

10 July 2025

Pierre Ostercamp
Crypto and Tech Policy Team
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

Submitted via cp25-16@fca.org.uk

RE: CP25/16: Lifting the ban on retail access to certain cryptoasset exchange traded notes (cETNs)

BlackRock¹ is pleased to have the opportunity to respond to CP25/16: Lifting the ban on retail access to certain cryptoasset exchange traded notes (cETNs).

BlackRock's purpose is to help more and more people experience financial well-being. As a fiduciary to investors and a leading provider of financial technology, we help millions of people build savings that serve them throughout their lives by making investing easier and more affordable.

This consultation paper raises important issues, and we will continue to contribute to the thinking of the Financial Conduct Authority (FCA) on any matters that may assist in the final outcome.

Yours faithfully,

Jeanette Teo
Head of BlackRock Public Funds Legal, EMEA

Jeanette.Teo@blackrock.com

Nick Viney
Government Affairs and Public Policy, EMEA

Nick.Viney@blackrock.com

¹ BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

Executive summary

BlackRock welcomes the FCA's proposal to lift the ban on retail access to crypto exchange traded notes (cETNs) admitted to UK Recognised Investment Exchanges (RIEs). We are supportive of measures intended to allow retail investor access to new and innovative products, ensuring consumers are adequately protected and promoting responsible growth in financial markets. We also recognise the FCA's ongoing efforts to consider its secondary international competitiveness and growth objective in its work on digital assets more broadly.

Firstly, we believe that exchange traded products (ETPs) will play an important role in giving investors access to cryptoassets in a professionally risk managed manner. Given the increased trend towards crypto adoption in both the UK and Europe, we believe lifting the ban on retail access to cETNs would enhance consumer protection by providing an operationally safer way to access this burgeoning asset class.

Secondly, we believe removing the ban brings the UK into alignment with other international jurisdictions such as the US, EU and Hong Kong that have already authorised retail access to comparable products. This supports the Government's objective of establishing the UK as a globally competitive centre for digital finance and fostering sustainable growth within the financial service sector. To help achieve this, we recommend the FCA permits issuers the option of using a single prospectus document for cETNs that covers disclosure requirements for the UK which is consistent with the documentation investors receive in other jurisdictions such as the EU.

However, while we see this as a positive step in the right direction, **we disagree with the FCA's proposal to align UK RIE cETNs with qualifying cryptoassets, and encourage the FCA to reconsider the decision to classify cETNs as restricted mass market investments (RMMIs).** While most cETNs do not lower volatility, enhanced investor protections such as institutional-grade custody mean an investment in a wrapped product is not the same as an investment in the underlying cryptoasset it is designed to track. Accordingly, the regulator should take into consideration instances where products are issued and promoted under full FCA authorisation, with proper disclosures, governance, and investor safeguards in place. If the FCA still intends to apply RMMI status to crypto assets, we recommend cETNs receive a carve out similar to those afforded to Long Term Asset Funds (LTAFs).

Responses to questions

This response is intended to highlight those areas where we believe that particular attention by the regulators is warranted. We welcome the opportunity to comment on the issues raised by this consultation paper and will continue to work with industry and the regulators on this matter and other topics.

Question 4.1: Do you agree with our overall proposal (outlined above and in Appendix 3) to the lifting of the ban on retail access to cETNs which are admitted to UK RIEs, so that retail consumers may access UK RIE cETNs in the same way as professional investors? Please explain.

BlackRock is strongly supportive of the FCA's proposal to lift the ban on retail access to cETNs admitted to UK Recognised Investment Exchanges (RIEs) so that retail consumers may access UK RIE crypto Exchange Traded Notes (cETNs) in the same way as professional investors. If implemented, these measures could help boost long term confidence in the UK regulated market for cryptoassets, support UK fintech growth and innovation as well as

enhance consumer safeguarding. Additionally, these measures could level the playing field between the UK and other international jurisdictions, including the E.U.

While the introduction of the ban on the sale, marketing and distribution of cETNs in January 2021 was a prudent and proportional response to risks associated with cryptoasset products falling outside the FCA's regulatory perimeter at that time, cryptoasset markets have evolved and matured since then. Recent BlackRock research² highlights a sustained trend towards cryptocurrency adoption amongst European consumers. Around 25 million adults in Europe (22% of all current investors) now hold some form of cryptocurrency, and an additional 8 million adults have indicated plans to purchase cryptocurrency within the next year. In the UK, 3.3 million adults (17% of all UK investors) own cryptocurrency with 47% of these adults not having any other forms of investment. Further to this, research conducted by the Investment Association (IA) found that cryptocurrencies are the most popular choice of product amongst the youngest cohort of investors (aged 18-24) with 46% investing in such instruments and considering them a standard product in their investment portfolio³. Finally, recent YouGov Cryptoassets consumer research, conducted on behalf of the FCA, shows that 12% of adults surveyed owned cryptoassets in August 2024, up from 4.4% in 2021⁴. Given this trajectory of investor preference, the FCA's decision to allow retail access to cryptoassets via an Exchange Traded Product (ETP) structure, with offering documents subject to review by the FCA, represents a welcome policy intervention.

Over the past few decades, ETPs have transformed investors' access to traditional financial markets, and, from a structural perspective, we believe these products will have an important role to play in giving investors access to cryptoassets in a professionally risk managed manner. In general, ETPs have been a secure way for investors to access thousands of traditional securities across multiple asset classes as part of a well-understood product that is subject to regulatory scrutiny. These attributes could make holding certain cryptoassets via an ETP attractive to both retail and professional investors who see crypto as a burgeoning alternative asset class or who wish to gain exposure to thematic opportunities such as digital disruption but still want the efficiency and convenience of a well-established investment wrapper.

Spot cryptoasset ETPs such as cETNs provide end investors with an efficient way of gaining exposure to certain crypto currencies by removing barriers to entry while mitigating associated operational and custody risks. For instance, cETNs offer an operationally safer and simpler mechanism for investors to hold a bearer instrument by removing the need for self-custody, which reduces the risk of loss attributed to user error or hacking. As with traditional ETPs, investors also gain access to the full global network of liquidity venues and a familiar trading and settlement ecosystem, including standardised marketplaces, time zones and transparent reporting. This alleviates certain operational complexities investors often face when directly trading cryptoassets, such as 24/7 market operations, and ensures transactions are more secure. Finally, the standardised and well understood nature of the ETP wrapper provides economies of scale, reducing costs, and offers retail investors a

² Source: BlackRock People & Money/YouGov Plc. All figures, unless stated otherwise, are from YouGov Plc. Sample size: 36,730 adults across Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and UK (any references to Europe in this report refer to these 14 markets). Fieldwork was undertaken between 15th March – 10th May 2024. The survey was carried out online. Figures given an even weighting to produce an 'average' value. All calculations conducted by BlackRock. 2022 data refers to the previous 'Next wave of ETF investors' survey conducted by YouGov Plc between 12 August 2022 and 8 February 2023. Population figures are based on United Nations 2024 and 2022 Revisions of World Population Prospects report (18+ adults). The content and assumptions in this report are based on data derived directly from these surveys.

³ Source: The Investment Association, Investment Management Survey in the UK 2023 – 2024 Annual Survey, Oct 2024

⁴ Source: <https://www.fca.org.uk/publication/research-notes/cryptoasset-consumer-research-2024-wave-5.pdf>

familiar product and disclosure documents, including a full prospectus with appropriate risk disclosures, and a packaged retail and insurance-based investment products (PRIIPs) key information document (KID) and prospectus, which help investors make more informed investment decisions.

Lifting the ban on retail access to cETNs which are admitted to UK RIEs would also be a positive development in that it brings the UK closer to other regulatory regimes such as the US, EU, and Hong Kong which already permit retail access to similar products. This aligns with the UK Government's ambition to both position the UK as an internationally competitive hub for digital finance and support the sustainable growth of the financial services sector.

In this context, and given the FCA's recent proposals to introduce the Consumer Composite Investment (CCI) framework, we would also encourage the FCA to ensure UK investors receive information on cETNs consistent with information shared with investors in the European Union and other countries. As such, we would propose that the FCA permits cETNs the option of having one base prospectus document that covers disclosure requirements for UK and all other investors. This single base prospectus would include information on the UK RIE and all the listing venues on which the cETNs are listed and traded.

Overall, we see the FCA's proposal as a welcome constructive first step that helps support the regulator's stated ambition to build a coherent and proportionate regulatory framework for U.K retail investors to access cryptoassets.

Question 4.2: Do you agree that UK RIE cETNs should be subject to broadly the same financial promotions rules as qualifying cryptoassets and classified as restricted mass market investments?

While we remain supportive of the FCA's ongoing commitment to consumer protection, we disagree with the FCA's proposal to align UK RIE cETNs with other qualifying cryptoassets, in particular the decision to classify cETNs as restricted mass market investments (RMMIs).

As specified in CP22-2, the FCA's original decision to designate cryptoassets as RMMIs was attributed to a rapid growth in the proportion of UK consumers holding high-risk investments during the COVID-19 pandemic. At that time, FCA consumer research suggested many of these new retail investors were driven by social and emotional factors and did not always fully understand the associated investment risks, which made them particularly vulnerable to unexpected losses. Since cryptoassets sat largely outside the FCA's regulatory perimeter, financial promotion rules were introduced to give UK consumers protection from crypto-linked investments which offered the potential of high returns or yield without adequately presenting the relevant risks. These concerns should not be applicable to cETNs that are made available on UK regulated markets, where offering documents will be required to comply with UK regulation and subject to regulatory review.

Crypto currencies are by their nature volatile assets, and we believe it is imperative that investors take a measured approach to not only consider the potential upside that could come from investing in cryptocurrencies such as bitcoin or ether, but also the characteristics of the asset and its risks. While cETNs do not reduce the volatility an end investor is exposed to, the structural qualities of a cETN (as outlined in Question 1) means that in our view, an investment in an exchange traded wrapped crypto product is not the same as an investment in the underlying spot cryptocurrency it is intended to track.

The FCA's proposal to subject cETNs to the same financial promotion rules as qualifying cryptoassets therefore does not account for the various levels of protection cETNs afford

retail consumers as non-self custodied products that are already subject to market-wide standards around pricing, disclosure, and governance. Rather than adopting a one size fits all approach, we would encourage the FCA to further consider the nuances between different cryptoasset-linked products available to retail investors, accounting for specific safeguards or objectives that negate appropriateness for RMMI classification.

While RMMI classification for cryptoassets themselves may continue to make sense, we believe the existing UK regulatory regime already offers appropriate levels of consumer protection for retail investors accessing crypto via a wrapped product. The application of additional restrictive safeguards could stifle cETN demand, thereby reducing the international competitiveness of the UK digital market in comparison to other jurisdictions, including most EU markets where such products are already available to retail investors and are listed on regulated exchanges.

For instance, introduction of additional overheads such as 24-hour cooling off periods and customised risk warnings required to comply with RMMIs on top of existing MiFID rules could create further costs and overheads for platform providers and impose unnecessary and disproportionate additional friction on the consumer investment journey. This could either disincentivise investment or drive retail investors to seek investment directly in cryptoassets which would expose them to greater risks and lower consumer protection standards. The standards of care taken by firms now in the context of Consumer Duty to ensure good outcomes across product and services, price and value, consumer understanding and consumer support should also ensure an adequate framework to protect the retail consumer whilst also enabling them to pursue their financial goals. Given the considerations and protections that apply to the UK listing of ETPs - alongside the disclosure requirements already in place - investors will be well-equipped to make informed decisions aligned with their financial goals, without the need for overly restrictive and prohibitive measures.

We therefore encourage the FCA to revisit the appropriateness of the RMMI classification for cETNs considering the evolving nature of the regulatory framework and in the interests of international competition. If, however, the FCA does continue to see merit in the application of RMMI for cETNs, we would strongly advocate at a minimum the introduction of a carve out, similar to those applied to LTAFs which were exempt from illiquid asset caps and look through rules in order to provide retail access to illiquid instruments. Continuing to apply restrictive classifications originally designed for an unregulated market could undermine the legitimacy of the new regime, create consumer confusion, and stifle the development of responsible innovation in the UK.