



MC BORRELLI
ADVISORS
LIMITED

REGULATORY AND FINANCIAL CRIME COMPLIANCE RISKS – OPPORTUNITY HORIZON

SPEEDREAD

Complexity defines the existing domestic cryptoasset regulatory landscape. One thing, though, is for certain, cryptoassets are not going anywhere! Difficulty exists as firms must navigate a patchwork of differing approaches (e.g. due to the cultural, political and social differences). Compliance must remain ahead of the game as regulators bring cryptoassets under a regulatory aegis.

In this note, we answer the following questions:

1. What am I at risk of?
2. What areas will make regulation more effective and impactful?
3. Who is responsible for compliance?
4. What significant hurdles do I face?
5. What actions should I take?
6. Where is the industry headed?
7. How can we help?



WHAT AM I AT RISK OF?

Over-reliance on technology firms that offer solutions with good intent, but without any recognition that their solutions may be exploited. Firms need to recognise the minority of actors that have the capacity to cause significant harm, because despite the fact that cryptoasset solutions are built with the idea that they can improve society and bolster the financial system, malicious actors are poised to capitalise on these benefits.

WHAT AREAS WILL HELP MAKE REGULATION MORE EFFECTIVE AND IMPACTFUL?

Three key areas will help make regulation more effective and impactful in the cryptoasset space, areas in which firms have a pivotal part to play:

- ✓ **Education and training:** these are fundamental to industry growth, responsible innovation, and constructive regulation.
- ✓ **Public-private partnerships:** these must become operational, sophisticated, and concrete.
- ✓ **Robust crypto compliance programmes:** these must include a risk assessment, effective policies and procedures (particularly in terms of financial crime) and an associated blockchain analytics tech-stack.

WHO IS RESPONSIBLE FOR COMPLIANCE?

Existing and new firms both have a responsibility for addressing this. Firms play a key role as they strive to build positive customer engagement models alongside meeting regulatory obligations in a fast-changing landscape. Using technological solutions helps to keep step with innovations that assist in navigating the changing threats and meeting compliance obligations, quickly and efficiently.

However, solely relying on technology is neither an end in itself nor capable of providing a quick and easy solution every time. A proactive approach to managing compliance is recommended.

WHAT SIGNIFICANT HURDLES DO I FACE?

Meeting multiple regulatory and corporate expectations. Amended or new banking rules are being considered and issued every year, with conflicting and, at times, even contradictory requirements. This constrains firms' ability to provide an excellent customer experience, meet legal and regulatory compliance and remain ahead of sophisticated financial criminals.



A common problem to avoid with such fast-changing operating environments is implementing solutions quickly without considered preparation. Any inability to implement a holistic, integrated compliance solution produces sub-optimal results – resulting in disconnected or siloed solutions which lack cohesion, reduced efficiency and impeded compliance.

WHAT ACTIONS SHOULD I TAKE?

Traditional market participants and virtual asset service providers, such as crypto exchanges, must follow a **multidisciplinary, multifaceted** approach in implementing and maintaining a **comprehensive** and **resilient** compliance framework to identify and stop potentially illicit activities.

Such a framework should involve the following:



WHERE IS THE INDUSTRY HEADED?

For the rest of 2022, likely industry trends are continuing hyper-digitalisation, increasing financial crime threats in the online domain and renewed regulatory scrutiny of firms (and their activities). For firms, they should manage the competing worldwide compliance obligations and regulatory requirements alongside maintaining a strong focus on primary business objectives.

All signs indicate that the United Kingdom recognises its obligation to take action to prevent illicit activity involving cryptoassets. Their strategy consists of understanding how firms work, assisting them in strengthening internal controls, and, where necessary, shutting non-compliant firms.



HOW CAN WE HELP?

Our services (e.g. compliance training, audits and risk assessments) are supplied to cryptoasset ecosystem actors for all activities across all of the industry segments,

Our clients benefit from comprehensive compliance coverage of the United Kingdom regulatory perimeter alongside a supreme understanding of financial crime-related regulatory obligations, such as money laundering, terrorist financing and proliferation financing.

WHO ARE WE?

MCBorrelli provides you with crypto compliance as a service.

At MCBorrelli we have combined decades of experience in financial regulation which has built the foundation of our understanding of the way that crypto is regulated and looks ahead to future regulation.

Our skill and experience mean that we can give you the crypto compliance service that you need.

We will work with you to identify the relevant issues, identify the best solution and then implement that solution. And along with that we will bring you up-to-date training and audit services. For all your staff and for all parts of your business.

For a **FREE CONSULTATION** email mb@mcb-ltd.co.uk

