

# Cryptoassets and Regulation Glossary

Call us on 02070 604499 or email [info@compliance-services.co.uk](mailto:info@compliance-services.co.uk)

The world of cryptoassets is highly complex and jargon rich, our glossary explains the key terms of regulation and cryptoassets.

Term	Abbreviation	Explanation
Account information services (+ registered AIS provider)	AIS RAISP	An online service providing consolidated information on accounts held payment service providers e.g. Money Dashboard, Emma.
Anti-money laundering	AML	A set of laws (including EU directives), regulations and procedures designed to stop the financial crime of money laundering: includes processes and disciplines such as customer due diligence (CDD).
Authorisation		Certain activities are defined in law as 'regulated activities'; any firm carrying out a regulated activity needs to be officially authorised and follow FCA rules.
Bitcoin		Cryptoasset created using blockchain technology in 2009, by an entrepreneur under the alias 'Satoshi Nakamoto'. One of the most frequently traded cryptoassets, with market capitalisation of over \$199 bn.
Blockchain		Common shorthand for Distributed Ledger Technology (DLT).
Competent authority		Person or organisation with legally delegated or invested authority, capacity, or power to perform a designated function. In finance context often a regulator, e.g. FCA, Prudential Regulation Authority.
Compliance monitoring		Framework for testing/monitoring effectiveness of a firm's internal compliance programme. Elements often include sample tests, key indicators, reporting, remedial action process.
Conduct		The way an organisation's culture – defined as the invisible belief systems, values and preferences of individuals – manifests itself tangibly in the actions, behaviour and decisions of those individuals.
Conduct risk		In financial services firms, the risks associated with the way organisations and individuals relate to, interact with and behave with customers and wider financial markets.
Counter-terrorist financing	CTF	A set of measures, usually adopted alongside AML, designed to restrict activities that provide financing or financial support to individual terrorists or non-state actors.
Credit institution		An organisation which receives deposits or other repayable funds from the public and makes loans for its



Term	Abbreviation	Explanation
		own account; or issues means of payment in the form of electronic money.
<b>Customer due diligence (+ enhanced due diligence)</b>	CDD EDD	A process of obtaining information to identify/verify a customer and understand their business/sources of funds as part of AML/CTF controls; enhanced for high-risk customers.
<b>Cryptoasset</b>		Often used interchangeably with cryptocurrency, but strictly a wider superset: a cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically.
<b>Cryptocurrency/cryptocurrencies</b>		A secure, organic cryptoasset, digital currency or virtual currency which is hard to counterfeit due to its DLT platform and cryptographic security features; not issued by any central authority and thus in theory immune to government interference or manipulation e.g. Bitcoin, Ripple, Ethereum (defined by the FCA as an Exchange Token).
<b>Custodian wallet providers</b>	Wallets	Online wallet service for storing/controlling cryptocurrency holdings where the private key for controlling the coins is kept on servers of a third-party company (i.e. the custodian).
<b>Digital currency</b>		A type of currency available only in digital not physical (bank notes/coin) form. A superset of virtual currency, cryptocurrency, and central bank issued fiat currency in digital form.
<b>Distributed ledger technology</b>	DLT	A package of technological infrastructure/protocols allowing simultaneous immutable access, validation and record updating across a decentralised network, spread across multiple entities or locations. Introduced as the underlying technology platform for Bitcoin, it is often used interchangeably with blockchain.
<b>Electronic Money Institution Small Electronic Money Institution</b>	EMI SEMI	An institution formally registered (SEMI) or authorised (EMI) to provide regulated e-money services.
<b>Electronic Money Regulations</b>	EMR	A set of UK regulations implementing an EU directive on e-money services; including regimes for registration or authorisation depending on the value of e-money they issue, the value of payments executed, and whether they are providing cross-border services in other EU member states.
<b>Electronic money services</b>	e-money EMS	E-money is an electronic store of monetary value on a technical device that can be used for providing services (including making payments) to entities other than the e-money issuer. E-money products can be hardware-based or software-based, depending on the technology used to store the monetary value.

Term	Abbreviation	Explanation
<b>E-money tokens</b>		Any token that meets the definition of e-money. These tokens fall within regulation and are subject to the EMRs. Firms dealing in these tokens must ensure they have the correct permissions and follow the relevant rules and regulations in place.
<b>Exchange</b>		A digital business which allows customers to trade cryptocurrencies or digital currencies for other assets, such as conventional fiat money or other digital currencies.
<b>Exchange tokens</b>		Types of cryptoassets that are usually decentralised and primarily used as a means of exchange. These tokens are sometimes known as 'cryptocurrencies', 'crypto-coins' or 'payment tokens'. They are designed to provide limited or no rights for token holders and there is usually no single issuer to enforce rights against.
<b>Fiat currency</b>		Generally accepted form of money (including notes and coins) issued by government as a promissory note and circulated within an economy. Acts as a basis for trade, medium of exchange, unit of account, store of value for goods and services.
<b>Fifth EU Anti Money Laundering Directive</b>	5MLD	A set of rules issued as a directive from the EU Council to member states, setting out standards/requirements for control and oversight of AML processes in EU regulated firms. 5MLD is the current ruleset bringing cryptocurrency exchanges/ wallets into scope.
<b>Financial crime</b>		An umbrella term covering activities prohibited by law and punishable under criminal enforcement powers. Includes fraud/dishonesty, misconduct in or misuse of information relating to a financial market, handling the proceeds of crime (including money laundering) and the financing of terrorism.
<b>Financial technology</b>	Fintech	Any technological innovation in the financial sector, including investment, back office and settlement processes, retail banking, cryptoassets and any other hi-tech intervention in personal or commercial finance. Often used with the term 'disruptive'.
<b>Fit and proper</b>		Term used by the FCA and other regulators to describe suitability for owning or managing a regulated financial services business. Involves rigorous tests on track record, personal integrity and solvency, experience, accountability and general suitability.
<b>Initial Coin Offerings</b>	ICOs	A method of raising external start-up or development finance for cryptocurrency entrepreneurs wishing to develop new coins, apps or services. Akin to an Initial Public Offering (IPO) in mainstream investment. Often rewards investors with tokens representing future utility or other forms of value.

Term	Abbreviation	Explanation
Initial Exchange Offerings	IEOs	The initial offering of cryptoassets to raise capital that is offered directly by an online trading or exchange platform on behalf of companies (usually for a fee) to provide immediate trading opportunities for the assets.
Investments (managing, dealing in, arranging)		A broadly-defined set of activities requiring authorisation and regulation under the Financial Services & Markets Act – also known as ‘designated investment business’. Includes various manifestations of these three activities but also advising, establishing investment schemes/trading facilities and others.
Know your customer	KYC	Common shorthand for one of the key processes under CDD/EDD; namely the process of identifying/verifying customers and understanding their business/source of funds.
Mind & management		A shorthand term to describe a set of requirements applied by the FCA as part of their decision whether or not to authorise a firm. In effect, it’s a set of tests which determine whether your firm is effectively run and managed from the UK; and whether enough of your key officers are located and meaningfully resident in the UK.
Money laundering		The act of creating an appearance that money obtained from criminal activity originates from a legitimate source. ‘Dirty’ money from illicit activity is ‘laundered’ to make it look clean.
Money Laundering Reporting Officer	MLRO	An individual appointed and accountable to provide oversight over a firm’s entire AML activities/controls, and to act as official regulatory and internal reporting (SAR) point of contact on AML.
Payment initiation services	PIS	An online service which accesses a user’s payment account to initiate the transfer of funds on their behalf with the user’s consent and authentication. An alternative to paying online using a credit or debit card.
Payment Institution Small Payment Institution	PI SPI	Defined in PSD Article 4 (4) as a legal person that has been granted authorisation to provide and execute payment services in the EU. In effect, a person or organisation authorised to conduct payment services.
Payment services (including PS Directive, PS Regulations)	PSD PSR	Eight regulated services listed in the FCA Handbook (PERG 15 Annex 2) relating to e.g. cash placement/withdrawal, account opening, fund transfer, direct debit and standing order execution, card payments, money remittance, PIA and AIS. Also governed by EU directives (PSD) and UK legal regulations (PSR).
Peer-to-peer (networking, lending)	P2P	Commercial activity (e.g. lending), social media activity or electronic networking that occurs directly between two parties (peers) not via an official or other intermediary; a key feature of DLT.

Term	Abbreviation	Explanation
Perimeter		The FCA sets and monitors a 'perimeter' between regulated activities and those not requiring authorisation; any activity outside the perimeter is outside the FCA's remit.
Permission		Once authorised, the activities a firm is legally able to conduct are set out in a formal permission, which sets a rigid boundary on what is and is not a permitted activity.
Registration		The process of seeking official FCA recognition as a provider of services e.g. currency exchange or wallet services under 5MLD. Usually done via application form which involves minimum administrative conditions but may require ongoing adherence to regulation or other more stringent conditions.
Regulation		The process of setting principles, rules and other requirements on a firm as a condition of allowing it to operate in a particular financial market or jurisdiction, or to deal with customers in activities which demand independent official oversight.
Regulatory capital		A minimum or otherwise prescribed pool of funds held as a net asset value buffer against business and other risks to ensure the ongoing financial viability of a regulated firm. For FCA regulated firms, this must be held in equity or equity-like instruments.
Risk assessment		A formal internal business process for documenting and assessing the business and other risks associated with a current or future business model, alongside associated controls and other mitigation.
Sandbox		A live testing regulatory environment which allows participant firms to test innovative products, services, business models and delivery mechanisms in the real market with real consumers.
Scope		The formal coverage of an FCA permission.
Security tokens		Tokens that provide rights and obligations akin to specified investments as set out in the Regulated Activities Order (RAO), including those that are financial instruments under MiFID II. These tokens have characteristics which mean they are the same as, or akin to, traditional instruments such as shares, debentures or units in a collective investment scheme. These tokens are currently within the regulatory perimeter.
Stablecoins		Refers to tokens where there are attempts to stabilise their value using a variety of mechanisms. A stablecoin could be a derivative, a unit in a collective investment scheme, a debt security, e-money, or another type of specified investment.
Suspicious activity reporting	SAR	Information alerting internal compliance or law enforcement staff that client/customer activity is in

Term	Abbreviation	Explanation
		some way suspicious and might indicate money laundering or terrorist financing activity.
<b>Token</b>		A cover term for all types of tokens. A representation of value, often associated with an ICO, which gives the holder the right to either some future utility, or some more conventional indicator of value (e.g. a security or investment).
<b>Unregulated tokens</b>		Any token that does not meet the definition of e-money or provide the same rights as other specified investments under the RAO. This includes tokens referred to as utility tokens and exchange tokens.
<b>Utility tokens</b>		Tokens that provide consumers with access to a current or prospective product or service and often grants rights or rewards similar to pre-payment vouchers.
<b>Virtual currency</b>		A subset of digital currency, available in electronic form with no fiat currency element. Excludes official monetary (fiat) assets stored in digital form. But includes cryptocurrencies and other forms of online virtual payment not exchangeable back to fiat currency e.g. social media points, credits, game coins.
<b>Whistleblowing</b>		A set of policy and procedures which enables an individual to report alleged wrongdoing to the FCA, or other prescribed person, under the Public Interest Disclosure Act 1998, without fear of retribution.

For more information visit our [website](#)