

Regulatory Update

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Table of Contents

- 1. **FCA UPDATES & DEVELOPMENTS** 3
 - 1.1 FCA publishes rules and guidance on new Consumer Duty 3
 - 1.2 Financial Services and Markets Bill introduced to Parliament 5
 - 1.3 Consultation on Sustainability Disclosure Requirements and investment labels moved to Q3 6
 - 1.4 Consultation Paper CP22/12 on Improving equity secondary markets 6
 - 1.5 Nikhil Rathi speech ‘How the UK will regulate for the future’ 7
- 2. **PRA UPDATES & DEVELOPMENTS** 8
 - 2.1 PRA Discussion Paper DP3/22 on critical third parties to the UK financial sector 8
 - 2.2 New PRA Policy Index webpage 9
- 3. **EU REGULATORY UPDATES** 9
 - 3.1 ESMA Consultation Paper on reviewing the Guidelines on MiFID II product governance requirements .. 9
 - 3.2 Commission Implementing Regulation (EU) 2022/1210 laying down technical standards for MAR on the format of insider lists and their updates 10
 - 3.3 ECB publishes 2022 climate risk stress test results 10
 - 3.4 Commission Delegated Regulation (EU) 2022/1288 supplementing the SFDR 11
- 4. **FINANCIAL CRIME** 12
 - 4.1 The Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022 12
 - 4.2 Schedule 3ZA list of high-risk third countries updated 12
- 5. **ENFORCEMENT ACTIONS** 13
 - 5.1 Upper Tribunal decision on application of the MLRs to cryptoasset exchange provider Vladimir Consulting 13
 - 5.2 FCA publishes Decision Notices for Carillion plc and three of its former executive directors 14
- CCL Compliance is now Waystone Compliance Solutions** 16
 - Consultancy Services & Support 16

1. FCA UPDATES & DEVELOPMENTS

1.1 FCA publishes rules and guidance on new Consumer Duty

On 27 July 2022, the Financial Conduct Authority (FCA) published [Policy Statement PS22/9](#) and non-Handbook [Finalised Guidance FG22/5](#) on the new Consumer Duty. This is the FCA's response to a long-running debate on the need for a more effective regulatory framework to protect harm to consumers.

The new rules will impact companies involved in the provision of products and services to retail clients and will extend across the retail distribution chain. Changes will affect firms that are involved in the manufacture or supply of products even if they do not have a direct relationship with the end customer. Impacted firms may include, amongst others, asset managers, financial advisers, platform providers, consumer credit firms, deposit-takers, mortgage providers, insurance firms, electronic money institutions, payment institutions and registered account information service providers.

The release of the Policy Statement follows two prior consultations by the FCA held in [May](#) and [December 2021](#). Section 29 of the [Financial Services Act 2021](#) required the FCA to conduct a public consultation on whether it should make general rules providing that authorised persons owe a duty of care to consumers. The Act required the consultation to be carried out before 1 January 2022 and the rules to be published by 1 August 2022.

The new Consumer Duty is a body of rules that sets higher expectations on the standard of care firms give consumers. This comprises:

1. The introduction of a 12th FCA Principle for Business, i.e., Consumer Duty: 'A firm must act to deliver good outcomes for retail customers.' This Principle will disapply Principles for Business 6 (Customers' interests) and 7 (Communications with clients) whenever the Consumer Duty applies. However, existing Handbook and non-Handbook guidance on Principles 6 and 7 will remain relevant to firm's engaged in retail business as failure to act in accordance with it will amount to a breach of Principle 12.
2. The introduction of new overarching 'Cross-cutting rules. A new section (namely, PRIN 2A) is added to the FCA Handbook: it contains an extensive list of Rules, Guidance, and references to non-Handbook guidance FG22/5. The Cross-cutting rules, which can be found in section 2A.2 of the Handbook, will require firms to:
 - act in good faith towards retail customers
 - avoid foreseeable harm, and
 - enable and support retail customers to pursue their financial objectives.

This set of rules explains how firms should act to deliver good outcomes and apply across all areas of firm conduct. They will inform and help firms interpret the four outcomes. The obligations in the Cross-cutting rules apply both at a target market and (where context requires) at an individual customer level.

3. An outcome-based set of rules and guidance setting more detailed expectations for firm conduct in four areas that represent key elements of the firm-consumer relationship. The 'Four Outcomes' the FCA expects firm's do deliver are:
 - a. The **products and services** outcome, aimed at ensuring that products and services are specifically designed to meet the needs of consumers, and sold to those whose needs they meet.
 - b. The **price and value** outcome, requiring firms to make sure that price of products and services they offer represent fair value for customers.
 - c. The **consumer understanding** outcome, aimed at ensuring firms' communications equip consumers to make effective, timely and properly informed decisions about financial products and services.
 - d. The **consumer support** outcome, requiring Firms to provide customer service that meets the needs of consumers, enabling them to realise the benefits of products and services and act in their interests without undue hindrance.

Firm's will need to understand and evidence whether those outcomes are being met at all stages of the customer journey and during the whole lifecycle of a product. [FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty](#) contains extensive guidance on how firms should comply with their obligations under the new Consumer Duty as set out in Principle 12 and PRIN 2A, including examples of good and bad practice, and details of how the new rules may apply to different types of businesses, processes, and products.

The new rules can be found in Appendix 1, Made rules (legal instrument), of the [Policy Statement](#). The Appendix details the amendments made to the FCA Handbook's following modules: Glossary of definitions, Principles for Businesses (PRIN), Code of Conduct sourcebook (COCON), General Provisions (GEN), Product Intervention and Product Governance sourcebook (PROD).

Implementation Period

The FCA expects firms' boards to have agreed their implementations plans by the end of October 2022. Firms should be ready to share with the regulator, upon request, implementation plans, board papers and minutes evidencing that their plans have been 'scrutinised and challenged to ensure they are deliverable and robust to meet the new standards.'

From 31 July 2023 the Duty will apply to all new products and services, and all existing products and services that remain on sale or open for renewal. Product manufacturers are asked to share key information with distributors three months ahead of the deadline to enable them to comply in time. For closed products or services - i.e., those that are still active but no longer being marketed or sold to customers – the implementation period ends a year later, on 31 July 2024.

On July 29 2022, the FCA updated its '[How to apply for authorisation](#)' webpage to inform new firms of the regulator's expectations on the new Consumer Duty. The FCA has stated that, as 'authorisations' assessments of firms and individuals is forward looking,' firms applying for authorisation will, from now on, have to demonstrate that they can meet the requirements of the Consumer Duty.

The new rules and guidance will require firms to monitor and regularly review the outcomes for their customers to ensure that they are consistent with the Duty. Firms could be expected by the regulator to provide evidence of how their business model, the actions they have taken, and their culture are focused on delivering good customer outcomes for consumers.

To discuss how WCS can help your company prepare for the new Consumer Duty, please [contact us](#).

1.2 Financial Services and Markets Bill introduced to Parliament

On 20 July 2022, the [Financial Services and Markets Bill](#) was introduced to parliament. One day earlier, the Chancellor of the Exchequer Nadhim Zahawi delivered his first Mansion House speech, summarising the focus points of the Financial Services and Markets Bill, which he described as a 'landmark piece of legislation.' In his speech, Mr. Zahawi stated that the Bill:

- Delivers on the government's vision for a more open, competitive, green, and technologically enabled financial sector;
- Provides the tools needed to seize the opportunities of Brexit and create a safer, better system for consumers;
- Implements the outcomes of the Future Regulatory Framework (FRF) Review by repealing hundreds of pieces of retained EU law;
- The regulators will take on new responsibilities and UK financial regulation will once again be decided in the United Kingdom;
- It will give the FCA and PRA a new, secondary objective: to facilitate growth and (international) competitiveness. Financial stability and consumer protection will remain the prime objectives;
- It includes new measures to increase the regulators' accountability and relationships with Government and stakeholders (the Bill introduces requirements for regulators to respond to HM Treasury consultations and to Parliamentary committee consultation responses and gives HMT powers to require a rule review by the regulator).
- It enables reform of Solvency II, and gives UK insurers more flexibility to invest in long-term assets like infrastructure;
- It increases the competitiveness of capital markets, allowing for the reform of the Prospectus Regime, as recommended by Lord Hill;
- It takes forward the outcomes of the Wholesale Capital Markets review, stripping away EU rules like the double volume cap and the share trading obligation;
- It reinforces the UK's position as a leading centre for technology, bringing stablecoins into the regulatory perimeter;

- It introduces legislation to safeguards access to cash for generations to come (the Bill gives HMT powers to assign FCA oversight on firms maintaining cash withdrawal facilities); and
- It enables regulators to require that victims of push payment scams be paid back, by giving more enforcement powers to the Payment Systems Regulator.

The Bill implements many changes to the regulatory framework set forward by the FRF Review consultations. The FRF Review aimed at establishing how the financial services regulatory framework should adapt to the UK's new position outside the European Union. Most notably, the Bill gives powers to the Government or repeal retained EU law (REUL). Revocation of REUL will only start happening once the regulators have produced new rules to replace correspondent EU laws. The Government expects this process will take several years to complete.

The Financial Services and Markets Bill is currently at the second reading stage in the House of Commons. The Bill will be reviewed and amended by both Houses before royal assent is given. Both Houses will have to agree on the exact wording of the final Bill, which is unlikely to happen before 2023.

Waystone will keep a close eye on the evolution and potential impact of the bill on our clients and will keep you updated accordingly.

1.3 Consultation on Sustainability Disclosure Requirements and investment labels moved to Q3

On 4 July 2022, the FCA has updated its [webpage](#) on [Discussion Paper 21/4: Sustainability Disclosure Requirements and investment labels](#). The FCA has made known that, while it had aimed to prepare a policy proposal for consultation in Q2 of 2022, it is now planning on consulting in the autumn to 'to take account of other international policy initiatives and ensure stakeholders have time to consider these issues'.

The FCA had sought initial views on 'new sustainability disclosure requirements for asset managers and FCA-regulated asset owners, as well as a new classification and labelling system for sustainable investment products.' The new requirements form part of the Sustainability Disclosure Requirements (SDR) set out in the [Government's Greening Finance: A Roadmap to Sustainable Investing](#), published in October 2021.

The FCA is aiming to create common standards, clear terminology, and accessible product classification and labelling to help consumers navigate the market for Environmental, Social and Governance (ESG) products to improve transparency and increase trust in the market. The policy proposal will build on feedback on potential approaches to the design of sustainable investment labels, disclosures by asset managers, and consumer-facing disclosures for investment products.

Waystone is helping clients navigate ESG regulation, including the operational implementation and oversight of ESG processes. To discuss how we can help you, please [contact us](#).

1.4 Consultation Paper CP22/12 on Improving equity secondary markets

On 5 July 2022, the Financial Conduct Authority (FCA) [released CP22/12: Improving equity secondary markets](#). The FCA is consulting on rule changes to improve trade execution and post-trade transparency for investors. The regulator aims to amend provisions that impose compliance and operational costs on firms but do not deliver demonstratable benefits to end users or to the functioning of equity markets.

This consultation paper is part of the Wholesale Markets Review (WMR), the review of UK wholesale financial markets by the FCA and the Treasury. The proposals will apply to trading venues, investment firms, and UK branches of overseas investment firms. The focus points of the proposition are summarised here:

Post-trade transparency – The FCA aims to exclude non-price forming transactions from post-trade reporting requirements, improve and simplify the reporting fields of trade reports, and lower the thresholds requiring firms to report OTC trades.

Waivers from pre-trade transparency – Trading venues are permitted to use waivers that, in specified circumstances, allow orders to be broadcasted without pre-trade transparency. The FCA is proposing targeted changes to the reference price and to the order management facility waivers.

Tick size – The FCA aims to amend the MiFID minimum tick size requirements for trading venues in order to reduce transaction costs for traders. The regulator aims to amend onshored MiFID [RTS 11](#) by allowing trading venues to use the tick sizes applicable in the relevant primary market located overseas.

Improving market-wide resilience during outages – A market outage occurs when the provision of essential services provided by a trading venue (such as order processing, execution of transactions and publication of trading interests) is temporarily interrupted. The FCA aims to issue new industry guidance on outages for trading venues and market participants. The guidance will cover the following points: monitoring flagging; communication during outages; playbook; post-outages; and closing prices.

The UK market for retail orders – The FCA is asking for feedback on possible amendments to the Retail Service Provider (RSP) system used by brokers to execute retail orders. Nevertheless, the regulator has made known that it is not making proposals for rule changes at this point.

The FCA will consider feedback from respondents received before 16 September 2022. The FCA will submit the relevant updated technical standards to the Treasury for approval. Conditional to Treasury approval, the FCA will publish a Policy Statement and amend the technical standards.

1.5 Nikhil Rathi speech ‘How the UK will regulate for the future’

On 14 July 2022, the Financial Conduct Authority (FCA) published a speech delivered by its CEO Nikhil Rathi at the Peterson Institute for International Economics, an American think tank based in Washington D.C. In his speech, titled ‘How the UK will regulate for the future’, Mr. Rathi emphasises the importance of regulatory engagement between the US and the UK to ensure common goals and outcomes are delivered.

Key takeaways from the speech include:

- The FCA is continuing the development of its data and tech platforms. Over 50,000 firms and tens of thousands of users have been moved to a new regulatory data platform (i.e., RegData). The FCA aims to more swiftly identify, connect and react to firm and market issues.
- The FCA is rolling out new analytics screening tools to help ensure firms are implementing robust controls to comply with sanctions effectively.

- The FCA is automatically scanning 100,000 websites every day for fraudulent or scam activity targeting UK consumers, taking down hundreds every year.
- The FCA is publishing a joint [discussion paper](#) with the Bank of England setting out potential new measures aimed at bringing critical third parties to the financial sector under the regulatory perimeter.
- The FCA has secured agreement from [Google](#) that it would not permit non-FCA verified firms to advertise financial products on its platform. The FCA has also prohibited [Binance Markets Limited](#) from undertaking any regulated activity in the UK.
- The UK, US and Singapore have announced the launch of the IOSCO taskforce on decentralised finance and crypto market integrity risks.
- The FCA published its response to FS22/4 on [ESG integration in capital markets](#) and will, later this year, release its Sustainability Disclosure Requirements. The FCA is supporting the case for regulating ESG data and ratings and is supporting the industry to develop and follow a Voluntary Code of Conduct informed by IOSCO's recommendations.

Mr. Rathi concludes the speech by mentioning the arrival of new FCA Chairman, [Ashley Alder](#), and by welcoming the new 500 colleagues that have joined the FCA this year, stating that the FCA is aiming to reach 1000 new joiners by Y/E 2022.

2. PRA UPDATES & DEVELOPMENTS

2.1 PRA Discussion Paper DP3/22 on critical third parties to the UK financial sector

On 21 July 2022, the Prudential Regulation Authority (PRA) published [Discussion Paper 3/22](#) titled Operational resilience: Critical third parties to the UK financial sector. The paper was issued jointly to [FCA Discussion Paper 22/3](#) on the same topic. Back in June, HM Treasury had published a policy paper stating that it was working with the FCA and the PRA to understand what 'direct regulatory oversight' of critical third-party (CTP) service providers might involve.

This joint consultation is a step forward in bringing direct regulatory oversight to third parties providing key functions or services to the financial sector, such as cloud-based computing services. This discussion paper (DP) sets out how the supervisory authorities could use their proposed powers in the Financial Services and Markets Bill (FSM Bill), which was put before Parliament on 20 July 2022, to assess and strengthen the resilience of services provided by CTPs to firms and financial market infrastructure firms (FMIs), thereby reducing the risk of systemic disruption.

The potential measures set out in this DP comprise three main building blocks:

1. A framework for the supervisory authorities to identify potential CTPs, assess their potential systemic impact on the financial sector, and recommend them for formal designation to HMT.
2. Minimum resilience standards for designated CTPs, including the development and testing of 'financial sector continuity playbooks' by CTPs.

3. A range of tools for testing the resilience of material services provided by CTPs, including scenario testing, participation in sector-wide exercises, cyber resilience testing, and skilled person's reviews of CTPs.

The Discussion Paper specifies that supervisory authorities would not have any responsibility or powers over the services CTPs provide to other sectors.

Industry participants and other stakeholders wanting to contribute to the consultation should send their responses by Friday 23 December 2022.

2.2 New PRA Policy Index webpage

On 19 July 2022 the PRA published a new [Index of Prudential and Resolution Policies](#). The PRA has stated that 'due to the onshoring process following EU Exit, prudential and resolution policies are now hosted across a wide range of sources and websites.' The new webpage is aimed at making policies more accessible by bringing the together in one place.

Links to the related policies are provided and are grouped into sectors and topic areas:

- PRA rules (including waivers and modifications);
- UK legislation and Technical Standards;
- PRA Supervisory Statements, Statements of Policy, and approach documents;
- Publications issued by the Bank as Resolution Authority; and,
- Other relevant material (including Guidelines issued by the European Supervisory Agencies).

The PRA has also issued a [survey](#) encouraging users to provide feedback and suggestions on the Index.

3. EU REGULATORY UPDATES

3.1 ESMA Consultation Paper on reviewing the Guidelines on MiFID II product governance requirements

On 8 July 2022, the European Securities and Markets Authority (ESMA) published a [consultation paper](#) on reviewed guidelines on MiFID II product governance requirements. The EU's securities markets regulator is consulting on proposed updates of the 2017 product governance guidelines following several recent regulatory and supervisory developments, including the outcome of the 2021 [Common Supervisory Action \(CSA\)](#) on product governance.

The CSA was set up by ESMA and National Competent Authorities (NCAs) to assess firms' compliance with the application of MiFID II product governance rules across the European Union (EU). The CSA focused on key investor protection requirement, including suitability of costs and charges, information exchanges between manufacturers and distributors, and identification of target markets. Based on the CSA findings, ESMA had decided to review its guidelines on the MiFID II product governance requirements 'to

address the most relevant areas where a lack of convergence has emerged and to complement the guidelines with relevant examples of good practices that emerged from the CSA.’

Annex III of the Consultation Paper contains the proposed amended guidelines. The main proposals for the new guidelines relate to:

- the specification of any sustainability-related objectives a product is compatible with;
- the practice of identifying a target market per cluster of products instead of per individual product (“clustering approach”);
- the determination of a compatible distribution strategy where a distributor considers that a more complex product can be distributed under non-advised sales; and
- the periodic review of products, including the application of the proportionality principle.

The proposed guidelines also include examples of good practice, illustrative examples, and case studies, aimed at helping firms comply with the relevant requirements.

ESMA will consider all comments received by 7 October 2022 on all matters of the consultation paper and on the specific questions summarised in Annex I. The final report and guidelines are expected to be published by ESMA in Q1 2023.

3.2 Commission Implementing Regulation (EU) 2022/1210 laying down technical standards for MAR on the format of insider lists and their updates

On 13 July 2022, the Publications Office of the European Union released [Commission Implementing Regulation \(EU\) 2022/1210](#) of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) No 596/2014 (MAR) of the European Parliament and of the Council with regard to the format of insider lists and their updates.

Article 18 of the MAR requires issuers, and other entities such as emission allowance market participants and auction platforms, including any other persons acting on their behalf, to maintain insider lists in accordance with a precise format. The new regulation modifies the existing technical standards and repeals Implementing Regulation (EU) 2016/347.

Templates for the insider lists are contained in Annex I of the Regulation. Commission Implementing Regulation (EU) 2022/1210 shall enter into force on the twentieth day following that of its publication in the Official Journal.

If you would like to guidance on market abuse rules as they impact your firm, please [contact us](#).

3.3 ECB publishes 2022 climate risk stress test results

On 8 July 2022, the European Central Bank (ECB) published the results of its [2022 climate risk stress test](#).

The stress test, launched in January by the ECB Banking Supervision, aims at assessing how prepared banks are for dealing with financial and economic shocks stemming from climate risk. The ECB’s

supervisory expectations have been outlined in the [Guide on climate-related and environmental risks](#). The test was conceived as a learning exercise for the industry and does not have direct consequences for banks' capital levels.

The 2022 climate risk stress test consists of 'three distinct modules: (i) a questionnaire on banks' climate stress test capabilities, (ii) a peer benchmark analysis to assess the sustainability of banks' business models and their exposure to emission-intensive companies, and (iii) a bottom-up stress test.' The key findings of the test are as follows:

- The test revealed 'many deficiencies, data gaps and inconsistencies across institutions;'
- Banks are facing acute physical risks, namely drought and heat events and flood risk, related to the geographical location of their lending.
- The share of non-financial corporate interest income related to the 22 most greenhouse gas-emitting industries amounts to more than 60% of the total;
- Many banks appear to lack clearly defined long-term strategies for credit allocation policies that reflect the various transition paths.
- Scenario analysis showed that the short-term combined credit and market risk losses that may occur in the context of a 'disorderly' transition to a more sustainable environment could amount to over €70 billion.
- Around 60% of banks do not yet have a well-integrated climate risk stress-testing framework, most of which envisage a medium to long-term time frame for incorporating climate risk into their framework.
- Many banks are still at an early stage in terms of factoring climate risk into their credit risk models.
- It is clear that a lot of work is needed on the part of many institutions to gather and manage data with climate-relevant breakdowns. Most banks are making extensive use of proxies instead of actual counterparty data.

The ECB concludes that, considering the many deficiencies affecting banks' projections, the quantitative results should be interpreted with caution. All participating banks have received individual feedback and are expected to act accordingly. Bank-specific recommendations and guidance on best practices in climate stress testing are expected to be released by the ECB in the final quarter of 2022.

3.4 Commission Delegated Regulation (EU) 2022/1288 supplementing the SFDR

On 25 July 2022, the Official Journal (OJ) of the European Union there was published Commission Delegated Regulation (EU) 2022/1288, of 6 April 2022, supplementing Regulation (EU) 2019/2088 - i.e., the Sustainable Finance Disclosure Regulation (SFDR) - of the European Parliament and of the Council with regard to regulatory technical standards.

The new rules 'specify the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.'

Annexes I-III of the regulation contain an extensive list of templates, necessary to ensure comparability of the disclosures required by Regulation (EU) 2019/2088, and to ensure that such information is easily comprehensible to end investors.

For guidance and support in navigating and understanding the regulatory framework surrounding ESG, please [contact us](#).

4. FINANCIAL CRIME

4.1 The Money Laundering and Terrorist Financing (Amendment) (No. 2) Regulations 2022

On 21 July 2022, the Treasury released regulations amending the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, also known as the 'MLRs'.

The regulations bring about changes set out in the 'Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022' [consultation](#) by HM Treasury, which aimed to deliver 'time-sensitive updates to the MLRs, which are required to ensure that the UK continues to meet international standards set by the Financial Action Task Force (FATF)'.

In particular, Part 7A (Cryptoassets Transfers) is added by the new regulations to the MLRs. This addition incorporates government's proposed changes to comply with the expansion of the application of FATF Recommendation 16 (known as the 'Travel Rule') to cryptoassets. Recommendation 16 by the FATF compels financial institutions to include required and accurate originator information, and required beneficiary information, to wire transfers.

In addition, Chapter 4 (provision of information to law enforcement authorities) obliges cryptoasset businesses to respond fully and without delay to a written request by a law enforcement authority for any information held under Part 7A reasonably required in connection with the authority's function.

If you are an Electronic Money Institution or Payment Services firm that would like to obtain an independent review of your AML and CTF systems and controls, then please [contact us](#).

4.2 Schedule 3ZA list of high-risk third countries updated

On 12 July 2022, the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2022 came into force. The regulation updates the list of high-risk third countries for which Enhanced Due Diligence (EDD) is required in Schedule 3ZA of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

The [new Schedule 3ZA](#) contains the following updates:

- Malta is no longer classed as a high-risk third country for the purposes of enhanced customer due diligence requirements in regulation 33(3).
- Gibraltar is now classed as a high-risk third country for the purposes of enhanced customer due diligence requirements in regulation 33(3).

The list reflects the Financial Action Task Force's (FATF) 'Jurisdictions under increased monitoring' and 'High-risk jurisdictions subject to a call for action' lists.

For an independent review of your AML and CTF systems and controls, or for advice in relation to your AML framework, please [contact us](#).

5. ENFORCEMENT ACTIONS

5.1 Upper Tribunal decision on application of the MLRs to cryptoasset exchange provider Vladimir Consulting

Upper Tribunal Tax and Chancery decision on 'Vladimir Consulting Limited v The Financial Conduct Authority' of Judge Timothy Herrington and Judge Anne Redston was [released](#) on 28 June 2022. Vladimir Consulting is a company trading in cryptocurrency such as bitcoin on peer-to-peer (P2P) exchanges.

From 10 January 2020, the FCA became the anti-money laundering and counter terrorist financing (AML/CTF) supervisor for cryptoasset businesses. In September 2020, Vladimir Consulting Limited (VCL) had applied to the Authority to be registered as a cryptoasset exchange provider pursuant to Regulation 57 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs).

In March 2022, the FCA refused the application, removing VCL from the Temporary Registration Regime for cryptoasset businesses. The Decision Notice by the Regulator states, inter alia, that VCL had failed to comply with several requirements of the MLRs, in particular:

- It had failed to understand and/or to apply Regulation 4(1), which defines the term "business relationship", in particular point (b) which requires that the relationship, at the time when contact is established, is expected to have an element of duration.
- It had failed to assess, and where appropriate obtain information on, the purpose and intended nature of the business relationship or occasional transaction;
- That the processes of identification of identity were inadequate with the requirements of Regulation 28(19)(b);
- It had relied on AML checks carried out by P2P exchanges despite not having contracts with those businesses;
- Its approach to adverse media screening was "insufficient;" and

- Did not have appropriate risk-management systems and procedures to determine whether a customer, a family member or known close associate of customer is a Politically Exposed Person (PEP).

In one of the key points of the ruling, it emerges that VCL appeared to have adequate AML/CTF policies and procedure in place, but that it only performed CDD to transactions of €15,000 or more. Mr Vladimir Shadrinov, the sole director of the company, believed that CDD for all transactions was not required as the firm was not engaging in 'business relationships' as defined by Regulation 4(1)(b) of the MLRs. This was considered unsatisfactory by the Tribunal, as customers were entering into repeated transactions with VCL. The tribunal agreed with the FCA's view that VCL had misunderstood Regulation 4(1)(b) of the MLRs. Based on this, the Tribunal also concluded that Mr Shadrinov did not as yet have sufficient experience of the MLRs to be considered a fit and proper person.

Mr Shadrinov raised complaints about the FCA disregarding his representations made between its 'warning notice' and the 'decision notice,' and stated he was disappointed the Authority had not taken a more constructive approach to the Application. The Tribunal agreed that, although these are matters over which it has no jurisdiction, it would be preferable that the FCA took into account representations in its decision notices, and that, when the FCA has taken a particular stance in relation to the application of its guidance to a new industry, it would be helpful if its position and opinions were to be set out in advance 'so businesses acting in good faith can know whether they have met the requirements of the MLR, as interpreted by the FCA'.

VCL has been given 14 days to inform the Authority and the Tribunal whether it is maintaining the Reference.

If you would like to obtain an independent review of your AML and CTF systems and controls, please [contact us](#).

5.2 FCA publishes Decision Notices for Carillion plc and three of its former executive directors

On 28 July 2022, the Financial Conduct Authority (FCA) [published](#) 'Decision Notices for Carillion plc (in liquidation) and three of its former executive directors.'

The FCA has imposed a public censure on collapsed British multinational construction company Carillion. The regulator considers that Carillion recklessly published announcements that were misleading and did not accurately or fully disclose the true financial performance of the company.

In addition, the Regulator has fined [Richard John Howson](#) (former CEO) £397,800, [Zafar Khan](#) (former finance director) £154,400, and [Richard Adam](#) (former finance director) £318,000. In the FCA's view, the three directors were 'each aware of the deteriorating expected financial performance within Carillion's UK construction business and the increasing financial risks associated with it.'

The FCA considers that the following provisions have been breached:

- **Article 15 of MAR (prohibition of market manipulation)** by disseminating information that gave false or misleading signals as to the value of its shares in circumstances where it ought to have known that the information was false or misleading;

- **Listing Rule 1.3.3R (misleading information must not be published)** by failing to take reasonable care to ensure that its announcements were not misleading, false or deceptive and did not omit anything likely to affect the import of the information;
- **Listing Principle 1 (procedures, systems and controls)** by failing to take reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations under the Listing Rules; and
- **Premium Listing Principle 2 (acting with integrity)** by failing to act with integrity towards its holders and potential holders of its premium listed shares.

The FCA's decisions on the three senior individuals whom the FCA alleges were involved in these failures will now be reviewed in the Upper Tribunal. The three individuals have referred their respective Decision Notices and will each present their case.

If you would like assurance on your market abuse systems and controls, please [contact us](#).

CCL Compliance is now Waystone Compliance Solutions

Titan Regulation, Argus Global, CCL Compliance and ISAS are now Waystone Compliance Solutions who offer a new and unique approach to compliance services at a corporate level.

Formed by merging four specialist compliance companies – we have the capabilities to help you manage regulatory risk right across your organisation.

We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, operational and technology infrastructure not to mention sales and marketing procedures. And we can do so anywhere in the world.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence.

At Waystone, we have brought together the experience, the expertise, and the global reach to give you the certainty you need to address the ever-changing regulatory world. And by doing so, provide you with a secure route on the road to success.

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 - o [Documentation](#)
 - o [Financial Crime Prevention](#)
 - o [Corporate Governance](#)
 - o [Risk Management](#)
- [FCA Authorisation](#)
- [Prudential Rules & Regulatory Reporting](#)

If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us the details below:

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This Regulatory Update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This Regulatory Update is intended to provide general summarised guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.