CLIENT ALERT

# UK Crypto Regulation Moves Forward: Cryptoasset Trading Platforms and Intermediaries - Key Takeaways from FCA CP25/40

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The close of 2025 highlighted the continuing momentum for the digital asset industry, with regulatory developments accelerating rather than slowing. In December, the UK Government and the Financial Conduct Authority (FCA) released a series of draft instruments and consultation papers that are poised to play a significant role in shaping the sector's future. On 15 December 2025, HM Treasury (HMT) published a revised draft of The Financial Services and Markets Act 2000 (Cryptoassets) Order 2025. This was followed on 16 December 2025 by the FCA's publication of three consultation papers addressing core elements of the forthcoming cryptoasset regulatory framework: (1) CP25/40 Regulating Cryptoasset Activities (CP25/40), (2) CP25/41 Regulating Cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets, and (3) CP25/42 A Prudential Regime for Cryptoasset Firms. Momentum continued into the new year. On 8 January 2026, the FCA provided further detail on its proposed "gateway" the application process through which firms will seek authorisation to carry on newly regulated cryptoasset activities under the UK's forthcoming regime.

Together, these developments underscore that the UK is not retreating from digital asset regulation but instead progressing steadily toward the establishment of a comprehensive and structured framework. Earlier this month, we offered a high-level overview of the regulatory timeline and anticipated changes arising from these late-2025 and early-2026 announcements in our Client Alert, UK's Digital Assets Regulatory Framework Takes Shape. Following our most recent Client Alert on CP25/40 which focused on Lending, Staking & DeFi, in this piece we build on that initial overview by providing a more detailed analysis of the evolving landscape, with particular focus on the FCA's proposals relating to cryptoasset trading platforms (CATP), and cryptoasset intermediaries set out in CP25/40.

## CP25/40 REGULATING CRYPTOASSET ACTIVITIES KEY PROPOSALS

### Cryptoasset Trading Platforms

A CATP is a platform or system that allows multiple third-party buyers and sellers to interact, bringing together their trading interests so that transactions are formed for the exchange of qualifying cryptoassets, either for money (including electronic money) or for other qualifying cryptoassets.

Key themes for CATPs under CP25/40 include:

- Mandatory FCA authorisation for UK CATPs and overseas platforms serving UK consumers

- Shift to a principles-based regime for algorithmic trading
- Conflicts of interest approach revised
- Flexible UK presence requirement
- Retail-client protections
- Operational and governance standards

Through the provision of a marketplace for both retail and institutional participants, CATPs will perform a crucial function in the price formation of cryptoassets. Moreover, CATPs will also be required to implement the FCA's Admissions and Disclosure (A&D) regime as well as the Market Abuse regime for cryptoassets. CP25/40 proposes mandatory FCA authorisation for firms that operate a CATP in the UK by way of business and for operators of overseas trading platforms that serve UK consumers. This would therefore exclude overseas CATPs that do not serve UK consumers - for example, those that only exclusively serve UK institutional clients.

CP25/40 has also departed from the detailed algorithmic trading rules proposed in DP25/1 as algorithms in cryptoasset markets, unlike most traditional finance markets, are largely retail-operated and small in scale. Rather than prescriptive requirements, the FCA proposes a principles-based approach that requires CATPs to establish publicly-disclosed rules on algorithmic trading thresholds and limits, aligned with the CATP's business and capacity. Moreover, CATPs will be required to disclose pertinent information about their algorithmic trading activity, including their own rules and risk mitigation approaches and to ensure that their algorithmic trading activity is compliant with these rules.

CP25/40 also establishes that it will not proceed with DP25/1's proposal to prohibit UK CATPs from issuing proprietary tokens or admitting tokens to trading in which they have a financial interest as the FCA believes that the potential conflicts of interest can be sufficiently mitigated.

Although CP25/40 proposes that firms that seek a UK authorisation maintain a UK presence, the FCA will assess cryptoasset firms' intended legal form on a case-by-case basis. This will enable greater flexibility for CATPs to decide on the form of their UK presence while ensuring that retail consumers always have access to a UK legal entity which provides greater options for recourse and regulatory oversight.

CATPs will face stricter requirements when serving retail clients in the UK. For example, CATPs will generally only be able to provide retail clients with cryptoassets that are admitted to trading on a UK-authorised CATP with an A&D-compliant qualifying cryptoasset disclosure document (QCDD). CATP operators must ensure that they have prepared a clear policy that enumerates its criteria when withdrawing admission to trading from a previously admitted cryptoasset.

CATP operators must also ensure that their rules for order execution are non-discretionary and that access to the platform is objectively assessed. Additionally, CATPs must have adequate, effective, and appropriate systems and controls to maintain operational resilience of the platform and to effectively mitigate damage if users violate the rules of the CATP.

**Cryptoasset Intermediaries**

Cryptoasset intermediaries are persons that facilitate cryptoasset transactions by dealing in qualifying cryptoassets as principal or agent, or by arranging such transactions on behalf of clients. Under the FCA's proposed framework, intermediaries play a key role in ensuring fair market outcomes, particularly for retail clients, and are subject to authorisation and conduct requirements where they operate in the UK.

Key themes for cryptoasset intermediaries under CP25/40 include:

- Requirement for intermediaries serving retail clients in the UK to have a UK legal entity
- Obligation to take all sufficient steps to achieve best execution of orders
- Focus on total consideration when assessing best execution for retail clients
- Pre-trade transparency requirements when dealing as principal

- Safeguards around client instructions where instructions are likely to prevent best execution

CP25/40 proposes that intermediaries who apply for authorisation in the UK and serve retail clients must have a UK legal entity. The FCA expects to issue separate guidance to support international cryptoasset firms that seek to be authorised in the UK.

Under the CP25/40 proposals, intermediaries must ensure that they take all sufficient steps to obtain best execution. To determine whether best execution has been achieved, intermediaries are expected to consider a range of factors: price, costs, speed, likelihood of execution and settlement, size, nature of an order, and any other consideration relevant to the execution of an order. To determine the significance of each factor, an intermediary must refer to the particular characteristics of the cryptoasset transaction. Intermediaries are required to ensure best execution where they owe a contractual or agency obligation to the client and whenever they serve retail clients.

With regard to retail clients, intermediaries must assess if best execution has been achieved by referring to total consideration. This encompasses not only the price of the cryptoasset but all the costs involved in the execution of the order which can include execution venue fees, gas fees, settlement fees, and other fees paid to third parties.

Intermediaries are also expected to make appropriate pre-trade disclosures to both retail and professional clients when dealing as principal. This includes disclosures on the firm execution price, how long that price is valid, if they will be acting as principal or agent, and any fees or charges included in or added to the price. The intermediary is then generally obligated to execute the order at either the displayed price that the client accepted or at a better price. Under exceptional circumstances, such as extreme market volatility, firms could be permitted to execute the order at a different price if they had obtained explicit client consent.

Although intermediaries are expected to follow a client's instructions regarding execution, firms should not induce clients to provide instructions it ought reasonably to know would prevent best execution. They must also clearly warn clients in advance if the client's instructions are likely to prevent best execution.

### TIMING AND NEXT STEPS

The consultation period for CP25/40 is open for comments and feedback until 12 February 2026, with final rules expected to be issued in policy statements in 2026.

### FOR MORE INFORMATION

If you have any questions regarding this subject or related subjects, or if you need assistance, please contact Yulia Makarova (Partner), Rebecca Jack (Partner), or your Winston & Strawn relationship attorney. You can also visit our Cryptocurrencies, Digital Assets & Blockchain Technology page for more information.

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