

Recovery of costs of supervising cryptoasset businesses under the proposed anti-money laundering regulations: fees proposals

Consultation Paper

CP19/29**

October 2019

How to respond

We are asking for comments on this Consultation Paper (CP) by **11 November 2019 for Question 1 and 10 December 2019 for Question 2.**

You can send them to us using the form on our website at: www.fca.org.uk/cp19-29-response-form

Or in writing to:

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1 Summary

Why we are consulting

- 1.1** The Economic Crime Plan 2019-22 (ECP) announced that the Financial Conduct Authority (FCA) will be the anti-money laundering and counter terrorist financing (AML/CTF) supervisor for cryptoasset businesses, effective from 10 January 2020.
- 1.2** Our responsibility under the AML/CFT regime for cryptoassets business will therefore be limited to AML/CTF registration and supervision only. Under this regime, we will not be regulating cryptoasset businesses for how they conduct their business with consumers. Some businesses that carry on cryptoasset related activity will be authorised by us under the Financial Services and Markets Act (FSMA) or other regulations for non-cryptoasset related regulated activity that they carry on (e.g. arranging deals in investments). Any cryptoasset related activity carried on by these businesses will not be covered by FSMA or other regulations like the Electronic Money Regulations (unless they are using security tokens or e-money tokens). Consequently, consumers will not have the same protections in relation to cryptoasset activity (e.g. exchanging cryptoassets for government or central bank issued money, such as UK pound sterling or euros). We expect cryptoasset businesses to ensure that they do not mislead their consumers as to what consumer protections apply and the status of their FCA registration.
- 1.3** This Consultation Paper (CP) sets out our proposals for recovering the costs of this new role as we are funded entirely by fees and levies from the firms we regulate.
- 1.4** The Treasury consulted in April 2019 on transposing the EU 5th Anti Money Laundering Directive (5MLD) which introduces new requirements for certain cryptoasset businesses. These requirements will be established by the Treasury's proposed amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs).
- 1.5** In this CP, we refer to businesses carrying on cryptoasset activities that will be included in the scope of the amended Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017¹ (MLRs), as 'cryptoasset businesses'.
- 1.6** The Treasury has not, as yet, finalised the activities to be included in the scope of the MLRs, and the requirements that cryptoasset businesses will need to comply with. Therefore, we do not know exactly which businesses will constitute a 'cryptoasset business' and may be required to pay a fee. However, we are consulting on the basis of the Treasury's consultation proposals in April 2019, to ensure we can introduce registration fees when the gateway opens for applications. Delay in consultation, would impose an additional risk that we would not be able to accept a fee when the new regime commences on 10 January 2020.

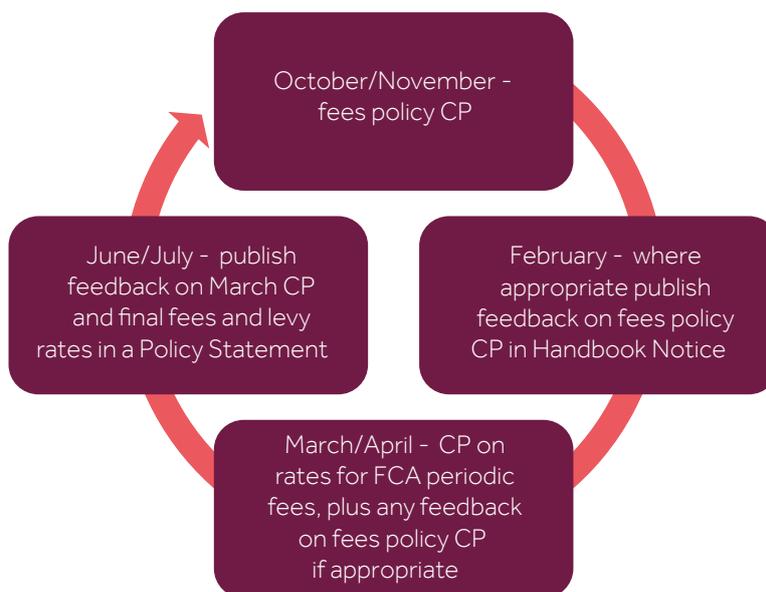
1 These regulations will be amended before the regime comes into force on 10th January 2020 to capture cryptoasset activity.

Who this applies to

- 1.7** Any cryptoasset business which undertakes or expects to undertake the activities identified in the Treasury April 2019 consultation. That consultation sets out that our responsibility is intended to cover the activities specified in 5MLD, and a wider range of activities as recommended by the Financial Action Task Force (FATF). All these activities are listed in [paragraph 2.7](#).
- 1.8** The Treasury has not yet published a Policy Statement (PS) confirming the final range of activities to be covered. However, they have received responses to their consultation and are currently analysing them before publishing a PS.
- 1.9** We assume in this CP that we will be given responsibility for the full range of activities that the Treasury consulted on, but they may decide to reduce or extend the range of activities we oversee.
- 1.10** For the purposes of this consultation, cryptoasset businesses undertaking any of the activities listed in [paragraph 2.7](#) should assume they will be under our supervision and that the fees proposals in this CP will apply to them.
- 1.11** This CP is not directly relevant to retail financial services consumers, although our fees are indirectly paid by users of financial services.

The wider context

- 1.12** This paper on cryptoasset supervision falls outside our normal cycle of fees consultation so that we can be ready to set the registration fees for 10 January 2020.
- 1.13** We follow an annual cycle of fees consultation.
- October to November – we consult on any changes to our policy on how we raise fees and levies and give our feedback in the following February/March Handbook Notice or the March/April consultation paper.
 - March to April – we consult on our periodic fees rates for the next financial year (1 April to 31 March) and any proposed changes to application fees or other fees.
 - June to July – we publish feedback on the responses received to the March consultation paper together with final fees and levy rates in a policy statement.



- 1.14** We intend to bring cryptoasset activity back into the cycle from April 2020, so we can include the charges for periodic fees in our standard consultation paper on fee and levy rates.

Summary of proposals

- 1.15** Chapter 2 sets out the background to cryptoasset supervision and wider context. Chapter 3 presents our fees proposals for consultation:

- a registration fee of £5,000
- annual periodic fees based on income

Next steps

- 1.16** Please consider our proposals and send us your comments on the questions in this CP by:

- 11 November 2019 – Question 1 on registration fee
- 10 December 2019 – Question 2 on periodic fees

Use the online response form [insert link] or write to us at the address on page 3.

- 1.17** Further information can be found on the [FCA website](#).

- 1.18** We will consider your comments and publish our feedback on:

- Registration fee – in our Handbook Notice in December 2019
- Periodic fees – in our consultation paper on our fee-rates in April 2020

Equality and diversity considerations

- 1.19** We have considered the equality and diversity issues from our proposals.
- 1.20** Overall, we do not consider that the proposals negatively affect any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.
- 1.21** In the meantime, we welcome your input to this consultation on this issue.

2 Background and wider context

2.1 In July 2019, the Government announced, in the ECP that the FCA will be the AML/CTF supervisor of UK cryptoassets businesses under the MLRs, from 10 January 2020.

2.2 Cryptoasset activity presents AML/CTF risks and the EU and FATF, at an international level, are taking measures to address them.

- The EU is addressing AML/CTF risks through the 5MLD, which Member States will have to bring into national legislation by 10 January 2020. The UK are doing so through amendment to the MLRs.
- In October 2018 and June 2019, in response to the increasing use of virtual assets for money laundering and terrorist financing, FATF made changes to its Recommendations making it clear they apply to financial activities involving these assets.

2.3 Furthermore, in March 2018, the UK Cryptoasset Taskforce consisting of the FCA, the Bank of England and the Treasury, considered the UK's broader approach on cryptoassets. They published their findings in October 2018, highlighting evidence of increased risks from the use of cryptoassets for illicit activity, as well as risks to consumers and markets. It concluded the most immediate priority for the Government and financial regulators is to mitigate these risks. We are working with the Treasury on the recommendations from the Task Force Report to mitigate these risk. For example, we have provided Guidance on cryptoassets in relation to the regulatory perimeter, consulted on banning the sale to retail clients of certain cryptoassets linked to derivatives and are building our understanding of the risks around cryptoassets that fall outside the regulatory perimeter.

2.4 As a result, all UK cryptoasset businesses carrying on activities under the MLRs will need to register with us from 10 January 2020. This includes all businesses already FCA registered or authorised for other activities.

2.5 We expect that:

- **new cryptoasset businesses** that intend to carry on a cryptoasset activity after 10 January 2020, must be registered before they can carry on the activity
- **existing cryptoasset businesses**, which were already carrying on cryptoasset activity before 10 January 2020, may continue their business, in compliance with the MLRs, but must be registered by 10 January 2021 or stop all cryptoasset activity

2.6 From 10 January 2020, we will supervise and be able to take any necessary enforcement action against a cryptoasset business whether they are registered with us or not.

Scope of cryptoasset activities

2.7 The Treasury are yet to publish their response to their April consultation on 5MLD transposition, setting out the cryptoasset activities that will be included in scope of the MLRs. All activities consulted on in April 2019 are listed below, but the Treasury may decide to reduce or extend the range of activities we oversee. Cryptoasset businesses carrying out the activities listed below should assume they must comply with the MLRs from 10 January 2020 and that this consultation applies to them.

Cryptoasset activity	As described in the Treasury consultation
Cryptoasset exchange provider	A business that provides the following services: <ul style="list-style-type: none"> • exchanging fiat currency (government-issued currency) for a cryptoasset (or vice versa) • exchanging 1 cryptoasset for another cryptoasset.
Cryptoasset Automated Teller Machine (ATM)	Physical kiosks that allow users to exchange cryptoassets and fiat currencies
Custodian Wallet Providers	A business that looks after the customer's tokens in its IT system or server and, may administer or transfer the token on behalf of the customer.
Peer to Peer Providers	A business that provides an online marketplace which facilitates the exchange of fiat currencies and cryptoassets (both fiat-to-crypto and crypto-to-crypto) between prospective buyers and sellers
Issuers of new cryptoassets, e.g. Initial Coin Offering (ICO) or Initial Exchange Offering (IEO)	A business that sells a cryptoasset, promoted or sold as a new type of cryptoasset or one that will become useable in the future, in exchange for fiat currency.
Publication of open-source software e.g. Non-Custodian Wallet providers	A business that provides software such as an application, that may be downloaded and used by a customer on their device to store or administer a token, e.g. a non-custodian wallet application that a customer can download onto a device to store the private key in relation to a token.

Compliance with MLRs

2.8 A UK cryptoasset business must comply with the requirements of the MLRs from 10 January 2020. We will start supervising businesses from 10 January 2020, irrespective of whether they have registered or not.

2.9 The business will be responsible for considering guidance from the Joint Money Laundering Steering Group (JMLSG) and ensuring it meets its regulatory obligations under the MLRs. Businesses also have access to other sources of guidance on AML/CTF compliance including, our Financial Crime Guide for firms, our [guidance](#) on the treatment for Politically Exposed Persons (PEPs) and FATF guidance on a risk-based approach.

Registration

2.10 In July 2019, the Government announced in its [Economic Crime Plan](#) that it will introduce and maintain a robust AML/CTF regime in the UK by expanding our supervisory remit to include relevant cryptoasset businesses. The implications of this announcement will be:

- All businesses operating in the UK, already or intending to carry on cryptoasset activities from 10 January 2020, need to apply to us to be registered for AML/CTF purposes, including any business that is already registered or authorised by us for any other activity.
- A new business that intends to carry on cryptoasset activities after 10 January 2020, must obtain FCA registration before it starts that business, in addition to other permissions it may require, particularly if the business is using security tokens or e-money tokens.
- An existing business, that has been carrying on cryptoasset activities before 10 January 2020, must be registered by 10 January 2021 or stop that activity. An existing business that has received a decision from us to refuse registration before 10 January 2021, must also stop its cryptoasset activity.

Timeline and payment

2.11 Businesses will be able to submit applications for registration from 10 January 2020. Applicants should consider the following.

- When we receive an application, we will consider whether it contains all the information needed and may request further information.
- Applicants should notify us of any changes as soon as possible to avoid delays or the application being rejected.
- Payment of the registration fee completes the application. We will not be able to issue a decision until the full registration fee is paid.
- We are seeking a three-month period to make registration assessments, through an amendment to the MLRs.
- If we receive an application before 30 June 2020, we will work with the applicant to ensure we have all information needed by 10 October 2020 to meet the 10 January 2021 deadline.
- We encourage businesses to send applications early to ensure they meet the registration deadline.

Process

2.12 A business that wants to register for a cryptoasset activity needs to:

- complete our online application form
- provide us with the information that we request
- pay the registration fee

Application forms can be found on Connect. Regardless of our registration timeline, businesses will have to comply with their obligations under the MLRs from 10 January 2020.

Supervision – approach and assessment

Approach

- 2.13** Our supervisory approach to cryptoasset businesses will be in line with our approach to other businesses. We intend to focus our attention on businesses and activities that we consider pose the greatest money laundering risk.

Assessment

- 2.14** Our supervisory assessment will include a requirement for a business to demonstrate:

- that it has policies, controls and procedures in place to effectively manage AML/CTF risks in line with the nature, scale and complexity of the activities; and
- that it is able to identify, assess, monitor and effectively manage the financial crime risks to which it is exposed.

- 2.15** We will also review the steps taken by a business to identify its AML/CFT risks. It should carry out regular assessments of its policies and procedures to ensure that they remain relevant and appropriate. As part of this assessment, it should be alert to any change in its operating environment that will have an impact on the way it conducts business.

3 Fees proposals

(Draft instrument in Appendix 1)

- 3.1** This chapter sets out our approach to recovering our costs related to our cryptoasset supervisory regime under the MLRs. We are funded entirely by the fees and levies recovered from the bodies we regulate. The MLRs allow us to recover our expenses from the businesses we supervise under the Regulations. We refer to our charges as 'fees' in this chapter and in the draft instrument in Appendix 1. This instrument will form part of our Fees Manual within our Handbook.
- 3.2** We will recover our costs from cryptoasset businesses through:
- a one-off registration fee
 - a periodic (annual) fee to recover our ongoing regulatory costs and the project set-up costs already incurred

Registration fee

- 3.3** As cryptoasset activities will be new activities under the MLRs, we have limited information on the different business types and the relative complexity involved in assessing them. We therefore propose to distribute recovery of the costs of setting up and operating the registration process equally between all applicants. We estimate the total cost of this process at approximately £400,000 and we are aware of some 80 potential applicants. We accordingly propose to set the **registration fee at £5,000**. This fee will also be paid by businesses that are already authorised or registered with us and which, as explained in Chapter 2, must register with us to carry on cryptoasset activity.
- 3.4** As explained in paragraph 2.12, payment of the fee is needed to complete the application for registration. We will not be able to issue a decision until the fee is paid. Any delay in payment may impact a firm's ability to continue carrying on cryptoasset activity.
- 3.5** If we receive more or less applications than we expect, the difference will be carried forward and set against the remaining set-up costs to be recovered through periodic fees in the future.
- 3.6** The response date for question 1 is 11 November 2019.
- Q1: Do you have any comments on our proposed registration fee of £5,000 for crypto-asset businesses? Please provide any supporting evidence.**

Periodic fees

- 3.7** We distribute recovery of our ongoing regulatory costs by grouping fee-payers into a series of 'fee-blocks.' A fee-block links together businesses that are carrying on similar activities. We then recover these costs through periodic fees (i.e. variable annual fees).
- 3.8** We calculate the fees for each business within a fee block based on a 'tariff' measure that is common to all fee-payers in that block. The tariff base is intended to be an objective, transparent and simple measure that can be reported consistently by fee-payers to ensure cost recovery is distributed fairly across the fee-block. Income is the most common tariff base as it's normally easy to report from company accounts, distributes cost recovery according to market share and provides a fair and proportionate proxy for the regulatory impact risk of the various fee-payers.

Calculation of periodic fees

- 3.9** The total amount we recover from a fee-block is known as the annual funding requirement (AFR). This is based on operational costs, plus project set-up costs if the activity is new. We calculate the fee rate by dividing the AFR by the total value of the tariff data (usually income) reported by all the fee-payers in the fee-block. This enables us to collect a fixed amount each year and make sure we are distributing the costs within each fee-block based on the income size of each fee-payer.
- 3.10** The key features of our proposals on periodic fees for cryptoasset businesses are:
- Fee block: We are proposing to create a new fee-block for cryptoasset businesses.
 - Tariff base: Following initial discussions with a range of cryptoasset businesses, we believe our standard definition of income would apply and that this would be the most appropriate method of distributing cost recovery.
 - Reporting date: we ask fee-payers to report on the basis of their accounts, for their financial year ending during the previous calendar year. This means that the 2020/21 fees would be based on their accounts for their financial year ending up to 31 December 2019.
 - Thresholds and minimum fees: We set minimum fees in many fee-blocks. Up to a certain amount of income, fee-payers pay a fixed minimum fee plus a variable fee on any income above the threshold. Several fee-blocks have a minimum fee of around £1,000 on income up to £100,000. **We would welcome comments on the appropriate minimum fee and minimum fee threshold for cryptoasset businesses.**
 - Invoicing and paying by instalments: Firms whose previous year's fee was £50,000 or more must pay the equivalent of half their previous year's fee by the end of April and the balance of the current year's fee by the end of September. All other firms make a single payment and are invoiced in July to September. In the first year of regulation, cryptoasset businesses will pay a single invoice.
 - Calculating and paying the fee in the first year of regulation, 2020/21: businesses that were already trading on 10 January 2020 will pay the full year's fee, based on the income data they provide in their applications for registration. The fees of new businesses will be pro-rated from the date of registration. We plan to consult on the fee-rate in April 2020 and issue invoices as soon as possible from July 2020 onwards.

Defining cryptoasset income

3.11 It is critical that our definition of income is realistic, practical and properly reflects fee-payers' business. Fee-payers must be able to report their information consistently. We have set out a draft definition for cryptoasset businesses in Table 3.1 and would welcome comments.

3.12 Key features of our income measure are:

- Businesses should report their income without any deductions for business expenses such as staff and accommodation costs, etc. This helps to ensure consistency across all fee-payers.
- Businesses should take care that they only report income relating to the cryptoasset activities for which they have been registered. This might be less than the income in their reported accounts if they conduct other types of business.
- Businesses' accounts may not always distinguish the relevant cryptoasset business from other income. In these circumstances, we would allow them to apportion their income to the business they undertake. A business must be able if challenged to provide a sound and clearly expressed rationale for its approach eg, if all invoices were analysed over a particular time period, it should be able to justify the period as representative of its business across the year. It must also be able to demonstrate corporate accountability by documenting how the methodology was developed and approved at an appropriate level within the company.
- We ask fee-payers to estimate the 'fair value' of services where they have taken business decisions not to charge clients or to discount their charges. The concept of fair value is common in accounting and most businesses should be familiar with it. We consider it to be the amount at which goods or services could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. Fair value is important in the context of fees because it ensures all businesses declare their income on a comparable basis.

Table 3.1: Draft definition of cryptoasset income

'Annual income' is the gross inflow from economic benefits (i.e. cash, receivables and other assets) recognised in the registered UK entity's accounts during the reporting year in respect of, or in relation to, the provision of the cryptoasset activities specified in the regulation. [Note, as explained in chapter 2, the scope of the regulation has not yet been finalised.]

The figure should be reported without netting off operating costs or business expenses, but including:

- all brokerages, commissions, fees, and other related income (e.g. administration charges, overrides, profit shares etc) due to the registered UK entity in respect of, or in relation to, the provision of the relevant activities and which the fee-payer has not rebated to clients or passed on to other registered cryptoasset businesses (e.g. where there is a commission chain)
- any commission or fees from previous business received by the registered UK entity during the reporting year
- the 'fair value' of any goods or services the registered UK entity provided to clients. This is the commission equivalent or an estimate of the amount the fee-payer would otherwise have received for any activity above, but for which it has made a business decision to waive or discount its charges.

Other measures considered

3.13 We have considered other measures apart from income, including:

- Fixed fee – we would divide our costs equally between all businesses within the fee block. A flat fee tends to weigh more heavily on smaller than larger businesses because it takes no account of scale.
- Transaction volumes – we would base the fees on the volumes of transactions to provide a picture of the scale of the supervised activity. However, we understand that there is no standard methodology for reporting transactions and that it may be difficult for some businesses to differentiate UK transactions from non-UK transactions, and to maintain consistency if the transaction was in a non-sterling currency.
- Value of assets – this approach would mean considering the value of the assets held by the business. This has the advantage of being relatively straightforward for the businesses to produce. Its main disadvantage is that the assets may not relate directly to the activities we are supervising.

3.14 The response date for Question 2 is 10 December 2019.

Q2: Do you have any comments on our proposals for periodic fees, including minimum fees, the minimum fee threshold and the draft definition of income? Please provide any supporting evidence.

Next steps

Registration fee

3.15 After considering the responses we receive, we will set the registration fee applicable from 10 January 2020. We will publish our feedback and the legal instrument in a Handbook Notice in December.

Periodic fee

3.16 We will provide feedback on the consultation responses on periodic fees in our consultation paper on fee-rates in April 2020, and consult on the structure of periodic fees and fee rates for 2020/21. We will finalise a policy statement in June 2020 and issue invoices from July 2020 onwards as businesses register.

Annex 1

Questions in this paper

- Q1:** Do you have any comments on our proposed registration fee of £5,000 for crypto-asset businesses? Please provide any supporting evidence.
- Q2:** Do you have any comments on our proposals for periodic fees, including minimum fees, the minimum fee threshold and the draft definition of income? Please provide any supporting evidence.

Annex 2

Compatibility statement

Compliance with legal requirements

1. Although the fees of cryptoasset businesses will not be charged under the Financial Services and Markets Act 2000 (FSMA), we have to ensure that our proposals are compatible with our wider statutory duties and so this annex explains our reasons for concluding that they are compatible with relevant requirements under FSMA.
2. When consulting on new rules, section 138I(2)(d) of FSMA requires to include an explanation of why we believe making the proposed rules is (a) compatible with our general duty, under s.1B(1) of FSMA, so far as reasonably possible, to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under s.1B(5)(a) of FSMA to have regard to the regulatory principles in s.3B of FSMA. We are also required by s.138K(2) of FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and /or integrity objectives.
4. This annex also explains how we have considered the Treasury's recommendations under s.1JA of FSMA of aspects of Her Majesty's Government's economic policy which we should consider in connection with our general duties.
5. This annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles: Compatibility statement

6. Our proposals in this consultation are not intended in themselves to advance our operational objectives, but the fees we collect will fund our capacity to achieve them. Therefore, these proposals will indirectly advance our operational objectives of:
 - delivering consumer protection – securing an appropriate degree of protection for consumers
 - enhancing market integrity – protecting and enhancing the integrity of the UK financial system
 - building competitive markets – promoting effective competition in the interests of consumers

7. We also think that these proposals are compatible with our strategic objective of ensuring that the relevant markets function well, albeit indirectly. This is because they will enable us to fund the activities to help us meet that objective. For the purposes of our strategic objective, 'relevant markets' are defined by s.1F of FSMA. In the rest of this annex, reference to objectives means both our strategic objective and operational objectives.
8. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s.3B of FSMA. Most of the relevant regulatory principles are considered below:

The need to use our resources in the most efficient and economic way

9. Our fee-raising proposals are set to recover our costs in carrying out our responsibilities under FSMA and associated legislation. We aim to carry out this work in the most efficient and economical way possible, concentrating on the areas of activity that pose the greatest risk to our objectives.

The principle that a burden or restriction should be proportionate to the benefits

10. Our fees are necessary for us to meet our objectives. As outlined above, we aim to use our resources in the most efficient and economic way, while delivering benefits to UK consumers, through our regulatory activities.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

11. Cryptoasset activities represent a new area of business activity for us and our knowledge of the market is limited. We hope that the consultation responses will provide greater information about the differences between different market participants so that we can take a view on whether these differences should be taken into account when developing fees policy and setting fees.

The principle that we should exercise of our functions as transparently as possible

12. Our consultation processes are intended to ensure that we are transparent about the thinking behind our proposals and clearly explain what we expect to achieve. We believe that this CP meets these objectives.

Expected effect on mutual societies

13. We do not expect our proposals to affect mutual societies, who are exempt from FCA fees.

Compatibility with the duty to promote effective competition in the interests of consumers

14. These proposals will enable us to fund the activities we need to undertake under the new supervisory regime. These activities include meeting our duty to promote effective competition in the interests of consumers. Fees are not intended in themselves to influence firms' behaviour.

Equality and diversity

15. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.
16. As explained in paragraphs 1.19 to 1.21 of this CP, we do not think that the proposals negatively impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.

The Treasury's recommendations about economic policy

17. Each year, the Treasury makes recommendations to us under section 1JA of FSMA about aspects of economic policy which we should consider when undertaking our functions. Our fees proposals indirectly take account of the Treasury's recommendations by providing the resources that enable us to meet our objectives in taking responsibility for the claims management market.

Annex 3

Abbreviations used in this paper

5 MLR	Fifth Money Laundering Directive
AFR	Annual funding requirement
AML	Anti-Money Laundering
ATM	Automated telling machine
CP	Consultation paper
CTF	Counter terrorist financing
ECP	Economic Crime Plan
EU	European Union
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
ICO	Initial Coin Offering
IEO	Initial Exchange Offering
JMLSG	Joint Money Laundering Steering Group
PEPs	Politically Exposed Persons
PRA	Prudential Regulation Authority
PS	Policy statement

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

Appendix 1

Draft Handbook text

FEES (CRYPTOASSET BUSINESS) INSTRUMENT 2019

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the power under Regulation 102 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

Commencement

- B. This instrument comes into force on 10 January 2020.

Amendments to the Handbook

- C. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- D. The Fees manual (FEES) Appendix 3 is amended in accordance with Annex B to this instrument.

Notes

- E. In the Annex to this instrument, the “note” (indicated by “Note:”) is included for the convenience of the readers and does not form part of the legislative text.

Citation

- F. This instrument may be cited as the Fees (Cryptoasset Business) Instrument 2019.

By order of the Board
[date]

Annex A

Amendments to the Glossary of definitions

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

cryptoasset business as defined in the *Money Laundering Regulations*.

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text.

Appendix 3 Fees payable by persons registered under the Money Laundering Regulations

App 3.1 Fees for persons registered under the Money Laundering Regulations

...

App 3.1.3 A person making an application to the FCA to be registered as a cryptoasset business must pay to the FCA, in full and without deduction, the fee specified in FEES Appendix 3.1.4. An application for registration will be treated as incomplete and the FCA will not issue a decision until the relevant fee is paid in full.

<u>App 3.1.4</u>	(1)	<u>Registration fee:</u>	
		<u>£5000</u>	
		<u>Activity group</u>	<u>Fee-payer falls in the activity group if:</u>
		<u>a person who is registered with the FCA under the Money Laundering Regulations for cryptoasset business</u>	

[**Note:** Regulation 102 of the *Money Laundering Regulations*]

