REGULATORY UPDATE

TRAVERS SMITH

End of Summer 2025 Postcard

Fintech, Market Infrastructure and Payments

4 September 2025

If summer is meant to be a time for rest and relaxation, it seems that the UK legislators and regulators in the world of fintech, market infrastructure and payments didn't receive the memo. The end of spring saw a plethora of key publications on proposals for the UK's new cryptoasset regulatory regime. Digesting and responding to those undoubtedly took a considerable chunk out of the earlier summer months for many. Then, as the weather grew steadily warmer, the UK government also turned up the heat with a range of announcements timed to coincide with the Chancellor's Mansion House speech, including some critical developments in payments regulation and affirmation of the UK's long-term goals in the digitisation of financial markets. Not to be outdone, the Bank of England followed suit with its finalised Fundamental Rules for financial market infrastructures and reforms to the onshored UK EMIR framework. However, the FCA had the last word in late summer, setting out its final rules on safeguarding for payments and e-money firms, as well as articulating its future plans for open banking.

If just rehearsing all of that leaves you feeling exhausted, now might be a good time to plan how to expend any remaining energy in the run up to year-end. Still, at least there are only 16 weeks until Christmas, although based on the FCA's Crypto Roadmap, we might receive a few additional gifts before the year is over...

In this FMIP End of Summer 2025 Postcard, we outline the key issues that might benefit from your attention during the remaining months of 2025, along with some high-level action points for you to consider.

CONTENTS

1 Bank of England's new Fundamental Rules for Financial Market Infrastructures (FMIs)

Key action points starting from Q4 2025

- In-scope FMIs must implement the Fundamental Rules by **18 July 2026**
- This will require careful consideration of the way that FMIs have **reviewed and documented a range of their governance, risk management and other policies and processes** in order to be able to demonstrate compliance

On 18 July 2025, the Bank of England published its policy statement following its earlier consultation on its Fundamental Rules for FMIs, alongside (critically) a Supervisory Statement (**SS**) and the legal instruments enacting the Fundamental Rules. For recognised UK central counterparties (**CCPs**) and recognised UK central securities depositories (**CSDs**), this was done through the Bank of England's powers to promulgate its FMI Rulebook under the Financial Services and Markets Act (**FSMA**) 2000 (as amended by FSMA 2023). For UK recognised payment systems operators (**RPSOs**), which are not operated by a recognised CCP or a recognised CSD, and for UK specified service providers (**SSPs**), the Fundamental Rules are implemented as a Code of Practice using powers in the Banking Act 2009.

Third-country CSDs and systemic overseas CCPs are not currently in scope but, should HM Treasury empower the Bank of England to extend the scope, the implication is that such an extension would take place (albeit presumably with consultation).

The Fundamental Rules have been adopted essentially unchanged from the consultation:

- Fundamental Rule 1 – An FMI must conduct its business with integrity.
- Fundamental Rule 2 – An FMI must conduct its business with due skill, care and diligence.
- Fundamental Rule 3 – An FMI must act in a prudent manner.
- Fundamental Rule 4 – An FMI must maintain sufficient financial resources.
- Fundamental Rule 5 – An FMI must have effective risk strategies and risk management systems.
- Fundamental Rule 6 – An FMI must organise and control its affairs responsibly and effectively.
- Fundamental Rule 7 – An FMI must deal with its regulators in an open and co-operative way and must disclose to the Bank appropriately anything relating to the FMI of which the Bank would reasonably expect notice.
- Fundamental Rule 8 – An FMI must prepare for resolution or administration so, if the need arises, it can be resolved or placed into administration in an orderly manner with a minimum disruption to critical services.
- Fundamental Rule 9 – An FMI must maintain sufficient operational resilience.
- Fundamental Rule 10 – An FMI must identify, assess and manage the risks that its operations could pose to the stability of the financial system.

The SS provides useful (in some places more than others) guidance on the Bank of England's expectations in various areas. This is notable in the context of Fundamental Rule 10, which prompted the greatest number of questions from respondents to the consultation. In particular, the SS explains that Fundamental Rule 10 is designed to force FMIs to think about the ecosystem-level risks that could be impacted by its decisions. In practice, this appears to require a three-stage thought process:

- **Identify**: meaning "be aware of the risks their operations may pose".
- **Assess**: meaning "understand these risks and their possible effects".
- **Manage**: meaning "be able to deal with these effects".

We have labelled this the "**I AM** an FMI" construct for ease of reference, and it should be borne in mind that this consideration should include inaction as well as positive steps. The Bank has clarified that it does not expect an FMI to take any action which would place the FMI's own resilience at risk. In interpreting Fundamental Rule 10, UK FMIs should also consider the nature of their business as it applies to cross-border activities.

The Bank of England notes in respect of several areas that the Fundamental Rules are meant to consolidate and, perhaps, codify existing regulatory requirements and expectations. However, given that the industry advocated a (considerably) longer implementation period than originally proposed by the Bank of England, in-scope FMIs should assume that rigorous supervision of the implementation will take place after the 18 July 2026 deadline.

2 Next steps for the implementation of the National Payments Vision

Key action points starting from Q4 2025

- Interested PSPs should give serious consideration to whether they wish to seek to **have a representative on the Retail Payments Infrastructure Board** following the Bank of England's expected call for members in **September 2025**
- Respond to the HM Treasury consultation on consolidating the PSR into the FCA, expected **this month**
- Consider and decide whether to respond in some way to the Payments Vision Delivery Committee's **strategy for retail payments infrastructure** to be published probably **in November 2025**
- Consider and look to embed the **Payments Forward Plan**, expected to be published **in December 2025 – a timely Christmas present!**

Radical new steps for next-generation retail payments infrastructure were announced as part of the Leeds Reforms/Mansion House speech package. This included the creation of a Retail Payments Infrastructure Board (**RPIB**), chaired by the Bank of England, reporting to the (already constituted) Payments Vision Delivery Committee (**PVDC**). It will include representatives from the payments ecosystem and observers from the FCA and (for now, on which see further below) the PSR.

The Bank of England expects to open the RPIB to membership applications in September (we expect this to be competitive), with a view to its first meeting taking place in late October. It has also now been announced that the RPIB will publish a consultation paper (the scope of which is not clear) in "early 2026".

The National Payments Vision was intended to bring clarity and co-ordination to, and remove "congestion" from, the payments regulatory landscape. At this stage, it is hard to regard that element as a success, given that we await the publication of a consultation on the consolidation of the PSR into the FCA in September, the PVDC's Retail Strategy (we think in November), and the Payments Forward Plan by the end of the year (so inevitably December). Clarity will not follow until the publication of the latter, at the earliest.

The former reform requires primary legislation (the PSR being a creature of statute). We continue to consider it likely that there will need to be some form of amendments to the Bank of England's role as a supervisor of RPSOs, given its existing role and the FCA's skillset (even enhanced by the absorption of teams from the PSR).

3 First phase of reforms to UK EMIR

Key action points beginning in Q4 2025

- Respond to both HM Treasury and Bank of England consultations on UK EMIR by **18 November 2025**
- Monitor for the forthcoming publication by the Bank of England of "**Annex 7**" to its consultation paper, which will set out a detailed transposition table showing how the provisions of UK EMIR and its related technical standards will be transposed into Bank of England rules

HM Treasury and the Bank of England are closely co-ordinating the approach to replacing UK EMIR. FSMA 2023 empowered HM Treasury to revoke UK EMIR, and for many of the appropriate CCP-facing requirements to be replaced with rules promulgated by the Bank of England.

In July, HM Treasury published a draft of the Central Counterparties (Amendment) Regulations 2025 (although, since they will not reach the statute book before next year, they will ultimately be the Central Counterparties (Amendment) Regulations 2026) and an accompanying Policy Note. This statutory instrument will move elements of Titles III-V of UK EMIR into FSMA 2000 and the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001.

These provisions are being put into legislation because they deal with areas that cannot be addressed in Bank of England rules, as they cover the Bank of England's own functions: the domestic authorisation regime; reviews by the Bank of England of CCP's models; change of control; and removal of directors. In the case of the latter category, this reform will be delayed as necessary to align with broader reforms of the Senior Managers & Certification Regime.

In addition, the legislation will "update" the regime for overseas CCPs in Article 25 of UK EMIR, replacing the existing "equivalence" approach with an "Overseas Recognition Regime" (**ORR**) known as the "Overseas CCP Regime". This, it is said, should allow for faster decision-making while maintaining the necessary rigour in scrutiny of overseas frameworks. See "UK Overseas

Recognition Regimes" below for more information on the ORR.

The Policy Note also mentions briefly that firm-facing requirements in Title II of UK EMIR will be reformed separately.

The consultation window is open until 18 November 2025, and, as mentioned above, the intention is to lay the final statutory instrument in 2026, with a view to it coming into force at the same time as the Bank of England's own new rules.

On that latter topic, the Bank of England published a parallel consultation paper on *Ensuring the resilience of CCPs*. This also requires responses by 18 November 2025, and covers the aspects of Titles III-V of UK EMIR that will be restated into the Bank of England's rulebook (rather than FSMA 2000). As the foreword by Deputy Governor Sarah Breeden notes, most of the substance of the regime is not changing. However, Chapter 3 of the CP lists seven areas in which material changes to the rules are being reformed, the first six of which are:

- **Transparency of margin requirements** to align with updated international standards.
- **Increasing the likelihood of porting of client positions:** requiring that the testing of default procedures covers all aspects, including porting procedures, changing the requirements in relation to the porting of positions in omnibus accounts so that client consent is received in advance for the porting to a pre-agreed clearing member and requiring CCPs to factor portability into clearing member default fund allocations. A lack of client consent has been frequently cited by organisations such as the Bank for International Settlements (BIS) and the International Swaps and Derivatives Association (ISDA) as a key barrier to the successful porting of client positions.
- **Enhancing the change in control framework:** introducing a set of requirements for CCPs to help ensure the Bank is provided with comprehensive information on controllers in order to support well-informed decisions about controller suitability.
- **Increasing clarity regarding liquidity risk controls:** requiring: (i) CCPs to consider the different capacities to which they have exposures to clearing members; and (ii) default testing every pair of clearing members acting in all their different capacities vis-à-vis the CCP to ensure the CCP selects the pair that corresponds to the greatest exposure.
- **Streamlining and increasing the clarity and proportionality of supervisory processes:** (i) introducing a materiality threshold to identify a smaller number of material model changes and variations of recognition that require regulatory approval, and an expedited processes for non-material applications; (ii) publicly disclosing the Bank's performance with respect to those timelines; and (iii) clarifying application requirements for recognition, variation of recognition as well as material model changes via a statement of policy.
- **Completing the framework for approval of interoperability links:** by bringing derivatives into scope of these requirements.

The seventh area of reform will impose obvious extra costs on CCPs. This is the proposal to add so-called "second skin in the game"; more formally referred to in the draft rules as "further dedicated financial resources" (with the original "skin in the game" being "dedicated financial resources"). Each CCP's default waterfall would include an additional tranche of loss-absorbing capital contributed by the CCP itself. CCPs currently have to hold 25% of their risk-weighted capital requirement as "dedicated financial resources" and will have to add the same amount as "further dedicated financial resources", i.e. this requirement will double. However, this "second skin in the game" will be placed at a lower level of the default waterfall than the current "skin in the game" – it would be applied at the same level as, and used pro rata with, the default fund contributions of non-defaulting clearing members in a default loss scenario. In contrast, the first tranche of skin in the game, as is the case today, will be used after a defaulter's resources are exhausted but before the default fund contributions of non-defaulting clearing members.

The final rules will be published no earlier than the middle of 2026, and the Bank of England currently plans to give a six-month implementation period, except for two areas:

- the new further dedicated financial resources would have a longer and staged implementation, with CCPs required to hold half of the extra capital after 1 year, and comply in full after 2 years; and
- CCPs would have 12 months to implement one aspect of the margin transparency requirements, the provision of a margin simulation tool.

4 UK Overseas Recognition Regimes

Key action points beginning in Q4 2025

Monitor the **publication of final legislation** on the Overseas Recognition Regimes and for any announcements in relation to **potential designations** of overseas jurisdictions in connection with their regulation of CCPs

As part of the barrage of announcements made in connection with the UK Chancellor's Mansion House speech on 15 July 2025, HM Treasury published a guidance document setting out its approach to Overseas Recognition Regimes (**ORRs**).

Broadly speaking, ORRs are provisions in UK legislation which empower HM Treasury ministers to recognise the regulatory framework of an overseas jurisdiction via a process known as "designation". ORRs are designed to sit alongside other regulatory tools (such as the overseas persons exclusions in the Regulated Activities Order, the Recognised Overseas Investment Exchanges regime, provisions relating to overseas communicators in the Financial Promotions Order, and mutual recognition agreements) to form the UK's overall "Overseas Framework" for cross-border financial services activity.

In its guidance document, HM Treasury emphasises that the ORRs will focus on assessing the *policy outcomes* achieved by overseas regulatory regimes in a relevant area, rather than a "line-by-line" assessment of whether the relevant jurisdiction applies identical requirements to the UK. It considers that this approach is more flexible, allowing overseas jurisdictions to adapt their regulation over time while still maintaining their designation in a given area. This approach will distinguish the ORRs from the superficially similar EU-derived "equivalence" regimes which were onshored into UK law at the time of Brexit, but which often focus on more technical, line-by-line assessments. The long-term intention is that the ORRs will replace these inherited equivalence regimes, although HM Treasury states that in the interim, it may continue to take equivalence decisions to provide market certainty.

When a piece of UK financial services legislation provides for an ORR assessment, the provisions will specify:

- the **scope of the ORR** (i.e. the types of firm or activities that would be covered by the ORR designation);
- the **effect of any ORR designation** (e.g. a designation may allow a non-UK firm to provide services directly into the UK without needing to comply with relevant UK regulatory requirements);
- the **policy outcomes that the overseas jurisdiction must achieve** to obtain a designation; and
- relevant **matters to consider** that HM Treasury must take into account when carrying out an ORR designation assessment of an overseas jurisdiction.

On 15 July 2025, HM Treasury also published the draft version of *The Financial Services (Overseas Recognition Regime Designations) Regulations 2025*, which set out the legal architecture underpinning the ORRs. Broadly, these regulations set out the operational mechanics of the ORR framework, including by confirming that HM Treasury will have the power to vary, revoke or impose conditions or limitations on any ORR designation, and that it may seek information or advice from the FCA, the PRA and the Bank of England for the purposes of enabling it to make decisions in connection with the ORR.

In the current draft regulations, only two ORRs are currently specified, relating to prudential requirements for insurers and short selling rules respectively. However, as noted above, HM Treasury is also proposing to add an ORR for overseas CCPs to the Regulations as part of legislative amendments to the UK EMIR regime. This new ORR would allow the Bank of England to recognise a CCP in an overseas jurisdiction that has an ORR designation to enable that CCP to provide specified clearing services to entities in the UK.

While firms are likely to welcome HM Treasury's stated pragmatic and outcomes-focused approach to the recognition of overseas regulatory frameworks, much will depend upon how its ORR powers are exercised in practice. Although HM Treasury has published a spreadsheet which lists current ORR designations, the only designations to date have arisen by virtue of savings provisions under the relevant prudential or short selling legislation, which converted existing equivalence decisions into a corresponding designation. The extent to which new ORR designations may therefore become caught up in broader geopolitical negotiations or may in practice become subject to additional restrictive conditions or limitations remains to be seen.

5 Open Banking Future Entity

Key action points beginning in Q4 2025

- **Monitor the publication by the FCA of further proposals** for the establishment of the Future Entity
- Engage with **FCA roundtables**

In August 2025, the FCA published FS25/4, summarising feedback on the work done by the (now dissolved) Joint Regulatory Oversight Committee (**JROC**) on the entity that will ultimately supersede Open Banking Limited (OBL), referred to as the Future Entity.

The FCA has dropped plans to create an "Interim Entity", given the progress made to date. The FCA's expectations for the Future Entity are that it will:

- be the primary standard setting body for open banking APIs in the UK.

- monitor both API performance and adherence to relevant standards (and provide information to the FCA).
- provide directory and certification services (this should not prevent a market developing for such services).
- work closely with multilateral agreement owner/operators to provide standards necessary to enable commercial schemes.
- ensure a minimum level of service and consistency across open banking services.
- support commercial schemes to innovate beyond the minimum level in the best interest of the UK and consumers.
- ultimately be subject to oversight and the rules set by the FCA as lead regulator for open banking.
- be funded through collecting revenue on an equitable basis.

In the longer term, the FCA contemplates the possibility that the Future Entity may also:

- work with owner/operators in the commercial scheme layer to promote open banking uptake.
- expand its role into open finance.
- where required, incubate innovation by assisting in the creation/development of new schemes.
- provide additional technical infrastructure (e.g. integration hub) in support of its own APIs where it can be evidenced that doing so would reduce the costs of the ecosystem.

The Feedback Statement states that the FCA is continuing its industry outreach and engagement, with roundtables being held "over the summer and autumn".

In its five-year strategy published earlier in the year, the FCA laid out its plan to publish an open finance roadmap "within a year" – we therefore expect this to arrive in Q1 2026.

6 Final FCA rules on safeguarding

Key action points beginning in Q4 2025

- Implement the new requirements by **7 May 2026**

The FCA's PS25/12 set out the FCA's final reforms of safeguarding of customer funds for payments and e-money firms. These must now be implemented by 7 May 2026.

We covered the final rules, and the welcome abandonment by the FCA of its more radical proposals for what it originally called the "end-state", in our briefing: *Advocacy pays off: The FCA adopts a more pragmatic approach to safeguarding customer funds by payments firms*.

7 FCA proposals on fund tokenisation

Key action points beginning in Q4 2025

- Engage with the FCA consultation paper to be published **in October 2025**

The most recent version of the Regulatory Initiatives Grid stated an intention by the FCA to consult in September 2025 on proposed guidance to support fund tokenisation, in particular the "blueprint tokenisation model". This was first outlined in November 2023 in an interim report from the Technology Working Group to the Asset Management Taskforce entitled "UK Fund Tokenisation: A Blueprint for Implementation". While, as part of the coordinated work involved to deliver that initial report, the FCA and firms "did not identify any obvious or significant barriers to this baseline approach in the FCA's rules that apply to authorised funds", the FCA wants to support firms in embracing the opportunities presented by innovative technologies such as DLT.

The Regulatory Initiatives Grid describes the FCA's plan as to look at "propos[ing] rule changes to streamline the dealing process and reduce the regulatory requirements, through direct to fund, while facilitating the move to fund tokenisation."

While we now understand that the paper is likely to come in October 2025, we have been considering the legal issues associated with fund tokenisation and are shortly to publish a standalone briefing on the topic.

8 UK Economic Crime and Corporate Transparency Act 2023 (ECCTA)

Key action points beginning in Q4 2025

- Undertakings which are "large organisations" (or which are subsidiaries of a large organisation) should **review their implementation of their fraud prevention frameworks**, following the entry into force of the new ECCTA failure to prevent fraud offence on 1 September 2025
- UK companies should ensure that individuals who are directors or persons with significant control **complete identity**

verification as soon as possible, given the entry into force of the verification requirements on 18 November 2025 (subject to transitional arrangements)

Firms should **continue to monitor for further Companies House announcements** in relation to the IDV go-live dates for corporate directors, officers of corporate PSCs and individuals who wish to file documents on behalf a UK company (e.g. a company secretary)

ECCTA represents the UK's latest drive towards greater transparency of corporate ownership and imposing responsibilities on organisations to take more active steps to prevent fraud within their businesses. With the new failure to prevent fraud offence having come into force on 1 September 2025 and with the first tranche of ECCTA's identity verification requirements in connection with UK companies now confirmed as applying from 18 November 2025, ECCTA should be a key Q4 2025 priority if firms have not already taken steps to implement its requirements.

ECCTA failure to prevent fraud offence

ECCTA introduced a new criminal offence of failure to prevent fraud (**FTPF**), which came into force on 1 September 2025. If you would like a refresher on the key elements of the FTPF offence, including its scope and territorial reach, please refer to our recent briefing and our earlier November 2024 briefing.

Many firms will already have completed their scoping analyses to determine if they or their affiliates are "large organisations" as defined under ECCTA, and therefore may potentially commit the offence. However, if firms have not already done so, they should complete this workstream as a priority, given that the FTPF offence is now in effect.

By way of a brief reminder, a "large organisation" is a body corporate or partnership that meets **at least two** of the following criteria in the preceding financial year:

- more than **£36 million in turnover**;
- more than **£18 million in total assets**; or
- an **average of more than 250 employees**.

Where an entity is a parent entity, the above tests apply on a group basis (i.e. the position of the parent is aggregated with its subsidiaries and the **net** position is assessed). The **gross** aggregate position must also be assessed for turnover (£43.2 million gross) and the balance sheet position (£21.6 million gross), and therefore a parent entity may be in scope where the aggregate position exceeds at least two of the net or gross thresholds. Where a subsidiary is not a large organisation in its own right, but is a subsidiary of a parent entity which does qualify as a large organisation, the subsidiary is subject to a more limited version of the FTPF offence.

Many firms that are within scope of the FTPF offence will have spent H1 2025 carrying out implementation actions, which are likely to have included:

- agreeing a sensible and proportionate scoping analysis;
- completing fraud risk assessments across their organisations;
- reviewing relevant policies and procedures in relation to financial crime and fraud prevention;
- carrying out an exercise to identify any third party "associates" (i.e. other entities or persons who perform services for or on behalf of an in-scope organisation) in relation to which the firm will need to take reasonable steps to prevent fraud;
- reviewing whether any further due diligence measures are required in connection with suppliers or M&A activity;
- providing appropriate staff training to ensure that senior management are aware of the FTPF requirements and that other staff understand the organisation's approach to fraud prevention;
- updating template contractual documentation in relation to suppliers or financial services activities to incorporate any required additional fraud prevention elements; and
- putting in place an appropriate review framework to monitor the potential risk of fraud and the effectiveness of the organisation's prevention measures on an ongoing basis.

However, if FTPF implementation remains on your organisation's to-do list, this is an area that may need attention sooner rather than later, given the potential for an unlimited fine if an organisation is found to have failed to take reasonable steps to prevent fraud by its employees, agents, subsidiaries or other associates.

Travers Smith has advised a range of clients on FTPF issues and would be happy to assist your organisation if this never quite made it to the top of your organisation's in-tray during the year to date.

ECCTA identity verification requirements

In addition to the FTPF requirements, ECCTA has also introduced a new identity verification (**IDV**) regime in relation to individuals who are connected to UK companies, limited liability partnerships (**LLPs**) or (in the longer term) limited partnerships. When fully implemented, this framework is expected to have

imposed IDV obligations on millions of individuals and therefore it represents a significant undertaking for the UK companies registry, Companies House. For more information on the background to, and scope of, the ECCTA IDV regime, please refer to our June 2024 briefing on this topic.

Perhaps because of the daunting scale of the task, to date, the roll-out of the IDV requirements has been more piecemeal and haphazard than the industry might have hoped. Nonetheless, the mists are now beginning to clear, with Companies House having recently confirmed that the first wave of IDV requirements will begin to apply from **18 November 2025**.

The first wave of requirements will affect individuals who are directors or persons with significant control (**PSCs**) of UK companies, but the impact will differ as between those two groups.

For **company directors**:

- From **18 November 2025**, any individual who is being appointed as a new director of a UK company (whether the company already exists or is newly incorporated) must have completed IDV before being appointed.
- Where an individual was an existing director of a UK company on 18 November 2025, the director will have **until the company next files its annual confirmation statement at Companies House** to complete IDV. The confirmation statement dates for a company are shown on its Companies House register page. For companies with confirmation statement due dates that fall shortly after 18 November 2025, this will mean that they may have very little time to ensure that their directors have completed IDV.

For **PSCs**:

- Every individual who is **newly registered as a PSC with Companies House on or after 18 November 2025** must complete IDV and provide a statement confirming their personal IDV code within **14 days of being registered**.
- For individuals who are **already registered as PSCs on 18 November 2025**, the position depends on whether the individual is also a director of the same company, as follows:
  - if the PSC is also a director of the company, the individual must provide an IDV code to Companies House **within 14 days of the company's annual confirmation statement**; or
  - if the PSC is not also a director of the company, the individual must provide an IDV code to Companies House **within 14 days of the first day of their month of birth**. For example, if the individual is born on 12 March 1990, the individual would have until 15 March 2026 (i.e. 14 days from 1 March) to provide an IDV code to Companies House.

Companies House has also confirmed that from 18 November 2025, directors and PSCs will be able to check the Companies House register pages for the companies with which they are affiliated to confirm the IDV due dates for each role they hold.

The IDV requirements for corporate directors or corporate LLP members, officers of corporate PSCs, and individuals who wish to file documents at Companies House on behalf of a company or LLP (e.g. corporate secretaries) will commence at a later date.

As a reminder, directors and PSCs who fail to verify their identities when required will commit a criminal offence. A company which allows a director to continue in their role without having completed IDV will also commit an offence, as will every officer of that company. In each case, the offence may be punished by a potentially unlimited fine. Equivalent offences will apply in relation to LLPs and their members.

Individuals can complete IDV directly via the Companies House website (although in certain cases, this is not always possible). Alternatively, they may use a third-party authorised corporate service provider (**ACSP**) to complete the process. Generally speaking, an individual should only need to complete IDV once to obtain an identification code that they can use in relation to all roles for which IDV is required.

Given the potential penalties for failure to comply with the IDV regime, as well as the anticipated high demand on Companies House's infrastructure and the services of ACSPs in the run-up to the go-live date, affected individuals should consider completing IDV as soon as possible.

9 Changes to UK Money Laundering Requirements

Key action points beginning in Q4 2025

- Firms should ensure that, where relevant, their **approach to politically exposed persons reflects the FCA's updated guidance**. This is likely to require changes to policies and procedures
- Firms should also **consider the impact of the proposed future changes to the Money Laundering Regulations** and whether they wish to **respond (directly or through industry associations) to HM Treasury's technical consultation** on the draft

legislative amendments, which closes on **30 September 2025**

Although it remains a perennial regulatory concern, compliance with anti-money laundering (**AML**) requirements is firmly on the FCA's radar at the moment, with at least five fines against firms in the year to date with a total value of over £65 million. This includes substantial fines against Monzo and Barclays for failure to comply with customer due diligence obligations in connection with the opening and ongoing operation of accounts. Below, we summarise some recent changes to the UK AML framework. Although many of these involve a lessening of the regulatory burden, now may be a good time for firms to take stock and review their AML policies and procedures alongside incorporating any necessary updates to reflect the revised guidance.

Updated guidance on the treatment of PEPs

The first change is the FCA's updated guidance on the treatment of politically exposed persons (**PEPs**): *FG25/3: The treatment of politically exposed persons for anti-money laundering purposes*.

Most of the changes are intended to reflect the new requirement that, as a starting point, a UK PEP should be treated as being lower risk than a non-UK PEP. In particular:

- This approach should also be adopted in overseas subsidiaries and branches unless not permitted by local law.
- A person who is both a UK PEP and a non-UK PEP should be treated as a non-UK PEP.

Firms which take a more cautious approach than under the UK Money Laundering Regulations 2017 (**MLRs**) and the FCA's guidance will now need to record their reasoning in a number of cases.

There are also some other changes which are mostly intended to make things easier for firms including:

- Senior management (and not just the MLRO) being able to sign off decisions to enter into a business relationship with a PEP.
- A legal entity with a beneficial owner who is a PEP should only itself be treated as a PEP if the beneficial owner exercises *significant* control.

Changes to the UK Money Laundering Regulations

The second development is HM Treasury's response in July 2025 to its consultation on changes to the MLRs. This includes some (for the most part, relatively minor) clarificatory changes to the UK money laundering regime. However, despite industry hopes during the consultation phase, HM Treasury does not seem to have taken on board suggestions for a broader review of the MLRs. We discussed the proposed changes and their impact in more detail in our recent July 2025 briefing.

On 2 September 2025, HM Treasury published draft legislation amending the MLRs and an accompanying policy note as part of a technical consultation with a feedback deadline of **30 September 2025**. These documents are designed to translate the policy positions in the initial July 2025 response above into the required legislative changes, and the consultation is seeking feedback on the clarity of the legislative drafting (rather than the substantive policy decisions).

Key areas which will be of general relevance to financial services firms include:

- Clarification that enhanced due diligence will only be *automatically* required in relation to countries on the Financial Action Task Force (**FATF**) Call for Action list (currently North Korea, Iran and Myanmar) and not the other high risk third countries on the FATF Increased Monitoring List. However, the fact that a jurisdiction is on the Increased Monitoring List will still be a relevant factor to take into account when determining whether the overall risk in a given situation points towards a requirement to apply enhanced due diligence.
- Amendment of one of the triggers for enhanced due diligence so that it applies to "*unusually* complex" transactions instead of all complex transactions. This is designed to avoid firms needing to apply enhanced due diligence in circumstances where a transaction may be objectively complex (for example, an M&A transaction), but the transaction is consistent with the expected activity of the customer and does not otherwise present any concerns that there is a material risk of money laundering.
- Restatement of relevant monetary thresholds into values in sterling (rather than the existing euro values).

In addition, there are several changes that will be specifically relevant to cryptoasset firms. These include updated provisions on counterparty due diligence requirements, which are designed to align with FATF standards. In summary:

- HM Treasury's draft legislative amendments insert a new regulation into the MLRs which would govern correspondent relationships between UK cryptoasset exchange providers or custodian wallet providers (the "**correspondent**") and another provider of similar cryptoasset services located in a third country (the "**respondent**") when they engage

in transactions in, or transfers of, cryptoassets when providing their services.

- For these purposes, a "**correspondent relationship**" is essentially defined as covering relationships between and among cryptoasset exchange providers, custodian wallet providers, banks and financial institutions, including relationships established for transactions in, or transfers of, cryptoassets.
- In such a case, in addition to applying existing enhanced due diligence requirements on the customer, the correspondent will also need to take additional measures to gather information about and assess the controls and supervision of the respondent. If the respondent's customers have direct access to accounts with the correspondent, the correspondent will also need to be satisfied that the respondent has verified the identity of those customers, conducts ongoing due diligence on them and can, upon request, provide the correspondent with any documentation obtained from the respondent's customer due diligence measures.
- There will also be a prohibition on cryptoasset exchange providers and custodian wallet providers entering into (or continuing with) any correspondent relationship with a shell bank, or with any bank or financial institution which is known to allow its accounts to be used by a shell bank. For these purposes, a "**shell bank**" is, broadly speaking, a bank or financial institution which is incorporated in a jurisdiction in which it has no physical presence involving meaningful decision-making and management.

HM Treasury's legislative amendments will also update the existing provisions in the MLRs relating to initial registration of, and changes of control in, registered cryptoasset businesses. These changes will therefore be relevant to persons establishing or acquiring UK cryptoasset exchange providers or custodian wallet providers. Very broadly speaking, these changes include the following measures:

- When the new UK cryptoasset regulated activities regime comes into force, the "fit and proper" test for the registration of cryptoasset firms under the MLRs will be updated so that it will apply to officers, managers and *controllers* of the firm, rather than beneficial owners of the firm, as at present. The concept of a controller will be aligned with the controller definition used for other regulated firms under FSMA 2000. However, there will be a saving provision for firms registered before that date, so that for the purposes of the provisions relating to the FCA's right to suspend or cancel the registration of those firms, the fit and proper test will continue to apply to the beneficial owners rather than the controllers.
- In addition, on the date that the new UK cryptoasset regulated activities regime comes into force, the change in control regime for cryptoasset firms registered under the MLRs will be replaced with a new regime that is designed to align more closely with the FSMA regime. However, the applicable rules will differ depending on whether the firm was registered under the MLRs before the new cryptoasset regulated activities regime came into force or not. Where the firm was registered before that date, the change in control provisions will cover both persons becoming (or ceasing to be) beneficial owners (as defined under the MLRs) and other persons who cross (via acquisition or disposal) any of the 10%, 20%, 30% or 50% ownership thresholds for shares or voting power. Where the firm was registered on or after that date, the change in control provisions will not include beneficial owners under the MLRs, but will cover persons crossing any of the relevant ownership thresholds.
- Note that the above change in control rules will apply only to cryptoasset firms that are still required to register under the MLRs. Firms that are authorised under FSMA when the new cryptoassets regulated activity regime comes into force will no longer need to register under the MLRs (but are then expected to be subject to the FSMA change in control regime directly).

Future of Fintech 2025

In less than two weeks' time, on **Wednesday, 17 September**, we will be hosting our annual Future of Fintech event in the City of London.

The stage is set for a dynamic afternoon as we explore technological innovation in financial services, with sessions covering digital assets, payment regulation, financial market infrastructures and much more.

We're thrilled that the keynote address will be delivered by **Jessica Rusu**, Chief Data, Information and Intelligence Officer at the **UK Financial Conduct Authority**.

We'll also be hearing from a wide range of other industry leaders, including representatives from the **Bank of England**, the **Payment Systems Regulator**, the **House of Lords**, the **London Stock Exchange**, **Visa**, **Stripe**, **Archax**, **Trustly** and **Agant**.

And to round off the event, Natalie Lewis will be joined on stage by our special guest, **Dame Joanna**

Lumley – one of Britain's most celebrated and much-loved personalities.

We hope you can join us.

Spaces are now limited, but there's still time to apply for a place in the audience, which you can do here: https://www.traverssmith.com/knowledge/events-container/future-of-fintech-2025/

If you have any questions in relation to Future of Fintech 2025, please contact FutureOfFintech@traverssmith.com

Get in touch

If you have any questions on any of the topics covered in this End of Summer Postcard, or if you'd like to discuss how Travers Smith can help your organisation with any of the issues raised, please contact any of the individuals named below.

FOR FURTHER INFORMATION, PLEASE CONTACT

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