



The FCA - A smart way to tackle financial crime

Key points from Steve Smart's latest speech

10 July 2024

TLT picks out the key points you shouldn't miss...

What's this about?

On 26 June 2024, Steve Smart, joint executive director of enforcement and market oversight at the FCA, delivered a speech at the Financial Services Investigations and Enforcement Summit on the FCA's approach to financial crime.

Our Head of Economic Crime Compliance, Ben Cooper says...

"This was an important speech from the FCA. Steve Smart, a former director of intelligence at the NCA, represents the FCA's tougher approach to fighting financial crime. His key theme is that the FCA is as much a law enforcement agency as a regulator in relation to financial crime. This means the FCA will be more proactive in its dealings with FIs and so you need to ensure your economic crime systems and controls are up to date and operating effectively."

FCA is as much a law enforcement agency as a regulator!

The FCA is intent on getting tougher on financial criminals. In 2023, the FCA charged a record 21 individuals with financial crime offences and has secured sentences of 8 years for fraudsters. However, it must continue to stay one step ahead of the criminals, whether it is to pre-empt the way they use new technology, particularly AI and deep fakes or whether it is to collaborate with regulated firms, to ensure their systems and controls keep a step ahead of fraudsters.

Collaboration is key

The FCA is committed to working with agencies such as the National Crime Agency to hit organised crime groups hard and ensure that crime doesn't pay. Firms should expect to see the FCA and its partner agencies conducting more dawn raids and increasing their use of asset-freezing and confiscation powers.

Preventing harm through awareness

Campaigns such as InvestSmart and ScamSmart and the FCA's Warning List have done a good job so far to raise awareness. The FCA has also worked with big tech companies such as Google, Bing and Meta to tackle illegal financial promotions and scam adverts.

Authorisations are key to high standards

Another tool in the fight against financial crime is the high standards the FCA sets for the financial services sector. 86% of the initial crypto registration applications were rejected, withdrawn or refused because they failed to meet the financial crime system and control requirements. By working with prospective entrants and supporting firms to navigate the application process, the FCA is seeing more crypto firms achieving registration under the Money Laundering Regulations, with a total of 44 firms now registered.

The FCA also sets a rigorous process for checking that firms have the right systems and controls in place to detect and prevent financial crime.

No presumption of publication of investigation

Steve Smart sought to assuage concerns in relation to the FCA's proposal that where it is in the public interest to do so, it would publicise the fact that it has an investigation open at an earlier stage. He confirmed that this may not necessarily be at the outset, each investigation will be considered on a case-by-case basis and there is no presumption of publication.

The FCA is focused on increasing the pace of its investigations

This is important as the quicker perpetrators are caught, the greater the deterrent effect. One of the ways the FCA will achieve this is by focusing its resources on a streamlined caseload of investigations which align to the FCA's strategic priorities.

Non-financial misconduct

Steve Smart also reminded us that conduct is the FCA's middle name and too often, non-financial misconduct is dismissed as being less significant. This is a clear statement of intent that the FCA will be looking for firms to ensure they are taking appropriate steps to combat financial crime and other non-financial misconduct.

If you would like to discuss or have questions about any of the topics in the speech or if you require legal advice on these issues, don't hesitate to get in touch.

At a glance...

Publication link	Teamwork: A Smart way to tackle financial crime FCA
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Contributor: Joel Oswald

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