

BITPANDA RESPONSE TO CP 25/42

A PRUDENTIAL REGIME FOR CRYPTOASSET FIRMS

EXECUTIVE SUMMARY

Bitpanda supports the objective of establishing a robust, risk-sensitive prudential framework that promotes market integrity, consumer protection, and financial stability. We agree that appropriate capital requirements are an essential component of a credible and sustainable UK cryptoasset regulatory regime.

However, we are concerned that the proposed framework, as currently designed, would result in one of the most capital-intensive prudential regimes globally for cryptoasset firms. In particular, the combination of fixed capital floors (PMR and fixed overheads), activity-based K-factors, and conservative risk weightings risks imposing capital requirements that are disproportionate to the underlying risks of many business models, especially those that are operationally low risk.

We are also concerned that this approach places UK-based firms at a structural competitive disadvantage relative to firms operating under other major regulatory regimes, most notably the EU's Markets in Crypto-Assets Regulation (MiCA). Under MiCA, prudential requirements are simpler, more predictable, and primarily based on the higher of permanent minimum capital or a proportion of fixed overheads. MiCA deliberately avoids a complex K-factor framework, recognising the nascent nature of the sector and the need to support innovation while maintaining baseline resilience.

By contrast, the proposed UK regime closely mirrors the most capital-intensive elements of the MiFID investment firm framework, despite the FCA's acknowledgement that many cryptoasset activities do not give rise to the same systemic or balance-sheet risks as traditional investment services. This complexity increases compliance costs, reduces capital efficiency, and risks discouraging firms from establishing or scaling regulated operations in the UK.

We believe there is a material risk that the proposed prudential framework, if implemented without further calibration, could undermine the UK's competitiveness as a global hub for digital assets, encourage regulatory arbitrage, and incentivise firms to locate key activities offshore while servicing UK clients cross-border.

We therefore encourage the FCA to consider a more proportionate and streamlined approach, drawing more closely on MiCA's prudential structure, particularly for firms with limited risk profiles. This could include greater reliance on fixed overheads and PMR as binding constraints, more targeted use of K-factors where risks are clearly evidenced, and clearer differentiation between custodial, principal, and agency-based models.

A recalibrated prudential regime would better align capital requirements with actual risk, support innovation and competition, and strengthen the UK's position as a leading, well-regulated digital asset market without compromising regulatory outcomes.

This is an executive summary as part of Bitpanda's full response to the FCA's consultation on the prudential regime for cryptoasset firms. Please contact the UK Public Affairs Team for further information on our responses to the FCA's consultations on the cryptoasset regime.