



# Regulatory Update

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## REGULATORY UPDATES

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## Update

## Summary

## Action for firms

### Useful Application Refusal for crypto-firms

Applies to: crypto-firms

The FCA has refused Zeux Limited's application for cryptoasset registration under the Money Laundering Regulations (MLRs) due to significant failings in its anti-money laundering (AML) and counter-terrorist financing (CTF) controls. The decision highlights deficiencies in Zeux's Business-Wide Risk Assessment (BWRA), Customer Risk Assessment (CRA), and Enhanced Due Diligence (EDD).

#### Why Firms Should Be Aware

This case underscores the FCA's strict approach to AML/CTF compliance, particularly for cryptoasset businesses. Firms must ensure robust risk assessments, effective AML/CTF controls, and adherence to regulatory obligations to avoid similar enforcement actions.

The FCA has taken its time however to provide a really useful analysis and semi-guidance in terms of why the application was refused. Practical examples and explanation can be used by existing and new applicants.

### Action to Take:

1. Review the publication [here](#).
2. Review AML Framework: Update BWRA, CRA, and EDD procedures to align with MLRs and FCA expectations.
3. Strengthen Policies: Ensure AML/CTF policies effectively mitigate risks identified in risk assessments.
4. Training & Expert Advice: Provide regular staff training and seek professional compliance support if needed.



## Update

## Summary

## Action for firms

### FCA fine and ban individual from working in the financial services sector

Applies to:  
All firms

The FCA has decided to fine Robin Crispin Odey £1.8 million and ban him from the UK financial services industry due to a lack of integrity. The FCA found that Mr. Odey deliberately frustrated Odey Asset Management LLP's (OAM) disciplinary processes related to his conduct to protect his own interests. This included manipulating OAM's executive committee (ExCo) composition to postpone disciplinary hearings. The FCA considers Mr. Odey's actions demonstrated a reckless disregard for OAM's governance, leading to regulatory breaches and a lack of candour towards both OAM and the FCA. The FCA believes this conduct demonstrates that Mr. Odey is not a fit and proper person to perform any function related to regulated activities. Mr. Odey has referred the Decision Notice to the Upper Tribunal.

#### Why Firms Should Be Aware

This case underscores the FCA's commitment to upholding standards of integrity and governance within regulated firms. It serves as a critical reminder of the following:

- **Accountability:** Senior individuals will be held accountable for their actions, particularly when they obstruct internal disciplinary processes or undermine governance structures.
- **Governance:** Firms must establish and maintain robust governance frameworks that ensure fair and impartial handling of misconduct allegations.
- **Integrity:** Demonstrating integrity and candour in dealings with the FCA is paramount. Attempts to mislead or obstruct the regulator will be met with severe sanctions.
- **Culture:** A healthy culture where misconduct is reported, investigated, and addressed effectively is essential to protecting consumers and maintaining market integrity. A "culture of silence" is unacceptable.

### Action to Take:

1. Read the publication [here](#).
2. Review and Strengthen Governance Frameworks
3. Enhance Whistleblowing Procedures:
  1. Ensure that whistleblowing channels are easily accessible and that individuals who report misconduct are protected from retaliation.
4. Reinforce Standards of Conduct and Ethics:
  1. Provide regular training to staff on ethical conduct, integrity, and regulatory expectations.
5. Seek Independent Review:
  1. Consider engaging an independent third party to review your firm's governance, culture, and compliance arrangements to identify areas for improvement.



## Update

## Summary

## Action for firms

### OFSI Publication and Implications

Applies to:  
All firms

In February 2025, the UK's Office of Financial Sanctions Implementation (OFSI) published a report assessing sanctions-related risks in the financial services sector. The report focuses on compliance challenges since Russia's invasion of Ukraine in February 2022, highlighting six key threats to sanctions compliance. While Russia sanctions remain a priority, OFSI emphasises that firms must comply with all UK sanctions regimes.

#### Why Firms Should Be Aware

OFSI's findings reveal evolving tactics used to evade sanctions and underscore the importance of robust compliance frameworks. Non-compliance can lead to severe penalties, including fines, criminal prosecution, and reputational damage. Firms must act proactively to address vulnerabilities in their sanction's programs.

#### Key Threats Identified by OFSI

- Failures to self-disclose breaches: Many firms likely failed to report suspected breaches, though banks (55%), NBPSPs (27%), insurance firms (4%), and others (14%) made timely disclosures.
- Improper maintenance of frozen assets: Common issues include unauthorized debits from accounts of Russian Designated Persons (DPs), expired licenses, and inadequate reporting.
- Use of enablers to evade sanctions: Russian DPs increasingly rely on proxies, such as wealth managers or family members, to bypass restrictions.
- Payments supporting DP lifestyles/assets: Enablers facilitate payments for luxury items, real estate upkeep, and salaries for bodyguards or staff without proper licensing.
- Fronting for DPs: Professional enablers claim ownership of frozen assets to obscure DP control.
- Alternative payment methods and intermediary countries: Crypto assets and jurisdictions like Cyprus, Turkey, and the UAE are used to breach sanctions.

### Action to Take:

To strengthen compliance and mitigate risks:

- Conduct Lookback Exercises: Review past transactions for unreported breaches and self-report suspected violations promptly.
- Enhance Training Programs: Update staff training materials based on OFSI's findings and consider external expert-led sessions if needed.
- Improve Transaction Monitoring: Implement systems to detect red flags such as payments involving proxies or crypto-to-fiat exchanges linked to DPs.
- Review Governance Controls: Ensure compliance frameworks address license conditions, frozen asset maintenance, and reporting obligations effectively.
- Engage Specialist Consultants: Seek advice on complex cases or gaps in sanctions compliance programs.



Update	Summary	Action for firms
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## FCA Abandons Proposal to Publicise Live Enforcement Investigations... BUT

Applies to:  
All firms

The Financial Conduct Authority (FCA) has withdrawn its controversial proposal to shift from an "exceptional circumstances" test to a "public interest" test for announcing investigations into regulated firms. This decision comes after significant criticism from industry stakeholders and lawmakers.

### Key Points

- **Proposal Shelved:** The FCA will not proceed with the plan to publicise live enforcement investigations more broadly.
- **Criticism:** The proposal faced unprecedented opposition from various stakeholders, including industry representatives and lawmakers.
- **Competitiveness Concerns:** Critics argued the changes could harm the UK financial services market's competitiveness, conflicting with the FCA's growth objective.
- **Lack of Prior Consultation:** The House of Lords Financial Services Regulation Committee noted the proposal's surprise nature, lacking prior discussion or cost-benefit analysis.
- **Remaining Plans**

### Despite dropping the main proposal, the FCA still intends to implement some changes by the end of June 2025:

- Reactively confirming investigations already in the public domain.
- Making public notifications about potentially unlawful activities of unregulated and regulated firms outside the regulatory perimeter.
- Publishing anonymised details of issues under investigation.

### Next Steps

The FCA will continue engaging with stakeholders before publishing the final policy statement. By the end of June 2025, an updated Enforcement Guide will be released alongside the policy statement.

### Action to Take:

Continue monitoring the developments in this field.





RR Compliance Associates are a trading style of R&R Compliance Consultants Ltd, a limited company registered in England and Wales (company number 12070286). Our registered office is 51 Lime Street, London, EC3M 7DQ. VAT number 326 1938 96.



[www.rrcompliance.com](http://www.rrcompliance.com)



[contact@rrcompliance.com](mailto:contact@rrcompliance.com)



0203 488 4322