CRYPTOASSETS (STABLECOINS) INSTRUMENT 2026

Powers exercised

A. The Financial Conduct Authority ("the FCA") makes this instrument in the exercise of the powers and related provisions in or under:

(1) the following sections of the Financial Services and Markets Act 2000 ("the Act"), including as applied by article 98 (Application of section 137B of the Act to backing assets for qualifying stablecoin) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended by the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102)):

(a) section 137A (the FCA's general rules);
(b) section 137B (FCA general rules: clients' money, right to rescind etc.)
(c) section 137T (General supplementary powers);
(d) section 139A (Power of the FCA to give guidance); and
(e) section 340 (Appointment);

(2) the following provisions of the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2026 (SI 2026/102):

(a) regulation 6 ("Qualifying cryptoasset disclosure document" and "supplementary disclosure document");
(b) regulation 9 (Designated activity rules: qualifying cryptoasset public offers and admissions to trading);
(c) regulation 12 (Responsibility for disclosure documents);
(d) regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document); and
(e) regulation 15 (Withdrawal rights); and

(3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA's Handbook.

B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument is one of a series of instruments which introduce or amend provisions of the Handbook relating to cryptoassets. These instruments all come into force on 25 October 2027, immediately after one another, in the following order:

(1) Glossary (Cryptoassets) Instrument 2026;
(2) Cryptoassets (Stablecoins) Instrument 2026;
(3) Cryptoassets (Admission of Qualifying Cryptoassets to Trading and Offers of Qualifying Cryptoassets to the Public) Instrument 2026;

(4) Cryptoassets (Market Abuse) Instrument 2026;
(5) Cryptoassets (Intermediaries) Instrument 2026;
(6) Cryptoassets (Trading Platforms, Transparency and Records) Instrument 2026;
(7) Cryptoassets (Lending, Borrowing and Staking) Instrument 2026;
(8) Cryptoassets (Safeguarding) Instrument 2026;
(9) Cryptoassets (Client Assets Consequentials) Instrument 2026;
(10) Cryptoassets (Conduct and Firm Standards) Instrument 2026; and
(11) Cryptoassets (COREPRU and CRYPTOPRU) Instrument 2026.

Amendments to the Handbook

D. The Client Assets sourcebook (CASS) is amended in accordance with Annex A to this instrument.

Making the Cryptoassets sourcebook (CRYPTO)

E. The FCA makes the rules and gives the guidance in accordance with Annex B to this instrument.

F. The Cryptoassets sourcebook (CRYPTO) is added to the Specialist sourcebooks block within the Handbook, immediately before the Critical Third Parties sourcebook (CTPS).

Notes

G. In the Annexes to this instrument, the notes (indicated by "*Editor's note*:") are included for the convenience of readers but do not form part of the legislative text.

Citation

H. This instrument may be cited as the Cryptoassets (Stablecoins) Instrument 2026.

I. The sourcebook in Annex B to this instrument may be cited as the Cryptoassets sourcebook (CRYPTO).

By order of the Board
25 June 2026

Annex A

Amendments to the Client Assets sourcebook (CASS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

Insert the following new chapter, CASS 16, after CASS 15 (Payment services and electronic money: relevant funds). All the text is new and is not underlined.

16	**Stablecoin backing assets**		
16.1	**Application and purpose**		
	Purpose		
16.1.1	G	The purpose of this chapter is to set out how a *firm* should manage and safeguard the *money* and *assets* it holds as a *backing asset pool*.	
	Who?		
16.1.2	R	Subject to *CASS* 16.1.3R, this chapter applies to a *firm* that is *issuing a qualifying stablecoin*.	
16.1.3	R	*CASS* 16.2.17R to *CASS* 16.2.31R apply to a *firm* that is *issuing a qualifying stablecoin* and that holds *expanded backing assets* in a *backing asset pool*.	
	What?		
16.1.4	R	This chapter applies to any *qualifying stablecoins* within a *qualifying stablecoin product* that includes a *UK qualifying stablecoin*.	
16.1.5	G	The definition of *qualifying stablecoin product* refers to a category of fungible *qualifying stablecoins* that make up a single product. A *qualifying stablecoin product* may include *pre-issued stablecoins*.	
	Where?		
16.1.6	R	This chapter applies to a *firm* carrying out the activity of *issuing a qualifying stablecoin* by way of business in the *UK*.	
16.1.7	G	This chapter applies whether or not the *person* to whom a *qualifying stablecoin* is issued, or who becomes the *holder* of that *qualifying stablecoin*, is in the *UK*.	
16.2	**Managing and safeguarding backing assets**		
16.2.1	R	A *firm* must ensure that at all times, and separately in relation to each *qualifying stablecoin product*:	

(1) it holds in a *backing asset pool* either:

(a) *money*; or

(b) *money* and *assets*;

(2) the relevant *backing asset pool* is:

(a) held in such a way that the *money* and *assets* it contains are segregated from the *firm's* own *money* and *asset*s and any other *backing asset pools*; and

(b) held in accounts which are *backing funds accounts* or *backing assets accounts* that meet the conditions in *CASS* 16.2.3R or *CASS* 16.2.4R as appropriate;

(3) subject to *CASS* 16.4.16R, the value of the relevant *backing asset pool* is equal to the *reference value* of the *qualifying stablecoins* in that *qualifying stablecoin product* multiplied by the relevant *stablecoin pool*; and

(4) it holds at least 5% of the *backing asset pool* in *on-demand deposits* (the *on-demand deposit requirement*).

16.2.2 R A *firm* must not hold *electronic money* in a *backing asset pool*.

16.2.3 R A *backing funds account* must be an account in which the *firm* can hold *on-demand deposits* and which meets the following conditions:

(1) it is provided by one of the following:

(a) a *central bank*;

(b) a *CRD credit institution*; or

(c) an *approved bank*;

(2) it is provided by another *person* (a 'third party') the appointment of which complied with the *rules* in *CASS* 16.6 (Appointment of third parties) and *CASS* 16.7 (Acknowledgement letters);

(3) it is expressly held in the name of the *firm*; and

(4) it includes in its title an appropriate description to distinguish the *money* in the account from the *firm's* own *money* or *money* in the *backing asset pool* for another *qualifying stablecoin product*.

16.2.4 R A *backing assets account* must meet the following conditions:

(1) it is used by a *firm* to hold *core backing assets* (excluding *on-demand deposits*) and *expanded backing assets*;

(2) it is provided by a *third-party custodian* the appointment of which meets the conditions set out in *CASS* 16.6 (Appointment of third parties) and *CASS* 16.7 (Acknowledgement letters);

(3) it is expressly held in the name of the *firm*; and

(4) it includes in its title an appropriate description to distinguish the *assets* in the account from the *firm's* own *assets* and *assets* in the *backing asset pool* for another *qualifying stablecoin product*.

16.2.5 R For the purposes of *CASS* 16.2.1R, the value of a *backing asset pool* is the aggregate value calculated in the *reference currency* of:

(1) all *money* held in a *backing funds account*; and

(2) all *assets* held in a *backing assets account*.

16.2.6 R For the purposes of calculating the value of *assets* under *CASS* 16.2.5R(2), a *firm* must ensure that:

(1) any valuation of *assets* is performed with due skill, care and diligence;

(2) to value the *assets*, it uses:

(a) the *market value* of the relevant *assets*; or

(b) where a *market value* is not available for an *asset*, an alternative measure of fair value, which may include an estimated value calculated on a best-efforts basis;

(3) it bases calculations on its records at the close of business on the previous *business day*; and

(4) it records the process by which it has calculated the value of *assets*, including which method of valuation has been used.

16.2.7 R For the purposes of *CASS* 16.2.6R, relevant *assets* in the context of a *repurchase transaction* are the *assets*, rights or *money* received or held as counterparty to that transaction.

16.2.8 R A *stablecoin pool* is a number (X) of *qualifying stablecoins* in the *qualifying stablecoin product* to which the relevant *backing asset pool* relates, calculated as follows:

$X = A - (B + C)$

where:

- A is the number of such *qualifying stablecoins* that have ever been *minted*;

- B is the number of such *qualifying stablecoins* that have ever been *burned*; and
- C is the number of such *qualifying stablecoins* received in the course of carrying out, or in connection with, a *redemption* in the 24 hours preceding the point of calculation which have neither been recorded as part of the relevant *stablecoin pool* nor *burned*.

16.2.9 G For the purposes of carrying out the calculation in *CASS* 16.2.8R, a *firm* should include stablecoins which are part of the *qualifying stablecoin product* in question which were *minted* or *burned* at any point, including before 25 October 2027, and including those which may have been *minted*, *burned* or received in respect of a *redemption* by a *person* other than the *qualifying stablecoin issuer*.

16.2.10 R (1) A *firm* must at all times keep records of at least the following for each *qualifying stablecoin product*:

(a) the total number of *qualifying stablecoins* that have ever been *minted*; and

(b) the total number of *qualifying stablecoins* that have ever been *burned*.

(2) At least once in every 24-hour period a *firm* must calculate, and keep a record of, the value of C in *CASS* 16.2.8R for each *qualifying stablecoin product*.

16.2.11 G Records kept under *CASS* 16.2.10R may include records about activities carried out by a *firm* directly as well as activities carried out by a third party on behalf of that *firm*, or by any other *person* who may be involved in the *minting*, *burning*, recording or *redemption* of a stablecoin which forms part of a *qualifying stablecoin product*.

Interest and income

16.2.12 R (1) Save as set out in (3), a *firm* must not directly or indirectly pay interest or income to the *holder* of a *qualifying stablecoin*.

(2) For the purposes of (1), interest or income includes any incentive the provision or amount of which is connected to the length of time for which a *person* is the *holder* of a *qualifying stablecoin*.

(3) *Firms* may provide benefits that are unconnected to the length of time for which a *person* is the *holder* of a *qualifying stablecoin*, provided they do so in a manner which meets the conditions set out in Paragraph 3A of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 and Regulation 3A of the Alternative Investment Fund Managers Regulation 2013.

16.2.13 R A *firm* may keep interest or income accruing from a *backing asset pool* for its own account, provided that it does so in accordance with *CASS* 16.4 (Records and reconciliations) and any other legal or regulatory obligations to which the *firm* is subject.

Permissible backing assets in backing asset pools

16.2.14 R A *firm* must hold all *money* and *asset*s in a *backing asset pool* in the denominated *reference currency* of the *qualifying stablecoin product*.

16.2.15 R Subject to *CASS* 16.2.16R, a *firm* may only hold *core backing assets* in a *backing asset pool*.

Conditions for holding expanded backing assets in a backing asset pool

16.2.16 R A *firm* may hold *expanded backing assets* in addition to *core backing assets* in a *backing asset pool* if it meets the following requirements:

(1) it must notify the *FCA* of its intention to hold *expanded backing asset*s using the *online notification and application system*;

(2) it must comply with the *rules* in *CASS* 16.2.17R to *CASS* 16.2.31R in respect of that *backing asset pool*; and

(3) it must ensure that *money* or *asset*s held as counterparty under a *repurchase transaction* (whether as a repurchase agreement or reverse repurchase agreement) are not pledged or reused to engage in a further *repurchase transaction* or any other *investment*.

Expanded backing asset pool risk management

16.2.17 R A *firm* must have in place a robust risk management framework that enables it to identify, measure and manage risks in relation to the *backing asset pool*, including at least the following:

(1) a liquidity risk management policy which:

(a) considers the nature and level of the liquidity risk to which the *money* or *asset*s in the *backing asset pool* is or might be exposed;

(b) contains a clear statement of which *days* of the year will be *redemption days* and which will not;

(c) sets out how a *firm* will undertake liquidity stress testing, including:

(i) risk tolerance limits on liquidity positions;

(ii) the detailed methodology by which such limits will be calibrated; and

(iii) the way in which the needs and availability of liquidity in the *backing asset pool* will be monitored;

(d) takes into account liquidity stress testing when considering potential measures which could be taken to strengthen the liquidity arrangements within the *backing asset pool*; and

(e) sets out the amount, type and profile of liquidity resource that it considers adequate to meet:

(i) the obligations in *CRYPTO* 2.4.5R and *CRYPTO* 2.4.14R(3) in relation to *redemption*; and

(ii) the *backing asset composition requirement*;

(2) a liquidity contingency funding plan, which describes the tools that will be used to monitor market conditions, and which addresses how additional liquidity would be sourced:

(a) in the event that the *firm* no longer meets its *backing asset composition requirement*; and

(b) in the event of wider market stress which may impact the number of *redemptions* anticipated; and

(3) a prudent custody policy which:

(a) addresses all aspects of who will provide custody for *asset*s in the *backing asset pool*; and

(b) ensures prompt access to those *asset*s when required.

16.2.18 G Stress testing under a liquidity risk management policy which meets the requirements of *CASS* 16.2.17R(1) should not result in a minimum holding of *core backing assets* that is lower than that required by the *backing asset composition requirement*.

16.2.19 G The liquidity contingency funding plan should outline strategies for addressing liquidity shortfalls and should set out which individual or individuals within the *firm* are responsible for its monitoring and execution. It should also describe the tools used to monitor market conditions to determine when exceptional circumstances might be present. The plan should include identified funding alternatives.

16.2.20 G A prudent custody policy should ensure against concentration of *asset*s or *asset* classes with a particular custodian or group of custodians, and ensure appropriate diversification between custodians (including compliance with *CASS* 16.6.8R).

16.2.21 R All framework and policy documents in *CASS* 16.2.17R must make clear:

(1) the identity of the *person* who is responsible for their monitoring and execution within the *firm*;

(2) the way in which *senior managers* have oversight of their monitoring and execution; and

(3) the frequency with which they will be reviewed and updated.

16.2.22 R A *firm* must have in place robust processes and systems to manage the *backing asset pool* effectively and prudently, including in line with its risk management framework, ensuring that risks associated with holding *expanded backing assets* are considered and addressed.

Governing body oversight: expanded backing assets

16.2.23 R A *firm's governing body* must oversee and approve:

(1) its risk management framework required by *CASS* 16.2.17R; and

(2) its processes and systems under that risk management framework relating to the effective and prudent management of the *backing asset pool* under *CASS* 16.2.22R.

16.2.24 R A *firm* must ensure that its *governing body's* oversight and approval of the matters in *CASS* 16.2.23R is appropriately documented and recorded.

Backing asset composition requirement

16.2.25 R A *firm* must ensure that, at all times, the percentage of *core backing assets* in the *backing asset pool* is at least equal to the sum of the *on-demand deposit requirement* and the *core backing asset requirement* (the *backing asset composition requirement*).

16.2.26 R A *firm* must calculate its *backing asset composition requirement* every *redemption day*.

Core backing asset requirement

16.2.27 R A *firm* must ensure that, at all times, it holds a minimum percentage of *core backing assets* in the *backing asset pool* calculated in accordance with *CASS* 16.2.28R in addition to the *on-demand deposit requirement* (the *core backing asset requirement*).

16.2.28 R The *core backing asset requirement* is calculated as the higher of:

(1) 5%; and

(2) the highest redemption percentage (see *CASS* 16.2.29R):

(a) for any of the previous 180 *redemption days*; or

(b) for any *redemption day* since the *firm* became subject to *CASS* 16 in respect of the *qualifying stablecoin product* if there have not been 180 *redemption days* since then.

16.2.29 R The redemption percentage in *CASS* 16.2.28R(2) is the value of completed *redemptions* on any given *redemption day* expressed as a percentage of the value of the *backing asset pool* on that same *day*.

Notification of breach

16.2.30 R Subject to *CASS* 16.2.31R, a *firm* must promptly notify the *FCA* if it ceases at any point to comply with *CASS* 16.2.17R.

16.2.31 R A *firm* does not need to notify the *FCA* under *CASS* 16.2.30R if the failure to comply with *CASS* 16.2.17R arises from a need to rebalance the percentage of *core backing assets* held within the *backing asset pool* following a *firm* calculating a new *backing asset composition requirement* on a given *day*, and less than 1 *business day* has elapsed since that *day*.

16.3 Holding backing assets

16.3.1 R *CASS* 16.3.2R is to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.

16.3.2 R A *firm* must:

(1) maintain adequate arrangements to safeguard the rights and interests of *qualifying stablecoin holders* in a *backing asset pool*; and

(2) prevent the use of any *money* or *asset*s comprising a *backing asset pool* for its own account.

Segregation of assets for different qualifying stablecoin products

16.3.3 R A *firm* which is a *qualifying stablecoin issuer* in relation to more than 1 *qualifying stablecoin product* must ensure that the *backing asset pool* for each *qualifying stablecoin product* is:

(1) kept separate and distinct from the *backing asset pool* held for any other *qualifying stablecoin product*;

(2) held in different and distinct accounts from the *backing asset pool* for any other *qualifying stablecoin product*; and

(3) managed independently from the *backing asset pool* for any other *qualifying stablecoin product*.

16.3.4 G *CASS* 16.3.3R requires separation of the *money* and *asset*s in the *backing asset pool* for each *qualifying stablecoin product*. This would not prevent a *firm* engaging the services of the same *bank* or *third-party custodian* to hold the *money* or *asset*s in a *backing asset pool* in connection with different *qualifying stablecoin products* provided appropriate separation could be achieved.

Receipt of qualifying stablecoin funds

16.3.5 R *CASS* 16.3.6R is to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.

16.3.6 R A *firm* must promptly pay *qualifying stablecoin funds* into a *backing funds account* or invest them in *assets* held in a *backing assets account*.

16.4 Records and reconciliations

Policies and procedures

16.4.1 R All of the *rules* in this section are to be read as imposing requirements on a *firm* separately in relation to each *qualifying stablecoin product*.

16.4.2 R (1) A *firm* must establish, implement and maintain adequate policies and procedures sufficient to ensure its compliance with this chapter, including in relation to any services provided through a third party.

(2) The policies and procedures in (1) must include at least the following:

(a) the frequency and method of the reconciliations the *firm* is required to carry out under this section;

(b) the resolution of reconciliation discrepancies under this section;

(c) the approach to the valuation of an *asset* for the purposes of *CASS* 16.2.6R; and

(d) the frequency with which the *firm* is required to review its arrangements in compliance with this chapter.

Records

16.4.3 R A *firm* must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish between:

(1) the *money* and *asset*s in the *backing asset pool* held for the *holders* of a *qualifying stablecoin*;

(2) the *money* and *assets* in the *backing asset pool* held for the *holders* of another *qualifying stablecoin* that forms part of a different *qualifying stablecoin product*; and

(3) its own *money* or *asset*s.

16.4.4 R A *firm* must at all times maintain its records and accounts in a way that ensures their accuracy, particularly in relation to the *backing asset pool*, including:

(1) the value of *money* and *asset*s that should be held in the *backing asset pool* in one or more *backing funds accounts* or *backing assets accounts*;

(2) the location of *money* and *asset*s in the *backing asset pool*;

(3) the identity of those providing *backing assets accounts* or *backing funds accounts*; and

(4) the value of the *money* and *asset*s in the *backing asset pool*.

16.4.5 R For each internal safeguarding reconciliation and external safeguarding reconciliation, a *firm* must keep records of:

(1) the time and date it carried out the relevant process;

(2) the actions it took in carrying out the relevant process;

(3) the outcome of its calculations of the amount safeguarded in the *backing asset pool* and the amount that should be safeguarded in accordance with *CASS* 16, including whether any discrepancies were identified; and

(4) the value of any excess held in the *backing asset pool* in accordance with *CASS* 16.4.16R.

16.4.6 R Unless otherwise stated, a *firm* must ensure that any record made under this chapter is retained for a period of 5 years starting from the later of:

(1) the date the record was created; or

(2) if the record has been modified since the date it was created, the date it was most recently modified.

Internal safeguarding reconciliation

16.4.7 R An internal safeguarding reconciliation requires a *firm* to reconcile its internal records and accounts of the amount it safeguards in the *backing asset pool* for the *holders* of a *qualifying stablecoin* with its internal records and accounts of the amount it should safeguard in that *backing asset pool* (see *CASS* 16.2.1R(3)).

16.4.8 R In carrying out an internal safeguarding reconciliation, a *firm* must:

(1) disregard any excess held in accordance with *CASS* 16.4.16R when calculating the amount it should safeguard in the *backing asset pool*; and

(2) use the values contained in its internal records, and not records provided by third parties with which it has placed the *money* or *asset*s in the *backing asset pool*.

16.4.9 R A *firm* must carry out an internal safeguarding reconciliation:

(1) as regularly as necessary and at least once each *business day*; and

(2) based on the most up-to-date records of the *firm*.

External safeguarding reconciliation

16.4.10 R An external safeguarding reconciliation is a reconciliation between a *firm's* internal records and accounts and those of:

(1) any *person* with whom a *firm* has a *backing funds account*; and

(2) any *person* with whom a *firm* has a *backing assets account*.

16.4.11 G The purpose of an external safeguarding reconciliation is to ensure the accuracy of a *firm's* internal records and accounts against those of any third parties that hold *money* or *asset*s on behalf of that *firm* for the benefit of *holders* of a *qualifying stablecoin*.

16.4.12 R A *firm* must carry out an external safeguarding reconciliation as regularly as necessary and at least once each *business day*.

16.4.13 R When carrying out an external safeguarding reconciliation, a *firm* must:

(1) compare:

(a) the balance of funds on each *backing funds account* as recorded by the *firm*, with the balance on that account as set out in the statement or other form of confirmation issued by the *person* with whom that account is held; and

(b) the balance of *asset*s, investment by investment, on each *backing assets account*, with the balance of those *asset*s as set out in the statement or other form of confirmation issued by the *person* with whom the account is held; and

(2) promptly identify and resolve any discrepancies between those balances in accordance with *CASS* 16.4.21R.

16.4.14 G When carrying out the reconciliation described in *CASS* 16.4.13R in relation to *asset*s, a *firm* is required to reconcile the quantity of *asset*s it has recorded with the quantity of *asset*s a third party has recorded, in addition to the value of those *asset*s. An example would be that a *firm* should compare its records of the number of units in a particular money market fund with the number of units in that money market fund as set out in the statements provided by the custodian of the units, in addition to the value of those units.

Identifying and resolving discrepancies

16.4.15 R When a *firm* becomes aware of a discrepancy between the value of a *backing asset pool* and the relevant *reference value* multiplied by the relevant *stablecoin pool*, the *firm* must:

(1) determine the reason for that discrepancy; and

(2) subject to *CASS* 16.4.16R, ensure the discrepancy is resolved in accordance with paragraph (a) or (b) below:

(a) the *firm* must adjust the value of the *backing asset pool* by ensuring that either:

(i) any shortfall is paid into a *backing funds account* or invested in *assets* held in a *backing assets account*; or

(ii) any excess is withdrawn from a *backing funds account* or *backing assets account*; or

(b) the *firm* must adjust the value of the *stablecoin pool* by ensuring that either:

(i) any excess of *qualifying stablecoins* which have been *minted* but are not represented by *money* or *asset*s in the *backing asset pool* are *burned*; or

(ii) any shortfall of *qualifying stablecoins* which has led to an excess of value in the *backing asset pool* is resolved by the *minting* of additional *qualifying stablecoins* with no corresponding adjustment to the *money* or *asset*s held in the *backing asset pool*.

16.4.16 R (1) Where an internal safeguarding reconciliation identifies an excess, this *rule* applies to that part of the excess with a value of up to 5% of the relevant *reference value* multiplied by the relevant *stablecoin pool*.

(2) The *firm* may:

(a) withdraw none, some or all of that part of the excess in accordance with *CASS* 16.4.15R(2)(a)(ii); and

(b) retain none, some or all of that part of the excess in the *backing asset pool*.

16.4.17 G *CASS* 16.4.16R allows *firms* to hold an excess in the *backing asset pool* after an internal safeguarding reconciliation. Any such excess is part of the *backing asset pool* so is held on trust under *CASS* 16.5.2R and cannot be withdrawn except in accordance with *CASS* 16.4.15R and *CASS* 16.4.16R. Under *CASS* 16.4.8R(1), any such excess is ignored when calculating how much should be in the *backing asset pool* for the purposes of internal safeguarding reconciliations.

16.4.18 R The resolution of a discrepancy referred to in *CASS* 16.4.15R must be carried out as soon as possible, and in any event no later than the end of the *business day* on which the *firm* becomes aware of the discrepancy.

16.4.19 G *CASS* 16.4.15R sets out some of the steps that a *firm* must carry out to ensure that it is segregating the correct amount on aggregate of *money* and *asset*s in the *backing asset pool*. Where a discrepancy is identified the *firm* must either adjust the amount in the *backing asset pool* or the value of the relevant *stablecoin pool* to address it (subject to *CASS* 16.4.16R).

16.4.20 G Where a discrepancy referred to in *CASS* 16.4.15R has arisen as a result of a breach of the requirements of this chapter, a *firm* should ensure it takes sufficient steps to avoid a recurrence of that breach.

16.4.21 R If a discrepancy is identified by an external safeguarding reconciliation carried out under *CASS* 16.4.12R, the *firm* must investigate the reason for the discrepancy and take all reasonable steps to resolve it without undue delay unless the discrepancy arises solely as a result of timing differences between the accounting systems of the *person* providing the statement or confirmation and that of the *firm*.

Notification requirements

16.4.22 R A *firm* must inform the *FCA* in writing without delay if:

(1) its internal records and accounts of the *backing asset pool* are materially out of date, inaccurate or invalid so that the *firm* is no longer able to comply with the requirements in *CASS* 16.4.3R or *CASS* 16.4.4R;

(2) it will be unable to, or materially fails to, conduct an internal safeguarding reconciliation in compliance with *CASS* 16.4.7R to *CASS* 16.4.9R;

(3) it will be unable to, or materially fails to, adjust the value of the *backing asset pool* or *stablecoin pool* in accordance with *CASS* 16.4.15R to *CASS* 16.4.18R;

(4) it will be unable to, or materially fails to, conduct an external safeguarding reconciliation in compliance with *CASS* 16.4.10R to *CASS* 16.4.13R;

(5) it will be unable to, or materially fails to, identify and resolve any discrepancies in accordance with *CASS* 16.4.21R; or

(6) it becomes aware that, at any time in the preceding 12 *months*, the value of the *backing asset pool* was materially different from the

relevant *reference value* multiplied by the relevant *stablecoin pool*, except for any excess held in accordance with *CASS* 16.4.16R.

16.5 Backing asset statutory trust

16.5.1 G (1) Section 137B(1) of the *Act*, as applied by article 98 of the *Regulated Activities Order*, provides that *rules* may make provisions which result in a *firm* holding a sum or *asset* on trust.

(2) This section creates a fiduciary relationship between a *firm* and the *holders* of a *qualifying stablecoin*.

16.5.2 R Separately, in relation to each *qualifying stablecoin product*, a *firm* holds as trustee *money* and *asset*s which comprise the *backing asset pool* on the terms set out in *CASS* 16.5.4R.

16.5.3 G For the purposes of *CASS* 16.5.2R, *money* or *asset*s include (but are not limited to):

(1) *money* held in a *backing funds account*;

(2) *asset*s held in a *backing assets account*; and

(3) rights in or under and any proceeds of any *asset* which a *firm* may purchase or instruct another to purchase, or *investment* which a *firm* may make or instruct another to make, with any *money* or *asset*s owned by the *firm* or which it holds as trustee under *CASS* 16.5.2R, including but not limited to *core backing assets*, *expanded backing assets* and any right in or under or any *asset* or *money* held as a result of entering into a *repurchase transaction* in relation to any of those *asset*s.

16.5.4 R Separately, for each trust created under *CASS* 16.5.2R which corresponds to a *qualifying stablecoin product*, a *firm* holds the *money* and *asset*s specified in *CASS* 16.5.2R on the following terms:

(1) for the purposes of meeting its obligations under, and on the terms of, the *rules* in *CASS* 16;

(2) for the *holders* of that *qualifying stablecoin product,* with the value of each *holder's* proprietary claim being the *reference value* of the sum total of *qualifying stablecoins* in respect of which they are the *holder*;

(3) [to follow]

[*Editor's note*: Rules relating to the terms on which a firm holds the money and assets specified in CASS 16.5.2R in the event of failure of the firm will be consulted on via a subsequent consultation.]

16.5.5 R A statutory trust under *CASS* 16.5.2R does not permit a *firm*, in its capacity as trustee, to use trust *money* or *asset*s described in that *rule* to borrow or lend, except in so far as such borrowing or lending forms part of a *repurchase transaction* or forms the act of placing *money* into a *backing funds account*.

16.5.6 G The effect of this section, *CASS* 16.2.13R, *CASS* 16.4.15R and *CASS* 16.4.16R is that a *firm* can remove any excess from a *backing asset pool* following a reconciliation. This applies however the excess arises, including through the receipt of interest or income, an increase in the value of *assets* in the *backing asset pool* or the receipt of *redemption* requests. When an excess is removed from the *backing asset pool* in compliance with this chapter, it is no longer held on trust under this section.

16.6 Appointment of third parties

16.6.1 R A *firm* must appoint:

(1) one or more third parties to provide it with one or more *backing funds accounts*; and

(2) where it proposes to hold *assets* in addition to *money* in a *backing asset pool*, one or more third parties to provide it with one or more *backing assets accounts*.

16.6.2 R (1) A *firm* must exercise all due skill, care and diligence:

(a) in the selection, appointment and periodic review of third parties that provide *backing funds accounts* or *backing assets accounts*; and

(b) in the arrangements for the holding and protection of *money* and *asset*s in the *backing asset pool*.

(2) A *firm* must consider the need for diversification as part of its due diligence under (1).

16.6.3 G A *firm* should ensure that its consideration of a third party under *CASS* 16.6.2R focuses on the specific legal entity in question and not simply that *person's group* as a whole.

16.6.4 G *CASS* 16.6.2R(2) requires *firms* to consider the need for diversification in respect of their arrangements with third parties generally. *Firms* will also need to comply with the requirement in *CASS* 16.6.8R in respect of intra-*group* third parties where it applies.

16.6.5 R When a *firm* selects, appoints, and conducts a periodic review of a third party, it must take into account:

(1) the expertise and market reputation of the third party, with a view to ensuring the protection of *holders'* rights and interests as beneficiaries of the trust established by *CASS* 16.5; and

(2) any legal or regulatory requirements or market practices relating to the holding of *money* or *asset*s in a *backing asset pool* that could adversely affect *holders'* rights or interests as beneficiaries of the trust established by *CASS* 16.5.

16.6.6 G In discharging its obligations under *CASS* 16.6.5R, a *firm* should also consider, as appropriate, together with any other relevant matters:

(1) the third party's performance of its services to the *firm*;

(2) the arrangements the third party has in place for safeguarding the *money* or *asset*s in a *backing funds account* or *backing assets account*, including market practices relating to the safeguarding of the *money* or *asset*s that could adversely affect the rights of the *holders* of the relevant *qualifying stablecoin*;

(3) current industry standard reports – for example, 'Assurance reports on internal controls of service organisations made available to third parties' made in line with Technical Release AAF 01/20 of the Institute of Chartered Accountants in England and Wales and available at https://www.icaew.com/technical/technical-releases/audit-technical-releases/tech-01-20-aaf-internal-controls, or equivalent;

(4) the capital or financial resources of the third party;

(5) the amount of *core backing assets* or *expanded backing assets* placed with the third party as a proportion of the third party's capital and (where relevant) deposits;

(6) the extent to which *core backing assets* or *expanded backing assets* that the *firm* deposits or holds with any third party would be protected under a deposit protection scheme or other compensation scheme;

(7) the creditworthiness of the third party;

(8) to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the third party and affiliated companies; and

(9) the arrangements referred to in *CASS* 16.3.2R.

16.6.7 R (1) Subject to (2), a *firm* must only:

(a) deposit *core backing assets* in the *backing asset pool* with a third party in a jurisdiction which specifically regulates and supervises the safeguarding of *assets*, including *core backing assets* for the account of another *person* with a third party who is subject to such regulation; and

(b) deposit *expanded backing assets* in the *backing asset pool* with a third party in a jurisdiction which specifically regulates and supervises the safeguarding of *assets*, including *expanded backing assets* for the account of another *person* with a third party who is subject to such regulation.

(2) A *firm* may deposit *core backing assets* or *expanded backing assets* with a third party in a jurisdiction which does not regulate and supervise the safeguarding of *core backing assets* or *expanded backing assets* for the account of another *person* only where the nature of the *core backing assets* or *expanded backing assets*, or of the investment services connected with them, requires them to be deposited with a third party in that *third country*.

(3) The requirements under (1) and (2) also apply when the third party has delegated any of its functions concerning the safeguarding of *core backing assets* or *expanded backing assets* to another third party.

16.6.8 R (1) Subject to *CASS* 16.6.9R, this *rule* applies where a *firm* holds any *money* or *assets* in a *backing asset pool* with one or more *persons* in the same *group* as the *firm*.

(2) The *firm* must not hold more than a total of 20% of the value of the *backing asset pool* with all such *persons*.

16.6.9 R (1) *CASS* 16.6.8R does not apply if, following an assessment, the *firm* considers it can demonstrate it would be disproportionate to comply with that *rule* because of:

(a) the low value of the *backing asset pool*;

(b) the nature, scale and complexity of its business; and

(c) the safety offered by the *persons*.

(2) A *firm* must periodically review any assessment made under (1) which concludes that *CASS* 16.6.8R does not apply.

(3) A *firm* must notify the FCA of the following in accordance with *CASS* 16.6.11R:

(a) any assessment made under (1) which concludes that *CASS* 16.6.8R does not apply; and

(b) the outcome of any periodic reviews under (2).

16.6.10 G A review under *CASS* 16.6.9R(2) should be carried out if the *firm* is still relying on *CASS* 16.6.9R(1) and:

(1) the *firm* becomes aware of a change in circumstances that might have led it to a different conclusion on its previous assessment; or

(2) no such review has taken place for a year.

16.6.11 R (1) Where a *firm* considers that *CASS* 16.6.8R does not apply following an assessment under *CASS* 16.6.9R(1), it must give the *FCA* notice of that decision before it starts relying on *CASS* 16.6.9R(1).

(2) When a *firm* decides whether to continue relying on *CASS* 16.6.9R(1) following a review under *CASS* 16.6.9R(2), it must give the *FCA* notice of that decision promptly.

16.6.12 G *Firms* are reminded that they must also comply with any applicable requirements in *SYSC* 10 (Conflicts of interest), including when using *third-party custodians* in the same *group*.

16.6.13 R (1) A *firm* must periodically review its arrangements with third parties, including whether it is appropriate to diversify (or further diversify) the third parties with which it deposits, holds or invests *money* or *asset*s in the *backing asset pool*.

(2) Where it concludes it is appropriate to do so, a *firm* must make adjustments accordingly to the third parties it uses and to the amounts of *money* or amounts or types of *asset*s in the *backing asset pool* deposited, held or invested with them.

16.6.14 G *CASS* 16.6.13R requires *firms* to periodically review the need for diversification in respect of their arrangements with third parties generally. *Firms* will also need to comply with the requirement in *CASS* 16.6.9R(2) in respect of intra-*group* third parties where it applies.

16.6.15 G In discharging its obligations under *CASS* 16.6.13R to periodically review its arrangements with third parties, a *firm* should have regard to:

(1) whether it would be appropriate to deposit *money* in the *backing asset pool* into *backing funds accounts* opened at a number of different *approved banks*;

(2) whether it would be appropriate to limit the amount of *money* or *asset*s the *firm* holds with third parties that are in the same *group* as each other;

(3) whether risks arising from the *firm's* business model create any need for diversification (or further diversification);

(4) the market conditions at the time of the assessment;

(5) the outcome of any due diligence carried out in accordance with *CASS* 16.6.2R; and

(6) the arrangements referred to in *CASS* 16.3.2R.

16.6.16 R (1) A *firm* must make a record of:

(a) the grounds on which it satisfies itself as to the appropriateness of its selection and appointment of a third party under *CASS* 16.6.2R;

(b) each periodic review of its selection and appointment of a third party under *CASS* 16.6.2R, including its considerations and conclusions; and

(c) each periodic review that it conducts under *CASS* 16.6.13R, including its considerations and conclusions.

(2) A record under (1) must be made on the date the selection is made or the review completed (as the case may be) and kept for either 5 years from that date or 5 years from the date that the *firm* ceases to use the third party, if later.

16.7 Acknowledgement letters

Purpose

16.7.1 G The main purposes of an *acknowledgement letter* are:

(1) to put third parties on notice that the *holders* of a *qualifying stablecoin* in respect of which the *firm* is the *qualifying stablecoin issuer* have an interest in the *money* or *asset*s that have been deposited with, allowed to be held by, or invested with that *person*;

(2) to ensure that a *backing funds account* or *backing assets account*:

(a) has been opened in the correct form, in accordance with and in compliance with the *rules* in *CASS* 16; and

(b) is distinguished from any account containing *money* or *asset*s that are not part of the *backing asset pool*, including from any account containing *money* or *assets* which belong to the *firm*; and

(3) to ensure that a third party understands and agrees that it will not have any recourse or right against *money* or *asset*s standing to the credit of a *backing funds account* or *backing assets account* in respect of any liability of the *firm* to the third party (or a *person* connected to the third party).

Requirement for, and content of, backing asset pool acknowledgement letters

16.7.2 R (1) For each appointed third party providing one or more *backing funds accounts* or *backing assets accounts*, a *firm* must complete and sign an *acknowledgement letter*, clearly identifying the account or accounts, and send it to the third party with which the relevant account or accounts are, or will be, opened, requesting the third party to acknowledge and agree to the terms of the letter by countersigning it and returning it to the *firm*.

(2) A *firm* must not hold any *money* or *asset*s in a *backing funds account* or *backing assets account* unless it has received a duly countersigned *acknowledgement letter* from the *person* with which the account is held, and the letter has not been inappropriately redrafted (see *CASS* 16.7.7R).

16.7.3 R *CASS* 16.7.2R:

(1) applies separately in relation to each *qualifying stablecoin product*; and

(2) does not apply to *backing funds accounts* provided by the Bank of England.

Backing asset pool acknowledgement letters template

16.7.4 R In drafting an *acknowledgement letter*, a *firm* must use the template in *CASS* 16 Annex 1.

16.7.5 R When completing an *acknowledgement letter*, a *firm*:

(1) must not amend any of the *acknowledgement letter fixed text*;

(2) subject to (3), must ensure the *acknowledgement letter variable text* is removed, included or amended as appropriate; and

(3) must not amend any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*.

16.7.6 G *CASS* 16 Annex 2 contains guidance on using the template for *acknowledgement letters*, including guidance on when and how a *firm* should amend the *acknowledgement letter variable text* that is in square brackets.

Countersignature of backing asset pool acknowledgement letters

16.7.7 R (1) If, on countersigning and returning the *acknowledgement letter* to a *firm*, a third party has also made amendments to:

(a) any of the *acknowledgement letter fixed text*; or

(b) any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*,

the *acknowledgement letter* will have been inappropriately redrafted and no longer comply with *CASS* 16.7.5R.

(2) Amendments made to the *acknowledgement letter variable text* in the *acknowledgement letter* returned to a *firm* by a third party will not have the result that the letter has been inappropriately redrafted if those amendments:

(a) do not affect the meaning of the *acknowledgement letter fixed text*;

(b) have been specifically agreed with the *firm*; and

(c) do not cause the *acknowledgement letter* to be inaccurate.

16.7.8 R A *firm* must use reasonable endeavours to ensure that any individual who has countersigned an *acknowledgement letter* that has been returned by a third party to the *firm* was authorised to countersign the letter on behalf of that third party.

16.7.9 R A *firm* must retain each countersigned *acknowledgement letter* it receives from the date of receipt until the expiry of a period of 5 years starting on the date on which the last account to which the *acknowledgement letter* relates is closed.

16.7.10 R A *firm* must also retain any other documentation or evidence it believes is necessary to demonstrate that it has complied with each of the applicable requirements in this section (such as any evidence it has obtained to ensure that the *individual* who has countersigned an *acknowledgement letter* that has been returned to the *firm* was authorised to do so).

Review and replacement of backing asset pool acknowledgement letters

16.7.11 R A *firm* must periodically (at least annually, and whenever it becomes aware that something referred to in an *acknowledgement letter* has changed) review each of its countersigned *acknowledgement letters* to ensure that they remain accurate.

16.7.12 R Whenever a *firm* finds that a countersigned *acknowledgement letter* contains an inaccuracy, the *firm* must promptly draw up a new replacement *acknowledgement letter* and ensure that the new *acknowledgement letter* is duly countersigned and returned by the relevant third party.

16.7.13 R Under *CASS* 16.7.12R, a *firm* must obtain a replacement *acknowledgement letter* whenever:

(1) there has been a change in any of the parties' names or addresses or a change in any of the details of the relevant account(s) as set out in the letter; or

(2) it becomes aware of an error or misspelling in the letter.

16.7.14 R If a *firm's backing funds account* or *backing assets account* is transferred to another third party, other than the Bank of England, the *firm* must:

(1) promptly draw up and send out a new *acknowledgement letter* under *CASS* 16.7.2R; and

(2) ensure that the new *acknowledgement letter* is duly countersigned and returned by the relevant third party.

16 Annex 1 **Backing asset pool acknowledgement letter template**

[*Editor's note*: The use of italics in the backing asset pool acknowledgement letter template indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

16 Annex 1.1 R [*Letterhead of qualifying stablecoin issuer, including full name and address of qualifying stablecoin issuer*]

[*name and address of bank or third-party custodian*]

[*date*]

Backing asset pool acknowledgement letter (pursuant to the rules of the Financial Conduct Authority)

We refer to the following account[s] which [*name of qualifying stablecoin issuer*], regulated by the Financial Conduct Authority (Firm Reference Number [FRN]), ('us', 'we' or 'our') [has opened] [or] [will open] with [*name of account provider*] ('you' or 'your'):

[*insert the account title[s], the account unique identifier[s] (eg, sort code and account number, deposit number or reference code) and (if applicable) any abbreviated name of the account[s] as reflected in the firm's systems*]

([collectively,] the 'backing asset pool account[s]').

For [each of] the backing asset pool account[s] identified above, you acknowledge that we have notified you that:

1. we are under an obligation to keep [money] [or] [assets] that make up the backing asset pool held in respect of [*insert qualifying stablecoin product identifier*] separate from other [money] [or] [assets];
2. we have opened, or will open, the backing asset pool account for the purpose of depositing [money] [or] [assets] which form part of that backing asset pool; and

3. we hold all [money] [or] [assets] standing to the credit of the backing asset pool account on trust for the holders of [*insert name of qualifying stablecoin product*] under the laws applicable to us.

For [each of] the backing assets pool account[s] above, you agree that:

4. you do not have any interest in, or recourse or right against [money] [or] [assets] in the backing asset pool account in respect of any sum owed to you, or owed to any third party, on any other accounts (including an account we use for our own [money] [or] [assets]). This means, for example, that you do not have any right to combine the backing asset pool account with any other account or any right of set-off or counterclaim against [money] [or] [assets] in the backing asset pool account;
5. you will title, or have titled, the backing asset pool account as stated above and that this title is different to the title of any other account containing [money] [or] [assets] that belong to us or to any third party; and
6. you are required to release on demand all [money] [or] [assets] standing to the credit of the backing asset pool account upon proper notice and instruction from us or a liquidator, receiver, administrator or trustee (or similar person) appointed for us in bankruptcy (or similar procedure), in any relevant jurisdiction.

We acknowledge that:

7. you are not responsible for ensuring compliance by us with our own obligations in respect of the backing asset pool account[s].

You and we agree that:

8. the terms of this letter will remain binding upon the parties, their successors and assigns, and, for clarity, regardless of any change in any of the parties' names;
9. this letter supersedes and replaces any previous agreement between the parties in connection with the backing asset pool account[s], to the extent that such previous agreement is inconsistent with this letter;
10. if there is any conflict between this letter and any other agreement between the parties in connection with the backing asset pool account[s], this letter will prevail;
11. no variation to the terms of this letter will be effective unless it is in writing, signed by the parties and permitted under the rules of the Financial Conduct Authority;
12. this letter is governed by the laws of [*insert appropriate jurisdiction*] [*qualifying stablecoin issuers may optionally use this space to insert additional wording to record an intention to exclude any rules of private international law that could lead to the application of the substantive law of another jurisdiction*]; and

13. the courts of [*insert same jurisdiction as previous*] have non-exclusive jurisdiction to settle any dispute or claim from or in connection with this letter or its subject matter or formation (including non-contractual disputes or claims).

Please sign and return the enclosed copy of this letter as soon as possible.

For and on behalf of [*name of qualifying stablecoin issuer*]

x____________________________

Authorised signatory

Print name:

Title:

ACKNOWLEDGED AND AGREED:

For and on behalf of [*name of account provider*]

x____________________________

Authorised signatory

Print name:

Title:

Contact information: [*insert signatory's phone number and email address*]

Date:

16 Annex 2 **Guidance on the use of the acknowledgement letter template**

Introduction

16 Annex 2.1 G This annex contains guidance on the use of the template *acknowledgement letter* in *CASS* 16 Annex 1.

General

16 Annex 2.2 G Under *CASS* 16.7.2R, *qualifying stablecoin issuers* are required to have in place a duly signed and countersigned *backing asset pool acknowledgement letter* for *backing funds accounts* and *backing assets accounts* (other than for such accounts provided by the Bank of England).

16 Annex 2.3 G For each account, a *qualifying stablecoin issuer* is required to complete, sign and send to the *approved bank* or *third-party custodian* ('the counterparty') an *acknowledgement letter* identifying that account, in the form set out in *CASS* 16 Annex 1.

16 Annex 2.4 G When completing an *acknowledgement letter* using the appropriate template, a *qualifying stablecoin issuer* is reminded that it must not amend any of the text which is not in square brackets (*acknowledgement letter fixed text*). A *qualifying stablecoin issuer* may remove and replace square

bracketed text (*acknowledgement letter variable text*) with the required information, as appropriate. The notes below give further guidance on this.

Clear identification of relevant accounts

16 Annex 2.5 G A *qualifying stablecoin issuer* is reminded that for each *backing funds account* or *backing assets account* it needs to have in place an *acknowledgement letter*. As a result, it is important that it is clear to which account or accounts each *acknowledgement letter* relates. The template in *CASS* 16 Annex 1 requires that the *acknowledgement letter* includes the full title and at least 1 unique identifier, such as a sort code and account number, deposit number or reference code, for each account.

16 Annex 2.6 G The title and unique identifiers included in an *acknowledgement letter* for an account should be the same as those reflected in both the records of the *qualifying stablecoin issuer* and the relevant counterparty, as appropriate, for that account. Where a counterparty's systems are not able to reflect the full title of an account, that title may be abbreviated to accommodate that system, provided that:

(1) the account may continue to be appropriately identified in line with the requirements of *CASS* 16 (for example, 'account' may be shortened to 'acct' etc); and

(2) when completing an *acknowledgement letter*, such letter must include both the long and short versions of the account title.

16 Annex 2.7 G A *qualifying stablecoin issuer* should ensure that all relevant account information is contained in the space provided in the body of the *acknowledgement letter*. Nothing should be appended to an *acknowledgement letter*.

16 Annex 2.8 G In the space provided in the template letter for setting out the account title and unique identifiers for each relevant account, a *qualifying stablecoin issuer* may include the required information in the format of the following table:

[*Editor's note*: The use of italics in the following table indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

Full account title	**Unique identifier**	**Title reflected in [name of counterparty] systems**
[*stablecoin issuer stablecoin backing funds account/stablecoin backing assets account*]	[*00-00-00 12345678*]	[*stablecoin issuer stablecoin backing funds account/stablecoin backing assets account*]

16 Annex 2.9	G	Where an *acknowledgement letter* is intended to cover a range of accounts, some of which may not exist as at the date the *acknowledgement letter* is countersigned by the counterparty, a *qualifying stablecoin issuer* should set out in the space provided in the body of the *acknowledgement letter* that it is intended to apply to all present and future accounts which: (1) are titled in a specified way; and (2) possess a common unique identifier or which may be clearly identified by a range of unique identifiers (eg, all accounts numbered between XXXX1111 and ZZZZ9999).
16 Annex 2.10	G	For example, in the space provided in the template letter in *CASS* 16 Annex 1 which allows a *qualifying stablecoin issuer* to include the account title and a unique identifier for each relevant account, a *qualifying stablecoin issuer* should include a statement to the following effect:

[*Editor's note*: The use of italics in the following table indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

'Any account open at present or to be opened in the future which contains the term[s] ['stablecoin backing funds'] [or] ['stablecoin backing assets'] [or] [*insert appropriate abbreviation(s) of the term(s) 'stablecoin backing funds' and/or 'stablecoin backing assets' as agreed and to be reflected in the third party's systems*] in its title and which may be identified with [the following [*insert common unique identifier*]] [an account number from and including [*XXXX1111*] to and including [*ZZZZ9999*]] [*clearly identify range of unique identifiers*].'

Signatures and countersignatures

16 Annex 2.11	G	A *qualifying stablecoin issuer* should ensure that each *acknowledgement letter* is signed and countersigned by all relevant parties and individuals (including where more than one signatory is required).
16 Annex 2.12	G	An *acknowledgement letter* that is signed or countersigned electronically should not, for that reason alone, result in a breach of the *rules* in *CASS* 16.7. However, where electronic signatures are used, a *qualifying stablecoin issuer* should consider whether, taking into account the governing law and choice of competent jurisdiction, it needs to ensure that the electronic signature and the certification by any person of such signature would be admissible as evidence in any legal proceedings in the relevant jurisdiction in relation to any question as to the authenticity or integrity of the signature or any associated communication.

Completing a backing asset pool acknowledgement letter

16 Annex 2.13	G	A *qualifying stablecoin issuer* should use at least the same level of care and diligence when completing an *acknowledgement letter* as it would in managing its own commercial agreements.
16 Annex 2.14	G	A *qualifying stablecoin issuer* should ensure that each *acknowledgement letter* is legible (eg, any handwritten details should be easy to read), produced on the *qualifying stablecoin issuer's* own letter-headed paper, dated and addressed to the correct legal entity (eg, where the counterparty belongs to a group of companies).
16 Annex 2.15	G	A *qualifying stablecoin issuer* should also ensure that each *acknowledgement letter* includes all the required information (such as account names and numbers, the parties' full names, addresses and contact information, and each signatory's printed name and title).
16 Annex 2.16	G	A *qualifying stablecoin issuer* should similarly ensure that no square brackets remain in the text of each *acknowledgement letter* (eg, after having removed and replaced square bracketed text as appropriate) and that each page of the letter is numbered.
16 Annex 2.17	G	A *qualifying stablecoin issuer* should complete an *acknowledgement letter* so that no part of the letter can be easily altered (eg, the letter should be signed in ink rather than pencil).
16 Annex 2.18	G	In respect of the *acknowledgement letter's* governing law and choice of competent jurisdiction (see paragraphs (12) and (13) of the template *acknowledgement letter*), a *qualifying stablecoin issuer* should agree with the counterparty and reflect in the letter that the laws of a particular jurisdiction will govern the *acknowledgement letter* and that the courts of that same jurisdiction will have jurisdiction to settle any disputes arising out of, or in connection with, the *acknowledgement letter*, or its subject matter or formation.
16 Annex 2.19	G	If a *qualifying stablecoin issuer* does not, in any *acknowledgement letter*, utilise the governing law and choice of competent jurisdiction that is the same as either or both: (1) the laws of the jurisdiction under which either the *qualifying stablecoin issuer* or the counterparty are organised; or (2) as is found in the underlying agreement(s) (eg, banking services agreement) with the relevant counterparty, the *firm* should consider whether it is at risk of breaching *CASS* 16.6.2R or *CASS* 16.6.5R.
		Authorised signatories
16 Annex 2.20	G	A *qualifying stablecoin issuer* is required under *CASS* 16.7.8R to use reasonable endeavours to ensure that any individual who has countersigned

		an *acknowledgement letter* returned to the *qualifying stablecoin issuer* was authorised to countersign the letter on behalf of the relevant counterparty.
16 Annex 2.21	G	If an individual who has countersigned an *acknowledgement letter* does not provide the *qualifying stablecoin issuer* with sufficient evidence of their authority to do so, the *qualifying stablecoin issuer* is expected to make appropriate enquiries to satisfy itself of that individual's authority.
16 Annex 2.22	G	Evidence of an individual's authority to countersign an *acknowledgement letter* may include a copy of the counterparty's list of authorised signatories, a duly executed power of attorney, use of a company seal or bank stamp, and/or material verifying the title or position of the individual countersigning the *acknowledgement letter*.
16 Annex 2.23	G	A *qualifying stablecoin issuer* should ensure it obtains at least the same level of assurance over the authority of an individual to countersign the *acknowledgement letter* as the *qualifying stablecoin issuer* would seek when managing its own commercial arrangements.
	Third-party administrators	
16 Annex 2.24	G	If a *qualifying stablecoin issuer* uses a third-party administrator to carry out the administrative tasks of drafting, sending and processing an *acknowledgement letter*, the following text should be inserted to confirm that the *acknowledgement letter* was signed by the third-party administrator on behalf of the *qualifying stablecoin issuer*:

[*Editor's note*: The use of italics in the table below indicates text to be completed in the template and is not indicative of terms in the Handbook Glossary.]

'Signed by [*name of third-party administrator*] on behalf of [*qualifying stablecoin issuer*]'

16 Annex 2.25	G	In these circumstances, the *qualifying stablecoin issuer* should first provide the third-party administrator with the requisite authority (such as a power of attorney) before the third-party administrator will be able to sign the *acknowledgement letter* on the *qualifying stablecoin issuer's* behalf. A *qualifying stablecoin issuer* should also ensure that the *acknowledgement letter* continues to be drafted on letter-headed paper belonging to the *qualifying stablecoin issuer*.
	Naming	
16 Annex 2.26	G	A *qualifying stablecoin issuer* must ensure that each of its accounts uses a name which corresponds to the appropriate term in the *Glossary*. This means that all accounts should include the term 'stablecoin backing funds' or 'stablecoin backing assets' in their title.

16 Annex 2.27	G	All references to the term 'stablecoin backing funds account' or 'stablecoin backing assets account' in an *acknowledgement letter* should also be made consistently in either the singular or plural, as appropriate.

Amend the following as shown.

Sch 1 Record keeping requirements

…

Sch 1.3 G

Handbook reference	**Subject of record**	**Contents of record**	**When record must be made**	**Retention period**
…				
CASS 15.8.37R(1)(a)	…	…	…	…
CASS 16.2.6R(4)	Value of the *backing asset pool*	Process used to calculate the value of *assets*	When a valuation is carried out	Not specified (see default provision *CASS* 16.4.6R)
CASS 16.2.10R(1)	Number of *qualifying stablecoins*	The number of *minted* and *burned qualifying stablecoins* in the *qualifying stablecoin product*	At all times	Not specified (see default provision *CASS* 16.4.6R)
CASS 16.2.10R(2)	Redeemed *qualifying stablecoins*	The number of *qualifying stablecoins* received in the last 24 hours in the course of carrying out, or in connection with, a *redemption* which have not been recorded as part of the relevant	At least once in every 24-hour period	Not specified (see default provision *CASS* 16.4.6R)

		stablecoin pool or *burned*		
CASS 16.2.24R	*Expanded backing assets*	*Governing body's* oversight and approval of an *expanded backing asset* risk management framework	When carried out	Not specified (see default provision *CASS* 16.4.6R)
CASS 16.4.3R	*Backing asset pool* and other *money* or *assets*	Such records and accounts as are necessary to enable a *firm* to distinguish between *money* and *assets* in each *backing asset pool* and its own *money* and *assets*	Maintain up to date records	Not specified (see default provision *CASS* 16.4.6R)
CASS 16.4.4R	Composition of each *backing asset pool*	The value of *money* and *assets* that should be held; the location of *money* and *assets*; the identity of those providing *backing assets accounts* or *backing funds accounts*; and the value of *money* and *assets* in the *backing asset pool*	Maintain up to date records	Not specified (see default provision *CASS* 16.4.6R)
CASS 16.4.5R	Internal safeguarding reconciliations and external safeguarding reconciliations	The time and date the *firm* carried out the relevant process; the actions the *firm* took in carrying out the	When reconciliation carried out	Not specified (see default provision *CASS* 16.4.6R)

		relevant process; the outcome of the *firm's* calculations of the amount safeguarded and the amount that should be safeguarded, including whether any discrepancies were identified; and the value of any excess held in the *backing asset pool* in accordance with *CASS* 16.4.16R		
CASS 16.4.6R	Default record keeping requirement for *CASS* 16	Refer to the *rule* concerned	Refer to the *rule* concerned	Five years from the later of: (1) the date the record was created; or (2) the date the record was most recently modified
CASS 16.6.16R(1)	Use of third parties in respect of the *backing asset pool*	Grounds upon which the *firm* satisfied itself as to the appropriateness of its selection and appointment of a third party; its periodic reviews of the selection and appointment of a third party; and its periodic reviews of its arrangements	When selection made or review completed	Five years from the later of: (1) the date of selection or review; or (2) the date the *firm* ceases to use the third party

		with third parties		
CASS 16.7.9R	*Acknowledgement letters*	Countersigned *acknowledgement letters*	When received	Five years from when the last account the letter relates to is closed
CASS 16.7.10R	Requirements relating to *acknowledgement letters*	Documentation or evidence to demonstrate compliance with requirements	When identified	Not specified (see default provision *CASS* 16.4.6R)

…

Sch 2 Notification requirements

Sch 2.1 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
…				
CASS 13.10.21R(6)	…	…	…	…
CASS 16.2.16(1)R	Intention to hold *expanded backing assets*	That the *firm* intends to hold *expanded backing assets*	Decision to hold *expanded backing assets*	Before the *firm* holds *expanded backing assets*
CASS 16.2.30R(1)	Failure to comply with *CASS* 16.2.17, subject to *CASS* 16.2.31R	The fact of this issue	The *firm's* risk management framework is not compliant	Promptly
CASS 16.4.22R(1)	The *firm* no longer being able to comply with *CASS* 16.4.3R or *CASS* 16.4.4R	The fact of this issue	The *firm* no longer being able to comply with *CASS* 16.4.3R or *CASS* 16.4.4R	Without delay

CASS 16.4.22R(2)	The *firm* being unable to, or materially failing to, conduct an internal safeguarding reconciliation	The fact of this issue	The *firm* being unable to, or materially failing to, conduct an internal safeguarding reconciliation	Without delay
CASS 16.4.22R(3)	The *firm* being unable to, or materially failing to, adjust the value of the *backing asset pool* or *stablecoin pool*	The fact of this issue	The *firm* being unable to, or materially failing to, adjust the value of the *backing asset pool* or *stablecoin pool*	Without delay
CASS 16.4.22R(4)	The *firm* being unable to, or materially failing to, conduct an external safeguarding reconciliation	The fact of this issue	The *firm* being unable to, or materially failing to, conduct an external safeguarding reconciliation	Without delay
CASS 16.4.22R(5)	The *firm* being unable to, or materially failing to, identify and resolve any discrepancies	The fact of this issue	The *firm* being unable to, or materially failing to, identify and resolve any discrepancies	Without delay
CASS 16.4.22R(6)	The *firm* becoming aware that in the preceding 12 *months* the value of the *backing asset pool* was materially different from the relevant *reference value* multiplied by the relevant *stablecoin pool*	The fact of this issue	The *firm* becoming aware that in the preceding 12 *months* the value of the *backing asset pool* was materially different from the relevant *reference value* multiplied by the relevant *stablecoin pool*	Without delay

CASS 16.6.9R(3)(a)	Any assessment which concludes that *CASS* 16.6.8R does not apply	The fact of this issue	The *firm* carrying out an assessment which concludes that *CASS* 16.6.8R does not apply	Before the *firm* starts relying on *CASS* 16.6.9R(1)
CASS 16.6.9R(3)(b)	The outcome of any periodic review of an assessment which concludes that *CASS* 16.6.8R does not apply	The fact of this issue	The *firm* reviewing an assessment which concludes that *CASS* 16.6.8R does not apply	Promptly

Annex B

Cryptoassets sourcebook (CRYPTO)

In this Annex all the text is new and is not underlined. Insert the following new sourcebook, the Cryptoassets sourcebook (CRYPTO).

1 Reference table for CRYPTO provisions

1.1 Reference table for CRYPTO provisions

[*Editor's note*: The FCA will, in due course, produce a table to sit in CRYPTO 1.1.1G which will assist firms carrying out those regulated activities at article 9M to 9Z11 of the Regulated Activities Order to identify the rules and guidance that are relevant to their activities.]

1.1.1 G [to follow]

2 Stablecoins

2.1 Application and purpose

2.1.1 G (1) This chapter of *CRYPTO* contains *rules* and *guidance* relating to *qualifying stablecoin* activities.

(2) *CRYPTO* 2 is relevant to *qualifying stablecoin issuers*.

(3) *CRYPTO* 2 applies as described in this section unless the application provisions of a section or a *rule* make it clear that the section or *rule* in question is applied differentl*y*.

Purpose

2.1.2 G The purpose of this chapter is to set out the detailed obligations which are specific to the activity of *issuing a qualifying stablecoin*.

2.1.3 G The detailed obligations which apply to the activity of *issuing a qualifying stablecoin* aim to ensure (among other things):

(1) that the *holder* of a *qualifying stablecoin* will always have a claim for the *redemption sum* of their *qualifying stablecoin* against a *qualifying stablecoin issuer*;

(2) that there is sufficient transparency by a *qualifying stablecoin issuer* about matters which are important to:

(a) the stability of a *qualifying stablecoin*; and

(b) the ability of a potential *holder* of a *qualifying stablecoin* to make an informed decision as to the risks, benefits, rights and obligations associated with becoming a *holder* of that *asset*.

Who?

2.1.4 R This chapter applies to a *firm* that is *issuing a qualifying stablecoin*.

What?

2.1.5 R All the *rules* in *CRYPTO* 2 apply in relation to any *qualifying stablecoins* within a *qualifying stablecoin product* that includes a *UK qualifying stablecoin*.

2.1.6 G The definition of *qualifying stablecoin product* refers to a category of fungible *qualifying stablecoins* that make up a single product. A *qualifying stablecoin product* may include *pre-issued stablecoins*.

2.1.7 R A *firm* which relies on another *person* (a 'third party') to carry out any part of the activity of *issuing a qualifying stablecoin* must ensure that all of the activities described in article 9M of the *Regulated Activities Order* are carried out in a way that complies with the *rules* in *CRYPTO* 2 and *CASS* 16.

Where?

2.1.8 R This chapter applies to a *firm issuing a qualifying stablecoin* by way of business in the *UK*.

2.1.9 G *CRYPTO* 2.1.8R applies whether or not the *person* to whom a *qualifying stablecoin* is issued or who becomes the *holder* of that *qualifying stablecoin* is in the *UK*.

2.2 General requirements

Building a qualifying stablecoin

2.2.1 R A *firm* must understand and appropriately manage the risks associated with the design and build of a *qualifying stablecoin*.

2.2.2 R Subject to *CRYPTO* 2.2.3R, a process by which a *firm* can demonstrate that it understands and has appropriately managed the risks associated with the design and build of a *qualifying stablecoin* must be carried out before the *firm* offers a *qualifying stablecoin* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*).

2.2.3 R (1) In respect of *pre-issued stablecoins*, the process in *CRYPTO* 2.2.2R must be carried out as soon as is reasonably practicable after 25 October 2027.

(2) Where a *firm* becomes a *qualifying stablecoin issuer* by assuming obligations to the *holder* of a *qualifying stablecoin* under the process in article 9M(4)(b) of the *Regulated Activities Order*, the

process in *CRYPTO* 2.2.2R must be carried out as soon as is reasonably practicable after that assumption.

2.3 Appointment of third parties

Application

2.3.1 G The general application of *CRYPTO* 2 is set out in *CRYPTO* 2.1.

2.3.2 R This section applies to activities that are critical for the performance of, or amount to part of, the *regulated activity* of *issuing a qualifying stablecoin*, including:

(1) the making or accepting of an offer to buy or subscribe to a *qualifying stablecoin*;

(2) the *redemption of* a *qualifying stablecoin*; and

(3) the carrying out of activities designed to maintain the stable value of a *qualifying stablecoin*, other than the provision of accounts referred to in *CASS* 16.6.1R.

2.3.3 G In so far as a *firm* wishes to engage a third party to carry out activities not within scope of *CRYPTO* 2.3.2R, including *ancillary activities* to *issuing a qualifying stablecoin*, it should consider whether *SYSC* 8 (Outsourcing) applies to that outsourcing arrangement.

Purpose

2.3.4 G Where a *firm* carries on the activity of *issuing a qualifying stablecoin*, it may choose to appoint a third party to carry on one or more parts of that activity. This section sets out the *rules* that apply to such an appointment by a *firm* of a third party.

Appointing a third party: general requirements

2.3.5 R If a *firm* appoints a third party in circumstances in which this chapter applies, it must comply with the following conditions:

(1) the appointment of a third party must not result in the delegation by *senior personnel* of their responsibility;

(2) the relationship and obligations of the *firm* towards the *holders* of a *qualifying stablecoin* under the *regulatory system* must not be altered;

(3) the conditions with which the *firm* must comply in order to be *authorised* and to remain so must not be undermined; and

(4) none of the other conditions subject to which the *firm's authorisation* was granted must be removed or modified.

2.3.6 G Where a *firm* appoints a third party in circumstances in which this chapter applies it remains fully responsible for discharging all of its obligations under the *regulatory system*.

2.3.7 G Where a *firm* appoints a third party to carry on part of the activity of *issuing a qualifying stablecoin*, the *firm* will be carrying on, and responsible for, all parts of the activity of *issuing a qualifying stablecoin*.

2.3.8 G Where a *firm* appoints a third party to carry on part of the activity of *issuing a qualifying stablecoin*, that appointment does not mean the third party will itself be *issuing a qualifying stablecoin* as it will not be carrying out all of the elements of that activity (as set out in article 9M of the *Regulated Activities Order*).

2.3.9 R A *firm* must not appoint or retain a third party to carry on the activity of *issuing a qualifying stablecoin* on its behalf, or part of that activity, unless the following conditions are met:

(1) the *firm* has taken reasonable steps to ensure that the third party has sufficient experience in, and is competent to carry on, the activity for which it is engaged;

(2) the *firm* has assured itself that it can monitor and assess the quality of the service the third party is providing;

(3) the third party will provide a service of an appropriate standard; and

(4) any risks around the appointment of the third party are identified and adequately managed.

2.3.10 R A *firm* must review its arrangements with third parties annually, including at least whether:

(1) the third party continues to have sufficient experience in, and be competent to carry on, the activity for which it is engaged;

(2) the *firm* is effectively monitoring the quality of the service that the third party is providing;

(3) the third party is providing a service of an appropriate standard; and

(4) any risks around the continued appointment of each third party are identified and adequately managed.

2.3.11 R (1) A *firm* must make a record of the grounds on which it satisfies itself as to the matters in:

(a) *CRYPTO* 2.3.9R; and

(b) on each review, *CRYPTO* 2.3.10R.

(2) A record under (1) must include a record of the *firm's* considerations and the conclusions it reached.

(3) A record under (1) must be made on the date the selection is made or the review completed (as the case may be) and must be kept for either:

(a) 5 years from that date; or

(b) 5 years from the date the *firm's* relationship with that third party ends (if later).

2.3.12 R A *firm* must ensure that any *money* or *assets* it receives in exchange for a *qualifying stablecoin* in the process of carrying out the activity of *issuing a qualifying stablecoin* are received directly by the *firm* and not at any point received or held by a third party on the *firm's* behalf.

2.3.13 G A third party appointed by a *firm* to carry out part of the activity of *issuing a qualifying stablecoin* which involves offering or selling a *qualifying stablecoin* must not receive or hold *money* or *asset*s on the *firm's* behalf, and a *firm* is expected to structure its arrangements with that third party so that this is not necessary.

2.3.14 R A *firm* must ensure that any third party acting on the *firm's* behalf prominently displays on its website and any other public communication a statement that it acts on the *firm's* behalf.

Appointing a third party: contractual requirements

2.3.15 R Where a *firm* appoints a third party to carry out all or part of the activity of *issuing a qualifying stablecoin*, it must have in place a contract with that third party which meets all of the following conditions:

(1) it is governed by *UK* law;

(2) it enables the *firm* to request, and obliges the third party to provide to the *firm*, information that is sufficient to enable the *firm* to meet the *rules* to which it is subject in the *regulatory system*;

(3) it enables the *firm* to request, and obliges the third party to provide to the *firm*, information for the purposes of enabling the *firm* to make an informed assessment of whether it is compliant with its obligations under the *regulatory system*; and

(4) it includes provisions requiring the third party to:

(a) promptly forward any complaint it receives relating to the activity of *issuing a qualifying stablecoin* to the *firm*;

(b) provide appropriate information on the *firm's* procedures for the handling of complaints on the third party's website and in any other communications or medium through which the third party provides key information about the activity of the *firm* or features of the *qualifying stablecoin product* to *holders*; and

(c) provide appropriate information on how the *holder* of a *qualifying stablecoin* may contact the *firm*, including making clear what role (if any) the third party plays in customer service on the third party's website and in any other communications or medium through which the third party provides key information about the activity of the *firm* or features of the *qualifying stablecoin product* to *holders*.

2.3.16 R Where a *firm* appoints a third party to act on its behalf in *redeeming* a *qualifying stablecoin*, it must have in place a contract with that third party which includes:

(1) provisions setting out how the third party will handle, process, safeguard and segregate any *qualifying stablecoins* it receives in the course of the *redemption* process;

(2) provisions requiring the third party to promptly provide to the *firm*:

(a) information on the number of *redemptions* carried out by the third party on the *firm's* behalf; and

(b) information on the monetary values of *redemptions* carried out by the third party on the *firm's* behalf;

(3) provisions requiring the third party to provide information on expected *redemption* timeframes to customers seeking *redemption*, and specifying the information to be provided;

(4) provisions requiring the third party to *redeem qualifying stablecoins* in accordance with *CRYPTO* 2.4.14R, including in respect of timeframes;

(5) provisions requiring the third party to:

(a) immediately notify the *firm* in the event of exceptional circumstances which may require the suspension of *redemption*, as set out in *CRYPTO* 2.4.24R and *CRYPTO* 2.4.25G; and

(b) where it makes such a notification, immediately provide the *firm* with all information and/or documentation available to it about those exceptional circumstances;

(6) provisions prohibiting the third party from suspending its service of *redemption* unless either:

(a) it has written agreement or instruction to do so from the *firm*; or

(b) continuing with *redemption* would be contrary to a legal requirement to which the third party is subject;

(7) provisions requiring the third party to make available to the *firm* the public address or addresses to which *qualifying stablecoins* that are the subject of a *redemption* request are to be sent by the *holder*; and

(8) provisions requiring the third party to process *redemptions* in the order based on the fair and objective criteria the *firm* has determined under *CRYPTO* 2.4.21R.

2.3.17 R In the event that the *firm* receives a notification from a third party carrying out *redemption* on its behalf that there may be exceptional circumstances which require the suspension of *redemption*, it must consider whether the conditions in *CRYPTO* 2.4.24R are met.

2.4 Issuance and redemption

Application

2.4.1 G The general application of *CRYPTO* 2 is set out in *CRYPTO* 2.1.

Purpose

2.4.2 G This section sets out requirements and guidance for *firms* in relation to *issuing a qualifying stablecoin*, including the *redemption* of a *qualifying stablecoin*.

Issuance

2.4.3 R A *firm* must not offer, or arrange for another *person* to offer, a *qualifying stablecoin* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*) other than in exchange for *money* or a *UK qualifying stablecoin*.

2.4.4 R Where a *firm* receives *money* or a *UK qualifying stablecoin* from a *person* for the purchase of a *qualifying stablecoin*, it must send a *qualifying stablecoin* to that *person's* nominated blockchain address immediately and at *reference value*.

Redemption

2.4.5 R A *firm* must *redeem* a *qualifying stablecoin* it has issued at any time on receipt of a valid *redemption* request.

2.4.6 R A *firm* must ensure:

(1) that there is a contract between the *qualifying stablecoin issuer* and any *person* to whom it issues a *qualifying stablecoin* which clearly

and prominently states the conditions of *redemption*, including any fees in relation to *redemption*; and

(2) that the obligations it owes under that contract to redeem that *qualifying stablecoin* are effectively transferred in law along with the *qualifying stablecoin*, such that when the *qualifying stablecoin* transfers to a new *person*, that *person* acquires the same rights against the *firm* in respect of the *redemption* of that *qualifying stablecoin*.

2.4.7 G *CRYPTO* 2.4.6R does not require *qualifying stablecoin issuers* to enter into new bilateral contracts every time the *qualifying stablecoin* is transferred on the secondary market. There are a number of different mechanisms that could be used to comply with *CRYPTO* 2.4.6R(2). *Firms* could, for example, enter into a deed poll or provide for the legal assignment of the rights. The most appropriate model for a *firm* will depend on its particular circumstances and business model. *Firms* must ensure that whatever method they use is legally effective to ensure compliance with *CRYPTO* 2.4.6R(2).

2.4.8 R The conditions of *redemption* must not:

(1) impose any minimum *redemption* quantity; or

(2) impose conditions which are onerous or difficult for a *holder* to meet.

2.4.9 G (1) Examples of conditions which might be onerous or difficult to meet are:

(a) a contractual requirement to have an account with a particular *UK credit institution* before *redemption* can be carried out; or

(b) unreasonable restrictions to the payment methods made available to *holders* seeking *redemption*, such that the *holder* will incur unnecessary cost or difficulty in receiving or accessing their *redemption sum*.

(2) Examples of conditions which would not be considered onerous or difficult to meet are reasonable and proportionate processes to comply with requirements under the *Money Laundering Regulations*.

2.4.10 R When a *qualifying stablecoin holder* enquires with a *firm* about *redemption*, the *firm* must provide appropriate information to that *qualifying stablecoin holder* about:

(1) the payment methods the *firm* makes available for *redemption*; and

(2) the likely timeframes within which the *qualifying stablecoin holder* will receive the *redemption sum* using those payment methods.

2.4.11 R The information in *CRYPTO* 2.4.10R must be provided before the *holder* confirms the preferred payment method by which they will receive the *redemption sum*.

2.4.12 G *CRYPTO* 2.4.10R and *CRYPTO* 2.4.11R apply to a *firm* even where that *firm* offers *redemption* through a third party. In these circumstances, one way of meeting these obligations is for a *firm* to ensure that a *qualifying stablecoin holder* receives information from a third party on the *firm's* behalf.

2.4.13 G In order to give a *holder* informed choice about which payment method to select, information about timeframes will not be appropriate unless it is based on research about past timeframes achievable by different payment methods, including recent historical data.

2.4.14 R On receipt of a valid *redemption* request, a *firm* must ensure that *redemption* is completed:

(1) at the value of the *redemption sum*;

(2) unless the *holder* requests a different currency, in *money* (excluding *electronic money*) denominated in the *reference currency*; and

(3) as soon as practicable but no later than the end of the *business day* following the *day* on which the *qualifying stablecoin* is received.

2.4.15 G For the purpose of calculating the *redemption sum* in *CRYPTO* 2.4.14R(1), the value of the *backing asset pool* is irrelevant.

2.4.16 R A *redemption* request is valid if it is made:

(1) by the *holder* of a *qualifying stablecoin*; and

(2) in a manner which meets any terms and conditions in:

(a) the contract between the *qualifying stablecoin issuer* and *qualifying stablecoin holder*; or

(b) the mechanism used to comply with *CRYPTO* 2.4.6R(2).

2.4.17 R Where the terms and conditions of the contract between the *qualifying stablecoin issuer* and the *qualifying stablecoin holder*, or of the mechanism used to comply with *CRYPTO* 2.4.6R(2), do not meet the requirements of *CRYPTO* 2.4.6R or *CRYPTO* 2.4.8R, those terms and conditions are to be ignored when considering the validity of the *redemption* request under *CRYPTO* 2.4.16R(2).

2.4.18 R Unless *CRYPTO* 2.4.19R applies, for the purposes of *CRYPTO* 2.4.14R(3), a *redemption* is completed when a payment order instructing the transfer of the *redemption sum* from the *firm* to the *holder* has been made.

2.4.19 R Where a *firm* operates a payment account for a *holder* and credits the *redemption sum* to that account without needing to transfer the *redemption sum* to another payment service provider, *redemption* is complete at the point the *firm* credits the *redemption sum* to the *holder's* payment account.

2.4.20 R The time limit in *CRYPTO* 2.4.14R(3) does not apply where:

(1) the completion of a particular *redemption* request within that time limit would cause the *firm* to be in breach of any legal requirement or court order, including those contained in or made under the Terrorism Act 2000, the Proceeds of Crime Act 2002 or the *Money Laundering Regulations*;

(2) all of the following are met:

(a) the *holder* of the *qualifying stablecoin* requests *redemption* in a currency other than the *reference currency*;

(b) the currency exchange required to meet that request takes more time to carry out than meeting a request in the *reference currency*; and

(c) the *firm* has made clear to the *holder*, at the point at which the *holder* enquired about *redemption*, the likely timeframe within which *redemption* in the currency requested will be completed; or

(3) *redemption* of the *qualifying stablecoin* is suspended under *CRYPTO* 2.4.24R.

Order of redemptions

2.4.21 R A *firm* must complete *redemptions* in an order which is based on fair and objective criteria and which does not prejudice, directly or indirectly, the interests of any particular type of *holder*.

Security of redeemed stablecoins

2.4.22 R Where a *firm* receives a *qualifying stablecoin* in the course of carrying out, or in connection with, a *redemption*, it must within 24 hours either:

(1) record that *qualifying stablecoin* as part of the relevant *stablecoin pool*; or

(2) ensure that the relevant *qualifying stablecoin* is *burned*.

2.4.23 G Where a *firm* records a *qualifying stablecoin* as part of the relevant *stablecoin pool* under *CRYPTO* 2.4.22R(1), it must ensure it adds any *money* or *asset*s to the relevant *backing asset pool* necessary to ensure compliance with *CASS* 16.2.1R(3).

Suspension of redemption

2.4.24 R A *firm* must suspend all *redemption* where:

(1) there is an exceptional circumstance which threatens the integrity of the relevant *qualifying stablecoin product* or the interests of the *holders* of the relevant *qualifying stablecoin product*;

(2) the *firm* has taken all reasonable steps to respond to the exceptional circumstance in such a way that does not involve suspending all *redemption*; and

(3) the *firm* concludes on a proper basis that temporarily suspending all *redemption* is necessary to protect the rights of *holders* of a *qualifying stablecoin* or the integrity of that *qualifying stablecoin*.

2.4.25 G Exceptional circumstances in *CRYPTO* 2.4.24R(1) are likely to include:

(1) the failure of the underlying distributed ledger technology or other infrastructure on which the *qualifying stablecoin product* relies;

(2) the failure of a system upon which the *firm* or a third party relies to carry out *redemption*;

(3) a sudden loss of confidence in the relevant *qualifying stablecoin product* such that the *firm* or a third party who carries out *redemption* on behalf of the *firm* receives an exceptionally high number by volume or value of *redemption* requests; or

(4) the insolvency of the *firm*.

2.4.26 G Exceptional circumstances in *CRYPTO* 2.4.24R(1) are unlikely to include:

(1) the suspension of trading of the relevant *qualifying stablecoin product* on a secondary market, unless that suspension of trading is caused by a sudden loss of confidence in that *qualifying stablecoin product* as set out in *CRYPTO* 2.4.25G(3); or

(2) the insolvency of a third party carrying out *redemption* on behalf of the *firm*, unless that insolvency threatens the integrity of the relevant *qualifying stablecoin product* or the interests of the *holders* of the relevant *qualifying stablecoin product*.

2.4.27 G (1) Where the exceptional circumstance in *CRYPTO* 2.4.24R(1) causes, or is caused by, an inability of the *firm* to resolve a shortfall in accordance with *CASS* 16.4.15R(2), reasonable steps for the purposes of *CRYPTO* 2.4.24R(2) would include the *firm* exploring whether it can source additional resources or liquidity in order to continue to meet *redemptions*.

(2) Where a third party carrying out *redemption* on behalf of a *qualifying stablecoin issuer* becomes insolvent in a way that amounts to an exceptional circumstance (eg, through threatening the interests of *holders*), reasonable steps for the purposes of *CRYPTO* 2.4.24R(2) would include the *firm* exploring whether *redemption* of the relevant *qualifying stablecoin product* can continue through other third parties or directly by the *firm*.

2.4.28 R A *firm* which suspends *redemption* must:

(1) immediately notify the *FCA* as to:

(a) the fact it has suspended *redemption*;

(b) the period of time for which it is anticipated that *redemption* will be suspended; and

(c) the reason why it has suspended *redemption*; and

(2) immediately notify in writing all third parties who carry out *redemption* on the *firm's* behalf.

2.4.29 G All third parties who carry out *redemption* on behalf of a *firm* should be informed where a decision to suspend all *redemption* is taken.

2.4.30 R A *firm* that has suspended *redemption* must restart *redemption* as soon as possible, but no earlier than when:

(1) a reconciliation has been completed which confirms that *CASS* 16.2.1R(3) is satisfied in respect of the *backing asset pool*; and

(2) the *firm* has:

(a) formulated a plan as to how and when it will restart *redemption*;

(b) promptly submitted the plan in (a) to the *FCA*, ensuring a reasonable period between submission and restarting *redemption*, and in any event not less than 5 *business days* unless a shorter period is agreed with the *FCA*; and

(c) assured itself that the reason notified to the *FCA* under *CRYPTO* 2.4.28R(1)(c) for the suspension of *redemption* has been remedied and is no longer likely to impact the *firm's* ability to meet *redemption* requests.

2.4.31 G The plan referred to in *CRYPTO* 2.4.30R(2) should at least cover the following:

(1) the *firm's* forecast as to the anticipated number of *redemption* requests within the 14 *redemption days* which follow the restarting of *redemption*;

(2) the proportion of the *backing asset pool* that is held, and that should continue to be held, in *core backing assets*, and the period over which any adjustments needed to that proportion of *core backing assets* will take place;

(3) how proposed adjustments to the proportion of *core backing assets* could impact on the markets for *expanded backing assets* or *core backing assets* over the period set out in (2);

(4) consideration as to how the *firm* meets, and will continue to meet, wider obligations under the *regulatory system*; and

(5) an explanation as to how the *firm* has assured itself of the matter at *CRYPTO* 2.4.30R(2)(c).

Redemption fees

2.4.32 R *Redemption* may be subject to a fee only where:

(1) the fee is:

(a) stated in the contract between the *qualifying stablecoin issuer* and the *holder* of the *qualifying stablecoin* in accordance with *CRYPTO* 2.4.6R(1); or

(b) provided for by the mechanism used to comply with *CRYPTO* 2.4.6R(2); and

(2) the fee is proportionate and commensurate solely with the operational costs actually incurred by the *qualifying stablecoin issuer* in respect of that *redemption* and does not include costs or losses incurred through the sale of *core backing assets* or *expanded backing assets*.

2.4.33 R A *firm* must not charge a fee for *redemption* that is greater than the value of the *qualifying stablecoins* to which that *redemption* request relates.

2.5 Stablecoin disclosures

Application

2.5.1 G The general application of *CRYPTO* 2 is set out in *CRYPTO* 2.1.

Purpose

2.5.2 G This section sets out requirements for *firms* about:

(1) the information that must be published online about a *qualifying stablecoin product*, including the type of information and the frequency with which this information must be reviewed and updated; and

(2) the production, publication and updating of a *stablecoin QCDD*.

Relevance of other obligations

2.5.3 G The obligations set out in this section about the publication of information by *firms* are in addition to any other obligations imposed on a *firm* by the *regulatory system*. A *firm* should be aware that the publication of information in accordance with this chapter may also be subject to additional and overlapping obligations.

Obligation to publish information about a qualifying stablecoin

2.5.4 R If a *firm* is the *qualifying stablecoin issuer* of more than one *qualifying stablecoin product*, the *rules* in this section must be read as applying separately for each *qualifying stablecoin product*.

2.5.5 G The effect of *CRYPTO* 2.5.4R is that a *firm* must publish, review and update separate information for each *qualifying stablecoin product* it issues.

Website disclosures

2.5.6 R In respect of each *qualifying stablecoin product* for which a *firm* is the *qualifying stablecoin issuer*, it must publish and maintain the following information on its website:

(1) the general information referred to in *CRYPTO* 2.5.25R;

(2) the *backing asset pool* information referred to in *CRYPTO* 2.5.27R;

(3) the *redemption* information referred to in *CRYPTO* 2.5.30R;

(4) the information on risks referred to in *CRYPTO* 2.5.31R;

(5) the review information referred to in *CRYPTO* 2.5.32R and *CRYPTO* 2.5.37R;

(6) the following identifying information:

(a) the name and *LEI* (where eligible) that is included on the *GLEIF* Global LEI Index of the *person* who is the *qualifying stablecoin issuer*; and

(b) the *qualifying stablecoin product identifier*; and

(7) so far as not referred to in (1) to (6), the information set out at regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure

document) of the *Cryptoassets Regulations* which is included in the *stablecoin QCDD*.

2.5.7 R A *firm* must ensure that the information published under *CRYPTO* 2.5.6R:

(1) is easy for prospective readers to locate;

(2) is easy for prospective readers to access; and

(3) includes:

(a) the date and time of publication of each part of the information; and

(b) the last date and time each part of the information was updated or amended.

2.5.8 R A *firm* must ensure that the information that it publishes under *CRYPTO* 2.5.6R is clear, fair and not misleading.

2.5.9 G In complying with *CRYPTO* 2.5.8R, a *firm* should consider what is appropriate and proportionate, taking into account the means of communication and the fact that a *firm* should assume that the information it publishes will be read by *retail customers*.

2.5.10 G When publishing information on its website in accordance with *CRYPTO* 2.5.6R, a *firm* should:

(1) explain or present information in a logical manner;

(2) use plain and intelligible language and, where use of jargon or technical terms is unavoidable, explain the meaning of any jargon or technical terms as simply as possible;

(3) make key information prominent and easy to identify, including by means of:

(a) headings and layout;

(b) display and font attributes of text; and

(c) design devices such as tables, bullet points, graphs, graphics, audio-visuals and interactive media;

(4) avoid unnecessary disclaimers; and

(5) provide an appropriate level of detail.

2.5.11 G The *rules* in this section do not require a *firm* to publish all the information listed in *CRYPTO* 2.5.6R together as a single document or webpage. A *firm* should choose the best format for publishing the information in line with the *rules* of this section and of the *regulatory system*.

2.5.12 G When publishing information on its website in accordance with *CRYPTO* 2.5.6R, a *firm* should consider whether to provide additional information to help support a reader's understanding. In doing so, a *firm* should ensure that it does not obscure the information referred to *CRYPTO* 2.5.6R.

Website disclosures: timing of publication

2.5.13 R Subject to *CRYPTO* 2.5.14R, a *firm* must comply with the requirements in *CRYPTO* 2.5.6R by the earliest of the following times:

(1) when the corresponding *qualifying stablecoin* is offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*); or

(2) when the *firm* seeks to admit the *qualifying stablecoin* to trading on a *qualifying cryptoasset trading platform*.

2.5.14 R In relation to *pre-issued stablecoins*, a *firm* must comply with the requirements in *CRYPTO* 2.5.6R on the first *day* that *rule* comes into force.

Website disclosures: obligation to review and update

2.5.15 R A *firm* must update the following information on its website at least once every 3 *months*:

(1) the information referred to in *CRYPTO* 2.5.25R(1) (the total number of *qualifying stablecoins*); and

(2) the information referred to in *CRYPTO* 2.5.27R (*backing asset pool* information).

2.5.16 R A *firm* must update the following information on its website if, and to the extent that, any of it becomes inaccurate:

(1) the general information referred to in *CRYPTO* 2.5.25R(2) and (3);

(2) the *redemption* information referred to in *CRYPTO* 2.5.30R; and

(3) the information on risks referred to in *CRYPTO* 2.5.31R.

2.5.17 R A *firm* must have systems in place to regularly review the information listed in *CRYPTO* 2.5.16R to ensure any inaccuracies in the information it has published are promptly identified and corrected.

2.5.18 R The updates required by *CRYPTO* 2.5.15R and *CRYPTO* 2.5.16R must be published as soon as reasonably practicable.

2.5.19 G (1) The information that must be updated under *CRYPTO* 2.5.15R is not the same kind of information as that which must be updated under *CRYPTO* 2.5.16R.

(2) The information referred to in *CRYPTO* 2.5.15R is likely to change frequently. *CRYPTO* 2.5.15R requires a *firm* to, at a minimum, update it once every 3 *months*.

(3) The information referred to in *CRYPTO* 2.5.16R – being the remaining general information (the technology and third parties involved in issuing), the *redemption* information and information about risks – is likely to be more static. *CRYPTO* 2.5.16R requires a *firm* to update that information whenever it becomes inaccurate.

2.5.20 G The review information referred to in *CRYPTO* 2.5.32R and *CRYPTO* 2.5.37R is not caught by either *CRYPTO* 2.5.15R or *CRYPTO* 2.5.16R. That information is point-in-time and will instead be periodically produced in accordance with *CRYPTO* 2.5.32R and *CRYPTO* 2.5.37R.

2.5.21 G *CRYPTO* 2.5.15R requires information to be reviewed at least once every 3 *months*. *Firms* should consider whether to do so more frequently if there are any significant relevant changes, such as if they decide to hold *expanded backing assets*.

2.5.22 G In complying with *CRYPTO* 2.5.15R, a *firm* has discretion to align the timing with other obligations under the *regulatory system* or to accommodate other commercial or practical considerations. For example, a *firm* could update disclosures after 1 *month* if doing so assists in aligning with reporting or other obligations.

Website disclosure: obligation to retain and provide information

2.5.23 R (1) A *firm* must retain a copy of the information published in accordance with *CRYPTO* 2.5.6R for 5 years from the date it is no longer published on its website.

(2) A *firm* must provide a copy of any information retained in accordance with this *rule* on request to the following without undue delay:

(a) any *holder* of the *qualifying stablecoin*; and

(b) any former *holder* in respect of the time when they were a *holder* of the *qualifying stablecoin*.

2.5.24 G *CRYPTO* 2.5.23R(2) does not prevent a *firm* from charging for the provision of the information. However, *firms* are reminded of *PRIN* 2A.6.2R(4), under which they must ensure *retail customers* do not face unreasonable additional costs.

General information to be published

2.5.25 R The general information to be published for each *qualifying stablecoin product* is:

(1) the total number of *qualifying stablecoins* which:

(a) are in circulation or subject to subscription (within the meaning of article 9M of the *Regulated Activities Order*);

(b) are being offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*) for the first time, but which have not yet been sold or subscribed; and

(c) have been *minted* but not yet offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*),

at a given point in time, selected in accordance with *CRYPTO* 2.5.29R;

(2) a description of the technology used to support the recording or storage of data for the relevant *qualifying stablecoin* (such as the distributed ledger technology), including any protocol and consensus mechanism; and

(3) the name of any *person* with whom the *qualifying stablecoin issuer* has made arrangements to:

(a) offer the *qualifying stablecoins* for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*);

(b) undertake on behalf of the *qualifying stablecoin issuer* to redeem the *qualifying stablecoins*; and/or

(c) carry on activities on behalf of the *qualified stablecoin issuer* designed to maintain the stable value of the *qualifying stablecoin*.

2.5.26 R The *rule* in *CRYPTO* 2.5.25R(1) to publish the total number of *qualifying stablecoins* includes *qualifying stablecoins* that a *person* has arranged for another to sell or subscribe, offer for sale or subscription, or *mint* on its behalf.

Backing asset pool information to be published

2.5.27 R The *backing asset pool* information to be published for each *qualifying stablecoin product* is:

(1) the name of any third party or third parties appointed by the *firm* with which it holds more than 20% of the value of the *backing asset pool*;

(2) the value of the *backing asset pool* held by the *firm* at a point in time selected in accordance with *CRYPTO* 2.5.29R, expressed in terms of the *reference currency* and described with the following detail:

(a) the total value held;

(b) the value(s) held as *core backing assets*, broken down into the type(s) of asset(s); and

(c) if relevant, the value(s) held as *expanded backing assets*, broken down into the type(s) of asset(s); and

(3) the value(s) referred to in (2)(b) and (c) also expressed as a percentage of the total value of the *backing asset pool*.

2.5.28 G *CRYPTO* 2.5.27R(2)(b) and (c) refer to the types of assets held. This means *firms* should publish the values for:

(1) *on-demand deposits*;

(2) *short-term government debt instruments*;

(3) *long-term government debt instruments*;

(4) units in a fund authorised as a *public debt CNAV MMF*; and

(5) *assets*, rights and *money* held as a counterparty to a *repurchase transaction*.

2.5.29 R For the purposes of *CRYPTO* 2.5.25R(1) and *CRYPTO* 2.5.27R(2), the given point in time that a *firm* selects must be:

(1) the same point in time for both of those *rules*; and

(2) no more than 24 hours prior to the date when the *firm* intends to publish the information referred to in those *rules* which references the point in time selected.

Redemption information to be published

2.5.30 R The *redemption* information to be published for each *qualifying stablecoin product* is:

(1) an explanation of any *redemption fee* that may be payable by a *holder*, including how such a fee will be calculated;

(2) the steps that a *holder* must take in order to redeem the *qualifying stablecoin*, including a list of any information that a *holder* may be asked to provide as part of a *redemption* request;

(3) a summary of the steps that will be taken by the *firm* or other parties involved in the *redemption* process following a request to *redeem*; and

(4) the payment methods the *firm* makes available for *redemption*.

Risk information to be published

2.5.31 R A *firm* must publish information about risks associated with the *qualifying stablecoin product* and any steps taken by the *firm* to manage such risks, including:

(1) risks associated with the technology used to support the *qualifying stablecoins*;

(2) risks to the interests of a *holder*, including those arising from any conflicts of interest; and

(3) risks to the ability of the *qualifying stablecoin issuer* to continue maintaining the stability or value of the *qualifying stablecoin product*.

Review information to be published

2.5.32 R Each time a *firm* updates the information in *CRYPTO* 2.5.15R, it must:

(1) prepare a statement confirming whether the *backing asset pool* for that *qualifying stablecoin product* complies with *CASS* 16.2.1R(3);

(2) have the statement approved by its *governing body* or an appropriate *senior manager*; and

(3) publish the approved statement.

Obligation to conduct and publish an independent review

2.5.33 R Subject to *CRYPTO* 2.5.34R, at least once every 12 *months*, a *firm* must undertake an independent review of the statements it has published over the previous 12 *months* in accordance with *CRYPTO* 2.5.32R.

2.5.34 R The first independent review under *CRYPTO* 2.5.33R must take place within 3 *months* of the date a *firm* publishes its fourth statement under *CRYPTO* 2.5.32R.

2.5.35 R The independent review referred to in *CRYPTO* 2.5.33R must provide an opinion prepared in line with a *reasonable assurance engagement* as to whether the relevant statements published by the *qualifying stablecoin issuer* were accurate.

2.5.36 R The independent review referred to in *CRYPTO* 2.5.33R must be conducted by a *person* who, at a minimum:

(1) is neither an *employee* nor an agent of the *firm*;

(2) is not a member of the same *group* as the *firm*; and

(3) meets (a), (b) or (c) below:

(a) is eligible for appointment as an auditor under chapters 1, 2 and 6 of Part 42 of the Companies Act 2006;

(b) has otherwise been appointed as an auditor under another enactment, and meets the requirements for appointment under that enactment; or

(c) is *overseas* and is eligible for appointment as an auditor under any applicable equivalent laws of the country or territory in which they are established.

2.5.37 R As soon as practicable following the independent review referred to in *CRYPTO* 2.5.33R, the *firm* must publish a statement prepared by the *person* conducting the independent review, confirming:

(1) the date the independent review took place;

(2) the overall outcome of the independent review; and

(3) the relevant qualifications of the *person* who conducted the independent review.

Stablecoin qualifying cryptoasset disclosure documents

2.5.38 G Under regulation 6 of the *Cryptoassets Regulations*, the definition of a qualifying cryptoasset disclosure document can include a document whose publication is required by designated activity rules. For the avoidance of doubt, *CRYPTO* 2.5.39R to *CRYPTO* 2.5.57G are made under both regulation 9 of the *Cryptoassets Regulations* and related powers, and section 137A of the *Act* and related powers.

2.5.39 R A *firm* must:

(1) publish a valid *stablecoin QCDD* (see *CRYPTO* 2.5.43R) on its own website; and

(2) upload the *stablecoin QCDD* in (1) to the *FCA-owned centralised repository*.

2.5.40 R For the purposes of regulation 12 (Responsibility for disclosure documents) of the *Cryptoassets Regulations*, the person responsible for a *stablecoin QCDD* is the *qualifying stablecoin issuer* of the *qualifying stablecoin product* it relates to (whether or not the *stablecoin QCDD* is published or distributed by another *person*).

2.5.41 R A *stablecoin QCDD* must:

(1) be clearly headed '[name of qualifying stablecoin product] disclosure document';

(2) contain the material information set out at regulation 13 (General requirements to be met by a qualifying cryptoasset disclosure document or supplementary disclosure document) of the *Cryptoassets Regulations*;

(3) be written in English;

(4) be a single document in a format which is immutable;

(5) clearly state:

(a) the date and time of publication of each part of the document; and

(b) the last time each part of the document was updated or amended; and

(6) contain:

(a) the name and any *LEI* that is included on the *GLEIF* Global LEI Index of the *person* who is the *qualifying stablecoin issuer*; and

(b) the *qualifying stablecoin product identifier*.

2.5.42 G In the *FCA's* view, a *stablecoin QCDD* should not need to contain the same information in all cases as a *QCDD* relating to other *qualifying cryptoassets*. That is because of the nature of *UK qualifying stablecoins* and because they are subject to a greater degree of regulation by the *FCA*.

2.5.43 R For the purposes of *CRYPTO* 2.5.39R, a *stablecoin QCDD* is valid if it:

(1) complies with *CRYPTO* 2.5.41R; and

(2) has been reviewed and updated where appropriate in accordance with *CRYPTO* 2.5.48R and *CRYPTO* 2.5.49R.

Stablecoin QCDD: timing of publication

2.5.44 R Subject to *CRYPTO* 2.5.45R, a *firm* must comply with the requirements in *CRYPTO* 2.5.39R by the earliest of the following times:

(1) when the corresponding *qualifying stablecoin* is offered for sale or subscription (within the meaning of article 9M of the *Regulated Activities Order*); or

(2) when the *firm* seeks to admit the *qualifying stablecoin* to trading on a *qualifying cryptoasset trading platform*.

2.5.45 R In relation to *pre-issued stablecoins*, a *firm* must comply with the requirements in *CRYPTO* 2.5.39R on the first *day* that the *rule* comes into force.

Stablecoin QCDD: provision of hyperlink to a cryptoasset trading platform

2.5.46 R A *firm* that seeks *admission to trading* of a *UK qualifying stablecoin* must provide the *UK QCATP operator* with a hyperlink to the relevant *stablecoin QCDD* on the *FCA-owned centralised repository* at the time that admission is sought.

2.5.47 R The hyperlink provided under *CRYPTO* 2.5.46R must be a permalink which leads to the latest available document on the *FCA-owned centralised repository* such that, so far as is within the *firm's* control, it automatically updates to the latest version of the *stablecoin QCDD* when updates are made to that document by the *firm* under *CRYPTO* 2.5.48R and *CRYPTO* 2.5.49R.

Stablecoin QCDD: obligation to review and update

2.5.48 R A *firm* must update its *stablecoin QCDD* at least once every 3 *months*.

2.5.49 R Any information referred to in *CRYPTO* 2.5.16R that is included in a *stablecoin QCDD* must be updated if, and to the extent that, any of it becomes inaccurate.

2.5.50 R A *firm* must have systems in place to regularly review the information referred to in *CRYPTO* 2.5.49R to ensure any inaccuracies in the information it has published are promptly identified and corrected.

2.5.51 R The updates required by *CRYPTO* 2.5.48R and *CRYPTO* 2.5.49R must be published and uploaded to the *FCA-owned centralised repository* as soon as reasonably practicable.

2.5.52 G *CRYPTO* 2.5.48R requires *stablecoin QCDDs* to be updated at least once every 3 *months*. *Firms* should consider whether to do so more frequently if there are any significant relevant changes, such as if they decide to hold *expanded backing assets*.

2.5.53 G In complying with *CRYPTO* 2.5.48R, a *firm* has discretion to align the timing with other obligations under the *regulatory system* or to accommodate other commercial or practical considerations. For example, a *firm* could update a *stablecoin QCDD* after 1 *month* to align with reporting or other obligations.

Stablecoin QCDD: obligation to retain and provide copies

2.5.54 R (1) A *firm* must retain a copy of any *stablecoin QCCD* published in accordance with *CRYPTO* 2.5.39R for 5 years from the date it is updated or removed from its website.

(2) A *firm* must provide a copy of any *stablecoin QCCD* retained in accordance with this *rule* on request to the following without undue delay:

(a) any *holder* of the *qualifying stablecoin*; and

(b) any former *holder* in respect of the time when they were a *holder* of the *qualifying stablecoin*.

2.5.55 G *CRYPTO* 2.5.54R(2) does not prevent a *firm* from charging for the provision of the *stablecoin QCDD*. However, *firms* are reminded of *PRIN* 2A.6.2R(4) under which they must ensure *retail customers* do not face unreasonable additional costs.

Information in website disclosures and stablecoin QCDDs

2.5.56 R Where information appears on a *firm's* website in accordance with *CRYPTO* 2.5.6R and in a *stablecoin QCDD* published by that *firm* in accordance with *CRYPTO* 2.5.39R(1):

(1) the information must be updated at the same time under *CRYPTO* 2.5.15R and *CRYPTO* 2.5.48R, or *CRYPTO* 2.5.16R and *CRYPTO* 2.5.49R; and

(2) the updates must be published and uploaded at the same time so far as reasonably practicable without delaying their publication in any location to do so.

2.5.57 G Under *CRYPTO* 2.5.56R, *firms* are required to align updates to their website disclosure and *stablecoin QCDDs* where they contain the same information. *Firms* are also required to try to align the publication and uploading of the updates, but should not delay publication to do so. However, they should align the timings as much as they can.