firms, including UK cryptoasset firms, are being subject to the same rules including requirements under **ESG 4.3.1R**, which requires firms to ensure that their sustainability claims are **fair, clear, and not misleading**.

We believe that maintaining these requirements for cryptoasset firms helps ensure fairness and a level playing field with other industries, adopts a precautionary approach to cost management, and prevents sustainability reporting from becoming an empty formal exercise when disclosure obligations are excessively strict.

From a regulatory design perspective, the proportional application of the ESG Sourcebook to cryptoasset firms represents a sound and pragmatic step. Consistency with other FSMA-authorised sectors will reduce duplication and strengthen investor confidence, while maintaining flexibility for innovation. Our engagement in FCA policy forums indicates that smaller firms in particular benefit from clear, outcome-based standards rather than bespoke indicator sets.

Nevertheless, in our view, voluntary reporting beyond the legal minimum, supported by transparent methodologies, is where best practice flourishes, as it is likely to produce more meaningful sustainability insights than prescriptive obligations. We also note that **research and data on cryptoasset sustainability are developing rapidly and becoming more robust**. Reliable data now exist and continue to mature, with specialised providers employing

increasingly sophisticated methodologies (for example, the MiCA Crypto Alliance's Sustainability Reporting Framework), supported by growing market demand, even though some actors still struggle to distinguish between scientifically grounded research and less rigorous analysis.

This evolution of sustainability data parallels the need for cross-framework alignment, linking FCA ESG 4.3.1R with the environmental-impact methodologies emerging under MiCA and related EU Delegated Regulations.

As the **MiCA Crypto Alliance**, and in line with our mission to support MiCA compliance through **assistance in drafting MiCA whitepapers**, we already **provide the ESG disclosures required under the MiCA Regulation**. All ESG indicators we deliver are based on rigorous and transparent methodologies designed to achieve the **most accurate estimations** for the analysed cryptoassets. Our expertise in sustainability research is extensive, underpinned by a database of more than 1,200 analysed tokens.

The extensive work we have undertaken on crypto-environmental metrics, as **the only provider currently reporting on crypto water footprint, e-waste, land use, off-grid mining, and other indicators**, demonstrates how effectively the industry can respond to regulatory expectations without increasing compliance costs.

In accordance with Article 68 of the MiCA Commission Delegated Regulation (CDR), the disclosures we provide specify the methodologies used to estimate missing or unreported metrics, the external datasets relied upon (primarily derived from the Nodiens platform), and the sources and providers of the underlying data, including the MiCA Crypto Alliance. This ensures full traceability and transparency of all sustainability estimates, promotes clarity of sustainability information, prevents greenwashing, and ensures high-quality data for market participants to support informed decision-making by investors. These disclosures, while developed to align with MiCA requirements and not contributing directly to the UK's compliance obligations under section 1 of the Climate Change Act 2008 (net-zero target), or section 5 of the Environment Act 2021 (environmental targets), are nevertheless consistent **with ESG 4.3.1R**, reinforcing the principles of fairness, clarity, and transparent sustainability communication.

The UK CBT's comparative research across the EU MiCA framework, Dubai VARA Rulebook, and UK ESG initiatives demonstrates that interoperability, rather than divergence, yields the greatest transparency benefits. We therefore encourage the FCA to explore *open-data reporting formats*, such as API-enabled dashboards, that facilitate international comparability and real-time validation of sustainability claims. These approaches would reduce compliance burdens, enhance traceability, and mitigate greenwashing risks through verifiable datasets. Collectively, these measures would maintain alignment with ESG 4.3.1R, ensuring that sustainability information remains *fair, clear, and not misleading,* while advancing innovation and market confidence.

Furthermore, we encourage **FSMA-authorised cryptoasset firms to adopt MiCA sustainability disclosures voluntarily**, as a best-practice measure, since this data meets the requirements of being fair, clear, and not misleading. Following these standards could serve as a **bridge between the UK and EU frameworks**, helping cryptoasset firms operating across both jurisdictions prepare for future regulatory convergence despite current differences.

Final Remarks

General Feedback – Research and Capacity Building

The UK CBT highlights the role of universities and research organisations as **neutral infrastructure** that can strengthen regulatory implementation. Academic–industry partnerships provide cost-effective mechanisms for testing disclosure templates, validating ESG metrics, and analysing operational resilience outcomes under sandbox conditions.

We recommend that the FCA engage with the research community to co-develop *evaluation frameworks* and *taxonomy refinements* for emerging digital asset risks, including sustainability, governance, and quantum transition. Such collaboration would embed continuous learning into supervisory practice and help ensure that the FCA Handbook remains adaptive to technological change.

We also note upcoming international frameworks such as CARF/DAC8 and PSD3/PSR, and encourage the FCA to clarify data-retention and payment-interface expectations to ensure operational interoperability for UK-authorised cryptoasset firms.