GBRR Global Banking Regulation Review

FCA extends crypto registration deadline amid money laundering concerns

Ellesheva Kissin
04 June 2021

Credit: mykhailo pavlenko on Shutterstock

The UK's Financial Conduct Authority has extended the temporary registration deadline for cryptoasset businesses, after the majority of applicants failed to meet anti-money laundering standards.

The FCA **announced** the extension on 3 June.

It said a "significantly high number" of cryptoasset businesses that had applied were not meeting anti-money laundering (AML) and counter-terrorist financing (CTF) requirements, with an "unprecedented" number withdrawing their applications as a result.

The FCA **established** its Temporary Registrations Regime (TRR) in December last year, allowing cryptoasset firms to continue trading while it processed their applications.

It extended the deadline from 9 July 2021 to 31 March 2022, which it says will allow cryptoasset firms to continue to carry on business "while the FCA continues with its robust assessment".

According to **John Glen**, economic secretary to the Treasury, over 90% of the firms assessed withdrew their applications after intervention from the FCA, with 167 applications currently outstanding.

As of the date of publication, only five cryptoasset firms have received FCA registration, including token exchange firm Archax.

The FCA assumed the AML and CTF supervisory role for cryptoasset firms in January 2020, requiring firms operating in the crypto space to comply with the Money Laundering Regulations and register with the regulator.

The regulator has previously warned about the risks of investing into cryptoassets, saying earlier this year that it "generally involves taking very high risks with investors' money", adding that if consumers invest in these types of product, they should "be prepared to lose all their money".

Delays and questions

Conservative MP **Philip Davies** pressed Chancellor of the Exchequer **Rishi Sunak** over the registration delays at the end of May. In a series of written questions addressed to the Treasury, Davies challenged the delays that crypto businesses faced, questioning how it would affect the UK's international competitiveness.

A spokesperson for the Treasury said that they were committed to having a "robust" AML regime for cryptoassets, which they said would showcase the UK as a safe place for cryptoasset businesses.

They added that the FCA had not been able to process all the applications due to their complexity, and that "a significant number of firms have failed to implement appropriately robust AML control frameworks, and to employ fit and proper personnel."

Neil Williams, a lawyer at London-based firm Gherson, calls cryptoassets and AML regulations "unhappy bedfellows", saying that the delays in registration and deadline extension had been anticipated by companies operating in the crypto space.

He says money laundering regulations are "by their nature onerous" and had not been anticipated by many new crypto firms. "There may have to be a rethink to the way in which regulation is achieved, on both sides," he tells GBRR.

"There has to be a push now to make sure that this is the last extension because there has to be certainty in a volatile market over how things are going to proceed," Williams says. "The FCA should draw a line in the sand and use the extra time to make sure that the issues with the compliance regimes were dealt with conclusively."

CryptoUK, a trade association for digital assets, called on Sunak to address regulatory concerns around crypto businesses. In an open letter in March, **Ian Taylor**, the association's chair, wrote that the crypto industry was experiencing "significant challenges" with the FCA's AML registration regime, citing issues that "run deeper than the issues made public by the FCA".

The letter said that the FCA's "arduous" application process "far exceeded" financial industry standard AML practices. It complained that the FCA has provided limited communication to applicants, and in some cases none. It warned that almost three quarters of crypto businesses surveyed by CryptoUK had been forced to open bank accounts outside of the UK due to regulatory complications.

Adam Holden, CEO of regtech firm NorthRow, saidthe extension of the TRR reflected "a dire lack of progress made by much of the crypto industry when it comes to regulatory compliance".

Holden said that the FCA had been "forced" to take this step, and that crypto businesses needed establish more robust processes. "Until the crypto industry takes its regulatory responsibilities seriously, it will continue to attract criticism and be unable to reach its full potential. With eight months to achieve compliance, they need to be taking action today."

Documents

UK regulatory approach to cryptoassets and stablecoins: Consultation and call for evidence

Related Topics

Bank regulation Banking regulators Blockchain Cryptocurrency ISDA RegTech UK FCA United Kingdom

Ellesheva Kissin
Author
ellesheva.kissin@globalbankingregulationreview.com