



The Association of Foreign Exchange and
Payment Companies

Member Update

18th June 2025



- 1.AGM
- 2.Failure to Prevent Fraud
- 3.APP Fraud update
- 4.Safeguarding Audits Panel Discussion
- 5.AFEP Member Survey Insights
- 6.FX Transparency
7. Common Reporting Standards
8. Influencing Fin Crime



Brendan Weekes

Failure to Prevent Fraud

What we will cover today

Economic Crime and Corporate
Transparency Act:

S196 – Identification

S199 – Failure to Prevent Fraud

s196 Attributing criminal liability

If a senior manager, acting within the actual or apparent scope of their authority, commits a relevant offence, the organisation is also guilty of the offence.

A **senior manager** is an “individual who plays a significant role in:

- the making of decisions about how the whole or a substantial part of the activities of the organisation are to be managed or organised, or
- the actual managing or organising of the whole or a substantial part of those activities.”

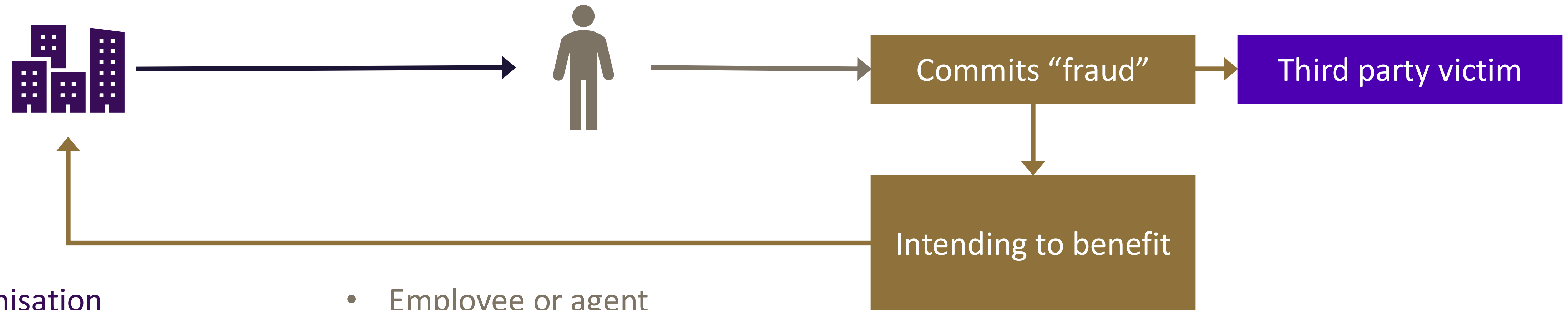
Relevant offence

- Cheating the public revenue
- Theft Act 1968 (theft, false accounting, false statements by directors),
- Forgery and Counterfeiting Act 1981
- Financial Services and Markets Act 2000
- Financial services Act 2012
- Terrorism Act 2000
- Proceeds of Crime Act 2002
- Fraud Act 2006
- Bribery Act 2010

**CURRENTLY IN
FORCE**

(Since 26 Dec 23)

s199 Failure to prevent fraud



Large organisation

Two of:

- Turnover > £36 million
- Assets > £18 million
- Employees >250

- Employee or agent
- Subsidiary
- Subsidiary's employee or agent
- Performs services for or on behalf of organisation

IN FORCE
1 SEP
2025

Reasonable Procedures: What to expect for large companies



A reminder – we should expect to see these...

Bribery risk assessment:	Required as part of an “adequate procedures” defence against the “failure to prevent bribery” offence, applicable to all body corporate and partnerships.	
Facilitation of tax evasion risk assessment: evasion” offence, applicable to all body corporate and partnerships.	Required as part of a “reasonable procedures” defence against the “failure to prevent	tax
Fraud risk assessment (outward facing):	Required as part of a “reasonable procedures” defence against the “failure to prevent fraud” offence, applicable to <u>large</u> body corporate and partnerships.	
Fraud risk assessment (inward facing): assertions.	Not required. HOWEVER – Without a fraud risk assessment, we can’t rely on the client’s “no fraud this year”	

NO RISK ASSESSMENT – NO AUDIT EVIDENCE

Get in touch



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APP Fraud Update

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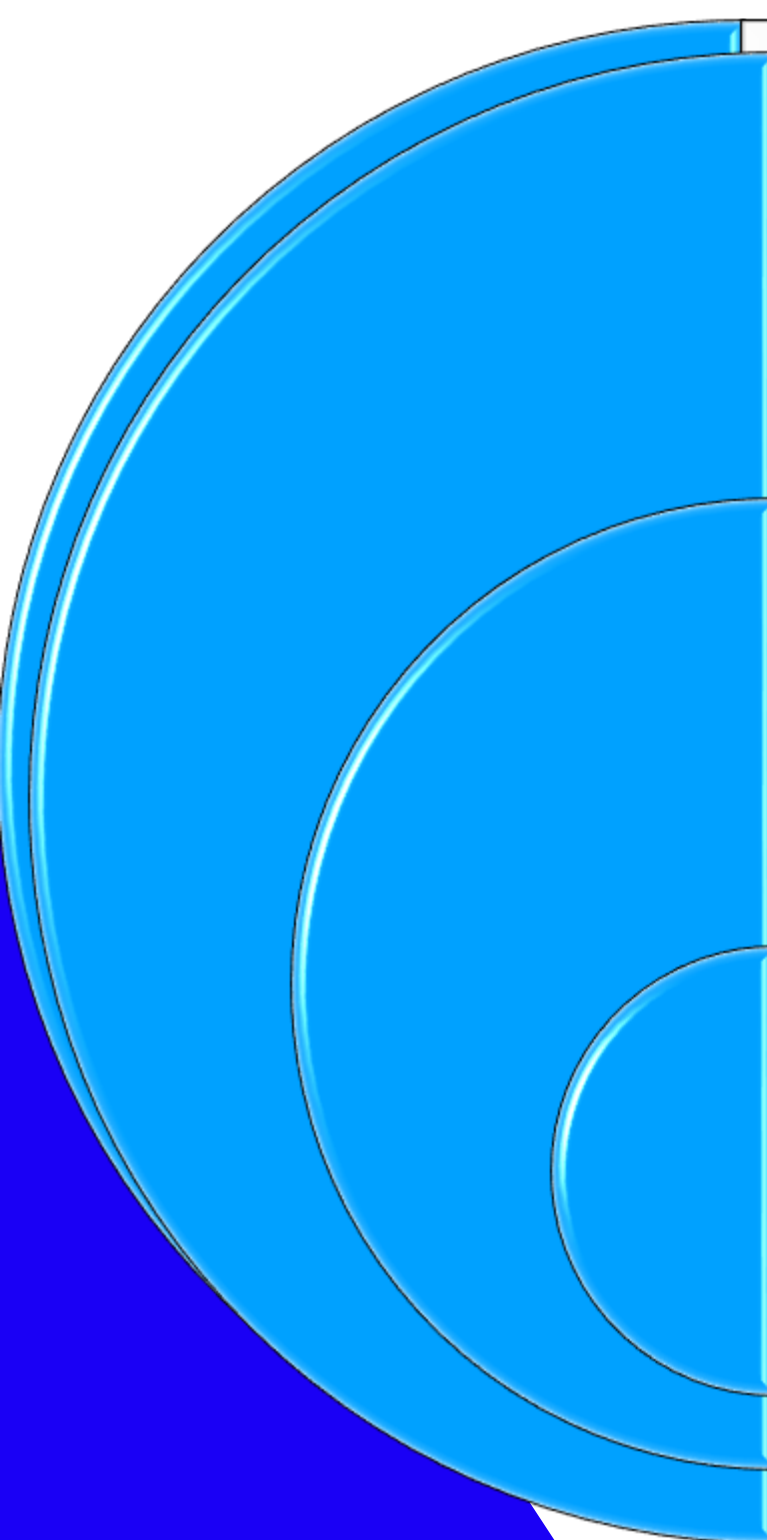
APP Fraud Update

- PSR - *independent* review of the APP fraud reimbursement requirement – Policy effectiveness as focus
- May - Round table at PSR for stakeholder feedback on scope (pre-procurement and Invitation To Tender – Q2)
- Industry feedback and consumer representatives
- Review will commence in Oct 2025

APP Fraud Stats

- **Reimbursement rates high - vulnerable consumers better protected**
 - 86% of money lost to APP scams returned to victims (£27m in first 3 months).
- **Good Collaboration**
 - 86% reported to receiving firm within **2 business hours** of the consumer raising the claim
 - quality of information poor; collaboration is good
 - 84% of claims closed within 5BD
- **Rates of fraud stable**
- **Customer caution**
 - Moral hazard
 - 23% used exception as a reason for rejecting reimbursement
 - 2% of claims

What is In/Out of Scope



Reimbursement Requirement	<ul style="list-style-type: none">• Impact of £85k claim limit
Confirmation of Payee	<ul style="list-style-type: none">• Ongoing compliance costs• Impact of misdirected payments
Balance Scorecard	<ul style="list-style-type: none">• Ongoing compliance costs• Changing anti-fraud investment patterns

Out of scope- RCMS



Why is this important?

- Engagement with financial institutions including PSPs/ EMIs
- Analysis of quantitative and qualitative data – institutions must supply
- Data points unknown
- Questions
 - If/how has the incidence of APP Fraud changed?
 - If/how have outcomes and incentives for consumers changed?
 - Is there emerging evidence of market distortions?
 - Has investment in anti-fraud measures increased?
 - Is there evidence of increased and unnecessary friction?



Likely Timeline

- Engagement in Q3 2025 for members
- Preliminary/interim findings to emerge at the beginning of 2026.
- Final report issued in Q2 2026.

Safeguarding Audits

Panel Discussion



SHAPES FIRST
SHAPING UP FOR THE FUTURE

PROPOSAL

PHASE 1

PHASE 2

Improved books & records	Requirement to maintain a resolution pack	The FCA has stated that, '[we] will update our rules on ... resolution packs requirements to reflect end-state requirements.'
Enhanced monitoring and reporting	<ul style="list-style-type: none">• Safeguarding compliance to be audited annually by an external auditor and submitted to the FCA• Submit to the FCA a monthly safeguarding regulatory return• Have an individual responsible for compliance with safeguarding rules	
Strengthening elements of safeguarding practices	<ul style="list-style-type: none">• Consider whether your approach to safeguarding is appropriately diversified.• Undertake due diligence in the selection of third parties.• Have acknowledgement letters.	<p>Relevant funds must be received into a designated safeguarding account at an approved bank, with a template acknowledgement letter except for funds received through an acquirer or an account used to participate in a payment system.</p> <p>Agents and distributors cannot receive relevant funds unless the principal Payments Firm safeguards the estimated value of funds held by agents and distributors in a designated safeguarding account</p>
Holding funds under a statutory trust		All funds, assets and insurance policies/guarantees used for safeguarding are held on trust in favour of clients.

Introducing AFEP Webinar on 25th June

"Using technology to control compliance costs and reduce compliance risks"

Insights from the AFEP Member Survey



Two Reference Datapoints:

1. It is an increasingly complex regulatory environment

2. The FCA continues to challenge the payments industry



You should ensure that your firm's governance arrangements and systems and controls, including reporting mechanisms, are effective and proportionate to the nature, scale, and complexity of your business, and the risks to which it is exposed.

– FCA Payment Services “Dear CEO” Letter

Survey March 2025:

Why We Did the Survey

The survey looked to understand how AFEP members are managing Compliance challenges, particularly:

- How firms use technology to manage compliance and risk
- Where processes remain manual, creating inefficiency and risk
- Where the main opportunities are to improve compliance management

What Did The Survey Ask?

What
Compliance
processes
are
automated in
the
Payments
industry?

What are the biggest
challenges facing
Payment Services
Compliance teams?

A range of
supporting
data points

What Did The Survey Conclude? (Summary)

If we could summarise the survey “in a nutshell” it would be that there is very strong alignment between:



Firms'
technology
gaps

Firms'
biggest
compliance
challenges

The FCA's
concerns
about the
industry

Applying technology also aligns with the FCA's current internal approach to addressing its own challenges

In Next Week's Webinar, We Will Cover:

**Dig into the
data /
results in
more detail**

**What best
practice
address
these
challenges**

**Provide a
copy of the
detailed
report to
all
attendees**

Webinar 25th June, 10–10:45

***"Using technology to control
Compliance costs and reduce
Compliance risks"***

Insights from the AFEP Member Survey





Ben Mason

Founder & CEO Director



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Thank You



Using behavioural science in pricing transparency

Prepared for AFEP

18 June 2025

Strictly confidential

fairerfinance.com



Creating a fairer financial services market for consumers and the businesses that serve them.

Founded in 2014, Fairer Finance is a research and ratings agency, consultancy, and consumer group with a mission to create a fairer financial services market.

We do this by publishing our unique ratings – and by working with companies who want our help and expertise to do better.

We support insurers, banks, lenders, and asset managers in delivering good outcomes for their customers.



We have advised firms across all FCA-regulated and non-regulated sectors.

We are familiar with how the regulator thinks. Firms come to us with tricky issues that often require our unique combination of skills.

Our multi-disciplinary team includes experts in behavioural science, data science, economics, linguistics, and regulatory compliance.

Agenda

What are the FCA's concerns?

Recapping the core insights of behavioural science

Applying behavioural science to international payment pricing

Please speak up and
contribute throughout!

What are the FCA's concerns?

Why is the FCA focussed on pricing transparency?

- Pricing transparency helps customers shop around for the best product for them, making well-informed decisions.
- Shopping around facilitates well-functioning competitive markets, which leads to better consumer outcomes.
- Well-functioning competitive markets support economic growth.

The FCA found some good practice...

Good practice

Clearly displaying all the following information to consumers before they commit to the transaction:

- The amount being remitted or transferred, in GBP.
- The exchange rate applied.
- Where firms present a conversion rate inclusive of a markup, they clearly explain this to the customer.
- Firms communicate markups above their reference rate as a cost to the consumer.
- Variable fees*.
- Fixed fees per transaction*.
- Total remittance fees, in GBP.
- Amount recipient receives, in local currency.

* Where applicable, intermediary and recipient bank fees are explained

Consumer Duty: International payment pricing transparency – good and poor practice

Good and poor practice | Published: 01/05/2025 | Last updated: 01/05/2025

All the relevant pricing information...

...is clearly displayed...

...at the right point in the journey.

...and some poor practice

Poor practice

- Firms not providing clear and full costs prior to the consumer committing to the transaction.
- Firms not clearly communicating their conversion rate contains a markup on top of the reference rate.
- Unclear communication that the markup is a cost paid by the consumer and retained by the firm.
- Highlighting the absence of a fixed fee as a 'zero cost transaction' despite charging a markup.
- Firms not providing clear disclosure on the overall cost of the transaction, including any markups that may be applied to the exchange rate.
- Firms not proactively informing consumers that intermediary or recipient bank fees may affect the final payment amount, leaving the consumer to discover this after the fees have been incurred.
- Firms displaying good practice pricing information, but with some elements difficult to find. For example, requiring consumers to scroll to the bottom of the landing page or click elsewhere to find information about intermediary or recipient bank fees.

Some costs are not included

Misleading language

Some information is hidden behind extra clicks or scrolls

Core insights of behavioural science

We have cognitive limitations

- We work within cognitive limitations, and ration our scarce cognitive resources carefully.
- We have 'bounded rationality'.
- We rely on emotion and rules of thumb to help us navigate decisions efficiently.
- The context affects our preferences. The 'choice architecture' affects our decisions in predictable ways.
- The impact of the 'choice architecture' on our decisions is foreseeable.
- 'De-biasing' people is hard/impossible.

'There is no such thing as "neutral" design'

Thaler, R. H. and Sunstein, C. R. (2009), 'Nudge: Improving Decisions About Health, Wealth and Happiness'.

We are information foragers

- ‘Information foraging’ is the way we ‘hunt’ for the information we need.
- We often look for information with a certain goal in mind, and information foraging theory helps us understand how we navigate webpages to find what’s relevant to our information goals as quickly as we can.
- We rely on ‘information scents’ to do this: these are the signals that we pick up on while looking for information.
 - Good signalling can look like clear headings, properly labelled hyperlinks, providing sitemaps for websites.

‘a wealth of information creates a poverty of attention, and a need to allocate that attention efficiently...’

Source: Herbert Simon as quoted by Hal Varian, Scientific American, Sept. 1995, p. 200.

We often find numbers difficult

- **56%** of UK working age adults only have the numeracy expected of a primary school child ¹
- **48%** of UK adults cannot correctly interpret news about inflation²
- **35%** of UK adults say that doing maths makes them feel anxious, and **20%** say that maths makes them feel physically sick ³

'I'm not great with numbers [...] there were a few numbers I didn't register - I didn't remember.'

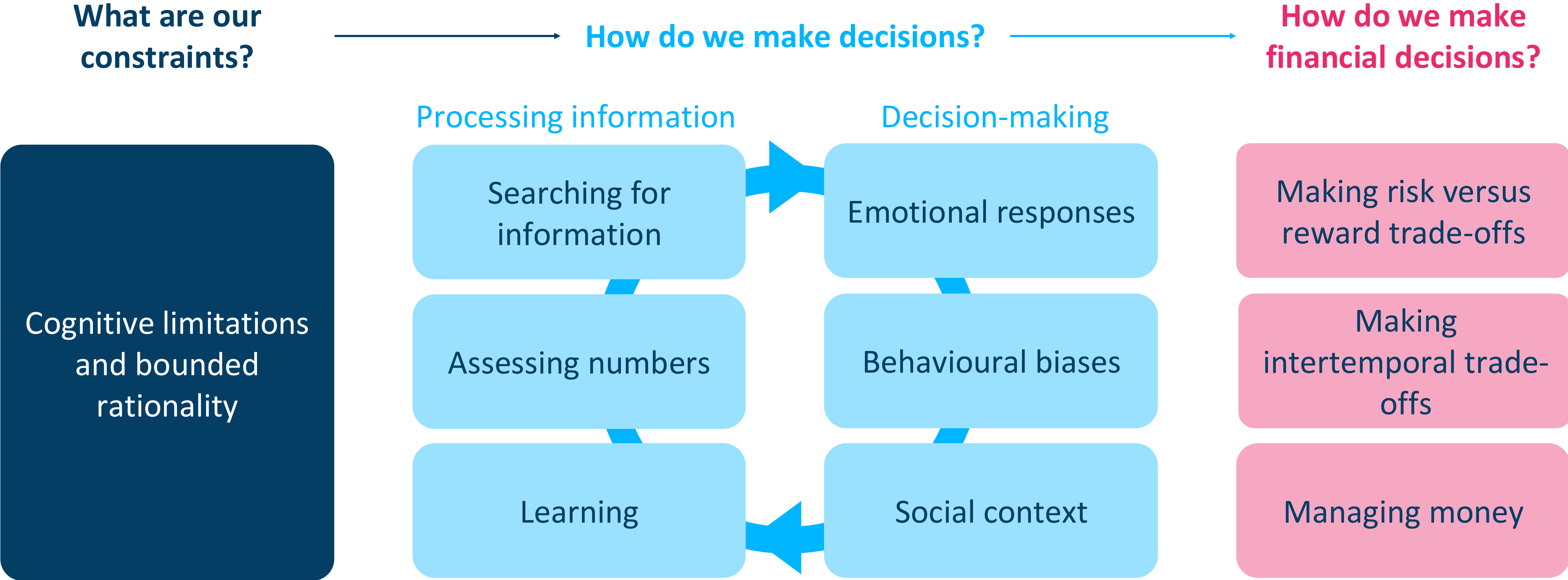
Source: Fairer Finance consumer testing.

Sources:

¹ National Numeracy (2019), '[Numerate nation? What the UK thinks about numbers](#)'. Assessed through asking 2,007 people aged 16-75 five maths questions. For example: 'If a scarf costs £11.70 after a 10% reduction, what was the original price?'

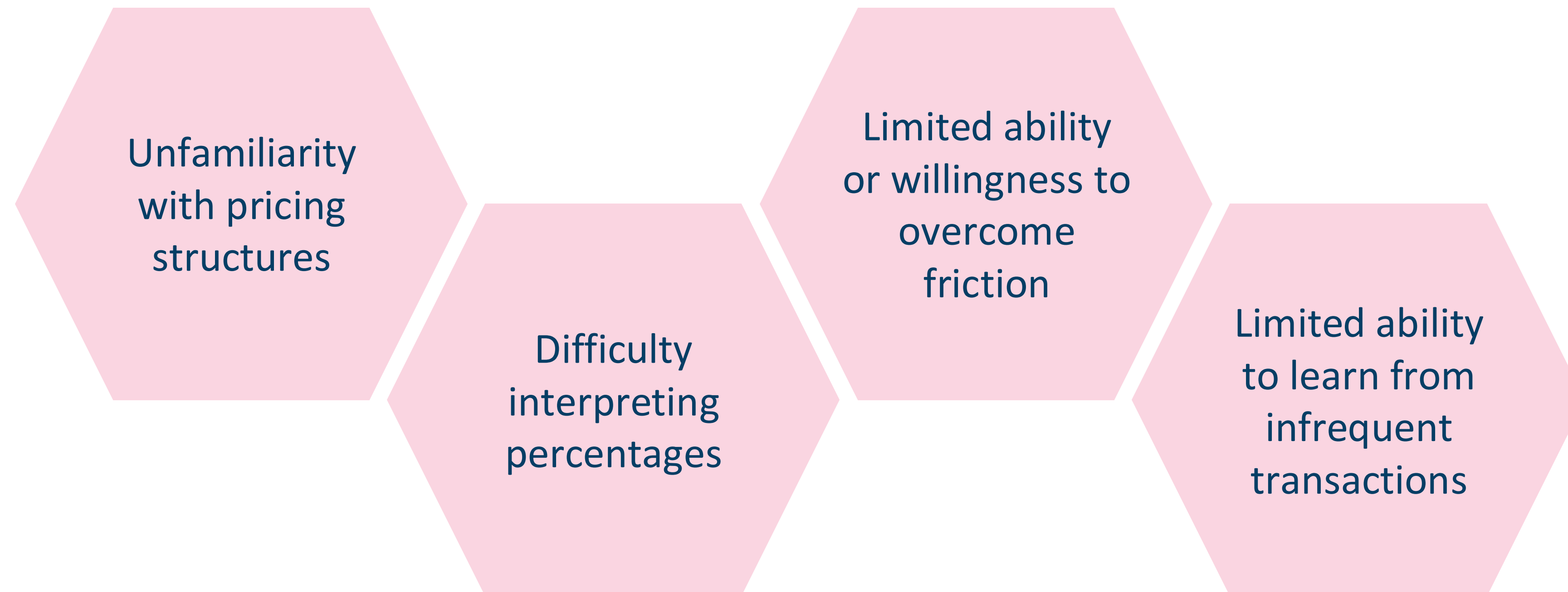
² YouGov (2024), '[How well do Britons understand inflation?](#)', 24 April. Assessed through asking 2,088 adults 'It has recently been announced that the rate of inflation had fallen to 3.2% in March. Which of the following comes closest to what you think this means?', with the correct answer being selecting the option: 'Prices are rising more slowly than they were before March.'

³ National Numeracy (2023), '[A third of adults are nervous about numbers](#)', 16 May. Assessed through asking 3,000 adults how they feel about maths.



Applying behavioural science to international payment pricing

The behavioural context



Helping consumers make well-informed decisions

To what extent do consumers...

engage in the market?

access information?

assess information
correctly?

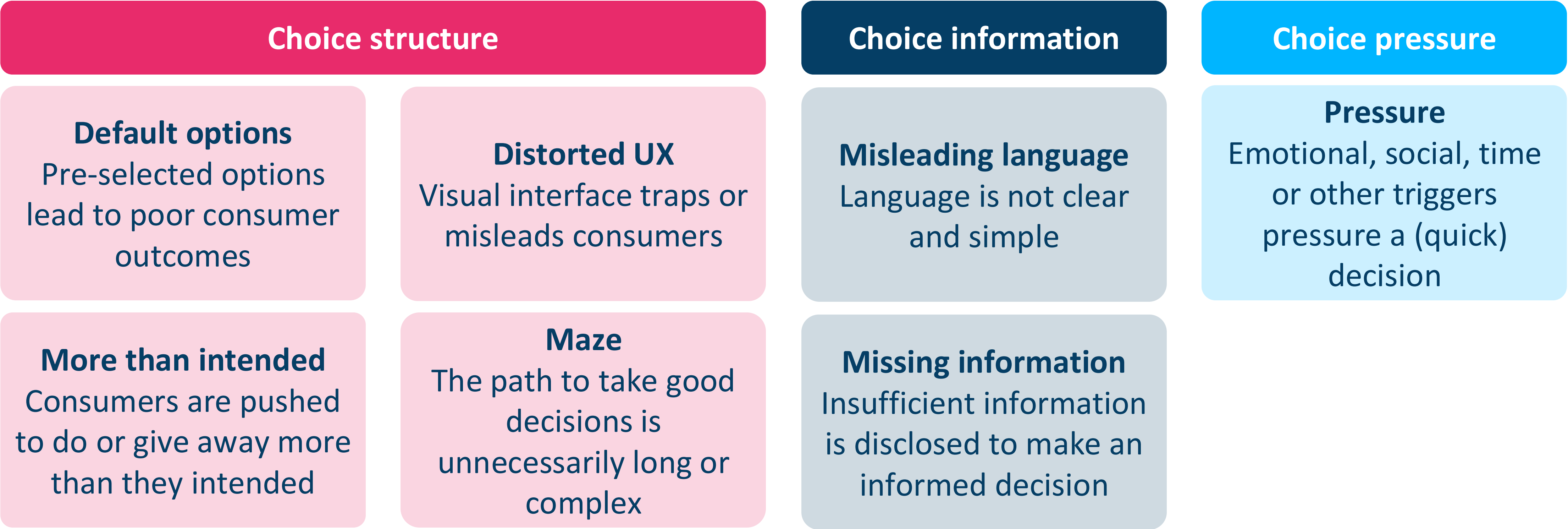
act on the
information?

What are the barriers to
shopping around?

What are the barriers to
understanding the
information that
consumers are provided
with?

Sources: Fairer Finance, FCA and CMA (2018), [‘Helping people get a better deal: Learning lessons about consumer facing remedies’](#), Fletcher, A. (2018), [‘Disclosure and Other Tools for Enhancing Consumer Engagement and Competition’](#), Centre for Competition Policy working paper 18-13. For more see: Hogg, T. (2024), [‘Behavioural science could improve your consumer duty outcomes’](#), FT Adviser, and Hogg, T. (2024), [‘The science of a question: Using behavioural science for better disclosures’](#), Cover Magazine.

Avoiding deceptive patterns




Sources: Fairer Finance, Competition and Markets Authority (2022), ‘Online Choice Architecture - How digital design can harm competition and consumers - discussion paper’, Potel-Saville, M. and M. Francois (2023), ‘From Dark Patterns to Fair Patterns? Usable Taxonomy to Contribute Solving the Issue with Countermeasures’, conference paper. See also: McGrady, E. (2024), ‘Traps in the digital landscape – who is more at risk?’.

- **Display the total received without any unnecessary friction**
 - Do not require consumers to create an account to see the full pricing
- **Use clear and unambiguous language**
 - Avoid misleading claims such as ‘no commission’
 - Help consumers understand that the cost they pay is not just a £ fee, but also a mark-up on the rate
- **If making a price comparison on your website, ensure it is transparent, accurate, and up-to-date**

Case studies for discussion (I)

You send

1000

 GBP

Or select an amount


£200

£500

£1,000

They receive

1,338.80

 USD

Special rate

1 GBP = 1.3388 USD

Fee

1.99 GBP




Discount

-1.99 GBP

Total cost

1,000.00 GBP

Get this rate


  

and more


Source: Remitly.

You send

£1,000

 GBP


– £1.50

 Bank transfer fees

= £998.5


Amount you'll convert

× 1.35039

 Exchange rate

Recipient gets

\$1,348.36

 USD

You'll save up to \$47.96 compared to other providers

→

Send money


⚡ Should arrive by today

Source: Revolut.

Case studies for discussion (II)


You send

£ 10,000.00

 GBP

Recipient gets

\$ 13,505.00

 USD

1 GBP = 1.3509 USD

4.00 USD fee included


Recipient gets \$ 357.39 more when compared to a typical bank

Get started now

Source: CurrencyFair.

You send


1000

 GBP

1 GBP = 1.3415 USD

They get

1341.48

 USD

Receive method

Bank Transfer

Fee

1.99 GBP

Transfer time

Within 3 working days

Total to pay

1001.99 GBP

Send Money


Source: WorldRemit.

Case studies for discussion (III)


YOU SEND

GBP


1000




THEY RECEIVE

USD 

1339.65



- ☒ SWIFT payment
 - Sent from you with your reference
 - Proof of payment available
 - Recommended when paying a bill
- ☐ Low cost payment

Summary:	
0.4% transfer fee	£4.00
Delivery fee	£5.50
Conversion amount	£990.50
Exchange rate 	1.3525
Total received:	\$1339.65


Source: Starling Bank.

Source: Revolut.


Case studies for discussion (IV)

Send money online

- Enjoy fee-free* transfers to bank accounts in select countries
- Transfer money for a £1.90 flat transfer fee – with cash pick-up available within minutes**



Where are you sending money to?

 United States

Send amount


1000

GBP

They receive as ? You pay by ?

Bank account

Bank Transfer

Recipient will receive:  **1339 USD**

Exchange rate: ? 1 GBP → 1.34 USD

Transfer fee: ?

Delivery time: ? 1 working days

Get started >


The rates shown on the widget are indicative only. Please review applicable information about material conditions, restrictions and limitations which is available after you Get Started.

Source: Post Office / Western Union.


Case studies for discussion (V)

Send money online with Western Union

Your receiver's country and send amount

 Send to
United States

Q

 We send over 300,000 online money transfers to United States every month.

Send amount
1000.00

GBP

⇌

Receiver gets
1346.41

USD

Send up to 4,000.00 GBP

1.00 GBP = 1.3464 US Dollar (USD)²

Exchange rate varies with delivery and payment method. [Details](#)

Summary

Exchange Rate²

1.00 GBP = 1.3464 USD

Transfer amount	1,000.00 GBP
Transfer fee ²	+ 0.00 GBP
Transfer total	1,000.00 GBP
Total Receiver gets	1,346.41 USD
Delivery time: ^{1,8}	1 Business days

Source: Western Union.

Case studies for discussion (VI)

Example transaction

The exchange rate and figures here are only an example.

You send \$100 to a foreign bank account.

Nationwide uses a third party to convert pound sterling into dollars using an exchange rate of: \$1 = £0.8392.

This exchange rate includes a currency conversion mark-up of 2.2%. For \$100, this mark-up equals £1.81.

The mark-up amount and calculation will not appear on your statement as it is included in the exchange rate.

The amount of pound sterling converted is £83.92.

A £15 SWIFT transaction charge is applied.

The total amount taken from your Nationwide account is £98.92.

If you choose to send your payment in pound sterling the receiving foreign bank will convert the currency. They will use their own exchange rate and may apply their own charges to the transaction.

Source: Nationwide Building Society.

Select Sterling or Euro and enter the amount you wish to send.

Select currency to enter amount:

☒ Enter amount in Sterling

☐ Enter amount in Euro

Amount:

Convert

Conversion amount:

€ 1,146.10

Current Exchange rate:

£1 buys €1.15

€1 buys £0.87

1.1461

Total currency conversion charge:

£22.00

Nationwide Transaction Fee:

£0.00

Total amount of the payment in Sterling:

£1,000.00


Convert between Sterling and Euro

The current Nationwide Euro exchange rate that will be applied to your Sepa payment.

The exchange rate above includes a currency conversion mark-up of 2.2%. This is added by the third party provider that's processing the currency conversion. Nationwide receives a share of this mark-up.

This will be the total amount that will be debited from your account. This includes any applicable Nationwide transaction fees and currency conversion charges. You may be able to find a comparable service cheaper elsewhere.

Source: Nationwide Building Society.

 Fairer Finance

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THE COMMON REPORTING STANDARDS (“CRS”) *AND* THE UPCOMING CHANGES TO ITS SCOPE

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CreedSolicitors



OVERVIEW OF THE CRS

Purpose is to limit international tax evasion.

“Financial Institutions” have to report to HMRC the balance of accounts they hold for:

- **non-UK residents; and**
- **UK entities whose income is mostly passive and who have UBOs which are resident outside of the UK.**



CHANGES TO THE SCOPE

The scope of persons which have to report to HMRC is widening to include (amongst other things)...

“entities which hold a Specified Electronic Money Product”





WHAT IS A “SPECIFIED ELECTRONIC MONEY PRODUCT”

For a product to be deemed to be a *Specified Electronic Money Product* it needs to be:

- a digital representation of a single fiat currency that:
 - is issued on receipt of funds for the purpose of making payment transactions,
 - is represented by a claim on the issuer denominated in the same fiat currency,
 - is accepted by a natural or legal person other than the issuer; and
 - is , by virtue of regulatory requirements to which the issuer is subject, redeemable at par for the same fiat currency upon request of the holder of the product; and
- not fall within the Carve Out

WHO IS NOW IN SCOPE?



COULD AN EMI HOLD A SPECIFIED ELECTRONIC MONEY PRODUCT?

Definition of electronic money in Electronic Money Regulations 2011:

“electronically (including magnetically) stored monetary value as represented by a claim on the electronic money issuer which—
(a) is issued on receipt of funds for the purpose of making payment transactions;
(b) is accepted by a person other than the electronic money issuer; and
(c) is not excluded by regulation 3;



CAN AN EMI BE IN SCOPE?

Regulation 39 of Electronic Money Regulations 2011:

39. An electronic money issuer must—
(a) on receipt of funds, issue without delay electronic money at par value; and
(b) at the request of the electronic money holder, redeem—
(i) at any time; and
(ii) at par value,
the monetary value of the electronic money held.



COULD AN EMI HOLD A SPECIFIED ELECTRONIC MONEY PRODUCT?

- the sole purpose of the specified electronic money product is transferring funds from a customer to another person
- if funds held for more than 60 days then cannot fall within this carve out

If want to utilise this carve out then include this cap within terms and have procedures in case you are not given a payment instruction within 60 days

COULD AN API HOLD A SPECIFIED ELECTRONIC MONEY PRODUCT?

For a product to be deemed to be a *Specified Electronic Money Product* it needs to be:

- a digital representation of a single fiat currency that:
 - is issued on receipt of funds for the purpose of making payment transactions,
 - is represented by a claim on the issuer denominated in the same fiat currency,
 - is accepted by a natural or legal person other than the issuer; and
 - is , by virtue of regulatory requirements to which the issuer is subject, redeemable at par for the same fiat currency upon request of the holder of the product; and
- not fall within the Carve Out





COULD AN API HOLD A SPECIFIED ELECTRONIC MONEY PRODUCT?

Requirements for SEMP	APIs
Digital representation of a single fiat currency	If you have an online platform, the money your customer sees on the online platform could be a digital representation of a single fiat currency
Issued on receipt of funds for the purpose of making payment transactions	Money on payment account has to be accompanied by a payment order
Represented by a claim on the authorised payment institution denominated in the same fiat currency	If an API suffers an insolvency event or refuses to make a payment for a customer, then the customer has a claim against the PSP

COULD AN API HOLD A SPECIFIED ELECTRONIC MONEY PRODUCT?

Requirements for SEMP	APIs
Accepted by a natural or legal person other than the issuer	Customer is able to pay money from their payment account with the API to the payment account that another customer has with the API (no limited network exemption in the common reporting standards)
By virtue of regulatory requirements to which the Authorised Payment Institution is subject, are redeemable at par for the same fiat currency upon request of the holder of the product.	Whilst there is no equivalent of regulation 39 of the EMRs 2011 in the Payment Services Regulations, APIs are obliged to send money back to the client upon receipt of a payment order so this could potentially be satisfied.
Fall within the Carve Out?	If customers can hold money in payment account for more than 60 days then they won't 'fall within carve out.

OBLIGATIONS IF YOU FALL WITHIN SCOPE

Have to provide an annual report to HMRC on Reportable Accounts which you hold

Reportable accounts are accounts:

- **held by overseas persons (i.e. person resident outside of UK); or**
- **held by companies where more than 50% of their income is passive, with one or more UBOs who are overseas person; and**
- **which pass the de minimus threshold**



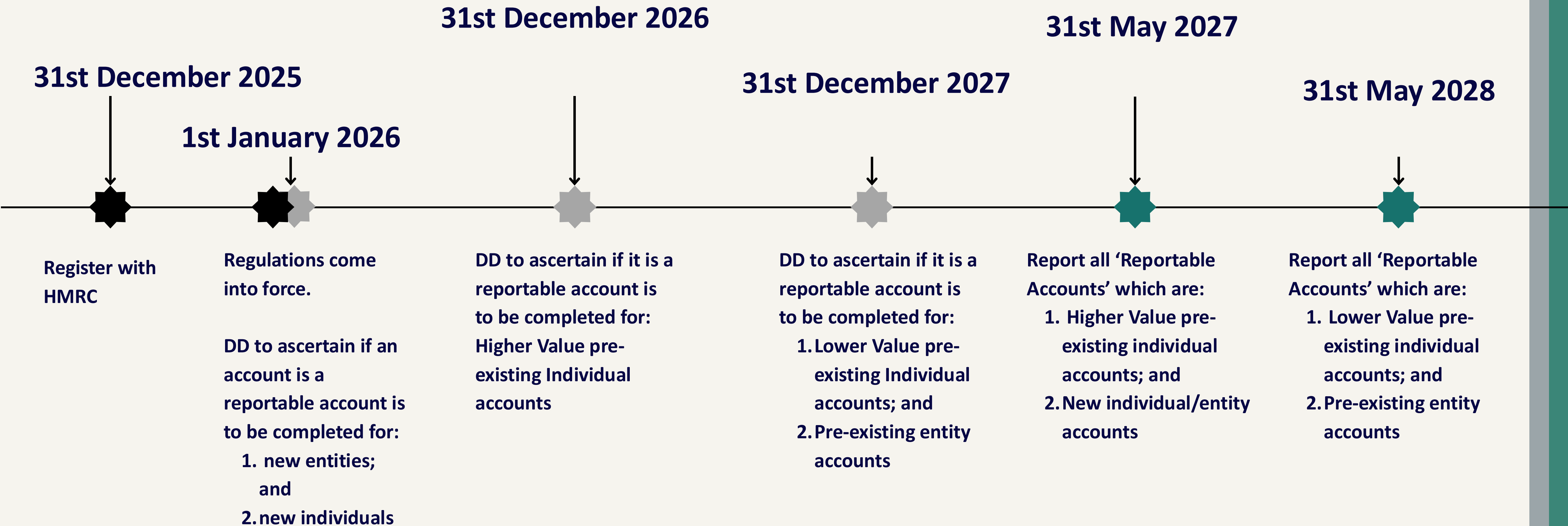
DUE DILIGENCE OBLIGATIONS

You have to:

- **carry out due diligence on accounts that you hold as of end of December 2025 to ascertain whether they are reportable accounts;**
- **set up new onboarding procedures to ensure that you collect all of the information you require for accounts opened after 31 December 2025**



TIMELINE: DD AND AND REPORTING



• Electronic Money Association: 3 years to build system and for operational changes to be introduced

ACTION POINTS

1. Ascertain if you fall within scope
2. If you don't fall within scope, get sign-off from the board
3. If you do fall within scope, find out if there is a change you could make to your business model to fall outside of scope
4. If you do fall within scope, but change not practical:
 - a. find out exactly what you need to do
 - b. start off by registering with HMRC

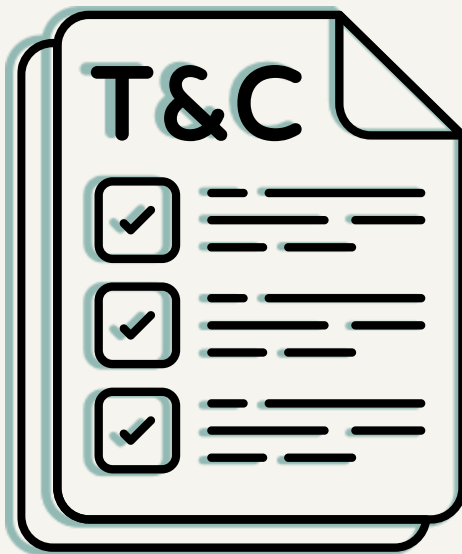


WHAT WE CAN DO FOR YOU

Email: richard.creed@creedsolicitors.com



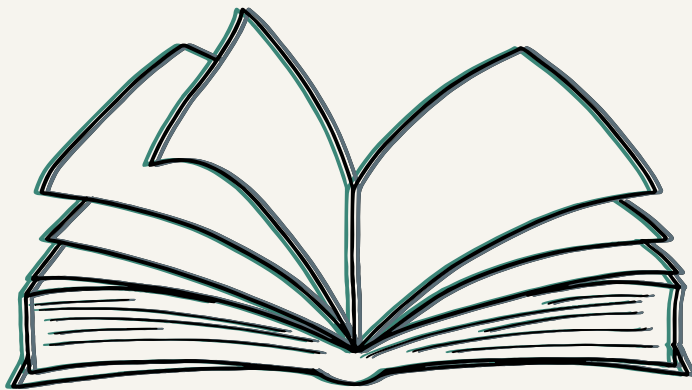
Talk to us



Terms and Conditions



A Legal Opinion



CRS guidance



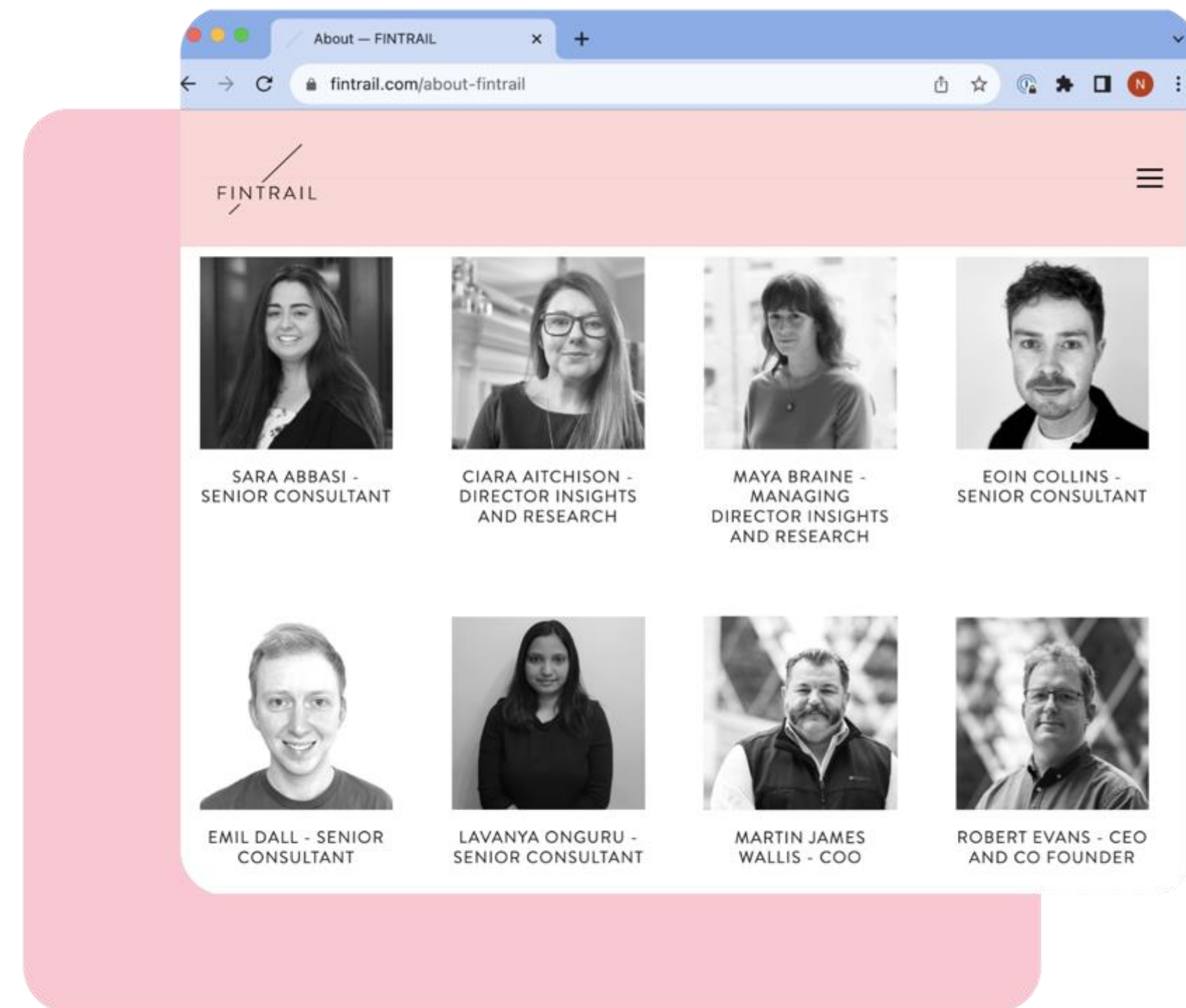
FINTRAIL

James Nurse

Influencing Financial Crime

Who is FINTRAIL?

We're a global consultancy here to help companies manage their exposure to financial crime risk and maintain regulatory compliance.



Agenda

1

What do we need to say 'Yes'?

2

What are the tools to say 'Yes'?

3

Key Takeaways and Q&A

Presenters



James Nurse

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Colin Darby

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What do we need to say 'Yes'

Risk-Based Decisioning

Decision Making

Decision	Status
Legal	Yes
Product	Yes
Operations	Yes
Compliance	No

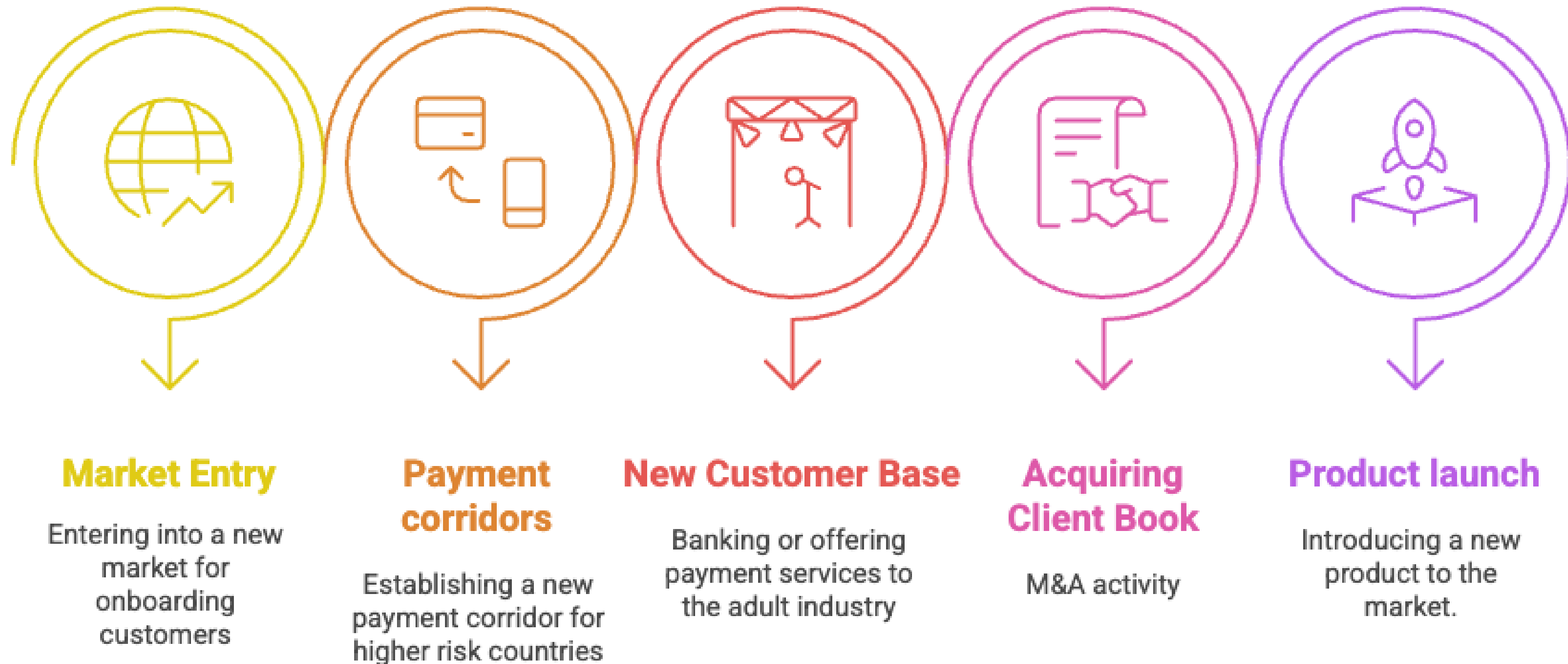
Generally speaking, there are likely only a few opportunities which would result in a no.

Often the answer more often than not should be:

- Yes
- Yes but
- Alternatively

Compliance should be looking to enable to business by assisting them explore new opportunities

What are the Opportunities?



Risk Mitigation / Regulatory Compliance

Whats the difference?

When we think about high risk opportunities, the key questions will be:

1. What do we need to do to meet our regulatory requirements
2. What additional risks does this expose us to?



Regulatory Compliance

Regulatory compliance is the process of ensuring that a regulated entity is able to demonstrate that it meets all the local or international regulations that are applicable to it.

Risk Mitigation

Being regulatory compliant does not necessarily mean you will adequately reduce your compliance risk. There are additional risks to which a business could be exposed which are not covered by regulations.

Compliance as a Business Enabler

Considerations for the business:

1. Build out a transparent and open dialogue with Compliance to discuss issues and where you foresee concerns. Work through potential obstacles together.
1. Working to common goals is part of a successful compliance culture – working collaboratively to create effective and innovative risk solutions which reduce friction.
1. Knowledge sharing with Compliance is the best way for them to be effective in helping them understand the products and be part of the creative process.

“

‘By having the risk and compliance officer as part of that development team, you get a lot of pressing compliance issues built into the product. I think that is extraordinarily powerful. Mutual education builds relationships and trust.’

‘We in compliance see our objectives as broader than just risk and the business units see their obligations as broader than just more business because they want to do business the right way. So there is common ground and we make each other better.’

‘We believe we are both innovative and compliant and sometimes we’re innovative about how we were compliant.’

Aaron Karczmar – EVP, Risk, Platform Services and Legal – Paypal

Reframing the Discussion

What not to say	How to reframe
'Compliance does not matter'	'How can we protect our customers and business from unnecessary risk'
'Let's proceed with the product, we have a high risk appetite'	'Let's understand how this impacts our risk profile.'
'Implementing controls will disrupt the customer journey'	'How can we implement this control in an efficient way to improve the customer experience?'

What do we need to say 'Yes'?

- ✓ **Early engagement** is key! Do not wait until product launch.
- ✓ Your Compliance team will always be willing to talk through new ideas or concepts, **don't be afraid to ask**.
- ✓ **Understand** who your **Compliance contacts** are and at what points you should engage with them.
- ✓ **Ask questions** if you do not understand any **technical jargon**. They are the experts and will know the answer.
- ✓ Collaboration is the at the heart of success! **Schedule regular product risk assessment sessions** to discuss new products and update on ongoing activities.
- ✓ The **more information** that is shared with Compliance about your aspirations the better
- ✓ **Be mindful** Compliance will not know the details you do – help them understand your products and future plans.

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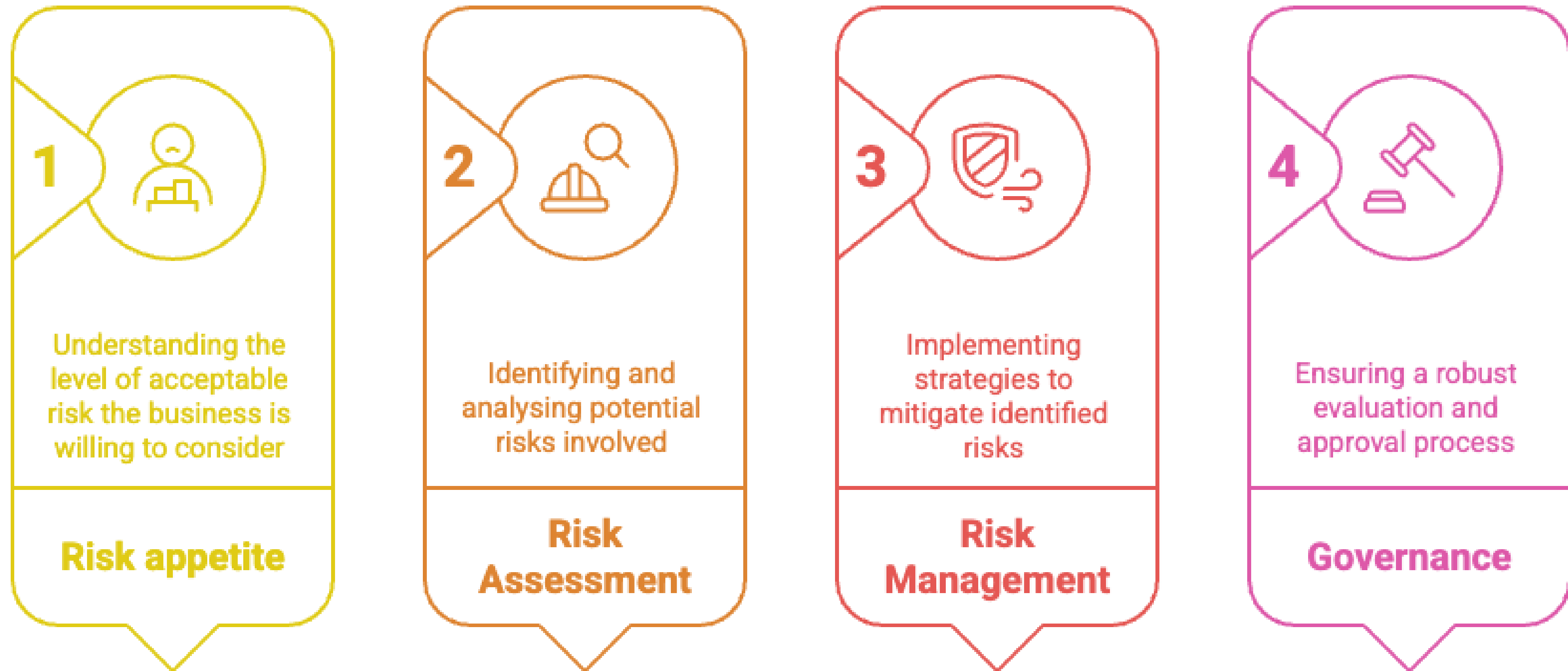
Using risk as a catalyst for candid discussions about how to get to “yes” can strengthen project pipelines and identify emerging opportunities –

Spyro Karaetos, CRO – Google

What are the tools to say 'Yes'?

What are the tools to say 'Yes'?

To get compliance and the business on the same page with risk, and to ultimately move towards a yes, there are four tools at our disposal



Risk Appetite

Risk appetite is an organisation's willingness via a conscious decision to **accept** or **manage** certain FinCrime risks as part of its business strategy.

Common misconceptions:

- You cannot operate outside of risk appetite
- Risk appetite is there to restrict business opportunities
- Compliance owns the risk appetite

With a robust but flexible risk appetite process, a business will be able to easily decline non-commercial opportunities and logically chase commercially viable ones in a compliant manner.

Overarching Tolerance

A financial institution should have an overarching understanding of its tolerance for financial crime, including money laundering, fraud, terrorist financing and sanctions evasion.

Create set of circumstances / statements

The second step is to establish circumstances where the financial institution has chosen to reject a risk outright, through the establishment of prohibited relationships (e.g. deciding that customers residing in a high risk country will not be permitted to open accounts)

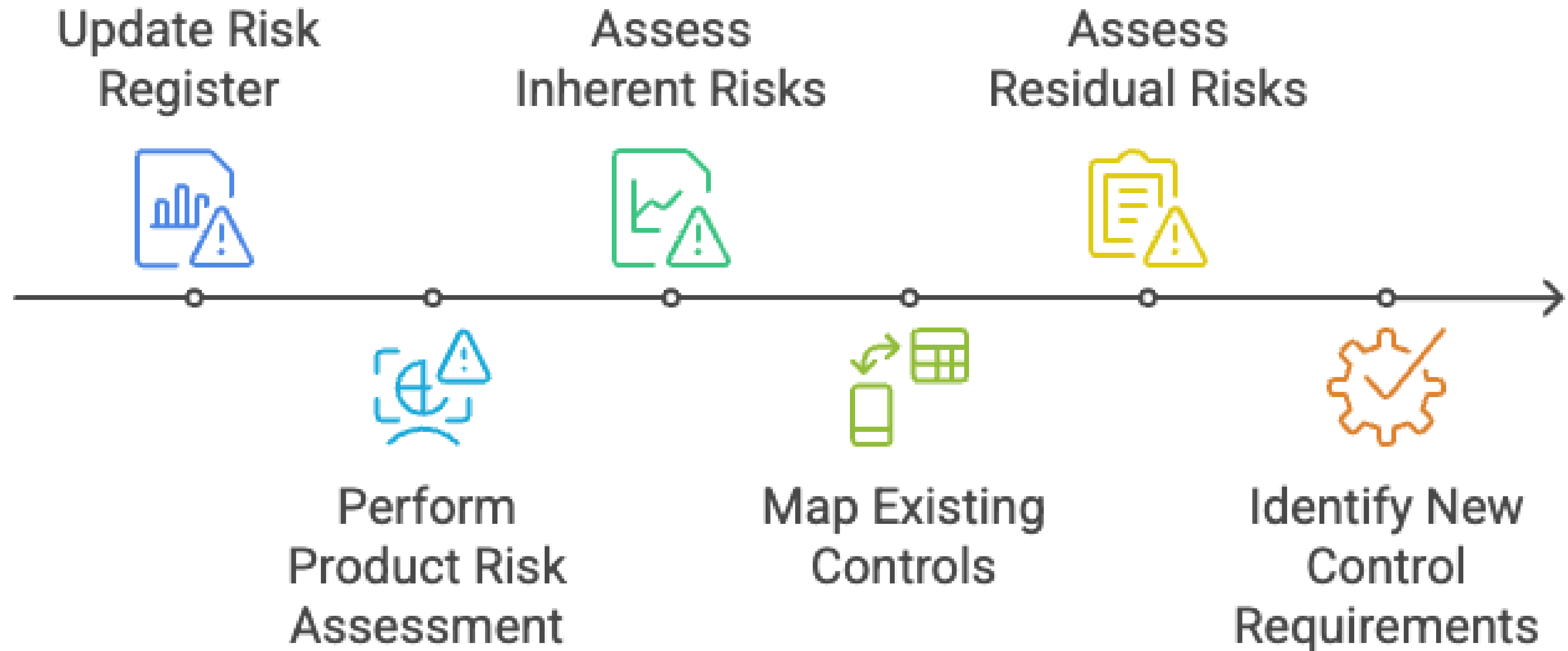
Create thresholds

The final is to set operational thresholds that provide a more granular understanding of risk appetite, so that everyone within the firm understands what level of risk is acceptable, what needs to be done to prevent the acceptable threshold being surpassed and what should happen if risk goes outside of the set threshold.

Key Risk Indicators

Using the thresholds created, create key risk indicators to monitor whether the business is operating within their risk appetite.

Risk Assessments



Risk Management

Compliance does not own the risk, it is the business' responsibility to own the risk.

Compliance Role:

- Making recommendations to the business
- Provide objective challenge
- Assist in collective decision making

Business Role:

- Take ownership of the risk and final decision
- Provide resource to mitigate



Governance – Approval Process

Why is it important to have an approval process?

- ✓ Ensures the business stays within risk appetite
- ✓ Ensures risks have been proportionately mitigated
- ✓ Ensures new products or services become part of AFC BAU
- ✓ Ensures compliance with applicable regulations

AFC Approval Checklist

Controls Implemented

Risk Assessment

- ✓ Risks Identified
- ✓ Risks Assessed
- ✓ Reviewed by Risk Committee

Documentation

- ✓ Risk appetite amended
- ✓ Policy updated

Onboarding

- ✓ CDD
- ✓ CRA
- ✓ Sanctions screening

Customer Monitoring

- ✓ New transaction monitoring scenarios

Ongoing Management

Implemented

- ✓ Compliance Monitoring
- ✓ Training

Approval

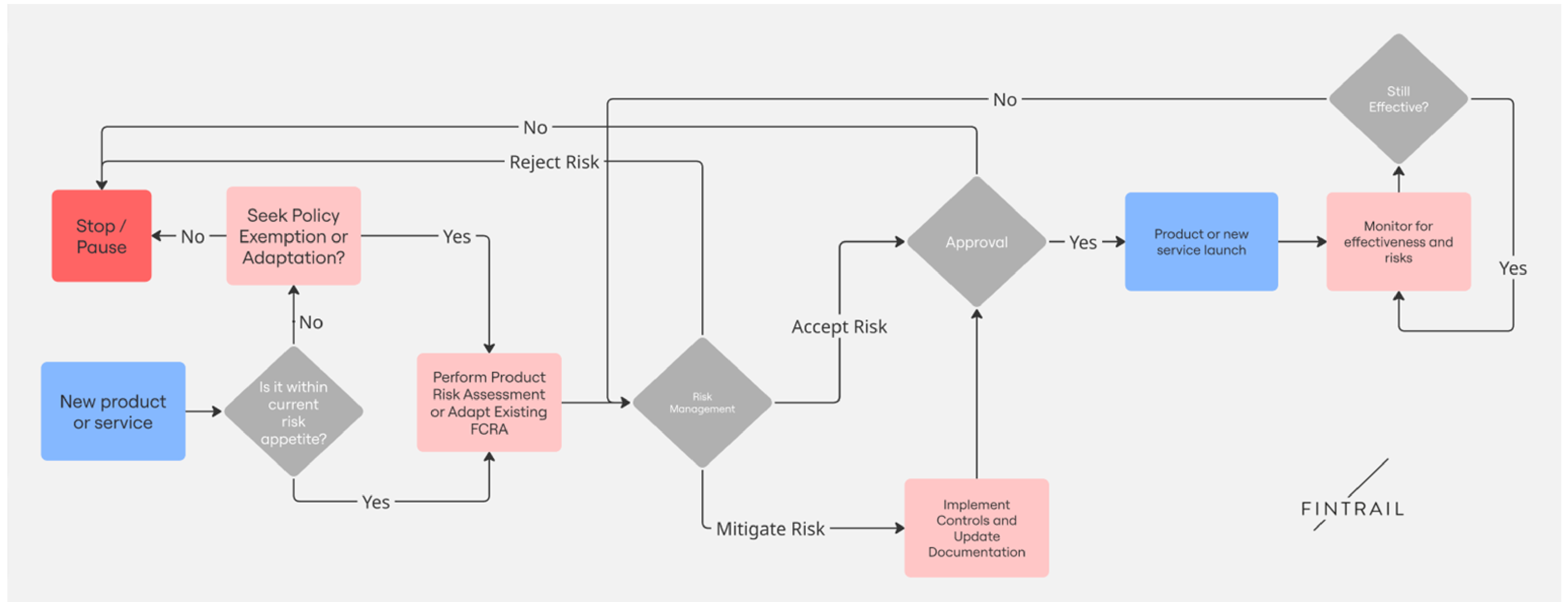
- ✓ 1LOD
- ✓ 2LOD
- ✓ MLRO / Head of Compliance

James Nurse

18/06/2025



The Bigger Picture



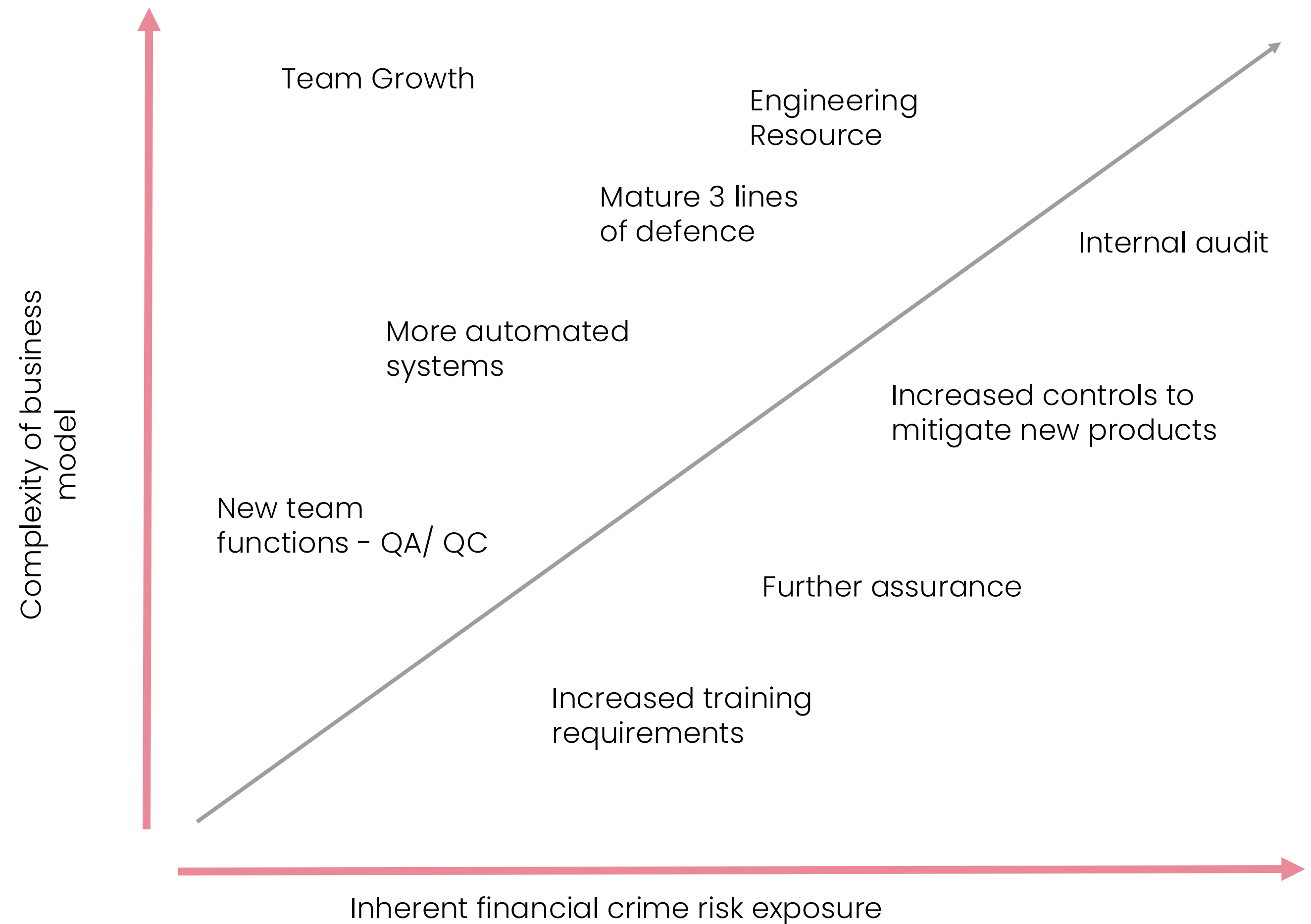
Maturity

Complexity of business model:

- Onboarding new types of customers
- Onboarding more customers at an increased scale
- Entering new markets
- Offering new financial products

Inherent financial crime risk exposure:

- Lack of operational resilience
- Immature control framework
- New emerging financial crime risks
- Increased regulatory scrutiny



Case Study and Take Aways

Case Studies

FinTech 1 - Syria as a Payment Corridor

- Payments business wanted to explore whether they could begin processing transactions to Syria
- Certain sanctions measures have been in Syria
- Whilst financial sanctions have been lifted, certain trade sanctions remain alongside designations of 302 individuals and 50 entities
- ✓ **Action** - Performed a research opinion which mapped sanctions status, risks and any controls needed as an action plan.

FinTech 2 - Servicing the Adult and Entertainment Sector

- Merchant acquirer looking to provide card acquiring for certain adult services and products
- The industry risks include human trafficking, sexual exploitation and illegal content
- There is a key difference within the industry between high-profile brands and smaller ones
- ✓ **Action** - Performed a product risk assessment, outlined a specific risk appetite for commercial teams and adapted the onboarding journey

Takeaways

Here are some of our key takeaways

- **Risk** – Collectively own the risk
- **Interaction** – Early interaction between compliance and the business
- **Tools** – Use the tools at your disposal
- **Proportionality** – Apply those tools proportionately
- **Document** – Document your decisions

Any questions?



Thank you

Get in touch: contact@fintrail.com

Dates for your Diary

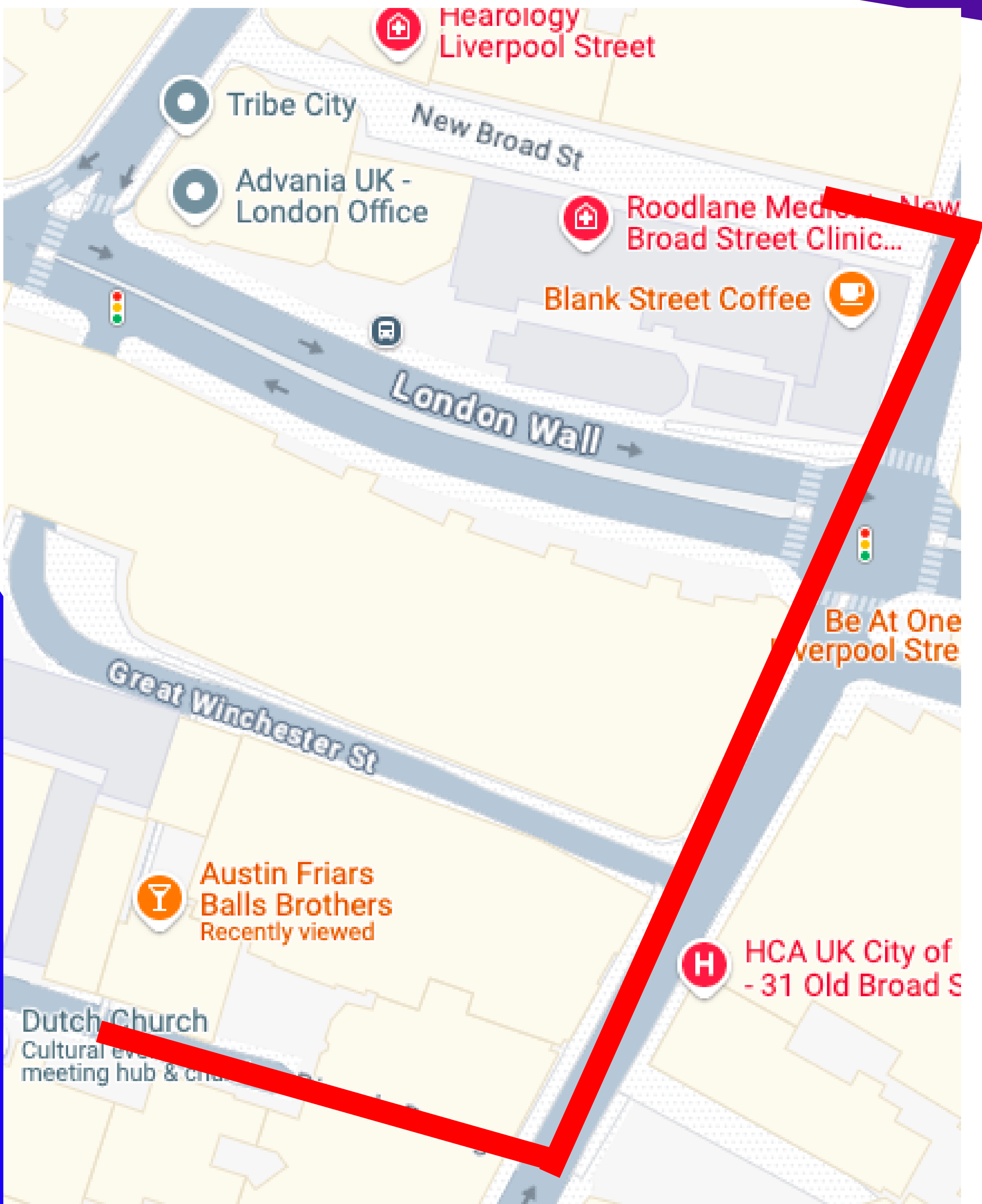
Strategic Conference

Wednesday 24th September – London Stock Exchange

End of Year update and Social

Thursday 4th December





Austin Friars Balls Brothers

10-11 Austin Friars, London EC2N 2HG





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