Regulatory Update

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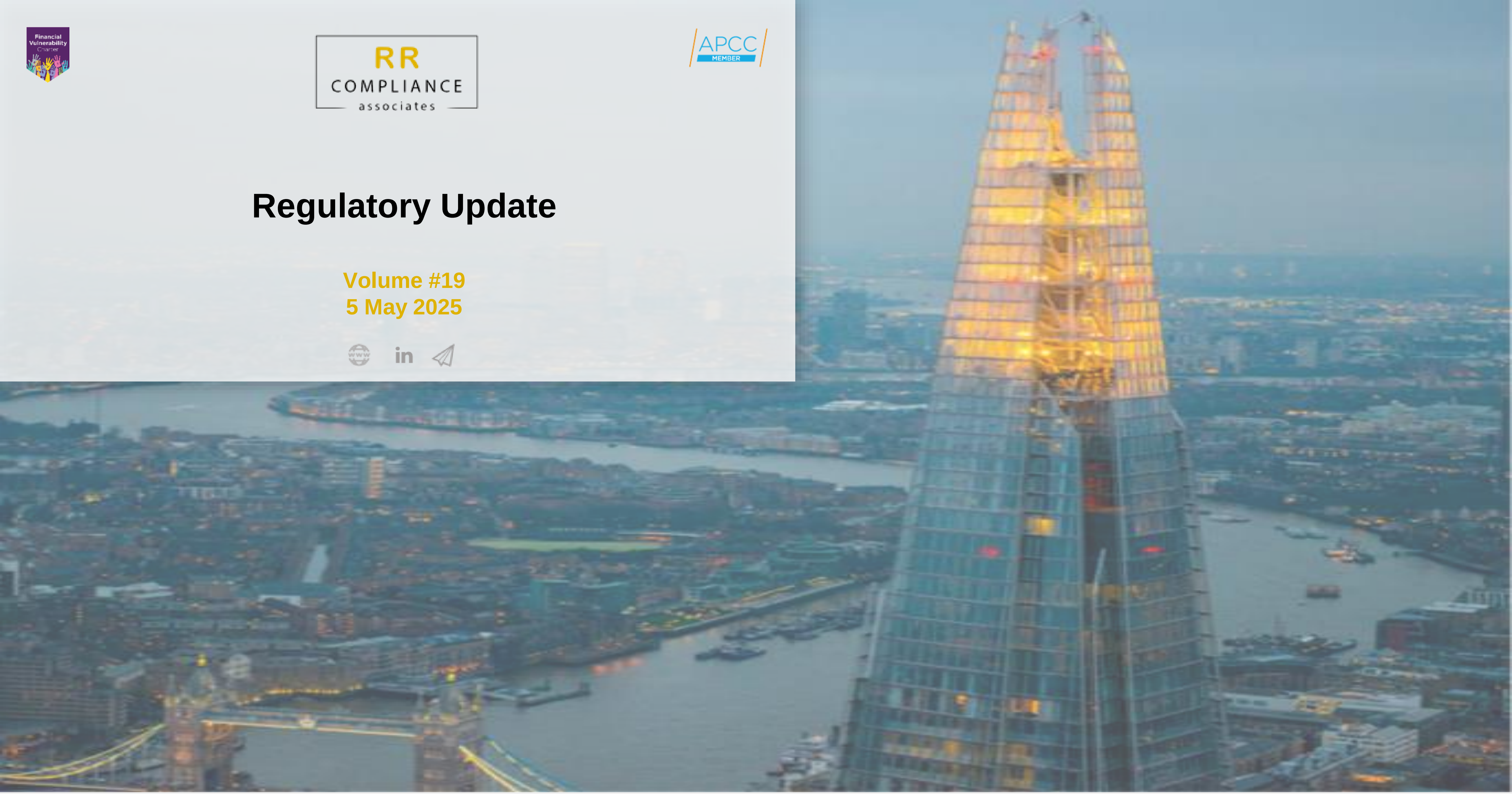

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Our registered office is 51 Lime Street, London, EC3M 7DQ. VAT number 326 1938 96.

REGUALTORY UPDATES

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Regulatory Updates – General.

Update	Summary	Action for firms
Number of Skilled Persons Reports commissioned in 2024/25 Q4 (1 January – 31 March 2025) Applies to: All firms	**Overview:** While no skilled person reviews were commissioned in the insurance sector during this quarter, the emphasis on consumer investments and conduct of business underscores the FCA's ongoing focus on ensuring firms deliver good outcomes for consumers. Insurance intermediaries should take note of the following: • Conduct of Business: The FCA's attention to conduct-related issues suggests a continued emphasis on fair customer treatment, transparent communication, and adherence to the Consumer Duty principles. • Governance and Risk Management: The inclusion of reports under Lots B and C indicates scrutiny of firms' governance structures and risk management frameworks. Insurance intermediaries should ensure their internal controls and governance arrangements are robust and align with regulatory expectations.	**Action to Take:** • Review the publication here.

Update	Summary	Action for firms
Complaints Data H2 2024: Implications for Insurance Intermediaries Applies to: All firms	**Overview:** The FCA's latest complaints data (July–December 2024) shows a 6% decrease in insurance and pure protection complaints, falling to 718,496 from 764,272 in the previous half. Despite this reduction, insurance remains the second most complained-about product group, highlighting that complaint handling and root-cause analysis remain high-priority supervisory concerns. Key metrics relevant to intermediaries include: • **Motor & Transport Insurance**: 254,788 complaints — 8% drop, but still the most complained-about insurance line. • **Overall Upheld Rate**: **57%**, indicating a slight decline in successful complaints but still suggesting that over half of all complaints are found valid. **Timelines to be aware of** • 44.85% closed within three business days. • 49.05% within 8 weeks. • 6.11% exceeded the 8-week threshold — a red flag under DISP 1.6.2R and Consumer Duty outcomes. These figures suggest that while volumes are decreasing, there remains considerable room for improvement in timeliness and quality of resolution. In the Consumer Duty context, complaints are a critical indicator of poor outcomes, particularly where they reveal systemic failings or affect vulnerable customers.	**Action to Take:** • Embed MI-Driven Root Cause Analysis • Review Complaint Handling Frameworks (DISP Compliance) • Demonstrate Customer-Centric Outcomes • Read the publication here including firm specific complaints data.

Update	Summary	Action for firms
Stricter Criminalisation of Sanction breaches (Directive (EU) 2024/1226 and Sanctions Enforcement – Implications for UK Firms with EU Links) Applies to: Firms with EU links	**Overview:** The new EU Directive 2024/1226 introduces a mandatory harmonisation of criminal penalties for breaches of EU sanctions across Member States, effective by 20 May 2025. Although the UK is no longer subject to EU law, many UK insurance intermediaries, asset managers, and corporate groups maintain cross-border operations, EU branches or subsidiaries, or facilitate client servicing in EU jurisdictions. **Key risks and implications include:** • **Increased liability exposure for EU subsidiaries and group companies**: Sanctions breaches involving products, funds, or services linked to Russia, Belarus, or dual-use goods may now trigger criminal proceedings at a national level in the EU. • **Criminal liability for legal persons**: While corporate criminal liability is not mandated EU-wide, all Member States must ensure companies face turnover-based fines: either 1% or 5% of global turnover, or up to €8m/€40m for serious violations. • **Expanded scope of offences**: Includes intentional and, in certain cases, **seriously** negligent conduct. Covered conduct spans asset freezes, export bans, ancillary services, circumvention attempts, and even incitement, aiding, and abetting. • **Use of invasive investigative powers**: EU states must allow the use of surveillance, bank account monitoring, and communications interception in sanctions cases, heightening the enforcement intensity. • **No de minimis in some Member States**: Germany, for instance, has proposed criminalising all relevant violations, regardless of value, despite the Directive's €10,000 threshold allowance for minor infractions. • This development significantly raises enforcement and reputational risk for regulated firms operating within or adjacent to the EU, particularly in finance, insurance, broking, legal, and logistics chains.	**Action to Take:** • Conduct a Cross-Jurisdictional Sanctions Risk Assessment • Update Group-Level Sanctions Policies and Training • Strengthen Internal Controls and Monitoring • Review Group Governance and Oversight Structures • Read the further publication here,

RR COMPLIANCE associates

www.rrcompliance.com

contact@rrcompliance.com

0203 488 4322