

# The Impact of FCA Oversight

## Regulatory requirements for cryptoasset firms

Since 10 January 2020, cryptoasset firms have been required to build and maintain anti-money laundering (AML) and counter-terrorist financing (CTF) frameworks to comply with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. Furthermore, all existing cryptoasset firms are required to register with the Financial Conduct Authority (FCA) by 30 June 2020 and all new firms cannot conduct business until registration is confirmed.

### Background to the regulation

Cryptocurrencies, as with other speculative assets, are vulnerable to financial crime and have therefore been brought under the scope of regulation to protect consumers and the wider market in the UK. The new regulatory guidelines mean that appropriate steps should be taken to mitigate risks, proportionate to the size and nature of business activities.

### Who is in scope?

The legislation broadly categorises cryptoasset firms into two categories – cryptoasset exchange providers and custodian wallet providers. The definitions are drafted sufficiently widely to bring in scope all firms and sole traders that are providing services for profit.

FCA Oversight*	
<b>58</b>	s.166 cases in 2019*
<b>£18.7m</b>	Average fine in 2019**
<b>£1.5m</b>	Approx. average cost of a s.166 investigation

\* <https://www.fca.org.uk/about/supervision/skilled-persons-reviews>

\*\* <https://www.fca.org.uk/news/news-stories/2019-fines>

\*\*\* <https://www.fca.org.uk/publication/annual-reports/annual-report-2018-19>

### What is an AML/CTF framework?

An AML/CTF framework is a formal oversight and control structure that provides the tools for a firm to identify, understand and respond to its financial crime risks. The FCA provides guidance on the components of an AML/CTF framework to ensure that firms understand the core expectations when implementing their own.

A framework that has been clearly documented provides transparency and structure against which to develop and maintain consistency of approach to managing financial crime risks. A framework should incorporate the business model and objectives of the firm, along with the vision of senior management, so that the risk appetite is clearly articulated.



A phased framework review

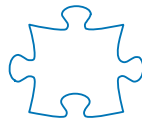


**Risk & Business Model**

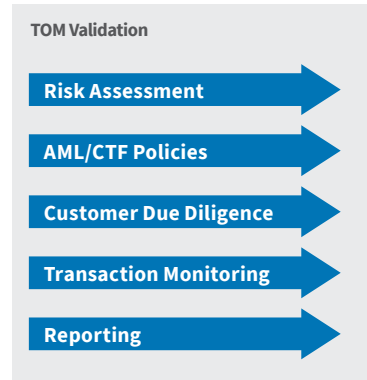
Understand the Business Model and associated AML/CTF Risks  
 Understand the AML/CTF Governance and Risk Appetite



**Assess Strategy and TOM**



**Systems and Controls**



**Observations and recommendations**

Details on key framework gaps and actionable information on how to address and close deficiencies

**Where FTI Consulting can add value**

**Proven methodologies:** We have proven methodologies for structuring AML/CTF programmes and a practical approach to helping embed financial crime enhancements and we have a reputation for providing pragmatic advice, which can be practically implemented.

**Industry expertise:** We're familiar with the cryptoasset and fintech sectors - as part of prior engagements with other clients, we have experience in new market growth and disruptive technology in financial services.

**Regulatory engagement:** We have strong supervisory knowledge and are experienced in engaging with regulators to set out remediations and business transformation programmes.

**Wider needs:** We understand that the various facets of financial crime do not operate in isolation - we can provide guidance on how AML/CTF is impacted by sanctions, bribery and corruption, tax evasion and fraud, and whether an overall financial crime compliance framework may be suitable to mitigate the risks.

**FTI Consulting** has a track record of delivering similar engagements within tight timelines and of aligning and meeting the requirements of multiple stakeholders across different jurisdictions. We would welcome a meeting to discuss further your firm's plans to address the new legislative requirements, or any concerns you may have on regulatory oversight of cryptoassets.

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