

UK Financial Crime Reform: What Firms Need to Know

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Overview

The private wealth management sector is uniquely susceptible to financial crime risks, such as fraud, money laundering and sanctions breaches, as highlighted in the FCA's [Dear CEO letter](#).

Fraud volumes remain at record highs. Private wealth customers have lost significant sums to scams and fraud, and the regulators continue to focus their enforcement efforts on financial crime.

The Economic Crime and Corporate Transparency Act (ECCTA) has introduced a new corporate offence of failure to prevent fraud along with the expectations for businesses to maintain reasonable fraud prevention procedures. Other notable changes to the financial crime landscape include ongoing refinement of the Money Laundering Regulations (MLRs), Companies House transparency reforms, trust and company service providers registration changes, and the new FCA guidance on UK domestic PEPs.

These changes will raise the bar of the regulatory expectations with regards to the systems and controls that financial services firms should maintain, particularly if the firm is exposed to higher risk clients, complex holding structures, crypto-assets and cross-border flows.

Key developments

Fraud and enforcement

The ONS reports c.4.2 million fraud incidents in England and Wales during the year to March 2025 - a 31% rise on the previous year. The Government's Economic Crime Plan 2 Delivery Report (September 2025) highlights that prosecutions are up 36% and convictions up 7% for money laundering offences in England and Wales in 2024.

The FCA's Annual Report and Accounts 2024/25 records 37 Final Notices, over £186 million in fines and five criminal convictions. Financial crime was again the leading source of enforcement activity, with particular focus on AML controls, sanctions compliance, transaction monitoring and crypto-asset firms.

ECCTA and corporate criminal liability

- Failure to Prevent Fraud (FTPF). In force from 1 September 2025. Applies to large organisations (meeting two of: turnover >£36m; balance sheet assets >£18m; >250 employees). Defence: having "reasonable procedures" to prevent fraud, with government [guidance](#) issued November 2024.
- Identification doctrine. Has been expanded: if a senior manager commits an economic crime within the scope of their authority, the company may be held liable.
- Companies House reforms. Registered email and "appropriate address" already required; identity verification for directors/PSCs and stronger filing controls being phased in; accounts disclosure reforms expected April 2027.
- Limited Partnerships. Enhanced transparency requirements expected before the end of 2026.

Money Laundering Regulations (MLRs) - refinement, not revolution

HM Treasury's July 2025 [MLRs Consultation Response](#) clarifies some of the requirements applicable to customer due diligence (CDD) obligations, including:

- Enhanced due diligence (EDD) triggers and source of funds checks.
- Digital identity verification.
- Conversion of EUR currency thresholds under the MLRs to pound sterling.

The HM Treasury's consultation also considered changes to the operation and scope of the Trust Registration Service (TRS), proposing a more targeted approach to trust registration requirements. MLRs will be amended to require registration of non-UK trusts that acquired UK land and property before 6 October 2020 (subject to limited exemptions). Financial institutions should request TRS registration evidence as part of AML client due diligence checks.

The government is also aligning AML obligations of crypto-asset service providers firms with the forthcoming FSMA crypto regime, including:

- No dual registration - FSMA-authorized crypto firms will not separately register under the MLRs.
- Change-of-control threshold set at 10%.
- FATF-aligned EDD expectations for correspondent relationships; prohibition on shell-bank dealings.

Domestic Politically Exposed Persons (PEPs) - a calibrated approach

The FCA's July 2025 [guidance](#) (FG25/3) clarifies that:

- UK PEPs are generally lower risk.
- Non-executive board members of UK government departments and the more junior members of civil service and military officials are not classed as PEPs.
- PEP approvals require oversight but MLRO sign-off no longer required automatically in every case.
- Firms must document reasons when applying EDD to former PEPs.

FCA Financial Crime Guide - amendments to give effect to MLR changes

Recent changes to the FCA [Financial Crime Guide](#) included:

- Updates to the Sanctions guidance to reflect the FCA's extensive review of the firms' systems and controls in this area.
- Proliferation financing risk references which are subject to a separate risk assessment requirement under the MLRs.
- Key guidance on the FCA's transaction monitoring expectations.
- Guidance on balancing Consumer Duty obligations when designing systems and controls to prevent financial crime.

What UK Firms should do now

- Refresh their written risk assessments to address AI-enabled fraud, sanctions breaches and proliferation financing risks.
- Update CDD/EDD policies in line with revised MLR triggers, source of funds and PEP guidance.
- Review their digital identity verification procedures.
- Prepare for Companies House verification transparency reforms.
- Add TRS evidence checks to trust onboarding and periodic reviews.

- Design and implement “reasonable procedures” frameworks (governance, training, monitoring) under ECCTA.

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