



WFE Response to FCA DP25/1 – Regulating Cryptoasset Activities

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Response

The World Federation of Exchanges (WFE) welcomes the FCA's proposals aimed at regulating cryptoasset activities. However, the WFE finds the FCA's stance on the sale of listed crypto-derivatives to retail investors inconsistent with this stance and the stance of the UK government on the suitability of investing in crypto for retail investors.

Supporting Oversight of Crypto-asset Markets

The WFE is broadly supportive of the FCA's intent to regulate crypto-asset activities. The proposals are naturally aligned with the International Organization of Securities Commissions (IOSCO) recommendations which the WFE supported.

The WFE has consistently advocated for regulatory frameworks that ensure investor protection, and market integrity across all financial markets, including emerging sectors like cryptoassets. In our response to IOSCO's consultation on crypto-asset trading platforms, we emphasized the necessity of applying existing regulatory principles to crypto markets to avoid regulatory arbitrage and ensure consistent standards globally.

The WFE also supports the development of regulatory approaches that are technology-neutral and outcomes-based, ensuring that crypto-asset trading platforms are subject to appropriate oversight. We continue to strongly support the principle of 'same risk, same regulation' to minimise the risk of failures and promote a level playing field between traditional finance and crypto.

Repeal the Ban on Retail Access to Crypto-Derivatives

In 2020, the FCA [banned](#) the sale of crypto-derivatives and ETNs to retail consumers. This forced retail consumers to purchase products from unregulated crypto-trading platforms if they wanted exposure to the underlying asset. In other words, the FCA prevented retail consumers from purchasing derivatives products listed on regulated, public, lit markets.

At the time, the FCA argued that these products are

"ill-suited for retail consumers due to the harm they pose. These products cannot be reliably valued by retail consumers because of the:

1. inherent nature of the underlying assets, which means they have no reliable basis for valuation
2. prevalence of market abuse and financial crime in the secondary market (eg cyber theft)
3. extreme volatility in cryptoasset price movements
4. inadequate understanding of cryptoassets by retail consumers
5. lack of legitimate investment need for retail consumers to invest in these products

These features mean retail consumers might suffer harm from sudden and unexpected losses if they invest in these products."

HM Treasury has published detailed proposals for creating a UK financial services regulatory regime for cryptoassets, including to retail consumers. The FCA's position on crypto-derivatives is inconsistent with this approach. Recently, the FCA has [permitted](#) professional investors to trade in crypto ETNs and is time they revisited this with regards to retail investors.

Background

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. Headquartered in London, it represents the providers of over 250 pieces of market infrastructure, including standalone CCPs that are not part of exchange groups. Of our members, 36% are in Asia Pacific, 43% in EMEA and 21% in the Americas. The WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some \$1.3 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. The exchanges covered by WFE data are home to over 55,000 listed companies, and the market capitalization of these entities is over \$111tr; around \$124tr in trading annually passes through WFE members (at end-2023).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back more than 40 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

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If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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