



Regulatory Update

Volume #18
28 April 2025



in



REGULATORY UPDATES

Stay ahead of regulatory changes with our regulatory updates, expert insights, and industry best practices – just read the update below and share with colleagues.

Download Our Free Desk Aids

We have issued a number of free desk-aid to assist you with understanding, self-assessment and implementation.

- ✓ Download the latest free desk-aid today to evidence compliance

RegZone.io - innovative AML Tool

Stay compliant with automated, real-time checks against global sanctions lists and politically exposed persons (PEPs).

- ✓ Accurate & fast AML screening
- ✓ Reduce costs without compromising compliance
- ✓ User-friendly interface & seamless integration

Need Help? Speak to Our Experts!

Book a free consultation and get **tailored compliance solutions** to navigate FCA, ICO or EEA related regulations with ease.

[Book a Free Consultation](#)

Update

Summary

Action for firms

FCA simplifies supervisory letters

Applies to: All firms

Overview:

The UK Financial Conduct Authority (FCA) has announced a significant change in its approach to supervisory communications. Effective April 30, 2025, the FCA will cease issuing and publishing portfolio letters. Instead, it will introduce a limited number of market reports that encompass communications relevant to various firm types and provide insights from its supervisory activities.

Key Changes:

- **Retirement of Portfolio Letters:** The FCA will discontinue the issuance and publication of portfolio letters.
- **Introduction of Market Reports:** A select number of market reports will be published, offering relevant communications and supervisory insights tailored to different firm categories.
- **Archiving Historical Communications:** Historical portfolio letters and Dear CEO letters will be clearly marked as 'historical' and designated as no longer current. These documents will remain publicly accessible via their existing links.
- **Continued Use of Dear CEO Letters:** The FCA will continue to utilise Dear CEO letters to address significant issues requiring action from senior management.

Action to Take:

- **Reference Existing Communications:** Until the new market reports are available later this year, firms should continue to refer to relevant portfolio letters and Dear CEO letters for guidance.
- **Stay Informed:** Firms are encouraged to monitor the FCA's website for the upcoming market reports and further updates on supervisory communications. Review the site [here](#).

Update

Summary

Action for firms

AI Sprint Summary

Applies to:
FinTech firms

Overview:

The Financial Conduct Authority (FCA) has published a summary of its recent AI Sprint event, held on 29–30 January 2025. This initiative forms part of the FCA’s broader AI Lab programme, aimed at fostering innovation and developing a regulatory framework that supports the safe and responsible adoption of artificial intelligence (AI) within UK financial services.

Key Takeaways:

- **Trust as a Cornerstone:** Participants emphasised that trust is fundamental to the successful integration of AI in financial services. Building this trust requires transparency, accountability, and clear communication about AI systems' capabilities and limitations.
- **Clarity Over New Regulations:** Firms expressed a preference for clearer guidance on existing regulations rather than the introduction of new rules. They seek to understand how current frameworks apply to AI technologies to ensure compliance and foster innovation.
- **Collaborative Engagement:** The event highlighted the importance of collaboration among regulators, industry participants, technologists, and consumer representatives to address the challenges and opportunities presented by AI.

Next Steps for Firms:

Engage with the FCA's AI Lab: Firms are encouraged to participate in ongoing initiatives such as the AI Spotlight and the AI Input Zone to contribute to the development of the FCA's regulatory approach to AI.

Action to Take:

- Read the publication [here](#).

Update

Summary

Action for firms

FCA Regulatory Update: OPBAS SAR Project Phase 1 Findings – Implications for UK Insurance and Reinsurance Firms

Applies to:
All firms

Overview:

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS), under the Financial Conduct Authority (FCA), has released findings from Phase 1 of its Suspicious Activity Report (SAR) project. While the primary focus is on Professional Body Supervisors (PBSs) in the legal and accountancy sectors, the insights have broader implications for the UK's insurance and reinsurance industry, particularly concerning anti-money laundering (AML) compliance and SAR quality.

Key Findings:

- **Inadequate SAR Quality Assessments:** Some PBSs did not request access to SARs submitted by their supervised populations, resulting in no assessment of SAR quality.
- **Limited SAR Reviews:** Among PBSs that assessed SAR quality, the average volume reviewed was one SAR per reporting entity per reporting period, indicating a need for more comprehensive evaluations.
- **Guidance on SAR Retention:** There is an opportunity for PBSs to provide clearer and more consistent guidance to their supervised populations regarding the retention of information when submitting SARs.

Implications for Insurance and Reinsurance Firms: Although the report targets PBSs, insurance and reinsurance firms should consider the following:

- **Enhancing SAR Quality:** Firms should ensure that SARs are comprehensive, accurate, and submitted in a timely manner, reflecting a robust understanding of AML obligations.
- **Record-Keeping Practices:** Implementing clear policies on the retention of SAR-related information will facilitate internal reviews and external assessments of SAR quality.
- **Training and Awareness:** Regular training sessions for staff on SAR submission requirements and AML regulations can improve the quality and effectiveness of reports.

Action to Take:

- OPBAS plans to engage further with PBSs to clarify approaches to SAR quality assessments and to explore opportunities for enhanced collaboration with key partners like the UK Financial Intelligence Unit (UKFIU). Insurance and reinsurance firms should stay informed about these developments and assess their own SAR processes in light of the findings
- Read the full publication [here](#).

Update

Summary

Action for firms

FCA Regulatory Update: FIN074 Return and the Economic Crime Levy – Implications for UK Insurance and Reinsurance Firms

Applies to:
All firms

The Financial Conduct Authority (FCA) mandates that firms under its supervision, including those in the insurance and reinsurance sectors, complete the FIN074 return via the RegData platform. This return is pivotal in determining a firm's liability concerning the Economic Crime Levy (ECL), a measure introduced to fund initiatives combating economic crime.

Key Points:

- **Applicability:** Insurance and reinsurance firms classified as financial institutions under the Money Laundering Regulations (MLRs) are required to submit the FIN074 return. This classification typically encompasses entities engaged in activities listed in Schedule 2 of the MLRs.
- **Revenue Reporting:** The FIN074 return collects data on a firm's UK revenue, which is instrumental in calculating the ECL owed. The levy amount is tiered based on revenue brackets, ensuring proportional contributions from firms of varying sizes.
- **Submission Deadlines:** Timely submission of the FIN074 return is crucial. Delays or failures can result in administrative fees and potential regulatory scrutiny.

Implications for Insurance and Reinsurance Firms:

- **Compliance Obligations:** Firms must assess their activities against the MLRs to determine their reporting obligations. Engaging with legal or compliance advisors can aid in this assessment.
- **Financial Planning:** Understanding potential ECL liabilities allows firms to incorporate these costs into their financial planning and budgeting processes.
- **Regulatory Engagement:** Proactive communication with the FCA is advised, especially if a firm believes it falls outside the scope of the MLRs or has queries regarding the FIN074.

Action to Take:

- **Review Classification:** Determine if your firm is classified as a financial institution under the MLRs.
- **Prepare Data:** Gather accurate UK revenue figures for the relevant reporting period.
- **Submit FIN074:** Complete and submit the FIN074 return via the RegData platform by the specified deadline.
- **Consult Advisors:** Engage with compliance professionals to ensure all obligations are met and to address any uncertainties.
- Read the publication [here](#).

Update

Summary

Action for firms

International wholesale firms looking to undertake business in the UK

Applies to:
All firms

The UK's Financial Conduct Authority (FCA) has issued comprehensive guidance for international wholesale financial services firms seeking to establish operations in the UK. This initiative aims to clarify the authorisation process and set clear expectations for firms intending to undertake regulated activities within the UK financial market.

Key Considerations for International Firms:

- **Authorisation Requirements:** International firms must obtain FCA authorisation to conduct regulated activities in the UK. This involves demonstrating compliance with the FCA's threshold conditions, including effective governance, risk management, and financial resilience.
- **UK Presence and Oversight:** While the FCA offers flexibility regarding a firm's organisational structure, it expects that key functions—such as decision-making, compliance, and anti-money laundering oversight—are performed or overseen within the UK.
- **Senior Management Accountability:** Firms are not mandated to engage UK-based legal advisors for the application process; however, senior managers are held accountable for the accuracy and completeness of the information provided during the FCA's assessment.
- **Pre-Application Support:** The FCA offers a Pre-Application Support Service (PASS) to assist firms in understanding regulatory expectations and preparing robust applications. Firms can request a pre-application meeting through the FCA's Connect system.

Action to Take:

- Read the publication [here](#).



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



contact@rrcompliance.com



0203 488 4322