



**Financial Conduct Authority's (FCA)**  
**[‘Quarterly Consultation, No 48’ \(CP25/16\)](#)**  
*[Chapter 4: Lifting the ban on retail access to  
certain cryptoasset exchange traded notes  
(cETNs)]*

UK Finance response

We welcome the FCA's approach in this instance and believe this will go in some way to address certain inconsistencies in the UK market that have been caused primarily by a lack of access to more regulated cryptoasset products.

We are concerned that the FCA's restriction has the unintended consequence of leading retail investors towards higher-risk, more speculative investment 'proxies' instruments, and has stopped retail investors accessing more secure cryptoasset Exchange Traded Notes (cETNs).

In addition to lifting the ban on retail investment in regulated cETNs, we set out below why the FCA should also consider creating a regulatory environment that is more accommodating to cryptoasset Exchange Traded Funds (cETFs).

Our thinking around question one is framed around:

- *Making cryptoasset investing more secure and accessible.*
- *Supporting retail investors in having access to more regulated products.*

## Responses to questions

1: *Do you agree with lifting of the ban?*

- Yes<sup>1</sup>. UK Finance agrees the restriction (regarding retail access) should be lifted as this would allow retail consumers to access better-protected products that would comply with the requirements under the Financial promotions for cryptoassets rules.
- This proposal would result in retail consumers having access to more regulated cryptoasset products, which would support HM Treasury and the Financial Conduct Authority's (FCA) policy aims around making a more secure investment landscape for retail consumers. We agree with the FCA's proposed outcome regarding cETN issuers properly communicating to retail consumers important information regarding their product, including its risk.
- We also believe the FCA's proposal for Recognised Investment Exchanges (RIEs) to communicate its bespoke risk summary regarding UK issued cETNs would help retail investors make more informed investment decisions, while properly assessing their

---

<sup>1</sup> Please note: UK Finance continues to take an 'agnostic' approach to individual instrument types and use cases. Our response to Chapter 4 of CP25/16 (particularly regarding cETFs) focuses on the importance enabling retail consumers to access more secure, regulated product types.

level of knowledge and expertise as required in COBS 10 and COBS 4.12A regarding the promotion of cETNs. It will remain important for the FCA to continue to work with RIEs and firms across financial services to assess the risks regarding these instruments, build clarity regarding what specific cETNs RIEs will be permitted to admit, and the relevant requirements that would be applied following the removal of this restriction<sup>2</sup>. This engagement will also help the FCA to understand what guidance may be needed for RIEs.

*Re: Investments made in cryptoassets on behalf of funds*

- We understand that the FCA has not yet authorised cETFs for the UK market. Operational and in some cases regulatory challenges impede investments being made in cryptoassets on behalf of collective investment schemes. We understand, for example, that consistent with its EU equivalent, the UK UCITS (Undertakings for Collective Investment in Transferable Securities) framework does not recognise cryptoassets as eligible assets for UCITS. UK Finance commends the FCA's work with the Asset Management Taskforce and Investment Association in this regard.
- UK Finance and its members would welcome engagement with HM Treasury and the FCA regarding the best avenue for cETFs to be regulated in the UK. As part of making cryptoasset investing more secure and accessible, and supporting investors (including retail investors) in having access to more regulated products, UK Finance would welcome a revision of the UK regulatory framework to accommodate retail participation in cETFs. Unit holders in regulated cETFs would enjoy transparency in how the assets are held (custody arrangements, etc) and the features of retail collective investment schemes.
- The above builds on UK Finance's thinking within its response to the FCA's ['Regulating cryptoasset activities'](#) discussion paper (DP25/1).

---

<sup>2</sup> cETFs grant investors like-for-like equivalence (i.e. if the price goes up or down you still own the underlining asset), where there is no synthetic proxy or derivative created. For cETNs, 'ownership' is a share of the synthetic contract that has been created. There is also the possibility of counterparty risk by which the contract can be made null and void and would no longer follow or track the asset price.