

Regulatory Update

UK, March 2024

Issued 8 April 2024



Table of Contents

1. FCA UPDATES & DEVELOPMENTS	3
1.1 FCA publishes final report on wholesale data market study	3
1.2 Changes to UK EMIR reporting requirements: draft questions and answers consultation from the FCA	4
1.3 FCA quarterly consultation paper No.42	4
1.4 FCA Handbook Notice 116	5
1.5 New FCA webpage: Preparing your firm’s wind-down plan	5
1.6 HMT consults on new Private Intermittent Securities and Capital Exchange System (PISCES)	5
1.7 FCA Statement: Changes to the Financial Promotions Order	6
1.8 House of Commons’ Treasury Committee Report: Sexism in the City	7
1.9 FCA updates position on cryptoasset Exchange Traded Notes for professional investors	7
1.10 The Financial Services and Markets Act 2000 (Financial Promotion) (Amendment and Transitional Provision) Order 2024	8
1.11 FCA to review firms’ treatment of customers in vulnerable circumstances	8
1.12 FCA publishes Business Plan 2024/25	9
1.13 FCA publishes new webpage on AIFM hosting	10
1.14 FCA publishes finalised guidance on financial promotions on social media	10
2. REGULATORY REFORM	11
2.1 HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework in the UK	11
3. PRA	12
3.1 Bank of England published PS5/24 on solvent exit planning for non-systemic banks and building societies	12
3.2 Financial Stability Board updated guidance on arrangements to support operational continuity in resolution	13
3.3 HM Treasury published Policy Paper: critical third parties – approach to designation	13
4. FINANCIAL CRIME	13
4.1 Treasury Committee Call for Evidence on whether the UK’s Russian financial sanctions are working	13
4.2 HM Treasury consults on improving the effectiveness of the Money Laundering Regulations	15
4.3 FATF guidance on beneficial ownership and transparency of legal arrangements	15
4.4 FCA warns firms over anti-money laundering failings	15
4.5 Amendments to 4MLD list of high risk countries to add Kenya and Namibia and remove Barbados, Gibraltar, Panama, Uganda and the UAE	16
4.6 Wolfsberg Group publishes statement on countering terrorist financing	16
Waystone Compliance Solutions	17
Consultancy Services & Support	18

1. FCA UPDATES & DEVELOPMENTS

1.1 FCA publishes final report on wholesale data market study

On 1 March 2024, the FCA published its final report on its Wholesale Data Market Study ([MS23/1.5](#)).

The FCA launched its market study on 2 March 2023 following persistent user concerns about how well wholesale data markets are working. The FCA had already conducted a trade data review and published its findings report alongside launching this market study. That review found that, while data users could access data they needed, some data users had little choice but to buy data and switching supplier was difficult. It also found that the way data is sold is complex making it harder for users to make informed choices.

Overall, the FCA has not found evidence that firms cannot access the wholesale data they need. The evidence suggests that firms buy the kind of data they need, and, in most cases, the data they buy is of sufficient quality to meet their needs. For example, around 70% of benchmarks users reported no issues with quality, and 90% of credit ratings users were either positive or neutral when asked about their views on the accuracy or quality of ratings and related services provided by the top 3 CRAs.

However, across all 3 markets in scope of the study, the FCA has identified evidence of, and drivers for, market power. Users may be paying higher prices for the data they buy than if competition was working more effectively. It identified that:

- These markets are concentrated. There are usually no more than 3 key providers in each market, most of whom have maintained a significant market share.
- Most key providers are highly profitable. They have maintained high profitability (with operating profit margins of at least 30% and, in some cases, more than 60% in the period 2017-2022).
- Data from key providers is essential. Users regard sources of data from most key providers as essential as there are limited or no effective alternatives. In some cases, providers have exclusivity over data, for example the unique data held by CRAs. If users need this exclusive data, they can only get it from those providers.
- Key providers face limited competition from challenger firms. There are barriers to challenger firms entering or expanding in these markets. Challenger firms struggle to overcome network effects, compete with well-established brands and access input data needed for creating wholesale data products.

The costs of wholesale data are initially incurred by data users, such as banks or asset managers. Such costs will, at least in part, ultimately be passed on to end investors. However, for most users data costs are a relatively small proportion of their total costs. There may be a similarly small proportionate impact on the prices charged to end investors but this is not easily quantifiable. Indeed, many firms were not able to identify how higher data charges have or would be passed on to investors.

1.2 Changes to UK EMIR reporting requirements: draft questions and answers consultation from the FCA

On 1 March 2024, the FCA [published](#) a consultation paper, seeking feedback alongside the Bank of England on its draft guidance for reporting under the revised UK EMIR Article 9 reporting requirements. The consultation ended on 28 March 2024.

The majority of the new requirements are applicable from 30 September 2024, with a transition period for some aspects.

This first consultation covered the following topics:

- Transitional Arrangements
- Reconciliations
- Errors and Omissions
- Derivative Identifiers
- Action and Events

The FCA will publish the final Q&As for these topics, once it has reviewed the feedback.

The FCA will be consulting on the following topics later in spring 2024:

- Venues
- Exchange Traded Derivatives
- Margin and Collateral
- Clearing
- Post Trade Risk Reduction
- Position Level Reporting
- Asset Class and Product Specific

1.3 FCA quarterly consultation paper No.42

On 1 March 2024, the FCA published Consultation Paper 24/3: Quarterly Consultation Paper No.43 ([CP24/3](#)), which consults on the following amendments to the Handbook:

- Inserting 'B fee-block' into FEES 3 Annex 9R(1)(a) and delete FEES 3 Annex 9(1)(e) to allow Special Project Fees for restructuring to be chargeable to firms in the B fee-block in the circumstances set out in FEES 3 Annex 9R(2). This is outlined in Chapter 2.
- Proposing a new Statement of Policy setting out the FCA's approach to using its enforcement powers under the new regime for the oversight of critical third parties introduced by the Financial Services and Markets Act 2023. This is outlined in Chapter 3.
- Amending the Training and Competence sourcebook by introducing an annual consultation cycle on the qualification-related elements. This is outlined in Chapter 4.

The consultation closed on 11 March 2024 for Chapter 2 and 8 April 2024 for Chapters 3 and 4.

1.4 FCA Handbook Notice 116

On 1 March 2024, the FCA published [Handbook Notice No. 116](#)

This Handbook Notice describes the changes to the FCA Handbook and other material made by the FCA Board under its legislative and other statutory powers on 29 February 2024. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish.

Following consultation in [CP23/2](#), the FCA Board has made changes to the Handbook section GEN 2.2.

This instrument came into force on 1 March 2024. Feedback is published in Chapter 3 of this notice.

1.5 New FCA webpage: Preparing your firm's wind-down plan

On 1 March 2024, the FCA published its new webpage: [Preparing your firm's wind-down plan](#).

The FCA asks some firms to submit a wind-down plan as part of their application for authorisation. This is to ensure that, when a firm goes out of business, it stops its regulated activities and cancels its permissions with minimal adverse effect on its clients, counterparties, or the wider market.

A wind-down plan can also help a firm assess if it would have adequate resources (both financial and non-financial) to wind down in an orderly manner, especially under challenging circumstances.

Firms applying for authorisation should consult the [relevant page](#) for their sector or business model to understand what information should be submitted as part of their application. For some types of firms, this will include a wind-down plan.

As set out in its [finalised guidance on assessing adequate financial resources](#), the FCA expects firms to consider the scenarios leading to financial stress, explore recovery options and, as a last resort, wind down their business.

1.6 HMT consults on new Private Intermittent Securities and Capital Exchange System (PISCES)

On 6 March 2024, HM Treasury (HMT) published its [consultation](#) on the Private Intermittent Securities and Capital Exchange System (PISCES).

As part of the Edinburgh Reforms in December 2022, the Chancellor announced that the government would develop an intermittent trading venue and committed at Mansion House 2023 to establishing it by the end of 2024.

This paper sets out the government's proposal for such a venue: a platform to allow private companies to trade their securities in a controlled environment and on an intermittent basis. The new Private Intermittent Securities and Capital Exchange System (PISCES) incorporates elements from public markets, such as multilateral trading, and elements from private markets such as greater discretion on what company disclosures should be made public.

The regulatory framework has the following key features, and will be developed using a 'financial markets infrastructure (FMI) sandbox', as established under the Financial Services and Markets Act 2023 (FSMA 2023):

- PISCES will operate as a secondary market, facilitating the trading of existing shares. It will not facilitate capital raising through the issuance of new shares, or the trading of other securities (e.g. bonds, exchange traded funds).
- Only shares in companies whose shares are not admitted to trading on a public market in the UK or abroad can be traded on PISCES. This includes UK-based private and public limited companies (PLCs) and overseas companies.
- There will be restrictions on the categories of investors that can trade on PISCES. For example, most retail investors will be prohibited from trading at least during the trial phase of this platform given the greater risks associated with buying shares that are not listed or admitted to trading on a public market.
- PISCES will operate intermittent trading windows (e.g. monthly, quarterly, biannually, etc). Disclosure requirements specific to PISCES will only apply shortly before and after each trading window, and there will be no requirement for information to be disclosed to the public. Instead, information must only be made available to investors that may trade during the window. There will be a market abuse regime for PISCES, which will be tailored to the intermittent nature of trading and the specific risks posed by the model.

The consultation closes on 17 April 2024.

1.7 FCA Statement: Changes to the Financial Promotions Order

On 6 March 2024, the FCA issues a statement on the [changes to the Financial Promotions Order](#). The FCA and industry implemented the changes to the high net worth exemption by 31 January 2024, as required under the law.

These changes were taken forward after detailed consultation and recommendations made by the [Treasury Select Committee](#) in 2021 that the government should re-evaluate the appropriateness of the Financial Promotion Order exemptions.

The FCA says that it will continue to work with the government on how the financial promotions regime can be strengthened to avoid consumer harm, while ensuring access to sustainable sources of investment for growing businesses.

In its last [perimeter report](#), the FCA suggested the criteria for investors to be classified as 'sophisticated' should be tightened. This is to avoid the risk, which has occurred in many situations of investment fraud

or misconduct, of ordinary investors self-classifying, often under pressure or through coaching, and buying risky investments that do not match their appetite or capacity for loss.

1.8 House of Commons' Treasury Committee Report: Sexism in the City

On 8 March 2024, the House of Commons Treasury Committee published a report: [Sexism in the City](#).

The inquiry has revealed incremental improvements for women working in financial services on certain metrics, such as the proportion of women holding senior roles. Overall, there has been a disappointing lack of progress on sexual harassment and bullying, including serious sexual misconduct. Despite the best efforts of some far too little progress has been made and serious problems which should have been rooted out still persist. Significant concern remains, however, about the overall culture prevalent within the sector that holds back progress for women. While this Report deals with various challenges experienced by women in financial services, whether related to pay, harassment or maternity leave, as examples, it is this cultural deficit that allows them all to persist. Culture is also the most difficult area to seek to reform.

The FCA published its [response](#) to the report and stated that, this year, it will prioritise proposals that tighten expectations on firms to tackle misconduct such as bullying and sexual harassment and also consider the Committee's recommendations on whistleblowing and the use of non-disclosure agreements, building on its existing work.

The FCA will reflect on the range of views received, particularly those of the Committee, on its proposals that firms should set their own diversity and inclusion strategy and collect, report and disclose data against certain characteristics.

The Committee has asked the FCA to consider how it engages with boards and other senior leaders on their firms' culture and encourage those it regulates to adopt family friendly policies with equality impact assessments. The FCA says that it will consider these, and other, recommendations carefully.

1.9 FCA updates position on cryptoasset Exchange Traded Notes for professional investors

On 11 March 2024, the FCA published an [update](#) on its position on cryptoasset Exchange Traded Notes, that it will not object to requests from Recognised Investment Exchanges (RIEs) to create a UK listed market segment for cryptoasset-backed Exchange Traded Notes (cETNs). These products would be available for professional investors, such as investment firms and credit institutions authorised or regulated to operate in financial markets only.

Exchanges will need to continue to make sure sufficient controls are in place, so trading is orderly and proper protection is afforded to professional investors. cETNs must meet all the requirements of the UK Listing Regime, for example on prospectuses and on-going disclosure.

With increased insight and data due to a longer period of trading history, the FCA believes exchanges and professional investors should now be able to better establish whether cETNs meet their risk appetite.

The FCA continues to believe cETNs and crypto derivatives are ill-suited for retail consumers due to the harm they pose. As a result, the ban on the sale of cETNs (and crypto derivatives) to retail consumers remains in place.

The FCA continues to remind people that cryptoassets are high risk and largely unregulated. Those who invest should be prepared to lose all their money.

The FCA is collaborating with government, international partners and industry to develop the UK's cryptoasset regulatory regime and lead international standards in this space.

1.10 The Financial Services and Markets Act 2000 (Financial Promotion) (Amendment and Transitional Provision) Order 2024

On 7 March 2024, Statutory Instrument 2024 No.301 – the Financial Services and Markets Act 2000 (Financial Promotion) (Amendment and Transitional Provision) Order 2024 (the SI) was [published](#).

In relation to the high net worth individual investor statements, for the purposes of the Promotion of Collective Investment Schemes (PCIS) and the Financial Promotions Order (FPO) respectively: the annual income condition has been reduced from £170,000 or more to £100,000 or more, and the net assets condition has been reduced from £430,000 or more to £250,000 or more.

In relation to the self-certified sophisticated investor statements, for the purposes of the PCIS and FPO respectively: the condition of having been a director of a company that has a turnover of at least £1,600,000, has been reduced to at least £1,000,000, and a provision has been inserted so that an individual can be considered a self-certified sophisticated investor if they have made two or more investments in an unlisted company in the two years prior to the date when the statement is completed and signed and they state how many such investments they have made in that time.

The SI came in to force on 27 March 2024.

1.11 FCA to review firms' treatment of customers in vulnerable circumstances

On 15 March 2024, the FCA [announced](#) that it will conduct a review into how firms are acting to understand and respond to the needs of customers in vulnerable circumstances, and share its findings by the end of 2024. This is in line with [its 2021 commitment](#).

The review will look at firms' understanding of consumer needs, the skills and capability of staff, product and service design, communications and customer service, and whether these support the fair treatment of customers in vulnerable circumstances.

The FCA will also look at the outcomes consumers in vulnerable circumstances receive and whether they're as good as the outcomes of other consumers.

The FCA will conduct consumer research as well as gather information from firms and consumer representatives to make this assessment.

Rather than conduct a separate piece of work focussed solely on age related issues, [as indicated in 2017](#), the review will look more broadly at how firms treat customers, including older customers, in vulnerable circumstances.

This will enable the regulator to understand whether those consumers most susceptible to harm are receiving good outcomes.

For more information on what the FCA expects from firms, read its [Guidance for firms on the fair treatment of vulnerable customers](#) and its [Consumer Duty](#).

1.12 FCA publishes Business Plan 2024/25

On 19 March 2024, the FCA published its [Business Plan for 2024/25](#), detailing the work it will do over the next 12 months to help deliver the commitments in its [Strategy](#). Its areas of focus cover:

- Protecting consumers: The FCA will continue to test higher standards through embedding the Consumer Duty. It will seek to support long-term financial wellbeing for consumers and unlock innovation in retail investment markets through its work on the Advice Guidance Boundary Review. It will work with regulatory partners to ensure pension products deliver value for money. It is also working to ensure that consumers better engage with their pensions. It continues to develop its use of Artificial Intelligence (AI) to help prevent fraud and scams to improve the experience of consumers and firms when they contact the FCA.
- Ensuring market integrity: The FCA monitors risks in markets and takes action where appropriate. It will finalise far-reaching capital markets reforms. It will continue to lead the debate on how the right form of regulation can support growth for UK markets, with a number of significant policy changes in or approaching consultation. It will continue to invest in its data and technology to support rigorous market oversight.
- Promoting effective competition: The FCA will continue to promote competition and innovation to deliver good outcomes for consumers. It will identify where more effective competition can better deliver fair value outcomes under the Consumer Duty. It will continue to look to market reforms that bring the benefits of innovation and digitalisation.
- The FCA's secondary international competitiveness and growth objective: The FCA will focus on embedding its secondary objective to facilitate international competitiveness of the UK economy. By enabling the drivers of productivity, it can facilitate medium to long-term growth and competitiveness in a way that can secure better outcomes for all consumers, including through greater variety, price and quality of products and services.

1.13 FCA publishes new webpage on AIFM hosting

On 25 March 2024, the FCA published a new webpage: [Alternative investment fund manager \(AIFM\) hosting](#). The webpage provides information for AIFMs using the host model to manage alternative investment funds (AIFs), known as AIFM hosting.

AIFMs can use the host model to employ staff on secondment from a third party to help manage the AIF.

In this model, seconded staff help the AIFM to carry out regulated tasks, for example, portfolio management of assets of the AIF, or administrative jobs like dealing with customers.

In some cases, the AIFM may be a principal firm and the person seconded to the AIFM may come from one of its appointed representatives (ARs).

In 2023, the FCA reviewed firms using the host AIFM model to assess how well they understood and complied with their regulatory responsibilities. It focused on situations where secondees from an AR were placed with an AIFM principal firm. This follows previous [supervisory work in 2019](#).

During its 2023 review, the FCA found potential harm from:

- [a lack of oversight of seconded staff](#)
- [insufficient involvement in investor due diligence, and](#)
- [inadequacies in capital adequacy calculations](#)

The FCA also found misleading claims from third parties that had seconded staff to an AIFM. For example, it found cases of ARs marketing themselves as investment managers, wealth managers and stockbrokers, despite only seconded staff being permitted to carry out these functions on behalf of the AIFM.

The webpage sets out the FCA's findings from the 2023 review and provides guidance for firms operating the AIFM host model.

1.14 FCA publishes finalised guidance on financial promotions on social media

On 26 March 2024, the FCA published [Finalised guidance on financial promotions on social media \(FG24/1\)](#).

This Guidance clarifies the FCA's expectations of firms and others, such as influencers, communicating financial promotions on social media. Its financial promotion rules are technology neutral and apply across all channels used to advertise, including social media.

Some promotions will require specific information, such as a risk warning with prescribed wording, to be displayed prominently. Firms should also be aware of any additional requirements for how this required information is to be displayed. For example, in promotions for high-risk investments (HRIs), the prescribed risk warning must be displayed throughout the promotion and not be obscured or truncated by a design feature of the social media platform.

Firms working with affiliate marketers, such as influencers, should take proactive responsibility for how their affiliates communicate financial promotions. This includes having appropriate monitoring and oversight systems to ensure that affiliates understand their responsibilities and do not communicate illegal or non-compliant financial promotions. Firms remain responsible for the compliance of every promotion they make or cause to be made.

Unauthorised persons, such as influencers, who promote financial products or services that are subject to regulation without the approval of an FCA authorised person may be committing a criminal offence.

Even when an influencer does not have a commercial relationship with a firm, their communications on social media about financial products or services may still be subject to the financial promotion restriction and require approval to communicate.

2. REGULATORY REFORM

2.1 HM Treasury Policy Paper: Building a Smarter Financial Services Regulatory Framework in the UK

On 22 March 2024, HM Treasury (HMT) published a policy paper: [Building a Smarter Financial Services Regulatory Framework for the UK: the next phase.](#)

The paper reports on the progress on the programme so far. The government has identified 777 pieces of assimilated law (previously known as retained EU law) relating to financial services within scope of the SRF programme. As of February 2024, the government has so far removed 44% of assimilated law relating to financial services, totalling 344 different instruments. Of these, around 140 were repealed as part of preparations for EU exit, as they were deficient or unnecessary for the UK after exit. 191 had become redundant following EU exit and so could be safely repealed without replacement. In most cases that is because the instruments made amendments to existing law, and so the effect of those amendments is preserved by the Financial Services and Markets Act 2023.

The government repealed the European Long-Term Investment Funds Regulation as the fund structure it regulates is now obsolete, with the UK's own Long Term Asset Fund in place designed with industry to help unlock investment, and unnecessary assimilated law requirements in the Payment Accounts Regulations, related to fee information placed on current account providers, creating the flexibility to tailor requirements to the UK market.

The government has made or laid statutory instruments to replace:

- The Solvency II regulations
- The Prospectus Regulation
- The Data Reporting Services Regulations
- The Securitisation Regulation
- The Payment Services Regulations 2017

The government has also commenced the repeal of legislation relating to:

- The Insurance Mediation Directive and the Insurance Distribution Directive
- The Electronic Money, Payment Card Interchange Fee and Payment Services (Amendment) Regulations 2023

In addition, the government has published draft statutory instruments for technical feedback that will replace:

- The Short Selling Regulation
- The Packaged Retail and Insurance based Investment Products Regulation
- The Money Market Funds Regulation

Regulations to be considered under tranche 3 will include:

- Alternative Investment Fund Managers Directive
- Undertakings for Collective Investment in Transferable Securities Directive
- Payment Services and E-Money Directives reform
- European Market Infrastructure Regulation
- Markets in Financial Instruments Regulation

3. PRA

3.1 Bank of England published PS5/24 on solvent exit planning for non-systemic banks and building societies

On 12 March 2024, the Bank of England published [Policy Statement 5/24: Solvent exit planning for non-systemic banks and building societies](#).

This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback to responses to consultation paper (CP) 10/23 – [Solvent exit planning for non-systemic banks and building societies](#). It also contains the PRA's final policy, as follows:

- Chapter 7 of the Recovery Plans Part of the PRA Rulebook (Appendix 1);
- supervisory statement (SS) 2/24 – Solvent exit planning for non-systemic banks and building societies (Appendix 2); and
- updated SS3/21 – Non-systemic UK banks: The Prudential Regulation Authority's approach to new and growing banks (Appendix 3)

Recovery Plans Chapter 7 will come into force on Wednesday 1 October 2025.

3.2 Financial Stability Board updated guidance on arrangements to support operational continuity in resolution

On 18 March 2024, the Financial Stability Board published revised guidance on [arrangements to support operational continuity in resolution](#).

The Guidance should assist supervisory and resolution authorities and firms to evaluate whether firms that are subject to resolution planning requirements have appropriate arrangements to support operational continuity if the firm enters resolution. It supports the objectives of the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions ('Key Attributes' or KAs), which specify that resolution regimes should, among other things, ensure continuity of systemically important financial functions of a firm in resolution. In particular, it complements the guidance on resolution planning set out in I-Annex 3 (Resolvability Assessments) and I-Annex 4 (Essential Elements of Recovery and Resolution Plans) to the Key Attributes. It should also be read in conjunction with the FSB guidance on "Identification of Critical Functions and Critical Shared Services" published in July 2013.

3.3 HM Treasury published Policy Paper: critical third parties – approach to designation

On 21 March 2024, HM Treasury (HMT) published a Policy Paper: [critical third parties – approach to designation](#).

The Bank of England's Financial Policy Committee (FPC) has been monitoring the risk of critical third parties since 2017, and particularly in relation to cloud service providers, since 2018. In 2021, the FPC concluded that "the increasing reliance on a small number of [cloud and other critical providers] for vital services could increase financial stability risks in the absence of greater direct regulatory oversight of the resilience of the services they provide".

HM Treasury expects to receive recommendations for designations from the financial regulators over time. HM Treasury anticipates that each recommendation may take around six months to process: that is, it is generally anticipated that a period of around six months will pass between HM Treasury receiving a recommendation from the regulators and making a final decision (including, where the decision is to designate, making and publishing the Designation Regulations). It is possible that a particular case may proceed at a shorter, or longer timeframe. In such cases, HM Treasury will advise the prospective Critical Third Party of the expected designation timeframe.

4. FINANCIAL CRIME

4.1 Treasury Committee Call for Evidence on whether the UK's Russian financial sanctions are working.

The Treasury Committee has launched a new [Call for Evidence](#) on whether the UK's Russian financial sanctions are working.

In March 2022, the Committee published its report: Defeating Putin: the development, implementation and impact of economic sanctions on Russia.

The Committee would like to take further evidence on the UK's financial sanctions on Russia, and would welcome written evidence on the following areas:

1. Whether financial sanctions instituted by the UK on Russia, are complete and effective in terms of the entities that have been designated, and the entities which have to comply with the rules
2. Whether assets frozen as part of the UK's financial sanctions on Russia should be confiscated, and whether there are legal precedents for such a move
3. Whether financial sanctions imposed by the UK should be widened to include those who purchase Russian oil and gas
4. The effectiveness of the work of the Office of Financial Sanctions Implementation (OFSI).

Evidence would be welcome on, but does not need to be limited to:

- a. Guidance provided by OFSI
 - b. OFSI's licensing regime
 - c. The resources available to OFSI
 - d. Enforcement work by OFSI
 - e. OFSI's implementation and enforcement of the oil price cap
 - f. OFSI's international cooperation
 - g. OFSI's work in the insurance sector
 - h. OFSI's work in the maritime sector
5. The effectiveness of the system of designation of financial sanctions, in that it relates to the implementation of financial sanctions, and the relationship between the designation and implementation of financial sanctions.
 6. The implementation of financial sanctions against Russia by each part of the financial sector (including the insurance sector), and the maritime sector.
 7. The mitigation of any unintended consequences of financial sanctions.

The Call for Evidence closed on 28 March 2024

4.2 HM Treasury consults on improving the effectiveness of the Money Laundering Regulations

On 11 March 2024, Hm Treasury (HMT) published a consultation: [Improving the effectiveness of the Money Laundering Regulations](#)

This consultation aims to improve the effectiveness of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs), which place requirements onto a range of businesses in order to prevent money laundering (ML) and terrorist financing (TF). The consultation covers four core themes:

- making customer due diligence more proportionate and effective
- strengthening system coordination
- providing clarity on scope of the MLRs
- reforming registration requirements for the Trust Registration Service

The consultation closes on 9 June 2024.

4.3 FATF guidance on beneficial ownership and transparency of legal arrangements

On 11 March 2024, the Financial Action Task Force (FATF) updated its risk-based [guidance](#) for Recommendation 25 on Beneficial ownership and transparency of legal arrangements.

The guidance complements the existing guidance on Recommendation 24 on legal persons and aims to help stakeholders from the public and private sectors to implement the new requirements more effectively.

The Guidance aims to assist countries and the private sector to better understand how transparency requirements apply to legal arrangements. It sets out practical guidance on how to understand and assess the money laundering and terrorist financing risks associated with trusts and similar legal arrangements. It explains the FATF's requirements to obtain adequate, accurate and up-to-date beneficial ownership information for express trusts and similar legal arrangements, and highlights mechanisms to verify this information. The Guidance highlights the importance of international co-operation, given that such arrangements may potentially be abused to facilitate cross-border money laundering or terrorist financing.

4.4 FCA warns firms over anti-money laundering failings

On 5 March 2024, the FCA issued a Dear CEO Letter to Annex 1 firms setting out its [findings](#) from recent assessments of how firms are complying with money laundering regulations.

The FCA found common issues including:

- Discrepancies between firms' registered and actual activities.

- Financial crime controls which had not kept pace with business growth.
- A failure to risk assess their own or their customers' activities properly.
- Inadequate resourcing and oversight of financial crime issues and requirements.

All Annex 1 firms should assess their financial crime controls against the common weaknesses the FCA found within the next 6 months. Where they identify areas where they are falling short of the expectations, they need to act promptly to resolve them.

Where firms do not take suitable steps in response to the letter, they could face regulatory action, including possible enforcement action.

4.5 Amendments to 4MLD list of high risk countries to add Kenya and Namibia and remove Barbados, Gibraltar, Panama, Uganda and the UAE.

On 14 March 2024, the European Commission adopted a [Delegated Regulation](#) amending Delegated Regulation (EU) 2016/1675 as regards adding Kenya and Namibia to the table in point I of the Annex and deleting Barbados, Gibraltar, Panama, Uganda and the United Arab Emirates from the table

The Delegated Regulation enters into force on the twentieth day following its publication in the Official Journal of the EU.

The Commission published a revised methodology for identifying high-risk third countries on 7 May 2020. The three main new elements are increased interaction with the Financial Action Task Force (FATF) listing process, strengthened engagement with third countries and reinforced consultation of the Member States and the European Parliament.

The FATF has updated its list of 'Jurisdictions under Increased Monitoring' since the last amendments to Delegated Regulation (EU) 2016/1675. At its plenary meeting in February 2024, the FATF added Kenya and Namibia to its list and removed Barbados, Gibraltar, Uganda and the United Arab Emirates from its list.

The FATF removed Panama from its list in October 2023, but Panama remained identified by the EU as a high-risk third country due to further strategic deficiencies, notably with regard to transparency of beneficial ownership. Available information sources have since enabled the Commission to conclude that Panama has now addressed such deficiencies.

4.6 Wolfsberg Group publishes statement on countering terrorist financing

On 20 March 2024, the Wolfsberg Group published a statement on [Countering Terrorist Financing](#).

Financial Institutions (FIs) assist governments and their agencies in the fight against terrorist financing through proactive prevention and detection and by meeting their regulatory reporting obligations. FIs

should respond promptly to governmental enquiries and requests, seek to prevent terrorists and terrorist organisations from accessing their financial services, and identify and report prohibited as well as suspicious and/or unusual activity that may be indicative of terrorist financing. FIs need to balance legitimate risk mitigating activity, where decisions not to offer certain products and services may be made in the interests of managing financial crime risk, including terrorist financing, against the importance of access to the financial system for individuals and communities. The proportionality of such measures, in the light of evolving CTF threats, should be considered carefully.

FIs should maintain a Risk Based controls Framework including:

- A risk-based approach
- Customer due diligence
- Monitoring and screening

The statement also stresses the importance of global cooperation and identifies areas for continued focus alongside law enforcement, with a view to optimising the contribution FIs are able to make.

Waystone Compliance Solutions

Waystone Compliance Solutions offers 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 and covering the UK, Middle East, United States and Asia.

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.

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.

<https://compliance.waystone.com/>

Consultancy Services & Support

[Regulatory Technology – CORE](#)

[Compliance Advisory](#)

[Assurance Reviews](#)

[Compliance Remediation](#)

[Compliance Support Services](#)

[Documentation](#)

[Financial Crime Prevention](#)

[Corporate Governance](#)

[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:

Email: compliancesolutions@waystone.com

Website: <https://compliance.waystone.com/>

or write to us at:

2nd Floor,
20-22 Bedford Row
Holborn, London,
WC1R 4EB, England

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.