



Cryptocurrency derivatives

FCA statement on the requirement for firms offering cryptocurrency derivatives to be authorised.

We are aware of a growing number of UK firms offering so-called cryptocurrencies and cryptocurrency-related assets. As indicated in our Feedback Statement on DLT, cryptocurrencies are not currently regulated by the FCA provided they are not part of other regulated products or services.

Cryptocurrency derivatives are, however, capable of being financial instruments under the Markets in Financial Instruments Directive II (MiFID II), although we do not consider cryptocurrencies to be currencies or commodities for regulatory purposes under MiFID II. Firms conducting regulated activities in cryptocurrency derivatives must, therefore, comply with all applicable rules in the FCA's Handbook and any relevant provisions in directly applicable European Union regulations.

It is likely that dealing in, arranging transactions in, advising on or providing other services that amount to regulated activities in relation to derivatives that reference either cryptocurrencies or tokens issued through an initial coin offering (ICO), will require authorisation by the FCA. This includes:

- **cryptocurrency futures** – a derivative contract in which each party agrees to exchange cryptocurrency at a future date and at a price agreed by both parties
- **cryptocurrency contracts for differences (CFDs)** – a cash-settled derivative contract in which the parties to the contract seek to secure a profit or avoid a loss by agreeing to exchange the difference in price between the value of the cryptocurrency CFD contract at its outset and at its termination
- **cryptocurrency options** – a contract which grants the beneficiary the right to acquire or dispose of cryptocurrencies

If you are unsure whether your firm requires authorisation, the FCA's general guidance on the regulatory perimeter in [PERG \[3\]](#) may be helpful. We also encourage you to seek expert advice if you have any remaining questions.

It is firms' responsibility to ensure that they have the appropriate authorisation and permission to carry on regulated activity. If your firm is not authorised by the FCA and is offering products or services requiring authorisation it is a criminal offence. Authorised firms offering these products without the appropriate permission may be subject to enforcement action.

Useful links

For further information on cryptocurrencies and ICOs, including the potential benefits and challenges of the underlying distributed ledger technology (DLT), please refer to [Distributed Ledger Technology - Feedback Statement on Discussion Paper 17/03](#) [4].

Furthermore, as indicated in our [consumer warning on ICOs](#) [5], an ICO may or may not fall within the FCA's regulatory perimeter depending on the nature of the tokens issued.

We have also issued a warning on the [risks of investing in cryptocurrency CFDs](#) [6].

Source URL: <https://www.fca.org.uk/node/48551>

Statements | Published: 06/04/2018 | Last updated: 06/04/2018

Links

- [1] <https://www.fca.org.uk/print/news/statements/cryptocurrency-derivatives>
- [3] <https://www.handbook.fca.org.uk/handbook/PERG/>
- [4] <https://www.fca.org.uk/publications/feedback-statements/fs17-4-distributed-ledger-technology>
- [5] <https://www.fca.org.uk/news/statements/initial-coin-offerings>
- [6] <https://www.fca.org.uk/news/news-stories/consumer-warning-about-risks-investing-cryptocurrency-cfds>