

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.



REGULATORY UPDATE.











REGULATORY UPDATES

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FCA enforcement - fraud

Update

Applies to: All firms

On 28 February 2025, the Financial Conduct Authority (FCA) issued a Final Notice against David Robert Cooke, permanently prohibiting him from performing any function in relation to any regulated activity carried on by an authorised person, exempt person, or exempt professional firm.

Summary

Background

Mr. Cooke admitted to fraud on 19 October 2019 while serving as Director and responsible for Insurance Distribution at Professional Construction Risks Limited (an FCA-authorised firm).

He dishonestly set up a public liability insurance policy for clients, knowing the funds would not be passed on to the insurer, for his personal gain of £3,822.

The FCA found Mr. Cooke's actions to demonstrate a severe lack of honesty and integrity, making him unfit for any regulated financial services role.

Key FCA Findings

Mr. Cooke's conduct breached FCA principles on integrity and presented a serious risk to consumers and market confidence.

The FCA considers dishonest actions, particularly those involving fraud, as incompatible with holding a regulated role.

This enforcement action supports the FCA's consumer protection and market integrity objectives.

Action to Take:

Enhanced Due Diligence on Senior Personnel

Action for firms

- Strengthen Internal Controls on Client Money Handling - Ensure clear segregation of client funds and strict reconciliation procedures.
- Improve Fraud Prevention Measures, including whistleblowing channels
- Staff Training on Regulatory Obligations
- Review and Update Governance Framework, including third-party verification process (e.g. audit)

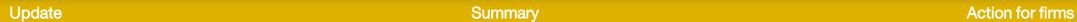












FCA's Skilled Person Reviews (s166)

Applies to: All firms The Financial Conduct Authority (FCA) utilizes **Skilled Person Reviews** (Section 166 Reviews) to obtain independent assessments of specific areas within regulated firms. These reviews are commissioned when the FCA identifies concerns or requires further analysis of a firm's activities.

Recent Commissioning of Skilled Person Reviews

Between March and December 2024, the FCA commissioned 42 skilled person reviews, 10 of which concerned insurance companies. This indicates a slowdown compared to the 83 reviews commissioned in the year ending March 2024.

Reasons for Commissioning Reviews

The FCA commissions skilled person reviews for various reasons, including:

- **Governance and Culture:** To assess the effectiveness of a firm's governance structures and cultural practices.
- **Systems and Controls:** To evaluate the adequacy of a firm's internal systems and controls in managing risks.
- **Risk Management:** To examine the robustness of a firm's risk management frameworks.
- Quality of Advice: To scrutinise the quality of advice provided to clients.

For instance, the FCA disclosed that between 2019 and 2024, 21 skilled person reviews under Lot B were related to governance and culture, 9 to systems and controls, 2 to risk management, and 1 each to threshold conditions, controlled function effectiveness, quality of advice, regulatory reporting, and other categories.

Action to Take:

Review the publications <u>here</u>.













Consumer Duty – Board Champion

Applies to:
All firms subject to
Consumer Duty

Nikhil Rathi, Chief Executive of the Financial Conduct Authority (FCA), delivered a speech titled 'The Gordian Knot of Growth' at the Association of British Insurers roundtable on 27 February 2025. In his address, Mr Rathi outlined the FCA's initiatives to support economic growth, enhance regulatory frameworks, and promote innovation within the financial services sector.

Key Highlights

- 1. Commitment to Supporting Growth
- Regulatory Reforms: The FCA has implemented significant changes to listing rules
- Consumer Duty Flexibility: Effective immediately, firms have the discretion to decide whether to appoint a Consumer Duty Board champion.
- Proactive Measures: The FCA is expediting approximately 50 growth proposals, including adjustments to elimination of redundant data returns.
- 2. Enhancing Trust and Stability
- 3. Reducing Regulatory Burdens
- Wholesale Insurance Reforms: Consult on aligning conduct rules with FOS eligibility, easing the burden on firms insuring large SMEs.
- Simplifying the Handbook: In response to feedback, the FCA is exploring simplifications in reporting requirements, disclosures, training and competency rules, etc.
- Improved Communication: The FCA is launching the 'My FCA' portal to streamline interactions and enhance the accessibility of Handbook with machine-readable version.
- 4. Commitment to Consumer Resilience
- Consumer Protection:
- Market Studies
- 5. Supporting Innovation Artificial Intelligence (AI

Action to Take:

Read the full article <u>here</u>.













Illegal Operation of Crypto ATM Network – Sentencing of Olumide Osunkoya

Applies to:

All firms – crypto business in specific

On 28 February 2025, Mr. Olumide Osunkoya, aged 46, was sentenced to four years in prison for operating an unregistered crypto ATM network, involving transactions exceeding £2.5 million, alongside related offences.

Background

Between 30 December 2021 and 12 March 2022, Mr. Osunkoya, through his company GidiPlus Ltd, operated crypto ATMs across 28 locations in the UK without the necessary registration from the Financial Conduct Authority (FCA). Despite the FCA's refusal of his registration application in December 2021, he continued operations. Subsequently, he transferred the machines and operated up to 12 crypto ATMs under a false identity to evade detection. Mr. Osunkoya failed to implement the required checks to prevent the use of these ATMs for money laundering and other illicit activities. Additionally, he was convicted of forgery, using false identity documents, and possessing criminal property.

FCA's Stance and Actions

This case marks the UK's first criminal sentencing for unregistered crypto activity, underscoring the FCA's commitment to enforcing compliance within the crypto asset sector. In collaboration with law enforcement agencies, the FCA has been actively addressing illegal crypto ATMs nationwide. In 2023, the FCA inspected 38 locations and disrupted 30 machines, leading to a decline in the number of crypto ATMs advertised in the UK from over 80 in 2022 to none in 2024. Therese Chambers, joint executive director of enforcement and market oversight at the FCA, stated: "This is the UK's first criminal sentencing for unregistered crypto activity and sends a clear message: those who flout our rules, seek to evade detection and engage in criminal activity will face serious consequences."

Action to Take:

- Firms should ensure that all activities conducted are associated with the relevant FCA permissions.
- These reviews should take place prior each service being launched and annually thereafter (including when required due to ad-hoc changes)













Criminal Proceedings Initiated Against Kerry Nelson and Jacqueline Stephens

Update

Applies to: All firms

Summary **Action for firms**

The Financial Conduct Authority (FCA) has initiated criminal proceedings against Kerry Nelson and Jacqueline Stephens on fraud, forgery, and money laundering charges.

Background

Kerry Nelson served as the director of both Nexus Independent Financial Advisers Limited (Nexus IFA) and Nexus Investment Managers Limited (Nexus IM), while Jacqueline Stephens held the position of business operations manager at these firms. The FCA alleges that between January 2019 and January 2023,

Ms. Nelson and Ms. Stephens defrauded four clients, resulting in losses totalling £2 million. The charges also include using falsified documents to facilitate the alleged fraud. Additionally, Ms. Nelson faces a money laundering charge concerning the alleged withdrawal of funds from the firms, purportedly used to support her extravagant lifestyle.

FCA's Enforcement Actions

This case underscores the FCA's commitment to expediting enforcement investigations. Notably, this case progressed from initiation to criminal charges in 24 months, compared to an average of 42 months for cases concluded in the 2023/24 period.

Action Required:

Read the full publication <u>here</u>.

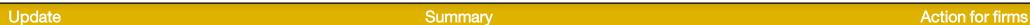












FCA release Financial Promotions Data

Applies to:
All firms

The Financial Conduct Authority (FCA) has published its 2024 financial promotions data, revealing a significant increase in regulatory interventions to protect consumers from misleading financial promotions.

Key Highlights

- General Insurance and Protection Promotions: In the third quarter of 2024, 6% of the FCA's financial promotions cases pertained to the general insurance and protection sector. This indicates ongoing concerns regarding compliance within insurance promotions.
- Overall Interventions: Throughout 2024, the FCA's interventions led to the amendment or withdrawal of 19,766 financial promotions, marking a 97.5% increase compared to 2023. This surge reflects the FCA's intensified efforts to monitor and regulate financial promotions across all sectors, including insurance.

Social Media Platforms: The FCA is urging social media platforms to enhance their efforts in identifying and preventing illegal financial promotions, recognising the growing influence of these platforms in financial advertising.

It should be noted that the FCA has its own platforms for monitoring social media and, thus, is becoming more proactive in addressing non-compliance.

Action Required:

Read the full report <u>here</u>.













FCA Vulnerability

Update

Applies to: International firms

Update - Webinar

Summary **Action for firms**

The Financial Conduct Authority (FCA) is preparing to publish its Review of Firms' Treatment of Customers in Vulnerable Circumstances. This review aims to assess how financial services firms implement regulatory expectations regarding vulnerable customers and ensure fair treatment in line with **Consumer Duty** principles. 2 **Upcoming Livestream Event**

To coincide with the review's publication, the FCA will live stream an industry event from its Stratford office. This event will:

Bring together **key stakeholders** from across the financial services industry. Reflect on the **findings of the review** and share best practices.

Provide a platform for discussion on the **next steps for firms** in improving customer treatment.

This event will be particularly relevant to:

- **Consumer organisations**
- **Trade associations**
- **Financial services firms**
- Professionals working in vulnerability support

Register for the event here.



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