31st July 2026

CryptoUK
Formal House
60 St George's Pl
Cheltenham GL50 3PN

Submitted by email: gc26-5@fca.org.uk

Dear FCA

Response to GC26/5: Non-Handbook Guidance on CRYPTOPRU 7: Overall risk assessment for CRYPTOPRU firms

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, CRYPTOPRU.

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 GC26/5.

Appendix

Consultation Questions:

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

The proposed guidance broadly clarifies the prudential rules in CRYPTOPRU 7. CryptoUK supports the FCA's decision to publish crypto-specific non-Handbook guidance alongside the broader COREPRU 7 guidance. The draft explains how the overall risk assessment should operate for CRYPTOPRU firms, including business model assessment, risk identification, stress testing, recovery actions, wind-down planning, own funds threshold requirements, liquid asset threshold requirements, documentation, governing-body review and group risk. That is a useful response to points raised during CP25/42, where CryptoUK and others supported the introduction of ORA guidance but asked for further detail on how firms should apply it in practice.

The main area for further clarification is business-model calibration. CRYPTOPRU firms will not have a single prudential profile. A custodian, a qualifying stablecoin issuer, an exchange, a staking firm, a cryptoasset intermediary and a firm dealing as principal may each face materially different balance-sheet exposures, liquidity channels, client-asset constraints, group dependencies, operational risks and wind-down paths. The guidance already recognises that aspects of it will not be equally relevant to all firms, but that principle would be more useful if the guidance gave clearer examples of how assumptions change across different permission profiles and business models.

This is not a request for lower prudential standards. The point is that a credible overall risk assessment depends on identifying the risks specific to the firm under assessment which are actually capable of causing material harm. A guidance framework that is too generic may leave firms uncertain about how to apply CRYPTOPRU 7 to their own activities. A framework that is too prescriptive may lead firms to reproduce examples even where those examples do not fit their business model and/or particular circumstances (e.g. in relation to their governance structure, risk appetite etc.). The final guidance should seek to provide firms with more crypto-specific signposting while making it clear that it is the responsibility of each firm to exercise and evidence its own judgement.

Further clarification would be particularly helpful on group dependencies, market and infrastructure concentration, operational reliance on trading venues and settlement rails, 90-day stressed cashflow forecasting, non-core liquid assets, tokenised asset realisability and wind-down assumptions. CryptoUK raised market and infrastructure concentration risks in its CP25/42 response[1], noting that some risks relating to trading venues and settlement rails are not dealt with adequately by K-factor calculations. GC26/5 is the right place to help firms understand how those risks should be reflected in the overall risk assessment where they are material to the firm's business model.

[1] See CryptoUK, response to FCA CP25/42: A prudential regime for cryptoasset firms (11 February 2026), response to Question 7 on the overall risk assessment, including market and infrastructure concentration risks, trading venues and settlement rails.

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

The examples and diagrams are useful implementation aids. The own funds diagrams help explain the relationship between baseline own funds requirements and own funds threshold requirements, and the encumbered asset illustration helps firms distinguish assets available for prudential liquidity purposes from assets that cannot be relied on to meet the firm's own liquidity needs. These are practical additions to the rules and should help firms apply CRYPTOPRU 7 in a more consistent way.

CryptoUK recommends that the FCA state expressly that the examples and diagrams are illustrative, not prescriptive, non-exhaustive and not supervisory minima. The examples should help firms understand the reasoning expected under CRYPTOPRU 7, but should not be treated as mandatory templates or safe harbours. Firms should be able to take a different approach where they can explain why that approach is appropriate to their business model, risk profile, scale and complexity, and where they have evidence to support the assumptions used.

Additional examples would be helpful in the areas most likely to produce divergent practice. These include the treatment of non-core liquid assets, the calibration of haircuts, the distinction between client assets and firm assets, encumbered assets, operational accessibility of assets held with brokers or trading venues, contingency funding arrangements, group support, and the interaction between a 90-day stressed cashflow forecast and a 12-month funding profile. The guidance already addresses these points, but further worked examples would help firms understand the level of evidence the FCA expects without requiring the FCA to prescribe a single answer.

Further examples would also be useful where cryptoasset-specific features affect the realisability or liquidity of the assets. The draft guidance notes that firms holding tokenised assets should consider whether there are specific risks affecting realisability or liquidity. Whilst this is a useful principle, the examples given in paragraph 2.2 of the draft guidance are more of a generic nature and firms would benefit from some crypto-asset specific examples that distinguish between different sources of constraint and how they are relevant to such assets: legal title, transferability, venue access, market depth, counterparty reliability, group or jurisdictional restrictions, client-asset limitations and stressed market conditions. This would align with the FCA's stated objective of helping firms apply the guidance in a way that is proportionate to the nature, scale and complexity of their activities.

The final guidance should also carry through the proportionality logic reflected in PS26/12. In finalising CRYPTOPRU 8, the FCA removed public disclosure of OFTR and LATR and exempted firms whose OFR is determined by the PMR from detailed disclosure obligations, on the basis that detailed disclosure would impose a burden without proportionate transparency benefits. The same logic is relevant to examples under CRYPTOPRU 7. Examples should reduce implementation uncertainty, not create an expectation that all firms must adopt the same level of process, modelling or documentation regardless of risk profile.

About CMS

CMS is a leading international law firm that provides full service legal and tax advice to the world's major financial institutions. With 78 offices in over 40 countries and more than 5,000 lawyers, CMS has long standing expertise in its local jurisdictions and can powerfully leverage the CMS network on cross border mandates. Our UK Financial Services team regularly advises the leading global investment banks, fund managers, intermediaries, market makers and institutional investors on technical regulatory and transactional matters. Many of our team have spent time inhouse at our clients or at the regulators and we seek to develop productive working relationships with our clients and prioritise practical, business driven solutions. Further information is available at www.cms.law.

Key contacts:

Tom Callaby – Partner, Financial Services Regulatory, Tom.Callaby@cms-cmno.com;

Susann Altkemper - Of Counsel, Financial Services Regulatory, susann.altkemper@cms-cmno.com;

Marelize Abercrombie – Associate, Financial Services Regulatory, marelize.abercrombie@cms-cmno.com.