

FCA finalises cryptoasset perimeter guidance

AT A GLANCE

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What's new?

- The FCA published final handbook perimeter guidance on cryptoassets in [PS19/22](#) on 31 July 2019. The guidance has been finalised with minor changes to provide additional clarity at the request of respondents.
- It outlines the key considerations for firms determining whether a token or activity falls within the FCA's regulatory perimeter, and indicates relevant rules. A number of case studies and examples are given to help firms with this assessment.
- The most significant change is the addition of 'e-money tokens' to the FCA's cryptoasset taxonomy. The FCA agreed further clarity was required because e-money tokens will fall within the regulatory perimeter under the Electronic Money Regulations (EMRs) and can sometimes overlap with other token classifications. This change has also strengthened the definition of unregulated cryptoassets, namely utility and exchange tokens.
- Other changes include additional content on stable coins - tokens designed to be less volatile by pegging to fiat currency, buckets of cryptoassets, commodities, etc. - and airdrops - the issuance of a cryptoasset, typically for free, to multiple wallet addresses.

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What does this mean?

- Tokens will meet the definition of e-money if they: are an electronic store of monetary value, are issued on receipt of funds for the purpose of transactions, are accepted by a person other than the issuer and are not excluded by [regulation 3 of the EMRs](#).
- The FCA retains its definition of security tokens - those which give holders similar rights to securities e.g. shares - and confirms the application of regulation. The FCA highlights that regulation will apply even if a security token is airdropped for free.
- Utility tokens and exchange tokens are not within the FCA's perimeter, but activities relating to them may fall within the Payment Services Regulations.

What do firms need to do?

- Firms affected include issuers of cryptoassets, advisers and intermediaries, exchanges and trading platforms, wallet providers and custodians, and payment providers.
- Market participants involved in cryptoassets should assess their own activities against the guidance to ensure existing or planned activities fall within the regulatory perimeter.
- The clarity should also provide firms with the confidence to think strategically about their offering in this area. Opportunities to develop new products, services or even entire business models are waiting to be exploited.

Next steps

The FCA expects market participants to immediately apply the guidance when considering cryptoasset activities within the UK. The final guidance and responses will inform other work being undertaken by HM Treasury (perimeter consultation) and the UK's transposition of the 5th Anti-Money Laundering Directive.

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