

Advisory:

FCA Formalises Pre-Application Support for Digital Asset Firms

5 February 2024

The U.K.'s Financial Conduct Authority (FCA) has, on 31 January 2024, [formalised](#) its pre-application support for digital asset firms that want to provide services that come within the scope of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Regulations). Firms required to register with the FCA under the Regulations are cryptoasset exchange providers and custodian wallet providers that seek to provide services by way of business and intend to act in the course of business in the U.K.

Background

Historically, success rates for firms seeking to register have not been high. According to [data](#) published by the FCA, since January 2020 71% of applicants withdrew their applications, 11% were rejected (meaning that the minimum information sought was not provided) and 4% were refused (meaning that the FCA found that the application did not meet the standard for registration).

Pre-application support

Firms can now request a pre-application meeting with the FCA if they seek to register under the Regulations. The FCA has explained that having such a meeting will give a firm the benefit of better understanding the application process and an opportunity to introduce itself to the FCA and explain its business model.

It is expected that firms interested in having such a meeting will have reviewed the FCA guidance on registration requirements. Ahead of the meeting, the FCA must be provided with information about the firm, and this will include:

- i) Company registration details;
- ii) The firm's expectation from the meeting;
- iii) If available, a slide deck introducing the firm's business and any points it wishes to draw the FCA's attention to;
- iv) The activities the firm will be applying for;
- v) Details of any attendees; and
- vi) Link to any relevant websites.

Comment

This will be a welcome update for digital asset firms currently navigating the regulatory requirements for operating in the U.K., as the FCA has stated that it expects pre-application meetings to provide further insights into what the FCA's rules and expectations are for a firm making an application.

It remains crucial, however, that firms prepare themselves properly both in respect of any application under the Regulations and in respect of the promotion regime explored in our previous [alert](#).

Advisory: (continued)

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