FINTRAIL

Q1 2025

REGCAP

A summary of the latest FinCrime regulatory news

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Global

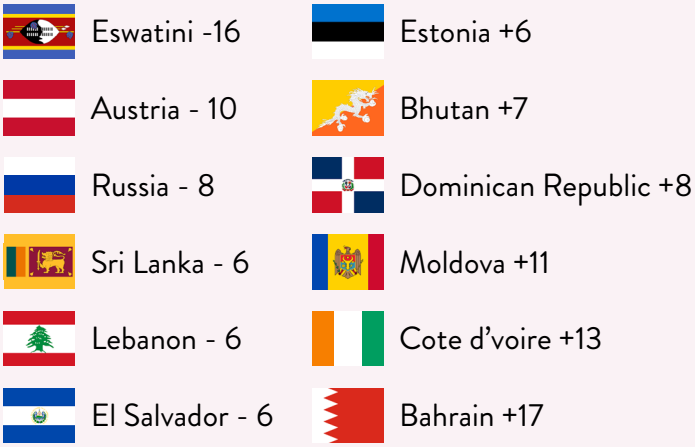
The Financial Action Task Force (FATF) released their annual report for 2023–2024. The report covers some of their priority items, including:

1. Addressing challenges across:
   - Their standards
   - Strengthening asset recovery
   - Strengthening beneficial ownership and transparency
   - Preventing the misuse of non-profit organisations (NPOs) for terrorist financing
   - Virtual assets and the implementation of the standards
2. Strengthening the global network
3. Implementation of the standards
4. Responding to emerging risks to safeguarding the global financial system

FATF released 'Detecting, Disrupting and Investigating Online Child Sexual Exploitation', a report which aims to provide an updated and more precise understanding of the financial flows behind these heinous crimes, and to enhance both the private and public sectors' ability to detect, disrupt, and investigate online child sexual exploitation. It examines two distinct types of online child sexual exploitation: live-streamed sexual abuse of children and financial sexual extortion of children.

Transparency International (TI) released their Corruption Perception Index 2024. Alongside the index, TI have produced regional analysis and a summary report. While 32 countries have significantly reduced their corruption levels, other countries have stayed stagnant or got worse during the same period.

Key movers:



FATF's February plenary was concluded and had a range of updates on initiatives and consultations:

- Financial Inclusion - After public consultation, **FATF** standards will be revised to further consider financial inclusion. The consultation and the draft text can be found here.
- Increased Monitoring - Lao and Nepal were added.
- Recommendation 16 - **FATF** agreed to consult on recommendation 16 to improve payment transparency, security and avoid duplication. Here is the consultation.
- Complex Proliferation and Sanctions Evasion - **FATF** are looking for input into its work to understand more on this topic through a consultation. Here is the link to the consultation.

UK

The **FCA** released a new report based on work conducted since 2019 on the money laundering risks through the markets focussing on wholesale brokers.

The **FCA** released information on firms' use of the National Fraud Database and money mule detection tools. The analysis looked at:

1. Cases at 13 different firms where accounts were suspected of being used for money muling
2. Data from a money mule account detection tool to assess how effectively firms are tackling mules in their customer base

The **FCA** issued a 'Dear CEO' letter setting out priorities for payments portfolio firms. This cohort includes any firms that fall under the Payment Services Regulations and the Electronic Money Regulations (PIs, EMIs, and RAISPs). Their last letter for payment firms was in March 2023. This letter sets out three outcomes for firms:

1. Effective competition and innovation to meet customers' needs, characteristics, and objectives
2. Firms do not compromise the integrity of the financial system
3. Firms keep customers' money safe



JMLSG published some proposed changes to Part I of its guidance. These included:

- New paragraph 5.3.97A - This relates to local authorities and professional deputies
- New paragraphs 5.3.138A and B - This relates to transactions across groups and what level of CDD should be applied
- New paragraph and amendments to 5.6.36-5.6.38 - A firm should understand and document who its customer is and which of the underlying parties it has a business relationship with
- Amendments to paragraphs 2.16-2.21 and new paragraphs 2.22-2.24 - More specifics on outsourcing, which is extremely helpful for UK agents, subsidiaries and intra-group arrangements

The **Payment Systems Regulator** released a short update on the next steps for the Reimbursement Claims Management System (RCMS) for APP reimbursement.

1. The planned regulatory requirements for RCMS will no longer come into force in May 2025, as this is no longer deemed feasible
2. The regulator will now seek the industry's views on a new implementation date as part of a consultation on RCMS in April 2025



The **FCA** has just launched its 5-year strategy to support growth and improve lives, structured around four pillars – including financial crime prevention.

1. Be a smarter regulator: predictable, purposeful, and proportionate. The **FCA** will improve its processes and embrace technology to become more efficient and effective
2. Support sustained economic growth by enabling investment, fostering innovation, and ensuring the continued competitiveness of the UK's world-leading financial services sector
3. Help consumers navigate their financial lives by working with industry to boost trust, drive product innovation, and ensure the right information and support is available for people to make informed financial decisions
4. Fight financial crime, focusing on those who seek to exploit their regulated status to do harm. The **FCA** will go further to disrupt criminals and support firms to be an effective line of defence

The National Strategic Assessment 2025 of Serious Organised Crime was published by the **National Crime Agency**. The assessment covers an overview of 9 threat areas, from fraud to drugs.



HM Treasury (HMT) has published its 'Anti-Money Laundering and Counter-Terrorist Financing Supervision Report 2023–24'. Change is coming – here's the shorthand for what we expect to see in 2025:

- AML/CFT supervisory reform is on the horizon
- A new National Risk Assessment (NRA) is expected
- Updates to the Money Laundering Regulations (MLRs) are likely

Whilst the bulk of the report summarises HMT's gatekeeping activities, the key updates you need are on pages 8–12. There are five key things you need to know:

Economic Crime Plan 2023–26 and the UK's AML/CTF regulatory and supervisory regime

1. The **UK Government** remains committed to the continued delivery of ECP2
2. Specific actions for HMT under ECP2 include: supervisors strengthening effectiveness, and HMT/OPBAS enhancing oversight of existing supervisors

Reforming the UK's future supervision regime

1. In 2023, **HMT** set out four options for reforming the AML/CTF supervisory regime
2. A final decision has been pending for two years
3. While no firm date is given, the report confirms that announcing the way forward remains a priority

Improving the effectiveness of the Money Laundering Regulations (MLRs)

1. In 2024, **HMT** ran a public consultation on changes to improve the effectiveness of the MLRs
2. A key area for the private sector was making customer due diligence more proportionate and effective
3. **HMT** is reviewing feedback and has stated a response is expected later this year

Preparing for the Financial Action Task Force's next assessment of the UK

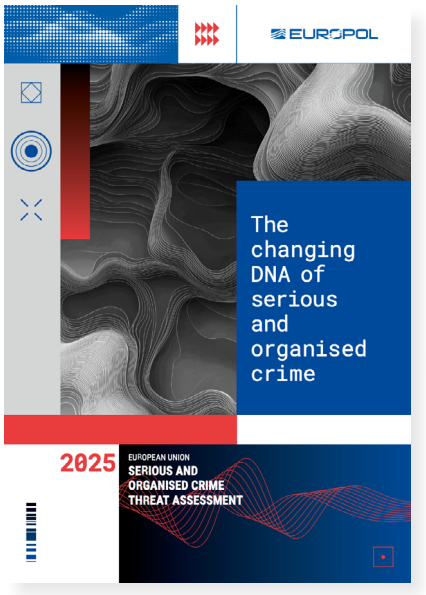
1. The UK's next mutual evaluation is expected to be completed and published in 2028
2. It will be assessed under **FATF's** updated methodology
3. The UK is still addressing issues raised in the previous evaluation, which ties into the reform of the supervisory regime and OPBAS oversight

Updating the UK's National Risk Assessments (NRAs)

1. The last **NRA** was published in 2020, with a proliferation financing (PF) assessment in 2021
2. This new **NRA** has been delayed, but work is now underway
3. **HMT** has committed to publishing the updated AML/CTF NRA in 2025, alongside an update to the PF assessment

Europe

Europol released their 'EU Serious and Organised Crime Threat Assessment' (EU-SOCTA) 2025.



The **European Banking Authority (EBA)** has launched a new consultation on draft AML/CFT technical standards under the revised AML/CFT framework of the new Anti-Money Laundering Authority (AMLA). A public hearing is scheduled for 10 April, and feedback is open until 6 June. The consultation covers:

1. **Supervisory scope**
2. **Risk assessments** – Standardising the methodology for national supervisors to evaluate risks uniformly
3. **Due diligence** – Allowing EU firms greater flexibility in selecting appropriate risk-mitigation measures
4. **Enforcement actions** – Ensuring penalties are fair, proportionate, and consistently applied across all EU member states

A new report on 'Crypto-Assets and Anti-Money Laundering' has been published by the European Banking Authority **(EBA)** and the European Securities and Markets Authority **(ESMA).**





Sanctions

UK

OFSI sectoral threat assessments

OFSI has started releasing the first in a series of sectoral sanctions threat assessments. In February 2025 the Financial Services Threat Assessment was released, identifying key sanctions threats as related to UK financial services firms: **OFSI** determined it is highly likely that enablers use non-bank payment service providers for payments related to the maintenance of assets of Russian designated persons, including services related to UK residential properties, and that enablers have almost certainly used alternative payment methods, in particular cryptoassets, to breach UK financial sanctions on Russia. The threat assessment includes other threats, and also provides a table of key intermediary countries used for sanctions evasion by Russia.

OFSI also released a threat assessment relating to the legal services industry in April 2025.

OFSI annual report and enforcement trends

OFSI released its annual review for 2023-2024, which provides insights into **OFSI's** engagement and enforcement activities. During the year 2023-2024 **OFSI** registered 396 new cases of potential sanctions breaches, of which 73% were self-reported. While the financial services sector accounts for most of the cases (60%), there are also cases involving the legal sector (49), professional services firms (16), manufacturing (7), media (7) and others. OFSI closed 242 cases in 2023-2024, and only one of these resulted in a breach with public disclosure, and another one with a breach and referral to the regulator.

Sanctions fines - UK

OFSI also published two new enforcement actions during Q1. This includes a disclosure (no financial penalty) against three UK charities for failing to respond to requests for information, and a monetary penalty (£465,000) against Herbert Smith Freehills CIS LLP for making payments to designated Russian banks. **OFSI** has separately published a blog post with the key lessons for industry from the HSF fine, including the importance of understanding exposure of sanctions risks, adhering to group sanctions policies and procedures, and fully considering ownership and control.

OTSI sanctions circumvention guidance

On 7 January, **OTSI** published two guidances related to Russia trade sanctions:

- Countering Russian sanctions evasion - guidance for exporters. The guidance outlines UK goods at higher risk of sanctions evasion, **red flags** and **key countries** used by Russia for circumvention of trade sanctions.
- No-Russia clause guidance. Guidance for operators who wish to insert a "no-Russia" re-export clause into their contracts (this is not a legal requirement).

New sanctions regime targeting people smugglers

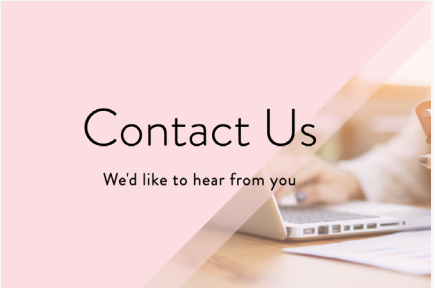
On 8 January, the **UK government** announced a new sanctions regime to tackle people smuggling, focusing on targeting organised immigration networks including those enabling sea crossings. While the regime has been announced, no designations have been made under the regime yet.

Europe

The **European Union** has launched a new EU Sanctions Helpdesk to support small and medium-sized enterprises with resources and personalised help to companies on EU sanctions and sanctions due diligence. The portal already includes red flags indicators, with more publications expected to follow.

US

On March 21 2025, **OFAC** announced the delisting of Tornado Cash, originally sanctioned by **OFAC** in 2022 for facilitating anonymous crypto transactions through "immutable smart contracts" breaking the link between sender and receiver, and frequently used by sanctioned actors including North Korea. Following a ruling in November 2024 by the Fifth Circuit Appeals Court that **OFAC** cannot sanction such contracts, **OFAC** has now delisted Tornado Cash - but notes that it will "continue to monitor closely any transactions that may benefit malicious cyber actors or the DPRK, and U.S. persons should exercise caution before engaging in transactions that present such risks"



FINTRAIL's experts have extensive knowledge of sanctions regulatory requirements and their application in practice. We assist clients of all sizes build and maintain their sanctions compliance programmes.

Contact us

FINTRAIL Picks

Top stories from around the world

Germany

BaFin made updates in February to the Interpretation and Application Guidance on the German Money Laundering Act. Some of the key changes included:

- New maximum periods for rolling review of KYC files
- **UBO** updates including notional **UBO** verification, identification of country of residence on a risk-based approach and the exclusion of subsidiaries of UBO verification for stock exchange-listed companies where the parent company owns over 75% (previously 50%)
- Clarification of SAR filling

BaFin also published their common findings from their experience during on-site inspections



USA

In March 2025, **The United States Treasury Department** announced that it will not be enforcing the Corporate Transparency Act, the new law requiring companies to disclose the identity of their beneficial owners.



Australia

AUSTRAC is performing a full reform of its AML/CTF regime, including The AML/CTF Act, the Anti-Money Laundering and Counter-Terrorism Financing Rules 2007 (the Rules) and associated regulations. There are a couple of key items on the 2025 timelines:

- 7 January 2025: Repeal of Financial Transaction Reports Act 1988
- 31 March 2025: Commencement of changes to the tipping off offence
- July to August 2025: Public consultation on draft core guidance
- July 2025: Finalisation of AML/CTF Rules



Fines and Enforcement

UK - FCA
- Mako Financial Markets Partnership LLP
- £1,662.700
- ***Key issues:***
  1. Failed to conduct appropriate due diligence
  2. Failed to collect sufficient information of the underlying Solo client
  3. Didn't conduct a risk assessment on any of the Solo clients
  4. Failed recognise red flags and apply appropriate EDD
  5. Lack of ongoing monitoring on Solo clients trades

US
- Block Inc
- $80 million fine by 48 states
- ***Key Issues:***
  1. Insufficient policies for money laundering through Cash App product
  2. Not fully compliant with key requirements such as KYC-refresh
  3. Between 2018-2021 there was a backlog in TM alerts which grew from 18,000 - 169,000 and ultimately delayed the filling of SARs
  4. Deficiencies in monitoring for transactions that used mixers or other methods to obfuscate the source

Netherlands
- Volksbank N.V.
- €5 million
- ***Key issues:***
  1. Failure to monitor its customers behaviour for money laundering
  2. Major backlogs
  3. System not functioning properly for customer and transaction alerts

Malta
- OKX
- The Financial Intelligence Analysis Unit (FIAU
- €1.1 million
- ***Key issues:***
  1. Failure to assess risks from privacy coins, stablecoins, mixers and tokens
  2. Failed to consider origin of funds

FINTRAIL

FINTRAIL is a **global financial crime consultancy** comprising experts from the very industries we support. From strategy to execution, we help you build and maintain controls that **protect your customers and your bottom line.** Our services cover every stage of your compliance journey—ensuring you stay one step ahead.

Find out more

End-to-end support **for your financial crime compliance programme**

1

Risk Assessment & Programme Design

Customer risk assessments; policy and procedure design

2

Control Implementation

Screening (sanctions, PEPs, adverse media); transaction monitoring controls optimisation

3

Training and Awareness

Bespoke, trainer-led sessions designed in-line with your requirements

4

Testing and Assurance

Independent audits (AML, fraud, sanctions and more); targeted assurance and health checks

5

Remediation and Continuous Improvement

Remediation and regulatory enforcement support

We are a consultancy with expertise in using financial and regulatory technology to combat financial crime.