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Submitted by email: gc26-4@fca.org.uk

Dear FCA

Response to GC26/4: Non-Handbook Guidance on COREPRU 7: Overall risk assessment

CryptoUK and its members welcome the opportunity to comment on the FCA's proposed non-Handbook guidance to accompany the relevant sections on the overall risk assessment (Chapter 7) in the new prudential sourcebook, COREPRU.

CryptoUK is the UK's self-regulatory trade association representing the cryptoasset sector. Our members comprise over 150 of the leading companies across the sector and across the UK. Many of our members are also international and engage with regulators and policies on a global basis.

We have provided detailed answers to each question posed in Chapter 2 of GC 26/4.

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Appendix

Consultation Questions:

Q1. Does the proposed guidance clarify the prudential rules in COREPRU 7? If not, what more could we do to provide clarity?

The proposed guidance broadly clarifies the operation of COREPRU 7. CryptoUK supports the FCA's decision to publish non-Handbook guidance on the overall risk assessment, particularly because many firms entering the new cryptoasset regime will not have prior experience of MIFIDPRU or an ICARA-style prudential assessment[1]. The guidance explains how the overall risk assessment connects a firm's business model, identification of material risks, risk appetite, own funds and liquid-asset threshold requirements, stress testing, recovery actions, wind-down planning, documentation and supervisory review. That is a useful implementation layer between the rules themselves and the operational judgements firms will need to make before and after authorisation.

The principal area where further clarity would help is proportionality. The draft guidance states that the overall risk assessment must be proportionate to the nature, scale and complexity of the firm's business, and gives useful examples of how firms may adjust the depth, documentation and sophistication of their assessment. CryptoUK considers that this point should be made more visible throughout the guidance, including in the sections on stress testing, wind-down planning, documentation and SREP. Firms should be able to understand not only what the FCA expects from a comprehensive overall risk assessment, but how the expected depth of analysis scales for a firm with a narrower permission set, simpler operating model, lower risk profile or lower level of complexity.

That clarification would be consistent with the FCA's own approach in PS26/12. In finalising the prudential regime, the FCA recognised that proportionality and practical operability were central themes in consultation feedback, and made targeted changes where the burden of a requirement was not matched by sufficient supervisory or market benefit. The same principle should apply to and be reflected in the proposed guidance. Our members would welcome if the NHG provided some more practical examples of FCA's expectations of how firms should evidence their own judgement against COREPRU 7, rather than encouraging firms to reproduce a larger-firm prudential process where that process is not required by their risk profile.

Further clarification would also be helpful on the relationship between a firm's own threshold assessment and the FCA's review through SREP or sectoral reviews. The draft guidance properly explains that the firm remains responsible for determining and maintaining adequate own funds and liquid assets, and that the FCA may review those assessments and issue individual guidance or impose requirements. CryptoUK does not suggest that the FCA should turn supervisory judgement into a fixed formula. However, firms would benefit from clearer signposting on how the FCA expects to treat reasoned departures from examples, how sectoral guidance may interact with

[1]See CryptoUK, response to FCA CP25/15: A prudential regime for cryptoasset firms (28 July 2025), introductory thematic comments on missing group and ICARA proposals and the need for implementation time and industry support; see also response to Question 3 on PMR, FOR and K-factor calibration.

firm-specific assessments, and how firms should document cases where their own assessment reaches a different but evidenced conclusion.

Q2. Do you have any comments on the proposed guidance including the examples given?

The examples are helpful and should be retained. They make an abstract prudential process more usable by showing how risk identification, stress testing, cashflow timing, wind-down analysis and threshold-setting may connect in practice. As mentioned above, this is particularly useful for firms that have not previously had to produce an overall risk assessment under a comparable prudential framework.

CryptoUK recommends that the FCA state more expressly that the examples are illustrative, not prescriptive, non-exhaustive and not supervisory minima. Examples can be valuable because they show how the FCA expects firms to reason through COREPRU 7. They become less useful if firms, advisers or supervisors treat them as the expected template for all business models. Firms should remain able to take a different approach where they can evidence why that approach is appropriate to their own business model, risk profile, scale and complexity.

The guidance would also benefit from one or more examples showing how the same principles apply to a less complex firm. The current examples are useful in explaining the integrated prudential process, but they may lead some firms to assume that a high degree of documentation, modelling and governance process is expected in every case. A lower-complexity example would help firms understand what proportionate documentation, stress testing and wind-down analysis look like where the firm's activities, risks and threshold requirements do not justify the same level of analysis as a larger or more complex firm.

The final guidance should also make clear how firms should use examples where only part of the example is relevant to their business. For example, a firm may find the cashflow or wind-down reasoning useful, while concluding that the stress scenario or governance structure does not fit its own risk profile. In those cases, the guidance should encourage firms to explain their reasoning and evidence their assumptions, rather than requiring them to copy the example's structure.

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