

The FCA Financial Crime Guide Updates

Of particular interest to: All UK Firms

In brief

On 29 November 2024, the Financial Conduct Authority (“FCA”) published Policy Statement PS24/17, detailing updates to the Financial Crime Guide (“FCG”). These updates align with the FCA’s strategic priorities for 2022-2025, which focus on three key areas: reducing and preventing serious harm, setting and testing higher standards, and promoting competition and positive change.

Summary

The updates to the FCG address feedback received by the FCA in Consultation Paper CP24/9, which outlined proposed changes and highlighted areas where firms requested additional guidance and clarification on regulatory expectations.

Policy Statement PS24/17 applies to all FCA financial crime-supervised firms regulated by the FCA, including cryptoasset businesses. The updated FCG provides enhanced guidance in relation to sanctions controls, proliferation financing (“PF”), transaction monitoring (“TM”), cryptoasset business and the Consumer Duty.

Sanctions

The FCA conducted extensive assessments of firms’ sanctions systems and controls following Russia’s invasion of Ukraine. As a result, updates have been made to the FCG’s chapter on sanctions, including terminology changes from “sanctioned countries” to “sanctioned jurisdictions”, and the use of “sanctions targets” in reference to individuals or entities that are subject to sanctions. The revised guidance emphasises the responsibility of senior management in overseeing sanctions compliance.

Additionally, the FCA has clarified when firms should report sanctions breaches which aligns with the Office of Financial Sanctions Implementation (“OFSI”), affirming that firms should report suspected breaches in line with Principle 11 and SUP 15.3.8G(2). The FCA has also clarified the scope of manual and automated sanctions screening, and references have been made to the red flags for sanctions evasion issued by the National Economic Crime Centre (“NECC”).

Proliferation Financing

The FCA has mandated that firms conduct specific PF risk assessments, as required under the Money Laundering Regulations 2017 to ensure that this area is effectively addressed. The FCA is also considering including examples of good and poor practices in order to guide PF risk management practices.

Transaction Monitoring

The revisions to the TM chapter include updated guidance on leveraging technological innovations, including the use of Artificial Intelligence (“AI”) to enhance TM efficiency through a proportionate approach. The FCA has also provided examples of good practice regarding the testing and updating of system parameters. Additionally, further guidance and good practice examples have been included into the updated guidance in relation to record keeping for TM systems that utilise AI.

Cryptoasset Businesses

The FCA has now incorporated specific references to cryptoasset businesses throughout the FCG to ensure that they receive tailored guidance on establishing financial crime systems and controls that

comply with obligations under the MLRs and the UK's Sanctions Regime. Additionally, the FCA is proposing the inclusion of good and poor practice examples related to blockchain analytics as part of TM and providing guidance on compliance with the Travel Rule.

Consumer Duty

The updates to the FCG emphasise the need for firms to consider if their financial crime systems and controls align with their obligations under the Consumer Duty, including making it clear that firms must act to deliver good outcomes for retail customers. The FCA has added cross-references throughout the FCG on the rules and non-Handbook guidance relevant to the Consumer Duty. These references should be considered by firms, particularly in scenarios such as dealing with victims of fraud.

Next Steps

The FCA plans to introduce consequential changes to the FCG, including the naming of firms within case studies and clarifying the roles and responsibilities of Money Laundering Reporting Officers ("MLROs") and Senior Managers. Firms subject to the updates to the FCG must assess and implement necessary changes to their financial crime systems and controls, including updates to internal policies, monitoring systems, training programs and governance frameworks where necessary.

Useful Links

[Policy Statement PS24/17: Financial Crime Guide changes](#)

[Consultation Paper CP24/9: Financial Crime Guide updates](#)

[FCA's Strategy Priorities 2022 to 2025](#)

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