

7 March 2025

Discussion Paper DP24/4. Regulating cryptoassets: Admissions & Disclosures and Market Abuse Regime for Cryptoassets (the “Paper”)¹

Consultation Response from Bitcoin Policy UK

Thank you for the opportunity to respond to this important discussion paper. Our response will principally address the Paper as its provisions apply to Bitcoin and its attendant industry, not as it applies to other cryptoassets, though we shall discuss these as necessary to draw a distinction between Bitcoin and every other digital asset (something that the Paper does not fully articulate). We shall explain our rationale for so doing in our response.

We are submitting this response with reference to a selection of the questions posed in the Paper, indicated where shown below. We also include a general preamble relating to the unique nature and categorisation of Bitcoin, which is intended to illustrate in summary why so many of the proposed requirements and restrictions cannot and should not apply to this asset - some of which has been acknowledged in the Paper but which would benefit from additional clarification.

Bitcoin - contextualising its place in the ‘cryptoasset’ market

Our firm policy position is that the current categorisation of Bitcoin by the FCA as a ‘restricted mass market investment’² is incorrect, and represents a misunderstanding of the nature of the asset both as a monetary instrument and as an information technology protocol. Other cryptoassets may be fairly categorised in this way, but applying this definition to Bitcoin is unmerited.

Briefly, Bitcoin is simply money (albeit not a money issued by a nation state), and should be viewed and treated as such; by contrast many other ‘cryptoassets’ are, to a greater or lesser degree, effectively financial technology or ‘fintech’ companies, or, as in the case of meme coins, arguably nothing more than gambling tokens. This is not to denigrate fintech companies or the activity of gambling - we concede that many such companies may find product market fit and become successful, and note that gambling is and remains lawful. At the same time, we acknowledge that the process of Bitcoin’s monetisation remains incomplete; whilst Bitcoin does possess many of the characteristics of money, it has not yet fully monetised and would more correctly be described as being in the process of so doing.

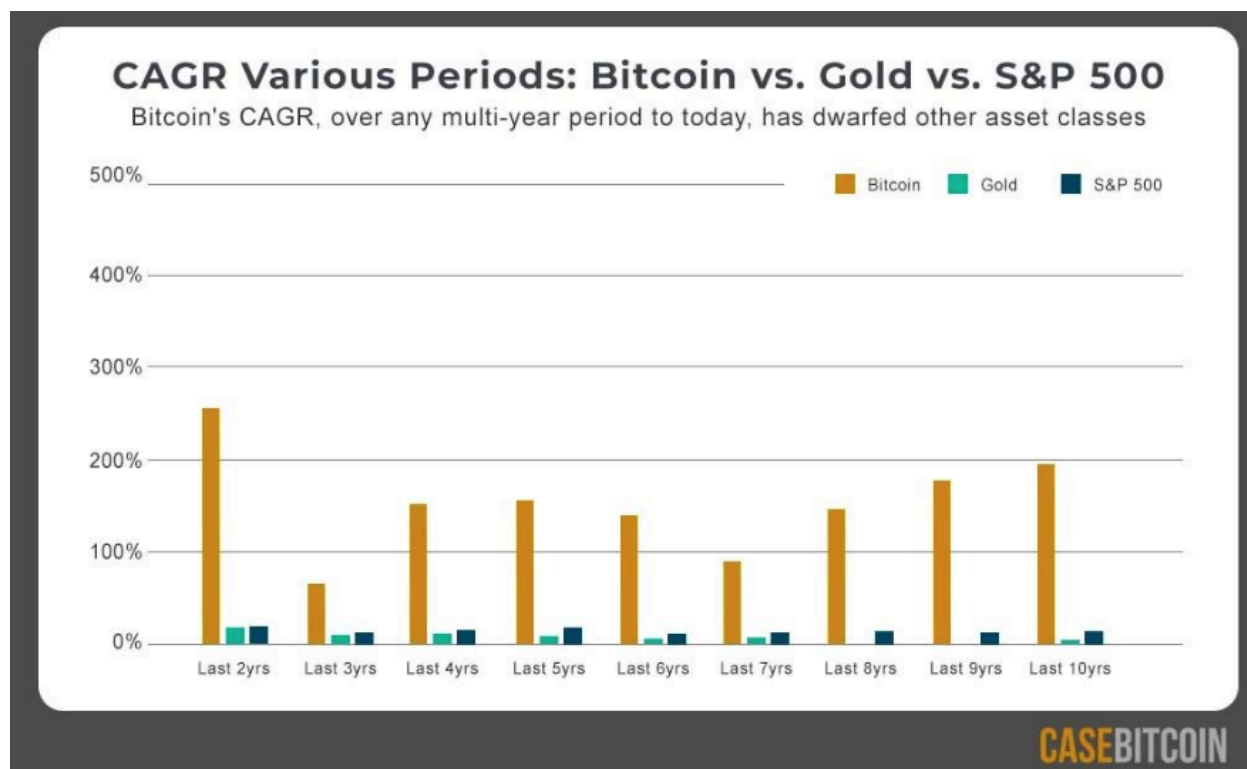
The monetisation of assets typically takes place in three stages, whereby an asset initially emerges as a store of value, and subsequently becomes useful as a medium of exchange prior to being adopted as a unit of account. Bitcoin, in our view, is currently somewhere between the first two stages as at the date of writing. Data from 2021, for example, showed that over the

¹ [DP24/4: Regulating cryptoassets – Admissions & Disclosures and Market Abuse Regime for Cryptoassets | FCA](#)

² [PS23/6: Financial promotion rules for cryptoassets](#)

initial ten year period of Bitcoin's trading on open markets, its compound annual growth rate or CAGR was circa 200%³, essentially without a close competitor in financial history. See also Fig. 1 below, which compares the relative CAGRs of Bitcoin, gold and the S&P 500 over the same period. Its adoption as a store of value began early in its history, and has only increased now that many of the world's leading financial centres have begun to list exchange traded products giving investors price exposure to Bitcoin.

Fig. 1. Bitcoin CAGR for the first decade of trading on the open market.



Bitcoin is sufficiently distinct from all other 'cryptoassets' to be considered in its own class and its own category. As set out above, it is essentially a new form of digital money, with a hard capped supply. It is permissionless – by which we mean that anyone, no matter their social class, political views, location or status, may participate in the network, whether or not they possess ID or a fixed address. The network treats each one of its participants in the same way, enabling them to preserve their savings against currency debasement or inflation resulting from uncontrolled increases in a national money supply, and to transact freely in regimes where their attempts to exchange value would otherwise be forbidden or censored. The network, and specifically the Bitcoin protocol's means of determining the order of transactions (known as mining), is secured by energy, since it is impossible to mine new blocks, thereby determining the sequence of transactions and at the same time releasing new bitcoins, without the expenditure of energy by specialised machines colloquially known as miners or ASICs (application-specific integrated circuits). It is the requirement to expend energy in order to release new Bitcoin in the block reward that provides Bitcoin with its

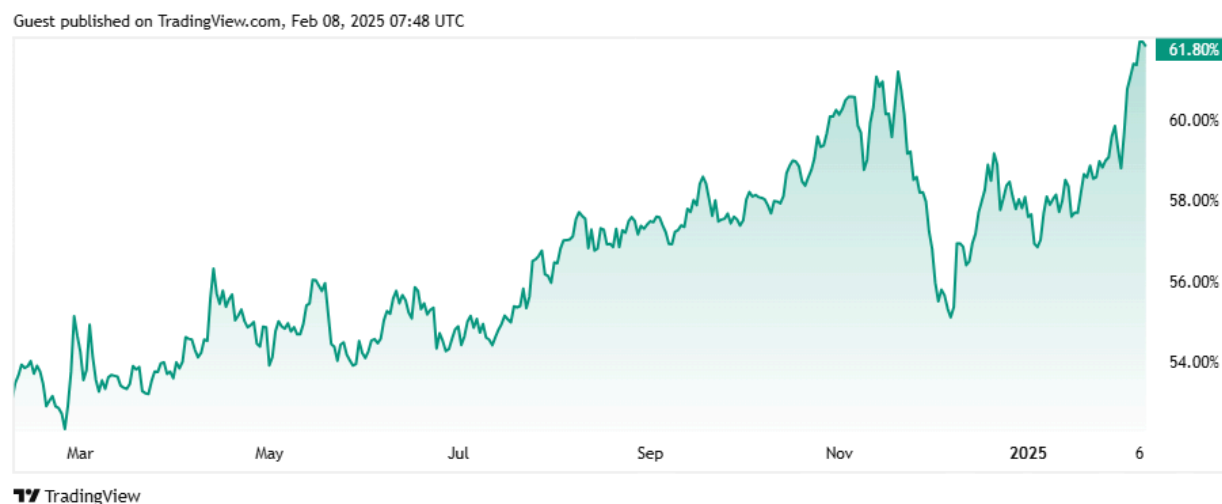
³ <https://www.fxstreet.com/cryptocurrencies/news/bitcoins-compound-annual-growth-is-an-unheard-of-200-cagr-202103021153>

‘unforgeable costliness’. No person, no matter how much Bitcoin they already hold, can alter the rules of the protocol or the capped supply without reaching broad consensus with all of the rest of the network; and no person can alter the record of past transactions preserved in the blockchain without repeating all the work that has been done, and expending all the energy that has been spent, in creating the original blocks.

Energy is what ties the digital Bitcoin to the physical world, and ensures that it remains impossible to forge, or to manipulate at the protocol level, and renders it no longer computationally feasible for an attacker - even a nation state - to compromise. Despite the short term fluctuations in its price, it is for these reasons (among many others) that Bitcoin has provided a financial lifeline to citizens across the world – in Lebanon⁴, in Argentina, and throughout Africa⁵ and the global south⁶ and provides a means for those without access to the traditional banking system to be able to store and manage their wealth in the digital age.

As at the date of writing, the market capitalization of Bitcoin alone represents more than 60 per cent of the value of the entire ‘cryptoasset’ market⁷ (see Fig 2.). This dominance has been increasing in a market where according to some estimates, upwards of 40,000 new tokens are created each day⁸. However, the contrast between the meme coin market and the growing dominance of Bitcoin illustrates very clearly the profound difference between a pristine monetary asset that cannot be created without costly expenditure on energy and hardware on the one hand, and what are essentially gambling tokens created without cost on the other.

Fig. 2. Bitcoin dominance of the ‘crypto-asset’ market



In brief, the UK’s current regulatory position treats Bitcoin and a meme coin in exactly the same way.

⁴ <https://eng.ambcrypto.com/bitcoin-in-lebanon-mirrors-its-role-in-argentina-hong-kong/>

⁵ <https://disrupt-africa.com/2022/12/09/kenyan-bitcoin-mining-startup-gridless-raises-2m-seed-funding-for-expansion/>

⁶ <https://bitcoinekasi.com/>

⁷ [Bitcoin Dominance Chart — BTC.D — TradingView](#)





















⁸ [MEMECOINS 2024: MARKET. TRENDS AND OPPORTUNITIES.Global research](#)

On the one hand, we have a 1.5 - 2 trillion dollar asset, that is globally liquid 24 hours a day, seven days a week, with a pair in almost every global currency, which nation states are increasingly viewing as an investable asset, and on the other we have a meme coin spun up in a matter of hours at zero cost, with the majority of the supply held by insiders, without any cost to its creation or limit on its supply.

The FCA currently views both of these digital assets as essentially identical. **Our view is that this is a concerning position for any decent and well-informed regulator to take, and that doing so completely contradicts the principle of “same risk, same regulation”**, to which the FCA itself referred in its original outputs to the FCA Cryptosprint feedback in 2022⁹. The risk posed by Bitcoin is not the same as the risk posed by a new meme coin listed on Solana. We will illustrate the illogicality of this position via an analogy of the way in which company shares are offered to the public in the UK.

We refer to Fig. 3 below, which sets out the ten biggest investable global assets by market capitalization. We note that the market capitalization of Bitcoin as at the date of writing is USD 1.5 trillion, of comparable size to Meta (formerly Facebook) at USD 1.45 trillion¹⁰.

Fig. 3. Ten largest investable global assets ranked by market capitalization

Name	M. Cap	Price	1d	Price (30 days)
 Gold 1 GOLD	£15.582 T	£2,320	0.33%	
 Apple 2 AAPL	£2.749 T	£183.02	-2.40%	
 NVIDIA 3 NVDA	£2.556 T	£104.39	0.90%	
 Microsoft 4 MSFT	£2.449 T	£329.45	-1.46%	
 Amazon 5 AMZN	£1.937 T	£184.24	-4.05%	
 Alphabet (Google) 6 GOOG	£1.825 T	£150.46	-3.19%	
 Bitcoin 7 BTC	£1.533 T	£77,377	-0.54%	
 Silver 8 SILVER	£1.456 T	£25.88	-1.35%	
 Meta Platforms (Facebook) 9 META	£1.455 T	£574.49	0.36%	
 Saudi Aramco 10 2222.SR	£1.434 T	£5.93	-0.18%	

⁹ [CryptoSprint outputs | FCA](#)

¹⁰ [Assets ranked by Market Cap - CompaniesMarketCap.com](#)

The FCA will be aware that retail investors in the UK are currently permitted to purchase shares in Meta, and are similarly permitted to purchase shares in any other publicly listed company whose shares are admitted for trading on the main market at the London Stock Exchange, and on certain other exchanges worldwide. This is not the place to set out the detailed listing criteria and ongoing listing obligations to which a listed company is subject, but we will note that - aside from compliance with extensive disclosure requirements both at the prospectus stage prior to an initial public offering and with those extensive ongoing obligations set out in the Listing Rules - key characteristics relevant to the accessibility of such companies' shares by the retail investor are the size, security, and operational history of a company whose shares are admitted to trading on the main market.

It is not permitted for an individual to incorporate a new company, where the founder shareholder remains the holder of the vast majority of that new company's shares, remaining also in full control of the board, and for this new company to be listed on the main market, without any trading history, relevant accounts, or demonstrable revenue streams. Doing so would be the equivalent of listing a meme coin for sale to the public - something that the FCA claims it is currently unable to prevent. We refer to paragraph 4 of our evidence provided to the relevant All Party Parliamentary Group, citing the example of the so-called 'Mickey Meme Coin', whose offer to the public the FCA claimed at the time it was powerless to prevent ¹¹.

In short, the risk posed to consumers by a company like Meta, and by a company newly incorporated by a single shareholder and controlled entirely by that shareholder, is very different. Meta and newcos are treated differently by the regulator, and rightly so. It would be unthinkable to view and to regulate them in the same way - and yet this is how the FCA currently operates in its treatment of Bitcoin, of \$UFD¹², or of \$SQUID¹³.

It is in fact our strong view that by failing to differentiate between the extreme risk posed to retail investors by the majority of crypto scams - including meme coins, NFTs, RWA tokenisation proposals, and indeed the vast majority of the industry - the FCA is in fact materially increasing the risk of customer harm, since new entrants to the market may assume, as the FCA appears to do, that the levels of risk posed by each different cryptoasset are broadly similar and that each has a broadly comparable chance of market success or failure.

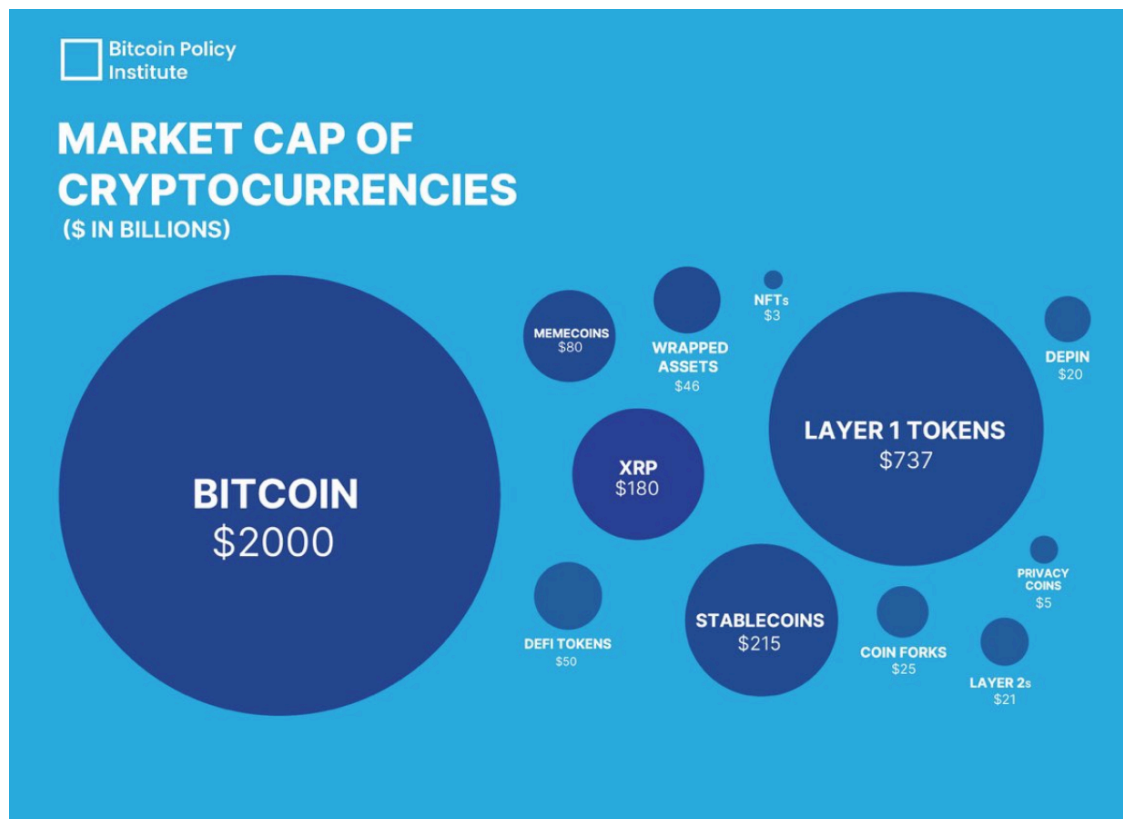
We believe that the differentiation in risk profile may be most simply illustrated visually, as is done in Fig 4 below. This diagram sets out in stark terms the relative market capitalization of different assets in the space, and enables certain inferences to be drawn regarding the security and stability of those markets, including the extent to which a market participant might be able to move or manipulate such a market. At the time of writing the market capitalization of Bitcoin is close to two trillion dollars, and it is not an overstatement to point out that manipulating a market of such size would be substantially more challenging than doing so with a meme coin whose market capitalization is a tiny fraction of this sum.

¹¹ [APPG Paper - Crypto Hub: Aim v Reality](#)

¹² [Unicorn Fart Dust \(UFD\) - Price & Chart | Coinranking](#)

¹³ [Squid Game \(SQUID\) - Price & Chart | Coinranking](#)

Fig. 4: Bitcoin dominance



Credit: Daisy Brown, Bitcoin Policy Institute. ¹⁴

By persisting in its determination not to apply its own principles of “same risk, same regulation” or to differentiate between different cryptoassets - and especially in failing to differentiate between Bitcoin and every other cryptoasset - **the FCA is jeopardizing its domestic and international reputation as a regulator that is able to understand and properly regulate a new market of rapidly emerging assets.** Where the United States SEC and the UAE’s VARA have begun to engage more thoughtfully with industry experts and participants, we remain concerned that the FCA’s position appears to disregard the relatively simple points we have illustrated using the examples above. We note also that just prior to the date of this paper, the White House released a Presidential Executive Order that clearly distinguishes between Bitcoin on the one hand (called ‘digital gold’, and to be treated as a reserve asset), and all other cryptoassets, which are to be held in a separate Digital Asset Stockpile¹⁵.

In consideration of the questions that we have selected for commentary in the remainder of our response, our essential thesis remains that **a prudent application of the “same risk, same regulation” principle will illustrate very starkly that Bitcoin cannot and should not be**

¹⁴ <https://www.btcpolicy.org/articles/bitcoin-isnt-a-memecoin>

¹⁵ [Establishment of the Strategic Bitcoin Reserve and United States Digital Asset Stockpile – The White House](#)

treated as a “restricted mass market investment” in the same way as virtually all other cryptoassets should be.

If we were to facilitate one change to the FCA's current approach, it would be to clarify this category confusion and redress it. It is intellectually inconsistent to treat an asset and a network such as Bitcoin - that over fifteen years has had 99% uptime¹⁶, unmatched by any other network in history, protected by a globally distributed network of nodes and miners, requiring more power output than that of many nation states in order to attack - in the same way as the thousands of meme coins that are created without cost and without effort on a daily basis.

Bitcoin is unique, alone representing 60% of the entire market, but it is treated as poorly by FCA regulation as all the thousands of other ‘cryptoassets’ that make up the other 40 per cent of the market. This is extremely concerning and we strongly urge the FCA to recognise and regulate Bitcoin as its own asset class, **as emerging non state-issued hard capped digital money.**

We agree with and support the general principle that a key aim of good regulation should be to prevent or minimise customer harm. However, for a regulator to send a message to the retail public that the risk represented by Bitcoin and the risk represented by UFD or SQUID are the same (which is what the FCA are effectively doing in their current blanket approach) is at best arguably increasing the risk that customers will be harmed by investing in unsafe assets, and at worst actually causing such harm in and of itself. If retail investors are unable to see clearly the differentiation between Bitcoin and UFD, then they will be poorly equipped to understand that they are far more likely to lose all their money gambling on UFD than by investing in Bitcoin for the long term.

By acknowledging the clear differences in risk profile that objectively exist between Bitcoin and other cryptoassets, the FCA will be taking positive steps both towards discharging its duty to **prevent customer harm** and also towards its secondary mandate to **support economic growth**, by demonstrating that it has a sophisticated understanding of this market and that market participants are welcome in this jurisdiction.

At present, there is a risk that neither mandate is being fully achieved. Bitcoin Policy UK strongly supports both mandates, and would welcome dialogue with the FCA so as to help refine its approach towards Bitcoin and ensure customer protection while fostering industry growth in the United Kingdom.

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¹⁶ <https://bitcoinuptime.com/>

Responses to specific questions

Chapter 1: Overview

Question 1: Do you agree with the outcomes we are seeking for the overall regime? Are there any important outcomes we may not have included, or any that you believe are not appropriate?

We support and agree with the principles set out in paragraph 1.12, namely those of reducing financial crime, protecting the interests of consumers, maintaining market integrity, and supporting the use of technology to strengthen the UK's growth and competitiveness - with important qualifications.

Generally in response to this question, we note that the FCA's approach to the sector to date and to Bitcoin in particular has arguably had the effect of increasing, not reducing, the risk of consumer harm, and reducing the UK's growth and competitiveness. We will provide specific examples, but at a high level we have reached this position as a result of a long-running study of businesses that have withdrawn from the UK, or been unable to provide services here, largely because of the FCA's determination that Bitcoin and other cryptoassets are 'restricted mass market investments'. This determination has led to the withdrawal of products such as those designed and built by some of our own team at Bitcoin Policy UK (for example at Curve, a leading London fintech¹⁷), and the decision by innovative firms such as Fold¹⁸ or Bringin¹⁹ not to offer their services here. The UK has fallen behind as a location to start and operate such a business; and this is in direct contradiction of the FCA's growth mandate.

We have discussed the 'chilling effect' of the FCA's position with members of the House of Commons and the House of Lords at the All Party Parliamentary Group on cryptocurrency, and have provided evidence to them in a short report that is available [here](#). We note that this paper includes at paragraph 2 a non-exhaustive list of thirteen companies (including PayPal, CoinCorner, and Skrill) that have withdrawn from the UK, mothballed products and services previously offered to UK consumers, or simply decided that the UK is not a viable market for them to enter. We also include at paragraph 3 of the report a non-exhaustive list of nine cryptocurrency exchanges whose customers are facing considerable frictions in buying and selling Bitcoin in the UK, and we articulate the risk of customers being driven to less safe, unregulated, and off-shore exchanges, as a direct consequence of the FCA's actions. We note that the FTX exchange was located and regulated off-shore from the United States, and that considerable customer harm ensued from the US regulators' actions that drove it to choose an off-shore location.

¹⁷ [Curve discontinue Crypto Rewards - Off Topic Lounge - Zcash Community Forum](#)

¹⁸ [Fold Will Be Your Bitcoin Bank With CEO Will Reeves](#)

¹⁹ [Bringin](#)

In addition to making the UK an inhospitable jurisdiction for businesses operating in this space, the FCA's approach to regulating the sector has, thus far, missed the very important point that Bitcoin is fundamentally unlike the other assets which are rightly classified as 'restricted mass market investments'.

Bitcoin is globally liquid, tradeable at any time of the day or night, and can be easily bought and sold peer to peer using a mobile phone and regardless of international boundaries. It is in this context that the FCA, in making it harder and harder for UK citizens to buy and trade Bitcoin on legitimate and well-regulated exchanges, has arguably increased the risk of customer harm.

It is now easier, quicker and simpler for a UK citizen to buy Bitcoin from an offshore unregulated exchange or via a peer to peer transaction than it is to buy from a regulated on-shore UK exchange. In each of these examples, the risk to customers is far greater, and the likelihood of their suffering loss and financial harm is increased. This cannot have been the intention of the FCA, but given that this has been the clear consequence of their regulation up to this point, this must be revised and corrected.

Question 3: How do you anticipate our proposed approach to regulating market abuse and admissions and disclosures (see Chapters 2 and 3 for details) will impact competition in the UK cryptoasset market? What competitive implications do you foresee as a result of our regulatory proposals?

We note that the Paper states at paragraph 3.2, "Alignment with global standards will be essential for the framework's effectiveness." Nowhere else in the developed world is Bitcoin restricted in as entirely erroneous a way as it is in the UK, where the 'restricted mass market investment' categorisation, as explained above, is largely responsible both for the 'chilling effect' on the market in the UK and for the increased risks to consumers who as a result will be driven to unregulated, off shore and peer to peer platforms where they can trade freely. If the FCA is serious about alignment with global standards in regulating firms offering these assets for trade, they would do well to study regulators in the UAE, in the United States, or even in the EU - in each of which jurisdiction the regulatory position is much more thoughtful and appropriate to the nature of the assets and to the market than in the UK.

We fully support the FCA in its desired outcome to avoid "*information asymmetries and market manipulation: the use of abusive and directly misleading practices, such as 'rug pulls' or 'pump-and-dumps' in crypto.*" A key means of achieving this will be to revisit and revise the current blanket approach to cryptoasset designation, and a separation of Bitcoin from the rest of the 'crypto' market. According to the data cited by the FCA in the Paper, "*54% of new ERC-20 tokens admitted to trading on Ethereum-based decentralised exchanges displayed patterns indicative of pump and dump schemes.*"

Yet Bitcoin is treated by the FCA in exactly the same way as these 54% of ERC-20 tokens.

In short, the message from the FCA to UK consumers at present is that all cryptoassets - including Bitcoin and the thousands of new pump and dump tokens that are created daily - are equally worthless. We quote from the FCA's statement at the release of this very Paper, where the organisation states: *"We continue to remind people that while we continue to develop the UK's crypto regulation, crypto remains largely unregulated in the UK and high risk. If something goes wrong, it's unlikely you will be protected and you should be prepared to lose all your money."*

It is this attitude and a refusal correctly to apply the principle of '**same risk, same regulation**' that has led the FCA to group UFD in the same category as Bitcoin, which is a 1.5 - 2 trillion dollar asset, exposure to which is now available in the US via the most successful ETF launch in financial services history, offered by the largest asset manager in the world.

We should not need to state this in a serious paper addressed to a reputable financial regulator, but **Bitcoin is not equivalent to Unicorn Fart Dust, and it is extremely concerning that the FCA thinks it is.**

Doing so represents a worrying indication of misunderstanding the market, the assets which make it up, and the most basic facts about them. It also leaves customers exposed to significant risk of harm, as they too may as a result make the same mistake as the FCA and assume that the risks represented by Bitcoin and by Unicorn Fart Dust are equivalent.

Going further than this, and in the same way that regulators worldwide broadcast to the retail market that the risks inherent in buying Meta stock are very different from those inherent in buying shares in a recently-incorporated and unaudited closely held company, it is incumbent on the FCA as a responsible regulator to demonstrate to retail and institutional investors alike that the risks posed by Bitcoin (equivalent to a mega-cap tech stock for the purposes of this analogy) are extraordinarily different from those posed by a meme coin created in the space of a weekend in a trader's bedroom. Any proposed admissions and disclosures regime should recognise this indisputable fact, as should the FCA.

Continuing to pretend that Bitcoin and Unicorn Fart Dust are equally risky is already putting retail investors at risk of harm and will soon be recognized as an illogically inconsistent position for a regulator to have taken.

Chapter 2: Admissions and Disclosures

Question 5: Do you agree with the risks, potential harms and target outcomes we have identified for the A&D regime? Are there any additional risks or outcomes you believe we should consider?

We agree in principle that an increase in admissions and disclosure requirements prior to a coin being offered for sale to the public, and ensuring that offerors comply with such requirements, should result in the target outcomes of a reduction in fraud and an increase into the amount of information made available to retail buyers, enabling them to make informed decisions about the market, but we have the following reservations.

Our position as an organisation is generally that the cryptocurrency market at present appears to be separating, broadly into Bitcoin (with this single asset representing over 60% of the market capitalization and the bulk of the financial services products in the space), stablecoins, and meme coins. These latter two categories include hundreds of thousands of coins, and represent only 40% of the space.

An immediate risk is that, as recent history has demonstrated, setting out an admissions and disclosure regime for assets such as Unicorn Fart Dust immediately gives such projects an aura of legitimacy which these products demonstrably lack.

Meme coins, unlike earlier 'crypto' scams, no longer pretend to have any function or utility. They operate purely on market sentiment and while some investors will make money from them, such products are almost universally manipulated by insiders to the point that they should simply be considered as gambling - but gambling in an even riskier way than simply placing a bet and without the protections currently afforded by our gambling legislation.

Libra, recently launched in Argentina, both the subject of some controversy and whose connections to Javier Milei are still unclear, may not technically have been a meme coin, but its price action, pump, and apparent manipulation appear to behave in the same way. Accordingly, we would put this in the class of 'cryptoassets' that pretend to have a function to appear legitimate, but in fact do not. The FCA should be wary of extending the appearance of legitimacy to a never-ending flood of meme coins that might benefit from an admissions and disclosure regime.

Other products and cryptoassets, in which I would include NFTs, the majority of Web3 token products, and virtually every other Layer 1, may find product market fit. Our policy position is that we support free markets and free enterprise - if product market fit emerges for assets other than Bitcoin, then the market is never wrong. Nevertheless, the vast majority of the rest of the 'crypto' space is, and should be recognised as, simply gambling. Gambling remains lawful and is a legitimate use of one's money and time, but our fear is that the blanket legitimisation of the entire space, being one that includes such an extraordinarily wide variety of digital assets, could run the risk of providing a stamp of regulatory approval where it is not deserved.

Question 6: Should an admission document always be required at the point of initial admission? If not, what would be the scenarios where it should not be required? Please provide your rationale.

We have historically recommended that regulators look to the existing prospectus regime for examples as to how the offer of new cryptocurrency tokens to the public should be treated. In many respects, our prior recommendations have been as strict if not more so than in the prospectus regime, recommending a minimum trading period for new tokens, full disclosure as to insiders, pre-mine, and percentages held by those launching the project, and potentially the disclosure of accounting and financial records for the project. This accords with our view that the majority of new ‘cryptocurrency’ projects are essentially companies that are using the issue of tokens to raise finance from retail investors in a way that is not currently permissible in the traditional financial markets. With this in mind, we support the proposal to require admissions documents for the point of admission.

The notable exception in this case is Bitcoin, for reasons that we have considered elsewhere, but in summary that Bitcoin, alone of all cryptocurrencies, can be considered as digital commodity money, widely distributed and not issued by any identifiable person (natural or otherwise). Bitcoin has no controlling mind, no ‘Centre of Main Interests’, no registered address and no board of directors. As such, there is no identifiable person who is capable of producing an admissions document, and no way for a regulator to enforce the production of such a document.

Question 7: Should an admission document be required at the point of further issuance of cryptoassets that are fungible with those already admitted to trading on the same CATP? If not, what would be the scenario where it should not be required? Please provide your rationale.

We are concerned that this question misunderstands the way in which cryptoassets are created or issued. Despite our use elsewhere in this submission of an analogy between different cryptoassets and different types of corporate entities, a cryptoasset protocol is fundamentally different from a corporate entity. Unlike a company, a protocol itself has no board of directors and no shareholders who may grant that board the authority to allot new shares (which, if they are of the same class as those already in issue, will be ‘fungible’ with those previously issued shares). Typically, a cryptocurrency protocol will prescribe an ‘emissions’ schedule for the issue and release of new tokens, all of which are ordinarily fungible with each other. Such issues may take place roughly every ten minutes, as in the case of Bitcoin, or on a faster basis as in the case of Ethereum, which now issues new ETH tokens to existing holders of ETH who have staked their coins (new ETH is issued continuously as staking rewards, roughly amounting to 600,000–1,200,000 ETH annually (as of early 2025 estimates), but the exact amount fluctuates with staking participation).

Requiring a new admission document to be issued every ten minutes is neither practicable nor commercially sensible. Instead, we would recommend that each initial admissions document clearly sets out the emissions schedule for the protocol to which it applies, and also that it clearly sets out how that emissions schedule may be changed, and by whom. For example, it is now extremely challenging to change or to update the Bitcoin protocol, as befits its status as a reliable and investment grade asset. By contrast, the rules for many other protocols that are highly centralised and controlled by a small number of persons may be far more easily changed, and thus pose a much higher risk for investors. It is therefore crucial to include disclosures as to the ease with which protocol changes may be effected in any admissions or disclosure document.

Question 9: Are there further disclosures that should be required under our rules, or barriers to providing the disclosures we have proposed to require? Please explain your reasons.

We are broadly supportive of the suggested disclosures for new listings that have been proposed in the Paper, in particular those relating to the nature and scope of governance mechanisms, and the cryptoasset's track record over time. We would as a general point request clarification as to whether these disclosures are intended also to apply to existing assets (rather than to new assets) and if this is the case, how and by whom they are proposed to be made in the case of an asset like Bitcoin, where there is no issuer to make such statements. In the case of Bitcoin alone, we would suggest grandfathering its admission and trading. Organisations such as the Ethereum Foundation, the Solana Foundation, Ripple (the company owning and controlling the majority of the XRP token) or the Cardano Foundation exist and can make disclosures relating to the cryptocurrencies they oversee, whereas there is no longer an equivalent body or group of people controlling the Bitcoin protocol in the same way.

Governance mechanisms relating to the way in which the rules of the asset's protocol may be changed or manipulated by a small number of economic actors are particularly important for investors to understand, as this factor provides a steer as to the future dependability and reliability of the rule set governing the way in which the asset behaves, including elements such as a capped supply, whether transactions may be censored or impeded in any way, or whether a small number of holders may hold a disproportionate decision making power over the network. Bitcoin is of course the market leader in dependability and reliability, and unlike proof of stake systems (where the holders of staked assets will be able to exercise an increasingly disproportionate level of control over the protocol over time), the holders of large amounts of Bitcoin are not at a protocol level easily able to effect changes to the rule set governing the system.

We note that the proposed disclosures include estimates on the impact of the cryptoasset on sustainability related factors, such as estimated annualised energy use and estimated annualised greenhouse gas emissions. We have previously submitted evidence to the European Securities and Markets Authority on this issue²⁰, and will make similar recommendations here.

²⁰ <https://uk.bitcoinpolicy.net/bpuk-submission-to-european-securities-and-markets-authority-re-mica-sustainability-disclosures/>

The central thesis of disclosures relating to the environmental impact of cryptocurrency consensus mechanisms is that such disclosures, where they can be made at all, should also make reference to and require the disclosure of the POSITIVE impacts of consensus mechanisms, and in particular the positive impact that Proof of Work (as opposed to Proof of Stake) can have in relation to methane mitigation, demand response, grid stability, or in making new renewable or sustainable energy projects economically viable from day one - even prior to such projects being connected to the grid. If there is any requirement for market participants to make such disclosures in relation to Bitcoin - noting that there is no issuer who could make such disclosures - we strongly recommend that the FCA regime incorporates requirements for the disclosure of such positive impacts of Proof of Work as in many cases they represent significant untapped potential in moving towards net zero and in some cases towards a carbon-negative grid. We will cite relevant examples for consideration below.

Particularly in relation to new cryptocurrency projects, launched by an identifiable team and/or set of individuals, we agree with and support the principle that sustainability disclosures should be an integral part of the rulebook. However, it is important not to limit such disclosures to the 'adverse' impacts of cryptocurrency mining. This approach does not take into consideration the many and manifold '**positive impacts**' of Bitcoin mining, both on the reduction of greenhouse gas emissions and on the potential of this industry to support the build out of sustainable electricity grids²¹, to give just two examples. Requiring a focus only on 'adverse' impacts will result in the loss both of a valuable data-gathering opportunity and likely also result in the UK missing out on the potential for the Bitcoin network to become carbon negative in the future²². We elaborate on these opportunities in our responses below, but our key recommendation here is that disclosure requirements apply both to adverse impacts and to positive impacts.

As we have said in previous papers, Bitcoin mining is a zero-emissions business, and Bitcoin miners themselves emit zero CO2. The issue that we as a society face is how we generate our electricity, and whether such generation is via sustainable means or not. As we will note below, Bitcoin mining is uniquely placed to support and foster the growth of a sustainable grid and we hope that the UK will not miss the opportunity to take advantage of this fact.

We would suggest that the following **features** be requested in relation to consensus mechanisms in order to assess their sustainability impacts. We shall elaborate on each, and give suggestions as to the **type of information** that may be obtained, below.

1. **Methane Mitigation:** The extent to which a consensus mechanism is able to use or combust wasted or stranded methane gas either from landfill waste, agriculture, or in conjunction with the oil and gas industry²³. The FCA will be aware that methane is a potent greenhouse gas and there is a growing body of evidence to suggest that Bitcoin mining presents a unique opportunity to address

²¹ <https://gridlesscompute.com/>

²² <https://www.forbes.com/sites/digital-assets/2023/07/08/bitcoin-network-to-reduce-more-emissions-than-its-energy-sources-produce/>

²³ <https://www.woodmac.com/news/opinion/how-bitcoin-mining-can-support-the-energy-transition/>

and reduce the amount of methane that is released into the atmosphere. We refer to paragraph 7 of the evidence submitted to the United Kingdom Parliament at the footnote below for additional summary details²⁴. We also refer to the recent detailed paper from the World Bank “*Financing Solutions to Reduce Natural Gas Flaring and Methane Emissions*”²⁵, which includes a very detailed case study on Crusoe Energy Systems, a Bitcoin mining and flexible compute company that is currently using Bitcoin mining to reduce greenhouse gas emissions in the form of methane, using modular generation units and mobile computing equipment. We highlight chapter 4 of the World Bank’s report in particular, and would also cite the recent video case study on Crusoe that was released by the World Economic Forum, further demonstrating the positive impact Bitcoin mining can have on sustainability efforts²⁶. Bitcoin mining firms could be encouraged to disclose the extent to which their operations are currently mitigating methane emissions, together with estimates of the amount of GHG or CO₂e that are mitigated as a result.

2. **Sustainable Grid build out:** Sustainability reporting should include the extent to which a consensus mechanism is able to provide a buyer of first and last resort for the energy generated immediately upon construction of a new sustainable energy plant (whether wind, solar or other), in advance of that plant being connected to the grid and prior to it becoming otherwise economically viable. At present, only Bitcoin (using the proof of work consensus mechanism) is capable of operating at sufficient scale in order to provide this benefit. The FCA will no doubt be aware of the long wait that new low-carbon projects face before being connected to the grid - in some instances in the UK, this wait can be as long as a decade or more²⁷. We suggest that appropriate disclosures from mining firms would include the nature and extent of any relevant sustainable grid integrations, and include details as to whether wind, solar, hydro or other sources such as geothermal are involved. Additionally, useful data may be obtained in this way that could highlight where sustainable projects are lacking grid connection or infrastructure and are therefore turning to Bitcoin mining or flexible computing in order to become or remain economically viable.
3. **Grid Stability:** The extent to which a consensus mechanism is able to provide a buyer of first and last resort in order to ensure that a sustainable grid is able to maintain consistent power output during times of both oversupply and undersupply. Bitcoin miners are able to do this by ensuring that sustainable grids are built with sufficient oversupply, yet remain economically viable - and miners are able to act as the perfect interruptible load to release power to the grid when it is required²⁸.

²⁴ <https://committees.parliament.uk/writtenevidence/110956/pdf/>

²⁵ <https://openknowledge.worldbank.org/server/api/core/bitstreams/27e9b31f-c8bf-5fa4-aea3-3576d60e1a48/content>

²⁶ <https://www.weforum.org/videos/this-start-up-catches-waste-methane-to-power-data-centres/>

²⁷ <https://www.theguardian.com/business/2023/may/16/grid-connection-delays-low-carbon-projects-ofgem-energy>

²⁸ <https://k33.com/research/archive/articles/bitcoin-miners-can-strengthen-electricity-grids>

- 4. Sustainable use of waste heat:** Bitcoin mining as a process generates significant heat, as do all data centers. It is a truism, however, that a large number of human activities require heat, and the mining industry is beginning to integrate with many such activities in order to provide a more cost-effective way of providing heat - since the costs of generating the required heat may be offset against the Bitcoin earned from the mining process. There are many such examples, several of which we set out here:
- a. Mining heat being used to dry timber:
<https://cointelegraph.com/news/sustainable-bitcoin-miner-uses-waste-heat-to-dry-wood>
 - b. Breweries and distilleries using mining heat:
<https://d-central.tech/breweries-and-distilleries-can-reduce-heating-costs-and-increase-profits-with-bitcoin-miners-heat/>
 - c. Domestic heating appliances coming to the market for use in the home:
<https://heatbit.com/> or <https://hestiia.com/en>
 - d. A New York spa that is heating its pools with Bitcoin mining:
<https://www.datacenterdynamics.com/en/news/brooklyn-bathhouse-heats-water-with-bitcoin-mining/>.

Requiring disclosures along these suggested lines prior to the listing of cryptoassets should give purchasers of such cryptoassets a good working understanding of whether the relevant cryptoassets are as helpful in mitigating climate risk and damage as is Bitcoin, which is currently the market leader in such efforts.

Question 13: Do you agree with our suggestions for the types of information that should be protected forward-looking statements?

Question 14: Do you agree with the proposed approach to our rules on due diligence and disclosure of due diligence conducted? If not, please explain what changes you would suggest and why.

Question 15: Are there further areas where due diligence or disclosure of findings should be required, or where there would be barriers to implementing our proposed requirements?

On Protected Forward Looking Statements: We support the adoption of a 'recklessness standard'. Statements made relating to Bitcoin's nature or its properties, whether by a CATP or even a member of the public - for example, relating to its code, protocol, or hard capped supply - can all be easily and independently varied by anyone with a personal computer, as the code is fully open source. Even the transaction record of the base chain is completely open and transparent, audited and updated in public as it is by the system of nodes and miners roughly every ten minutes. Treating forward looking statements as PFLS means that those making the statements can honestly comply with their duties while at the same time giving investors adequate information to make investment decisions. Proposals in the paper to include within the

ambit of such statements matters such as projections about growth in user base, upgrade intentions, and opinions, seem reasonable. In the case of Bitcoin, each proposal for future upgrades or improvements is in any case typically made in public, and included as a public 'Bitcoin Improvement Proposal' or BIP in the protocol's GitHub in the bitcoin/bips repository.

On Diligence and Disclosure: The proposals in the Paper appear sound, but as we have stated elsewhere in the paper, these due diligence and disclosure requirements cannot be applied to Bitcoin as there is no issuer of Bitcoin other than the protocol itself, and no controlling mind or legal or natural person who can be requested to make such disclosures or be the subject of such due diligence. There is, quite literally, no offeror who could comply with any such requests.

On barriers to implementation: Again, we reiterate that any requirement for 'Bitcoin' or 'its issuer' either to make disclosures or or be subject to due diligence request is unworkable. Bitcoin is permissionless and no person, no matter how much bitcoin they already hold, can alter the rules of the protocol or the capped supply; and no person can alter the record of past transactions preserved in the blockchain without repeating all the prior work that has been done, and expending all the energy that has been spent, in creating the original blocks. As with the other properties of Bitcoin, all these statements may be independently verified as the code and the network are each completely transparent.

Chapter 3: Market Abuse

Question 24: In the circumstances where there is no issuer, or the issuer is not involved with the application for the admission to trading, do you agree with our proposal that the person seeking admission to trading of the cryptoasset should be responsible for the disclosure of inside information?

Question 25: With regards to the second circumstance in question 24, do you agree that the person (say, 'Person A') seeking admission to trading of the cryptoasset should only be responsible for disclosure of inside information which relates to Person A and which Person A is aware of?

We note that the Paper has correctly identified in paragraph 3.18 that the UK MAR obligation to publicly disclose inside information about an issuer is “less straightforward when dealing with cryptoassets with no easily identifiable ‘issuer’ (for example, Bitcoin).” We also note the attempt made in paragraphs 3.26 to 3.28 of the Paper to deal with the difficulty in requiring public disclosures on insiders and on issuers when neither exists. Given these difficulties, we are generally in agreement with the compromise position suggested by question 25. Our understanding of this compromise is that, for example, if Coinbase (Person A) is intending to offer Bitcoin for sale to the public, Coinbase (Person A) would be required only to provide inside information regarding to itself and of which it is aware - for example, that Coinbase had placed a large limit order of Bitcoin on the open market prior to such listing. This appears to be a fair and reasonable compromise, and one with which a CATP should be able to comply.

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