

**E-Magazine**

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**IRTH ADVISORS LLC.**



# **GLOBAL FINCRIME REGULATORY UPDATE**

Issue Number 01

 **IRTH**  
ADVISORS

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# EDITOR'S NOTE - FIN-CRIMES INSIGHTS

Dear Readers

We always look forward to January because it also marks the beginning of a new year. Welcome to the January 2025 edition of IRTH Advisors' Fin-Crime Insights, your go-to resource for the latest updates and expert analysis on financial crimes regulations. In this issue, we cover critical developments in Anti-Money Laundering (AML), Counter-Terrorist Financing (CFT), and the evolving regulatory environment for cryptocurrency.

As digital assets continue to reshape the financial sector, regulators are stepping up efforts to ensure that cryptocurrencies meet the same compliance standards as traditional finance. This edition explores the most recent regulatory updates, highlighting opportunities and challenges for businesses navigating space.

We also dive into the latest FATF Mutual Evaluations and Follow-up Reports, offering insights into how countries are aligning with global AML and CFT standards. Additionally, we examine key enforcement actions that are reshaping the compliance requirements.

At IRTH Advisors, we are dedicated to keeping you ahead of the curve. Our expert insights empower you to stay compliant, mitigate risks, and protect your business from financial crime threats.

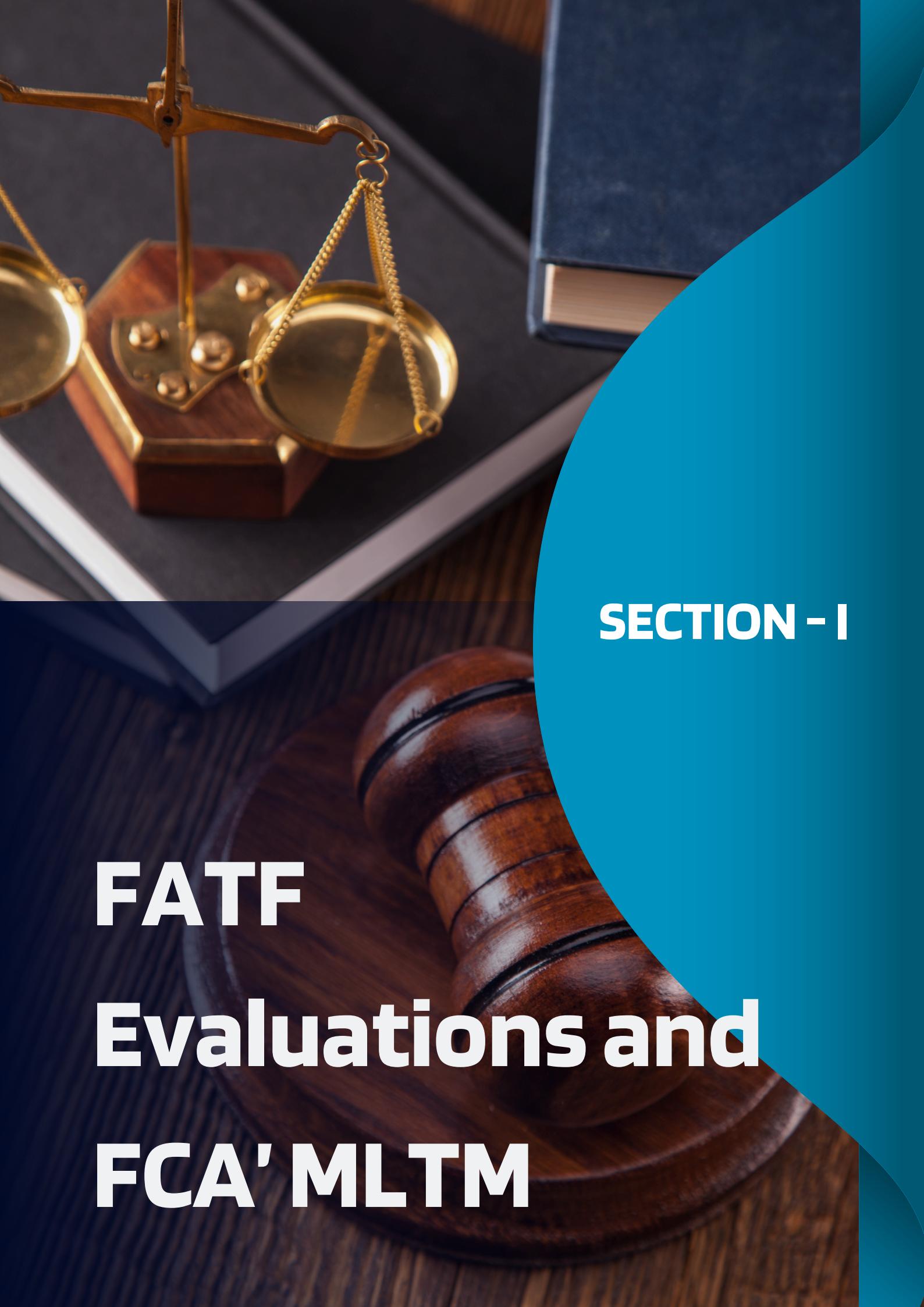
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Thank you for choosing IRTH Advisors as your trusted compliance partner.

SINCERLY,

THE IRTH ADVISORS TEAM



The background of the image features a wooden gavel resting on a dark, polished wooden surface. In the upper left corner, a traditional brass balance scale sits atop a stack of books. One book has a dark blue cover, and another has a light-colored cover. The lighting is dramatic, casting deep shadows and highlighting the textures of the wood and metal.

## **SECTION - I**

# **FATF Evaluations and FCA' MLTM**

# Belize

## Mutual Evaluation Report

### Caribbean Financial Action Task Force (CFATF)

DATE: JANUARY 2025

#### Key Highlights:

The Caribbean Financial Action Task Force (CFATF) conducted a Mutual Evaluation of Belize to assess its Anti-Money Laundering (AML), Counter-Terrorist Financing (CFT), and Counter-Proliferation Financing (CPF) measures. The report, adopted in December 2024, provides an in-depth analysis of Belize's compliance with FATF's 40 Recommendations, the effectiveness of its AML/CFT framework, and areas for improvement.

#### Key Findings:

- Strong Technical Compliance:** Belize has a comprehensive legal framework for AML/CFT, with some minor deficiencies.
- Understanding of ML/TF Risks:** Authorities and the private sector demonstrate a good understanding of ML/TF risks, backed by national risk assessments (NRAs). However, NPOs and legal persons require further assessment.
- International Cooperation:** Belize has effectively provided assistance to foreign counterparts on asset identification, seizure, and repatriation. However, some extradition requests remain unresolved due to ongoing court proceedings.
- AML Supervision Progress:** Risk-based supervision is strong in financial institutions (FIs) but still developing in designated non-financial businesses and professions (DNFBPs).



- **Financial Intelligence Utilization:** The Financial Intelligence Unit (FIU) effectively supports law enforcement but needs enhanced analytical software. Customs and tax authorities have limited engagement with financial intelligence.
- **Limited Money Laundering (ML) Prosecutions:** Despite strong investigative capabilities, ML prosecutions are infrequent and not proportionate to Belize's risk profile. No ML convictions occurred during the review period (2018–2023).
- **Asset Confiscation Gaps:** While instrumentalities linked to drug trafficking have been seized, confiscation of corresponding value assets remains low.
- **Terrorist Financing (TF) Risk Low:** No TF cases have been identified, and authorities conduct simulation exercises to test response mechanisms.
- **Beneficial Ownership (BO) Transparency Improved:** The BO Registry is in place, but compliance enforcement needs strengthening through more inspections and sanctions.

#### **Deficiencies Identified:**

- **Weak AML/CFT Supervision:** Supervision of Some DNFBPs like real estate, lawyers, and casinos is underdeveloped.
- **Limited Money Laundering Prosecutions:** Despite ML threats, prosecutions and convictions remain low.
- **Ineffective Asset Confiscation:** There is no confiscation of property of equivalent value and undeclared cash seizures remain inconsistent with risk exposure.



- **Gaps in Beneficial Ownership Information:** While BO data is now required, past information gaps hindered international cooperation.
- **Need for More On-Site AML Inspections:** Limited on-site visits by regulators weaken compliance enforcement.

## **Progress Made:**

- **AML/CFT Laws Strengthened:** Belize amended key laws to align with FATF's 40 Recommendations.
- **National Risk Assessments (NRAs):** Belize completed its first NRA (2019) and a second, more detailed NRA (2022–2024) is near completion.
- **Ban on Virtual Asset Service Providers (VASPs):** Due to high risks, Belize prohibited VASPs until December 31, 2025.
- **AML/CFT Training & Awareness Improved:** Authorities and FIs demonstrate a strong awareness of AML obligations.
- **International Cooperation Enhanced:** Authorities have processed 256 mutual legal assistance (MLA) requests and improved basic & BO information-sharing.

## **Key Recommendations:**

- Finalizing the 2022 National Risk Assessment (NRA) and updating AML/CFT strategies accordingly.
- Implementing a Risk-Based Approach across all DNFBPs and increasing on-site inspections.
- Enhancing AML/CFT Compliance in High-Risk Sectors such as real estate, legal services, and casinos.
- Improving ML Investigations & Prosecutions to reflect Belize's actual ML risk exposure.
- Strengthening Asset Confiscation & Recovery Measures to ensure property of equivalent value is seized.
- Expanding Financial Intelligence Utilization by equipping the FIU with analytical tools and involving customs & tax authorities.
- Enhancing Beneficial Ownership Transparency through more inspections and stricter enforcement.
- Maintaining Robust TF & Sanctions Implementation, ensuring continued monitoring of NPOs and high-risk entities.

To access the full Mutual Evaluation Report, please visit:

[www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/MER-Belize-2025.html](http://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/MER-Belize-2025.html)

# Bolivia

## First Enhanced FUR and Technical Compliance Re-Rating

### GAFILAT

JANUARY 2025

Bolivia underwent its 1st Enhanced Follow-Up and Technical Compliance Re-Rating Report, adopted at the L GAFILAT Plenary Meeting in Asunción, Paraguay, on December 13, 2024. The report assesses the progress made by Bolivia in addressing deficiencies identified in its 2023 Mutual Evaluation Report (MER) and grants new ratings where sufficient progress was observed.

#### Key Deficiencies Identified in the MER:

- Bolivia faced technical compliance deficiencies in several areas, including:
  - Targeted Financial Sanctions (TFS) on Terrorist Financing & Proliferation (R.6 & R.7) – Weak legal framework for identifying and designating terrorist entities.
  - Correspondent Banking (R.13) – Insufficient due diligence measures for money transfer businesses.
  - Transparency and Beneficial Ownership (R.24) – Limited mechanisms to track beneficial owners of legal entities.
  - Supervision of Designated Non-Financial Businesses and Professions (DNFBPs) (R.22 & R.23) – Previously applied only to large taxpayers, excluding many real estate agents, lawyers, and accountants.



## **Progress Made:**

Bolivia has made significant progress in addressing key deficiencies, leading to re-ratings in several areas:

- **Recommendation 6** (TFS on Terrorist Financing) upgraded from Partially Compliant (PC) to Largely Compliant (LC) due to new Financial Investigations Unit (FIU) regulations improving procedures for designations.
- **Recommendation 13** (Correspondent Banking) upgraded from PC to LC following amendments requiring financial institutions to conduct enhanced due diligence.
- **Recommendation 22** (Customer Due Diligence for DNFBPs) upgraded from PC to Compliant (C) after expanding regulatory coverage to all relevant DNFBPs, not just large taxpayers.
- **Recommendation 23** (Other Measures for DNFBPs) upgraded from PC to LC, addressing gaps in reporting obligations.
- **Recommendation 28** (Regulation & Supervision of DNFBPs) upgraded from PC to Compliant (C) with enhanced regulatory oversight.
- **Recommendation 24** (Transparency of Beneficial Ownership) remains Partially Compliant (PC) due to continued gaps in beneficial ownership reporting and verification mechanisms.

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## **Key Recommendations for Further Improvement:**

- **Strengthen Beneficial Ownership Transparency (R.24)** – Introduce stronger mechanisms to track and update beneficial ownership information with clear reporting timelines.
- **Enhance Supervision of Virtual Assets (VASPs)** – Ensure VASPs are designated as regulated entities and subject to AML/CFT requirements.
- **Improve Freezing & Asset Recovery Mechanisms (R.6 & R.7)** – Address remaining gaps in sanctions enforcement and procedures for notifying the UN Security Council about asset freezes.
- **Increase Awareness & Training for DNFBPs** – Continue educating lawyers, accountants, and real estate professionals about their AML/CFT responsibilities.

Bolivia has made significant strides in improving its AML/CFT framework, with five recommendations upgraded to higher compliance levels. However, further work is required to ensure full compliance with international standards, particularly in beneficial ownership transparency and targeted financial sanctions.

The next follow-up report will assess Bolivia's continued efforts in addressing these remaining gaps. To access the full follow-up report, please visit: <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Mutualevaluations/FUR-Bolivia-2025.html>



# United Kingdom

## FCA Report

### Assessing and Reducing the Risk of Money Laundering Through the Markets (MLTM)

The Financial Conduct Authority (FCA) has released an updated report on the risks of Money Laundering Through the Markets (MLTM), focusing on the vulnerabilities in capital markets and the measures firms can take to mitigate these risks. Here are the key highlights from the report:

#### What is MLTM?

MLTM refers to the use of capital markets to launder criminally obtained funds, making them appear legitimate. The FCA highlights that MLTM is a growing threat due to the complexity of financial products, high transaction volumes, and the ease of moving funds across borders. Criminals exploit these factors to disguise the origins of illicit funds.



## **Key Findings from the Report**

### **1. Business-Wide Risk Assessment (BWRA):**

- Many firms fail to adequately document or tailor their BWRA to their specific business risks, leading to a lack of understanding of how they could be targeted by criminals.
- Some firms underestimate financial crime risks, particularly Terrorist Financing (TF) and Proliferation Finance (PF).
- Good Practice: Firms should conduct both qualitative and quantitative risk assessments, considering inherent risks, controls, and residual risks.

### **2. Customer Risk Assessment (CRA):**

- Firms often fail to document the rationale for customer risk ratings, especially when overrides or updates occur.
- Many firms do not distinguish between domestic and foreign Politically Exposed Persons (PEPs), leading to inconsistent risk assessments.
- Good Practice: Firms should use weighted risk factors and regularly update the country's risk assessments.

### **3. Know Your Customer (KYC) and Customer Due Diligence (CDD):**

- Some firms rely too heavily on third-party due diligence, which can lead to gaps in understanding customer risks.
- Many firms do not record the nature, purpose, and expected activity of customer accounts, limiting their ability to monitor transactions effectively.
- Good Practice: Firms should use risk-based triggers for customer reviews and ensure thorough documentation of customer information.

### **4. Transaction Monitoring (TM):**

- Firms face challenges in identifying suspicious activity due to the volume of trades and the limitations of automated TM systems.
- Many firms do not integrate TM with KYC and risk assessment processes, reducing the effectiveness of their controls.
- Good Practice: Firms should collaborate between Trade Surveillance (TS) and TM teams to identify suspicious activity and tailor TM alerts to specific clients and products.

## **5.Suspicious Activity Reporting (SAR):**

- Many firms lack awareness of the MLTM SAR glossary code, leading to inconsistent or incorrect use of the code.
- SAR reporting quality varies, with some firms failing to provide sufficient detail or rationale for suspicions.
- Good Practice: Firms should ensure SARs include detailed transaction information, red flags, and clear explanations of suspicious activity.

## **6.Governance and Oversight:**

- Smaller firms often struggle with assigning Senior Management Functions (SMFs) and ensuring independence in financial crime oversight.
- Good Practice: Firms should establish formal governance processes, including regular reporting of financial crime metrics and independent quality assurance checks.

## **7.Training, Resourcing, and Policies:**

- Many firms do not tailor training to their specific business risks or roles, leading to gaps in staff awareness.
- Resourcing in financial crime functions varies widely, with some firms under-resourced relative to their customer base.
- Good Practice: Firms should provide role-specific training, document policies and procedures, and ensure adequate resourcing for financial crime teams.

## **Case Studies and Risk Typologies**

The report includes 13 case studies highlighting real-world examples of MLTM risks, such as:

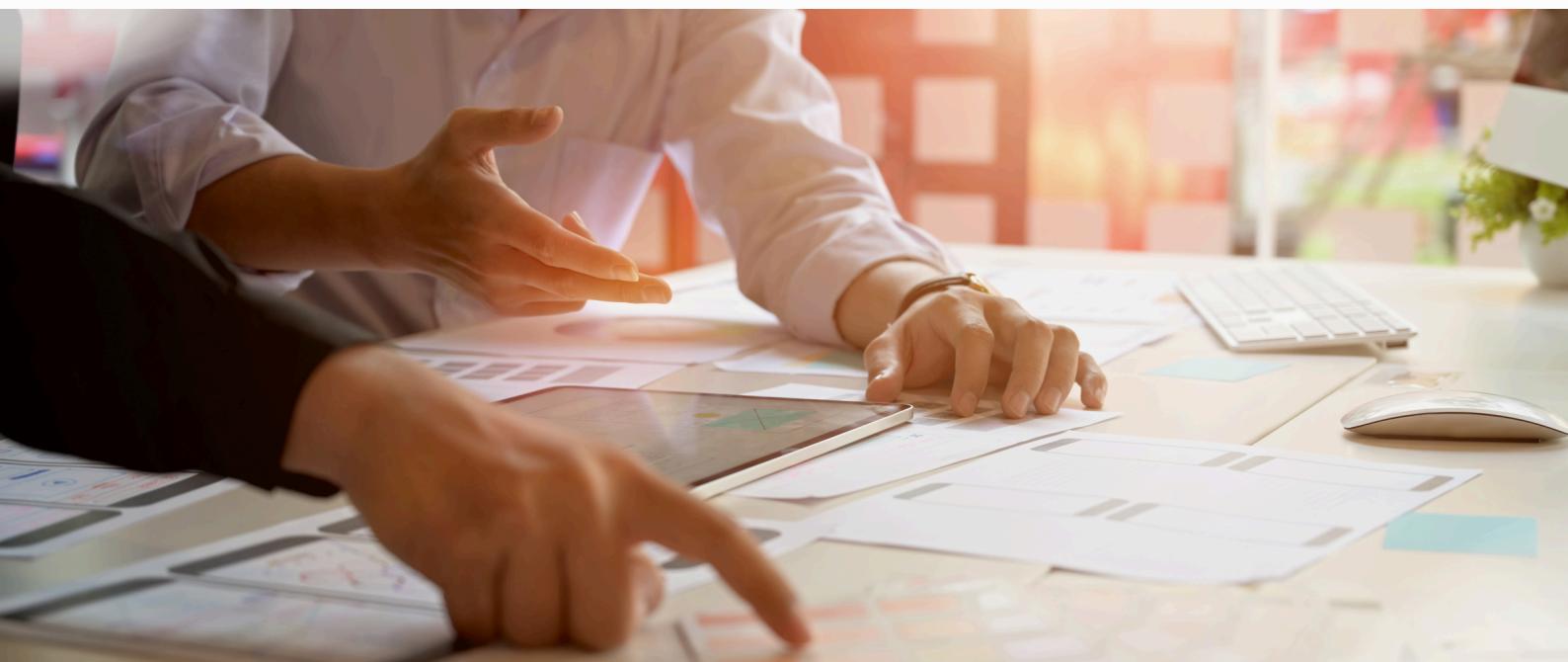
- Pre-arranged trading in illiquid options to transfer funds.
- Free of Payment (FoP) trades to circumvent sanctions.
- Mirror trading and wash trades to legitimize funds.
- Third-party payments and network of accounts used to obscure the origins of funds.

These case studies provide valuable insights into how firms can identify and mitigate MLTM risks.

## **Next Steps for Firms**

The FCA emphasizes the need for a collaborative effort to reduce MLTM risks. Firms should:

- Document and assess MLTM risks in their BWRA and systems.
- Enhance TM systems to better identify suspicious activity.
- Provide role-specific MLTM training to staff.
- Use the MLTM SAR glossary code correctly and submit high-quality SARs.
- Leverage the Economic Crime and Corporate Transparency Act (ECCTA) to share information and counter money laundering.



## **FCA's Next Steps**

The FCA will:

- Work with industry stakeholders to share information on emerging MLTM risks and best practices.
- Encourage innovation in TM systems to identify MLTM activity better.
- Promote the correct use of the MLTM SAR glossary code to improve reporting quality.
- Use existing datasets to identify MLTM risks and enhance supervision proactively.

The FCA's report underscores the evolving nature of MLTM risks and the need for firms to strengthen their financial crime controls. By adopting a risk-based approach, enhancing collaboration, and leveraging technology, firms can better detect and prevent money laundering through the markets.

The background of the image features a wooden gavel in the foreground, a gold-colored mechanical scale, and several thick books, suggesting a legal or academic theme.

**SECTION - II**

# **AML - CFT Regulatory Updates**

# Australia

## Financial Transaction Reports (FTR) Act 1988 Repealed

Austria has repealed the Financial Transaction Reports Act 1988 (FTR Act) effective January 7, 2025, through the Amendment Act. This significant regulatory change streamlines and simplifies the country's anti-money laundering and counter-terrorism financing (AML/CTF) framework, consolidating obligations under a single source: the AML/CTF Act and its corresponding rules and regulations.



### Key Changes and Implications

#### 1. Deregulation of Cash Dealers

The repeal of the FTR Act has deregulated several sectors previously captured under the Act, including:

- Solicitors
- Motor vehicle dealers
- Sellers of traveler's cheques
- Offshore online remitters

These entities are no longer subject to the FTR Act's reporting and compliance requirements.

#### 2. Streamlined AML/CTF Regulation

- The repeal eliminates overlapping regulations, creating a single source of AML/CTF obligations under the AML/CTF Act.
- This change simplifies compliance with businesses and reduces regulatory complexity.

### **3. New Designated Services for Solicitors**

- While solicitors have been deregulated under the FTR Act, the Amendment Act introduces new designated services in Schedule 3.
- Solicitors providing these designated services will now be regulated under the AML/CTF Act, ensuring continued oversight of high-risk activities.

#### **Impact on Industry**

- Simplified Compliance: Businesses previously regulated under the FTR Act will benefit from a more streamlined regulatory environment.
- Continued Oversight: The introduction of designated services ensures that high-risk sectors, such as certain legal services, remain subject to AML/CTF obligations.
- Clarity and Consistency: The consolidation of regulations under the AML/CTF Act provides greater clarity and consistency for industry participants.

#### **Next Steps for Affected Entities**

- Deregulated Entities: Businesses no longer covered by the FTR Act should review their operations to ensure compliance with any remaining obligations under the AML/CTF Act.
- Solicitors: Legal professionals providing designated services must familiarize themselves with the new requirements under the AML/CTF Act and update their compliance programs accordingly.

The repeal of the FTR Act marks a significant step in simplifying Austria's AML/CTF regulatory framework. By consolidating obligations under the AML/CTF Act, the Amendment Act enhances regulatory clarity while maintaining robust oversight of high-risk sectors.

For more details, please visit

<https://www.ag.gov.au/crime/anti-money-laundering-and-counter-terrorism-financing/anti-money-laundering-and-counter-terrorism-financing-amendment-act/overview-amlctf-amendment-act#:~:text=The%20Financial%20Transaction%20Reports%20Act,cheques%2C%20and%20offshore%20online%20remitters>

# China

## New Anti-Money Laundering Law (2024)

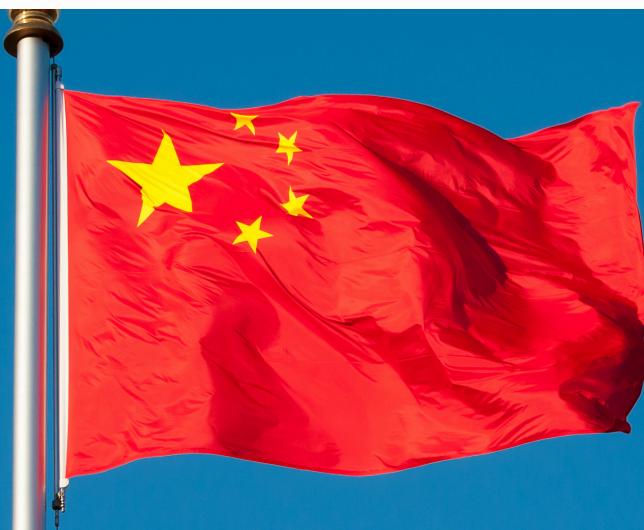
### Comprehensive Analysis:

The Anti-Money Laundering Law of the People's Republic of China (2024) represents a significant overhaul of the 2006 legislation, aligning China's anti-money laundering (AML) framework with global standards, particularly those set by the Financial Action Task Force (FATF). This revision, passed by the Standing Committee of the National People's Congress (NPCSC) on November 8, 2024, after multiple rounds of deliberation, reflects China's commitment to combating financial crimes, enhancing governance, and addressing emerging threats in the financial sector.

### Key Features and Priorities of the New AML Law:

#### 1. Enhanced Governance and Oversight

- The new law strengthens the role of the administrative department responsible for anti-money laundering under the State Council, which now has broader authority to coordinate national AML efforts, monitor funds, and conduct inspections.
- Financial institutions are required to establish specialized AML units or designate internal departments to lead AML efforts, ensuring accountability at the highest levels.
- The law introduces risk-based supervision, requiring financial institutions to conduct regular money laundering risk assessments and implement corresponding risk management systems detect suspicious activities.



## **2. Risk-Based Approach**

- The law mandates a risk-based approach (RBA) to AML, requiring financial institutions to tailor their controls based on the level of money laundering risk posed by customers, products, and geographies.
- Institutions must conduct customer due diligence (CDD) and enhanced due diligence (EDD) for high-risk clients, including politically exposed persons (PEPs) and those from high-risk jurisdictions.
- The law also emphasizes the need for ongoing monitoring of customer transactions to detect suspicious activities.

## **3. Data Lineage and Information Sharing**

- Financial institutions are required to maintain customer identity information and transaction records for at least 10 years, ensuring robust data lineage for investigations.
- The law facilitates information sharing between financial institutions, regulatory bodies, and law enforcement agencies while ensuring compliance with data protection laws.
- A new beneficial ownership registry has been established, requiring legal entities to disclose and update information about their ultimate beneficial owners (UBOs)



## **4. Combating Emerging Threats**

- The law addresses new risks posed by digital currencies, cryptocurrencies, and fintech innovations, requiring financial institutions to assess and mitigate risks associated with new technologies and business models.
- It also targets terrorist financing and proliferation financing, aligning with FATF recommendations.

## **5. International Cooperation**

- The law enhances China's ability to engage in international AML cooperation, including information exchange and joint investigations with foreign jurisdictions.
- Prohibiting domestic financial institutions from complying with foreign requests for customer data or asset freezes without prior approval from authorities, ensuring compliance with data sovereignty and national security requirements.

## **6. Stricter Penalties and Enforcement**

- The law introduces heavier penalties for non-compliance, including fines of up to RMB 5 million for financial institutions and RMB 1 million for responsible individuals.
- Institutions that fail to implement adequate AML controls or report suspicious transactions may face business restrictions, license revocation, or criminal liability.

## **Alignment with FATF Standards**

The 2024 AML Law aligns closely with FATF's 40 Recommendations, particularly in the following areas:

- Risk-Based Approach: The law's emphasis on risk assessments and tailored controls reflects FATF's RBA guidelines.
- Beneficial Ownership: The establishment of a beneficial ownership registry addresses FATF's call for greater transparency in corporate structures.
- Terrorist Financing: The law's provisions on terrorist financing and proliferation financing align with FATF's Recommendation 5.
- International Cooperation: The law's focus on cross-border information sharing and joint investigations supports FATF's Recommendation 40.

## **Why the Revision Was Long Overdue**

The 2006 AML Law, while groundbreaking at the time, had become outdated in the face of evolving financial crimes, technological advancements, and international regulatory developments. Key reasons for the revision include:

1. Emerging Financial Technologies: The rise of cryptocurrencies, digital payments, and fintech created new avenues for money laundering that were not adequately addressed in the 2006 law.
2. Global Regulatory Changes: FATF's updated recommendations and the increasing focus on beneficial ownership transparency necessitated changes to China's AML framework.
3. Domestic Financial Crime Trends: The growing complexity of financial crimes, including corruption, tax evasion, and terrorist financing, highlighted the need for stronger AML measures.

## **Legislative Process and Deliberations**

The revision spanned several years, reflecting the complexity and importance of the amendments:

- Public Consultation (June 2021): The State Council sought feedback from stakeholders, including financial institutions, regulators, and the public.
- NPCSC Deliberations:
  - First Round (April 2024): Initial discussions focused on the scope of the law, including the inclusion of non-financial institutions and digital assets.
  - Second Round (September 2024): Debates centered on risk-based approaches, beneficial ownership, and international cooperation.
  - Third Round (November 2024): Final amendments were made, and the law was passed with broad support.

## **Challenges and Future Outlook**

### **1. Implementation Challenges**

- Financial institutions, particularly smaller ones, may struggle with the costs of implementing enhanced AML controls, including technological upgrades and staff training.
- The beneficial ownership registry may face resistance from entities reluctant to disclose sensitive information.

### **2. Technological Risks**

- The rapid evolution of financial technologies, including blockchain and AI, poses ongoing challenges for AML monitoring and enforcement.
- Ensuring compliance with data protection laws while sharing information with international partners will require careful balancing.

### **3. Global Coordination**

- While the law enhances China's ability to cooperate with foreign jurisdictions, differences in legal frameworks and data privacy standards may complicate cross-border investigations.

### **4. Enforcement Consistency**

- Ensuring consistent enforcement across China's vast and diverse financial sector will be a key challenge for regulators.



The 2024 Anti-Money Laundering Law marks a significant step forward in China's efforts to combat financial crimes, enhance governance, and align with global standards. By adopting a risk-based approach, strengthening data lineage, and addressing emerging threats, the law positions China as a leader in the global fight against money laundering and terrorist financing. However, successful implementation will require sustained efforts from regulators, financial institutions, and international partners.

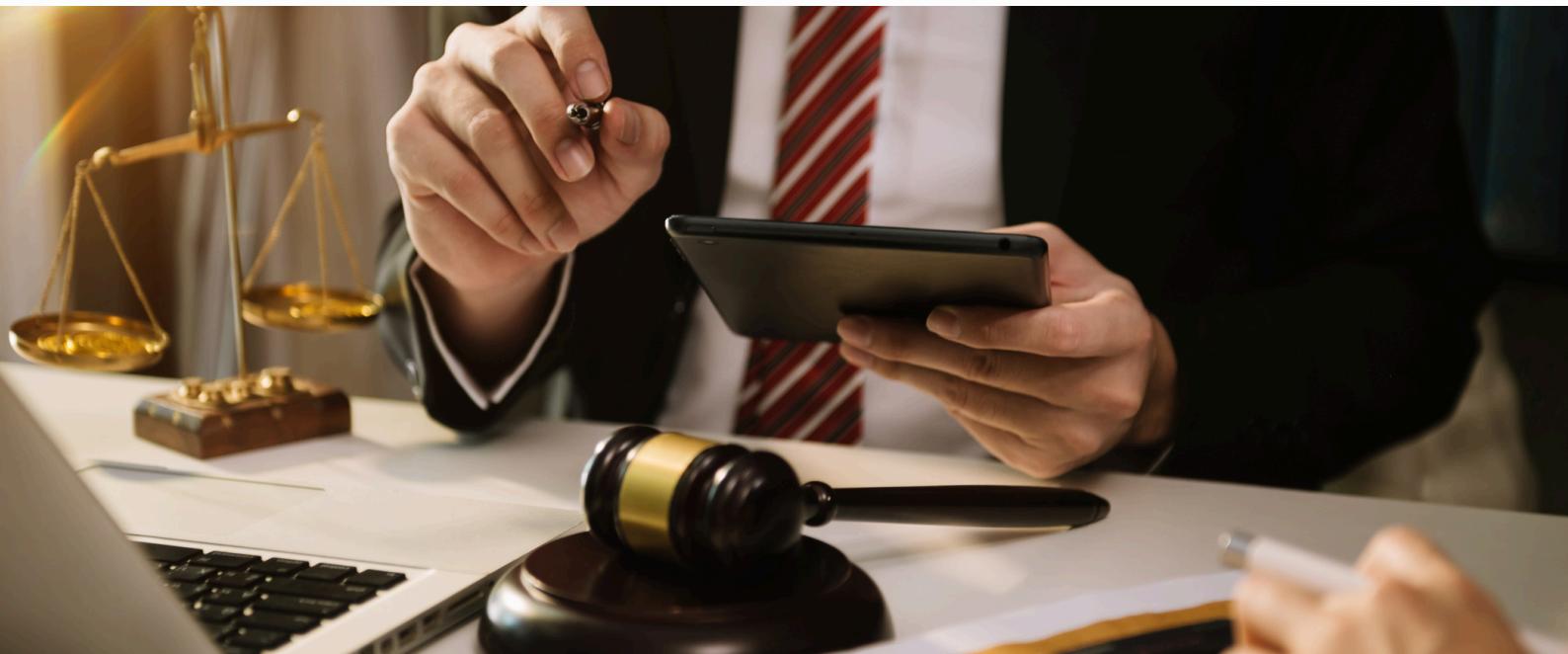
This revision was long overdue and reflects China's commitment to maintaining a robust and modern AML framework in an increasingly complex financial landscape.

- To access the full text of China's New Anti-Money Laundering Law (2024), please visit

[https://zh.wikisource.org/wiki/%E4%B8%AD%E5%8D%8E%E4%BA%BA%E6%BO%91%E5%85%B1%E5%92%8C%E5%9B%BD%E5%8F%8D%E6%B4%97%E9%92%B1%E6%B3%95\\_\(2024%E5%B9%B4\)](https://zh.wikisource.org/wiki/%E4%B8%AD%E5%8D%8E%E4%BA%BA%E6%BO%91%E5%85%B1%E5%92%8C%E5%9B%BD%E5%8F%8D%E6%B4%97%E9%92%B1%E6%B3%95_(2024%E5%B9%B4))

and also

<https://npcobserver.com/legislation/anti-money-laundering-law/>



# EU Updates

## Economic and Financial Affairs Council

**Anti-money laundering authority:**

**Bruna Szego appointed chair**

- Under points without discussion, the Council appointed Ms. Bruna Szego as the Chair of the Anti-Money Laundering Authority.
- The Council adopted a regulation on the European Health Data Space.



# Germany

## New AML Guidelines

### BaFin

The German Federal Financial Supervisory Authority (BaFin)'s revised Interpretation and Application Guidance on the German Anti-Money Laundering Act (Geldwäschegesetz —GwG) officially took effect on February 1, 2025. These updates introduce significant compliance changes for obligated institutions, requiring immediate attention to ensure full adherence.



### Key Updates in the Revised Guidance

#### 1. Expanded Scope for Obligated Parties

- Payment initiation service providers are now fully subject to AML regulations.
- Agents and e-money agents must comply with AML obligations, except for appointing an AML officer.

#### 2. Strengthened Risk Management Requirements

- Entities must now conduct separate risk assessments for money laundering (ML) and terrorist financing (TF) threats.
- Credit institutions, payment institutions, and e-money institutions are required to implement internal procedures to comply with the Transfer of Funds Regulation (TFR) 2023, particularly regarding crypto-asset transfers.

#### 3. Updates on AML Officer Responsibilities

- Deputy AML officers may now operate outside Germany, provided they can perform duties in Germany when necessary.
- The AML officer is not required to speak German, but their deputy must be fluent if language barriers could cause delays.
- Credit institutions are expected to document AML monitoring activities in detail, a practice already common in the sector.

## **4. New Whistleblower Requirements**

- Institutions may integrate AML reporting into general whistleblower systems, but must ensure:
  - Confidential reporting options (as required under the AML Act).
  - Anonymous reporting options (as mandated by Article 32(2) of TFR 2023).

## **5. Shorter Deadlines for Customer Data Updates**

- The previous 10–15-year update cycle has been eliminated.
- Under the EU AML Regulation (effective July 10, 2027):
  - Standard due diligence updates are required every 5 years (previously 10 years).
  - Enhanced due diligence updates must now occur annually (previously every 2 years).
- Institutions should proactively update processes now to avoid a backlog by 2027.

## **6. Clarifications on Beneficial Ownership Identification**

- End customers of payment and e-money institutions are generally not considered beneficial owners under correspondent banking principles.
- However, risk-based assessments may still require special due diligence measures.
- BaFin's data retention requirements for virtual IBAN transactions remain in place.

## **7. Factoring Business Compliance Updates**

- Factoring companies are not required to apply general due diligence to debtors, except in reverse factoring scenarios.
- Institutions must, however, monitor debtor payments and apply enhanced due diligence where high ML risks are identified.

## **8. Crypto-Asset Transfers & TFR 2023 Compliance**

- Crypto-asset service providers must use specialized software to ensure compliance with TFR 2023 requirements.
- Ongoing transaction monitoring for suspicious crypto-asset movements is now explicitly required.

## **9. Changes to Suspicious Activity Reporting (SAR) Process**

- SARs must now be filed within one working day unless further verification is required.
- Institutions may need to suspend transactions beyond the standard three-day window if ML/TF risks persist.
- EDD must be applied for at least 6 months following terrorism financing SAR.



## Compliance Implications & Next Steps

With the new Guidance now in effect, obligated institutions must:

- Ensure AML risk assessments follow the revised requirements.
- Update customer due diligence procedures in line with the new timeframes.
- Strengthen whistleblower protections to meet both the AML Act and TFR 2023 standards.
- Adapt transaction monitoring systems to comply with crypto-asset transfer requirements.

While some updates reinforce existing practices, others introduce substantial new compliance obligations. Institutions must act swiftly to ensure full implementation and remain aligned with Germany's evolving AML framework.

To access the full Interpretation and Application Guidelines, please visit [https://www.bafin.de/SharedDocs/Downloads/DE/Auslegungsentscheidung/dl\\_ae\\_auas\\_gw.html?nn=19659504](https://www.bafin.de/SharedDocs/Downloads/DE/Auslegungsentscheidung/dl_ae_auas_gw.html?nn=19659504)

# Japan

## Updates from Financial Services Agency (FSA)

### Overview

The Financial Services Agency (FSA) has published a Draft Summary of Issues and Practices for Dialogue on Verifying the Effectiveness of Anti-Money Laundering (AML) Measures. This document outlines the FSA's approach to promoting effectiveness verification by financial institutions, as required under the Guidelines for Countermeasures against Money Laundering and Terrorist Financing.

Financial institutions have been working to establish basic AML risk management systems by March 2024. Moving forward, the FSA emphasizes the need for institutions to continuously maintain and improve their systems in response to evolving risks.



The draft summary provides a framework for financial institutions to conduct effectiveness verification and outlines how the FSA will engage in dialogue with institutions to ensure robust AML measures.

### Key Highlights of the Draft Summary

#### 1. Purpose of Effectiveness Verification

- Financial institutions must verify that their AML measures are effective in identifying, assessing, and mitigating money laundering and terrorist financing risks.
- The verification process should be ongoing, with institutions regularly updating their risk assessments and mitigation strategies.

## **2. Areas of Focus for Verification**

- **Risk Identification and Assessment:** Ensuring that institutions adequately identify and evaluate AML risks, including changes in internal and external environments.
- **Risk Mitigation:** Confirming that institutions have appropriate measures in place to reduce identified risks and that these measures are effectively implemented.
- **Timely Verification:** Conducting additional verification in response to significant events, such as major compliance breaches or AML-related incidents.

## **3. Dialogue with Authorities**

- The FSA will engage in structured dialogue with financial institutions to assess the effectiveness of their AML measures.
- Discussions will focus on the adequacy of risk identification, assessment, and mitigation, as well as the implementation of improvement measures based on verification results..

## **4. Monitoring and Feedback**

- The FSA will monitor financial institutions' AML efforts and provide feedback, including sharing lessons learned and best practices through industry reports and forums.
- The FSA will also address any regulatory challenges identified during the dialogue process.

### **Public Comment Period**

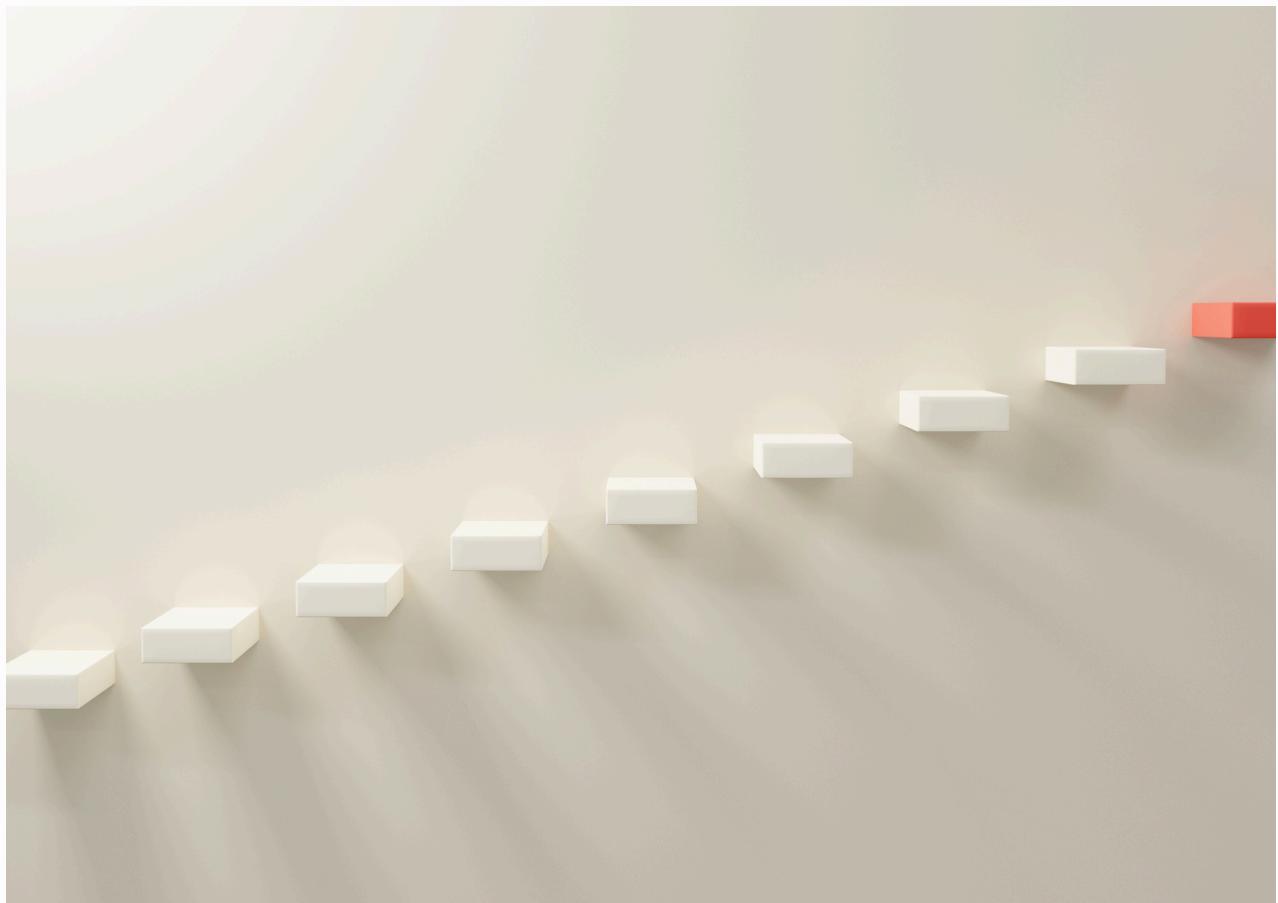
The FSA invites stakeholders to submit comments on the draft summary by 5:00 PM on Thursday, February 20, 2025. Comments can be submitted via mail or online through the e-Gov portal.

#### **Submission Details:**

- Mail: Financial Services Agency, Policy Bureau, Risk Analysis and Coordination Division, Financial Crimes Office
- Central Government Building No. 7, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8967
- Online: [e-Gov Portal](#).

#### **Note:**

- Submitters' names and comments may be disclosed unless anonymity is requested.
- The FSA will not provide individual responses to comments.



## **Next Steps**

Following the public comment period, the FSA will finalize the summary and implement the new framework after completing the necessary procedures.

This draft summary underscores the FSA's commitment to strengthening AML measures in Japan's financial sector. Financial institutions are encouraged to review the document and participate in the public consultation process to contribute to the development of effective AML practices.

For further details and submission of comments, please visit  
<https://www.fsa.go.jp/news/r6/ginkou/20250120/20250120.html>

# United Kingdom | Japan

## Joint Statement 2025

### Policy Paper Brief

Published: 31-Jan-2025

The 3rd UK-Japan Financial Regulatory Forum was held on 30 January 2025 in London, alongside the 6th UK-Japan Financial Dialogue.

The forum facilitated discussions on key economic, fiscal, and financial regulatory issues, with a focus on sustainable finance, asset management, capital markets, digital finance, and international financial stability.

Participants included senior representatives from the UK's HM Treasury, Bank of England, Financial Conduct Authority (FCA), and Japan's Financial Services Agency (FSA).





## KEY THEMES AND OUTCOMES

### 1. Monitoring and Feedback

- Both countries emphasized the importance of transition finance, sustainability reporting, and ESG ratings.
- The UK highlighted progress on its Transition Finance Market Review (October 2024) and the implementation of Sustainability Disclosure Requirements.
- Japan shared updates on its national sustainability disclosure standards and the launch of the Asia GX Consortium to mobilize climate transition funds in Asia.
- Both nations reaffirmed support for the International Sustainability Standards Board (ISSB) and welcomed the IFRS Foundation's adoption of the UK Transition Plan Taskforce's disclosure materials.
- Collaboration on ESG ratings regulation and multilateral engagement (e.g., FSB, IOSCO, G20) was emphasized.

### 4. Digital Finance

- Both countries recognized the growth potential of FinTech and innovation, with the UK highlighting its Digital Securities Sandbox (DSS).
- Discussions on AI in financial services focused on international collaboration to manage risks and foster innovation.
- Japan provided updates on cryptoasset developments, and both sides stressed the importance of implementing the FSB's regulatory framework for cryptoassets and stablecoins.

### 2. Asset Management

- Japan highlighted efforts to position itself as a leading asset management hub, including growth in NISA accounts and investment instrument purchases.
- The UK discussed improving retail investor information to enhance decision-making.
- Both sides explored opportunities for cross-border asset management business.

### 3. Capital Markets

- The UK outlined its ambition to revitalize capital markets to drive investment and innovation, including progress toward T+1 settlement.
- The FCA updated on recent changes to UK Listing Rules and consultations on public offers and trading regulations.
- Japan provided updates on its T+1 discussions and shared insights on pension fund regulation and its role in economic growth.

## **5. International Financial Stability**

- Participants discussed domestic banking regulation, Basel III implementation, and the need for consistent global standards.
- Non-Bank Financial Intermediation (NBFI) resilience and financial stability risks were addressed, with the UK sharing outcomes of its system-wide exploratory scenario.
- Both countries emphasized the importance of finalizing FSB policies on NBFI leverage and ensuring timely implementation.



The forum reinforced the UK and Japan's commitment to deepening bilateral cooperation and coordinating efforts in multilateral fora to address global financial challenges. Participants looked forward to the next Financial Regulatory Forum in Japan.

To access the full Policy Paper and Joint Statement, please visit

<https://www.gov.uk/government/publications/uk-japan-financial-regulatory-forum-joint-statement/uk-japan-financial-regulatory-forum-joint-statement-2025>

# United States of America

## FinCEN Alerts

### Beneficial Ownership

#### **Alert 3: Ongoing Litigation –**

Texas Top Cop Shop, Inc., et al. v. McHenry, et al., No. 4:24-cv-00478 (E.D. Tex.) & Voluntary Submissions [Updated January 24, 2025] Alert: Ongoing Litigation – Texas Top Cop Shop, Inc., et al. v. McHenry, et al., No. 4:24-cv-00478 (E.D. Tex.) & Voluntary Submissions [Updated January 24, 2025]



#### **Key Updates**

In light of recent federal court orders, reporting companies are not currently required to file beneficial ownership information (BOI) with FinCEN and are not subject to liability for failing to do so while these orders remain in effect. However, reporting companies may continue to voluntarily submit BOI reports.

#### **1. Supreme Court Action**

- On January 23, 2025, the Supreme Court granted the government's motion to stay the nationwide injunction issued by the U.S. District Court for the Eastern District of Texas in Texas Top Cop Shop, Inc. v. McHenry.
- Despite this action, another nationwide injunction issued in Smith v. U.S. Department of the Treasury remains in place, meaning reporting companies are still not required to file BOI with FinCEN.

#### **2. Current Status**

- While the Texas Top Cop Shop injunction is maintained, the Smith injunction continues to prevent enforcement of the Corporate Transparency Act (CTA).
- FinCEN is complying with these court orders and has paused enforcement of BOI reporting requirements.

### **3. Voluntary Submissions**

- Reporting companies may voluntarily submit BOI reports to FinCEN during this period.

#### **Implications for Businesses:**

- Reporting companies are not obligated to file BOI reports at this time and face no liability for non-compliance while the Smith injunction remains in effect.
- Businesses may choose to voluntarily comply with the CTA by submitting BOI reports to FinCEN.

#### **Next Steps:**

- Monitor ongoing legal developments, as the status of the CTA may change pending further court rulings or appeals.
- Consult legal counsel to ensure compliance with evolving requirements.

### **Alert 2: FinCEN Issues Fraud Alert on Corporate Transparency Act Scams**

The Financial Crimes Enforcement Network (FinCEN) has issued a public alert regarding fraudulent attempts to solicit information from individuals and businesses subject to reporting requirements under the Corporate Transparency Act (CTA).

#### **Identified Fraudulent Scams:**

- **Fake Forms:** Correspondence referencing "Form 4022" or "Form 5102" is fraudulent. FinCEN does not use these forms.
- **Fake Government Entities:** Any mention of a "US Business Regulations Dept." is fraudulent. No such government agency exists.

#### **Warning Signs of Fraudulent Correspondence:**

- **Requests for Payment:**

- Filing Beneficial Ownership Information (BOI) with FinCEN is free.
- FinCEN does NOT request payments for BOI filing.

- **Suspicious Links and QR Codes:**

- Do not click on unknown URLs, email attachments, or QR codes.

- **Threats of Penalties:**

- FinCEN does NOT notify individuals of penalties via email or phone calls.
- Do not send payments in response to fraudulent penalty claims.

Additionally, FinCEN has clarified that the statement on <https://boir.org> claiming to be an "officially authorized service provider" was false.

**Protect Yourself:**

- Verify the sender before responding to any BOI-related requests.
- Do not provide personal or business information unless you trust the recipient.
- Report suspicious activity immediately to [FinCEN](#).

FinCEN's December 18, 2024, public alert raises awareness of scams exploiting FinCEN's name and authority for financial gain. Stay vigilant and informed to protect your business and personal information and can be accessed at:

<https://fincen.gov/sites/default/files/2024-12/Alert-FinCEN-Scams-FINAL508.pdf>

For more details on these fraud schemes and reporting methods, visit <https://fincen.gov/boi>

**Alert: Notice Regarding National Small Business United v. Yellen, No. 5:22-cv-01448 (N.D. Ala.)**

The Corporate Transparency Act (CTA), enacted to combat money laundering, terrorism financing, and other financial crimes by requiring businesses to report beneficial ownership information to the Financial Crimes Enforcement Network (FinCEN), has faced significant legal challenges. Here's a detailed update on recent developments:

**1. National Small Business United v. Yellen (N.D. Ala.):**

- On March 1, 2024, a federal district court in Alabama ruled that the CTA exceeds Congress's constitutional authority. The court issued a final declaratory judgment, joining the Department of the Treasury and FinCEN in enforcing the CTA against the plaintiffs, including the National Small Business Association (NSBA) and its members.
- The Justice Department, representing the Treasury, filed a Notice of Appeal on March 11, 2024.

- **FinCEN's Response:** FinCEN is complying with the court's order and has suspended enforcement of the CTA against the plaintiffs. This means the plaintiffs, including Isaac Winkles and NSBA members, are not currently required to report beneficial ownership information to FinCEN.

## **2.Texas Top Cop Shop, Inc. v. Garland (E.D. Tex.):**

- On December 3, 2024, the U.S. District Court for the Eastern District of Texas issued a nationwide preliminary injunction, halting enforcement of the CTA. This case is one of several challenging the CTA's constitutionality.
- The Justice Department appealed the decision on December 5, 2024, and sought a stay of the injunction from the Supreme Court on December 31, 2024.
- **FinCEN's Response:** As of December 26, 2024, FinCEN is complying with the injunction and has paused enforcement of the CTA nationwide. Reporting companies are not required to file beneficial ownership information at this time, though voluntary submissions are still accepted.

## **3.Courts Upholding the CTA:**

While some courts have enjoined enforcement, and others have denied injunctions, creating a split in legal opinions:

- Small Business Association of Michigan v. Yellen (W.D. Mich.): On April 29, 2024, the court denied a motion for a preliminary injunction, allowing the CTA to remain in effect.
- Firestone v. Yellen (D. Or.): On September 20, 2024, the court declined to issue an injunction, ruling that the plaintiffs failed to demonstrate a likelihood of success on their constitutional challenges. The court emphasized the CTA's importance in combating financial crimes.
- Community Associations Institute v. Yellen (E.D. Va.): On October 24, 2024, the court denied a preliminary injunction, rejecting claims that the CTA oversteps Congress's authority or violates constitutional amendments.

#### **4.Government's Position**

- The Department of the Treasury and FinCEN maintain that the CTA is a constitutional and essential tool for preventing illicit financial activities. The government is actively defending the law in court and has appealed rulings that have blocked its enforcement.

#### **Key Takeaways for Businesses:**

- The legal status of the CTA remains uncertain due to conflicting court rulings. While some businesses are exempt from reporting requirements due to injunctions, others must still comply.
- FinCEN continues to adapt its enforcement approach based on court orders, pausing enforcement where required but encouraging voluntary compliance.
- Businesses should closely monitor ongoing legal developments and consult legal counsel to ensure they meet their obligations under the CTA.

See the detailed alert of FinCen, please visit <https://fincen.gov/boi>



## **FinCEN Convenes Virtual Summit of Financial Intelligence Units to Combat Nature Crimes in the Amazon Region.**

Press Release Date: January 17, 2025

### **Key Highlights:**

On January 17, 2025, the Financial Crimes Enforcement Network (FinCEN) convened a virtual summit of Financial Intelligence Units (FIUs) from Brazil, Colombia, Ecuador, Guyana, Peru, Suriname, and the United States to address the growing threat of nature crimes in the Amazon region. This summit marked a significant step in operationalizing a collaborative effort to combat transnational criminal organizations (TCOs) profiting from environmental crimes.

### **Why It Matters:**

- Environmental crimes, such as illegal deforestation, mining, wildlife trafficking, and illegal fishing, generate an estimated 110 to 110 to 281 billion annually, according to the Financial Action Task Force (FATF).
- These crimes fuel corruption, threaten biodiversity, damage ecosystems, and harm public health and economies.
- TCOs exploit international boundaries to evade law enforcement, making cross-border cooperation essential to disrupt their operations.

### **Key Statements:**

- FinCEN Director Andrea Gacki emphasized, "Illicit finance is not confined to national borders, and financial activity tied to nature crimes is no exception. Cooperation with our partners is a key countermeasure in preventing such organizations from profiting from their crimes."
- The summit fulfilled a commitment made by U.S. Treasury Secretary Janet L. Yellen in July 2024 to strengthen partnerships in the Amazon region.

### **Summit Focus Areas:**

Participants discussed critical issues, including:

- Illegal deforestation and mining
- Gold smuggling and timber trafficking
- Wildlife trafficking
- Illegal, unreported, and unregulated fishing
- The role of TCOs in facilitating these crimes

## **FinCEN's Ongoing Efforts:**

**FinCEN has been actively addressing environmental crimes through:**

- **FinCEN Notice FIN-2021-NTC4 (2021):** Provided financial institutions with guidance on filing Suspicious Activity Reports (SARs) related to environmental crimes, such as wildlife trafficking, illegal logging, and mining.
- **Financial Threat Analysis Report (2021):** Highlighted illicit finance linked to wildlife trafficking.
- **FinCEN Exchange Events:** Facilitated discussions on environmental crimes and associated financial activities.
- **National Priorities:** Identified transnational criminal activity, including wildlife trafficking, as a key focus under FinCEN's Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) priorities.

## **Call to Action:**

FinCEN encourages stakeholders to leverage its resources and collaborate in identifying and combating environmental crimes. Financial institutions are urged to remain vigilant and report suspicious activities tied to nature crimes.

## **For More Information:**

Visit [FinCEN's website](#) to access resources and stay updated on efforts to combat illicit financial activities linked to environmental crimes.

<https://fincen.gov/news/news-releases/fincen-convenes-virtual-summit-financial-intelligence-units-combat-nature-crimes>

## SECTION - III

# Crypto Updates



# Czech Republic

## CNB Explores Diversifying Investment Portfolio

### Key Highlights

#### 1. Proposal to Broaden Investment Options

- The CNB Bank Board has approved a proposal to analyze the potential inclusion of additional asset classes in its international reserve management strategy.
- This move aims to further diversify investments and enhance returns while maintaining prudent risk management.

#### 2. Background and Context

- Over the past two years, the CNB has been actively diversifying its reserve investments.
- The proposal, initiated by Governor Aleš Michl, reflects the CNB's ongoing efforts to optimize its reserve management strategy.

#### 3. Next Steps

- The CNB will conduct a detailed analysis to assess the feasibility and benefits of expanding into new asset classes.
- Any decisions or changes to the reserve portfolios will be communicated transparently through the CNB's quarterly reports and annual reports.



#### **4. No Immediate Changes**

- The CNB emphasizes that no changes will be implemented until the analysis is complete and the Bank Board makes a final decision.

#### **Why It Matters**

- Diversification: Expanding into new asset classes could reduce risk and improve returns for the CNB's international reserves.
- Transparency: The CNB remains committed to keeping stakeholders informed about any changes to its reserve management strategy.
- Strategic Planning: This initiative reflects CNB's proactive approach to adapting to evolving financial markets and economic conditions.

To access the full text of the Press Release, please visit

<https://www.cnb.cz/en/cnb-news/press-releases/CNB-to-assess-options-for-broadening-investment-to-include-other-asset-classes/>



# European Commission | ESMA

## Guidance on non-MiCA compliant ARTs and EMTs

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, published today a statement reinforcing the position related to the offer of ARTs and EMTs (also known as stablecoins) in the EU under Market in Crypto Assets regulation (MiCA).

The statement provides guidance on how and under which timeline CASPs are expected to comply with the requirements of Titles III and IV of MiCA, as clarified in the European Commission Q&A. National Competent Authorities (NCAs) are expected to ensure compliance by CASPs regarding non-compliant ARTs or EMTs as soon as possible, and no later than the end of Q1 2025. With the statement, ESMA aims to facilitate coordinated actions at the national level and avoid potential disruptions.

The European Commission has also delivered a Q&A, providing guidance on the obligations contained in titles III and IV of MiCA and how these obligations should apply to crypto assets service providers (CASPs).

The Q&A clarifies that certain crypto-asset services may constitute an offer to the public or an admission to trading in the EU and should therefore comply with titles III and IV of MiCA.



To access the publication please visit  
<https://www.esma.europa.eu/press-news/esma-news/esma-and-european-commission-publish-guidance-non-mica-compliant-arts-and-emts>

# Public Statement Regarding Non-MiCA Compliant ARTs and EMTs

Reference: ESMA75-223375936-6099

Issued by: European Securities and Markets Authority (ESMA)

Location: Paris, France

Website: [www.esma.europa.eu](http://www.esma.europa.eu)



## Background:

The European Securities and Markets Authority (ESMA) has issued a public statement addressing the provision of crypto-asset services related to Asset-Referenced Tokens (ARTs) and Electronic Money Tokens (EMTs) that do not comply with the Markets in Crypto-Assets Regulation (MiCA). MiCA, which became applicable on 30 June 2024, regulates the issuance, public offering, and admission to trading of ARTs and EMTs under Titles III and IV.

The European Banking Authority (EBA) previously emphasized in a July 2024 statement that stakeholders must ensure compliance with MiCA for ARTs and EMTs and refrain from offering services related to non-compliant tokens. The European Commission has since provided a Q&A document clarifying which crypto-asset services constitute a public offering or admission to trading under MiCA.

## Key Points of the Statement

### 1. Alignment with MiCA Requirements

- Crypto-asset service providers (CASPs) must align their services with MiCA as clarified in the European Commission's Q&A.
- CASPs are expected to assess the compliance of ARTs and EMTs they service and refrain from offering, admitting to trading, or placing non-compliant tokens.



## 2. Role of National Competent Authorities (NCAs)

- NCAs are tasked with guiding CASPs through the transition to ensure consistent and orderly implementation across the EU.
- Cooperation and coordination among NCAs are encouraged to maintain a harmonized approach.

## 3. Legal Framework and Limitations

- ESMA and NCAs do not have the authority to disapply directly with applicable EU laws. Any changes to the application of MiCA must be implemented through EU legislation

## 4. Mitigating Market Disruptions

- ESMA acknowledges that sudden actions to comply with MiCA could lead to disorderly crypto-asset markets.
- To ensure a smooth transition, ESMA emphasizes the need for a phased and orderly alignment with MiCA requirements.

## Definitions and Scope

- Asset-Referenced Tokens (ARTs): Crypto assets that aim to maintain a stable value by referencing multiple currencies, commodities, or other assets.
- Electronic Money Tokens (EMTs): Crypto assets that reference a single currency and are used as a means of payment.
- Crypto-Asset Service Providers (CASPs): Entities offering services related to crypto-assets, including virtual asset service providers and entities operating under national legislation.

## Implications for Stakeholders

### Crypto-Asset Service Providers (CASPs):

- We must promptly assess the compliance of the ARTs and EMTs they service.
- Should refrain from offering or trading non-compliant tokens to avoid violating MiCA.

### National Competent Authorities (NCAs):

- Play a critical role in guiding CASPs and ensuring consistent enforcement of MiCA across the EU.

### Investors and Market Participants:

- May experience temporary disruptions as CASPs transition to full compliance with MiCA.
- Can expect greater regulatory clarity and protection in the long term.

ESMA's public statement underscores the importance of aligning crypto-asset services with MiCA to ensure regulatory compliance and market stability. While the transition may pose challenges, ESMA and NCAs are committed to facilitating an orderly process to mitigate potential disruptions.

# Guidance on MiCA best practices

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, published today a new supervisory briefing aiming to align practices across the EU member states.

The briefing, developed in close cooperation with National Competent Authorities (NCAs), promotes convergence and prevents regulatory arbitrage, providing concrete guidance about the expectations of applicant Crypto Asset Service Providers (CASPs), and NCAs when they are processing the authorization requests.

For example, the briefing contains clear guidance on:

- Substance and governance and the ability of CASPs offering their service in the EU to operate autonomously and with sufficient in-country personnel.
- Outsourcing and the effective limits to set regarding the externalization of functions and services.
- Suitability of personnel and the importance for CASPs, and particularly its executive management, to demonstrate effective technical knowledge of the crypto ecosystem.

The guidance in the briefing helps NCAs, applicants, and the general public to operationalize MiCA and RTS obligations into concrete controls and checks. Consequently, it serves to maintain a strong regulatory framework characterized by consistent, effective, and forceful supervision.

## Next Steps

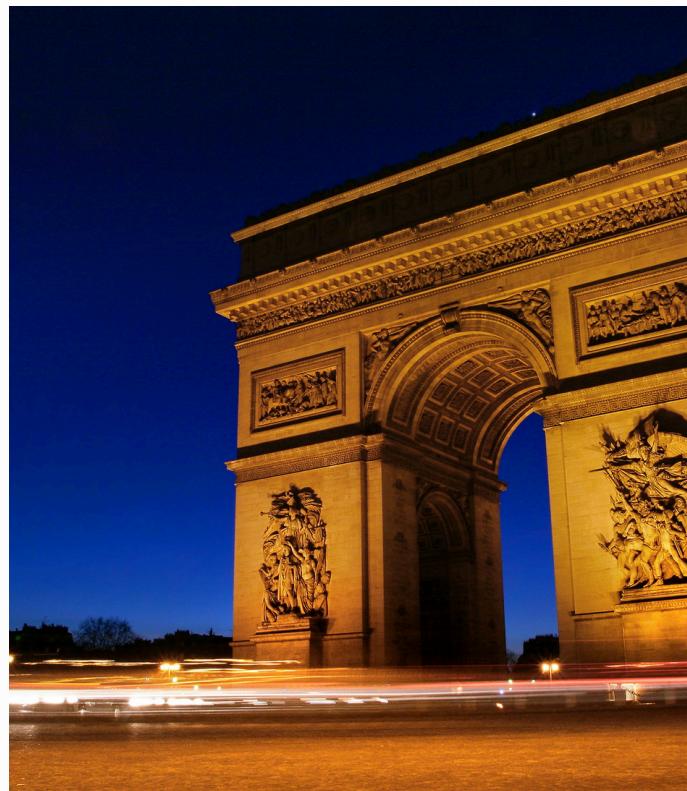
NCAs are expected to apply the principles in the supervisory briefing during authorization procedures, as well as ensure continued adherence for CASPs once they have been authorized.

Further information:

Cristina Bonillo

Senior Communications Officer

[press@esma.europa.eu](mailto:press@esma.europa.eu)



# Briefing on the Authorization of CASPs under MiCA

## Issuing Authority: European Securities and Markets Authority (ESMA)

The European Securities and Markets Authority (ESMA) has published a Supervisory Briefing to assist National Competent Authorities (NCAs) in ensuring a harmonized approach to the authorization of Crypto-Asset Service Providers (CASPs) under the Markets in Crypto-Assets Regulation (MiCA). This briefing provides key insights into risk assessment, governance, outsourcing, and compliance expectations for CASPs seeking MiCA authorization. Key Areas of the Supervisory Briefing

### 1. Risk-Based Approach for CASP Authorization

- No CASP is considered "low-risk" due to their exposure to retail clients, cross-border operations, and ML/TF vulnerabilities.
- Higher risk factors triggering enhanced scrutiny include:
  - Large CASPs with over 1 million active users in the EU or a €3 billion balance sheet.
  - Complex corporate structures with multiple regulatory authorizations such as MiFID and EMI.
  - Significant cross-border activities with more than 200,000 users outside the home Member State.
  - Key ecosystem players, including trading platforms, custody providers, and token issuers.
  - Extensive outsourcing arrangements, especially outside the EU.

### 2. Governance & Substance Requirements

- CASPs must have a strong local presence with at least one executive board member residing in the authorizing EU Member State.
- Decision-making autonomy must be demonstrated at the EU level.
- Board composition and independence requirements include:
  - The CEO must be fully dedicated to CASP activities.
  - Board members must have a strong knowledge of EU crypto regulations.
  - Dual roles with parent entities should be limited to avoid conflicts of interest.
- Internal control and compliance expectations include:
  - Clear segregation of duties between compliance, risk management, and internal audit.
  - Regular reporting to executive management and regulatory authorities.
  - A strong AML compliance function aligned with EBA AML guidelines.

### **3. Outsourcing & Third-Party Risks**

- Outsourcing should not result in a "letterbox" entity where critical operations are handled externally.
- High-risk outsourcing practices include:
  - Outsourcing outside the EU without clear oversight.
  - Delegation of core functions such as AML compliance, ICT, custody, and risk management.
- NCAs must ensure that:
  - CASPs maintain control and accountability over outsourced operations.
  - Clear service-level agreements (SLAs) and audit mechanisms exist.
  - Outsourced AML functions remain under CASP responsibility.

### **4. Fit & Proper Assessments for CASP Management**

- NCAs must assess the suitability of executive and supervisory board members, considering:
  - Prior regulatory violations, including outside the EU.
  - Criminal proceedings, ongoing or past.
  - Board-level collective competence, including crypto expertise and financial sector experience.
- NCAs should conduct interviews and seek input from other regulators before approval.

### **5. Business Plan & Financial Projections**

- CASPs must submit a realistic three-year business plan that includes:
  - Revenue models and risk scenarios, including stress testing.
  - Contingency plans for revenue downturns.
  - Operational resilience measures for market volatility.

### **6. Notification & Compliance Deadlines**

- MiCA service providers must notify NCAs at least 40 days before launching operations.
- NCAs must assess notifications within 20 days, with extensions allowed for incomplete filings.
- Incomplete applications will be rejected, requiring a new submission.



## **Key Takeaways for CASPs & Market Participants**

- Higher regulatory scrutiny will apply to CASPs with large user bases, complex group structures, high-risk outsourcing, and weak governance and compliance setups.
- NCAs will enforce strict governance and substance requirements, ensuring CASPs operate as fully functional entities in the EU.
- CASPs must proactively align with MiCA requirements to avoid delays or rejections in authorization applications.

**Full Supervisory Briefing,** [https://www.esma.europa.eu/sites/default/files/2025-01/ESMA75-453128700-1263\\_Supervisory\\_Briefing\\_on\\_Authorisation\\_of\\_CASPs.pdf](https://www.esma.europa.eu/sites/default/files/2025-01/ESMA75-453128700-1263_Supervisory_Briefing_on_Authorisation_of_CASPs.pdf)



# USA | Executive Order

## Establish U.S. Leadership in Digital Financial Technology

In a landmark move to secure America's position as the global leader in digital financial technology, President Donald J. Trump has signed an Executive Order aimed at fostering innovation, creating economic opportunities, and providing regulatory clarity for the digital asset economy. This order represents a significant shift in U.S. policy, prioritizing the growth of digital assets while protecting economic liberty and reducing regulatory overreach.



Key Highlights of the Executive Order:

### 1. Establishment of the Presidential Working Group on Digital Asset Markets

- A new federal task force, chaired by the White House AI & Crypto Czar, will lead efforts to strengthen U.S. leadership in digital finance.
- The group includes key figures such as the Secretary of the Treasury, the Chairman of the Securities and Exchange Commission (SEC), and heads of other relevant agencies.
- Its primary tasks include developing a comprehensive federal regulatory framework for digital assets, including stablecoins, and evaluating the creation of a strategic national digital assets stockpile.

### 2. Engagement with Industry Experts

- The White House AI & Crypto Czar will consult with leading experts in digital assets and markets to ensure the Working Group's actions are informed by cutting-edge knowledge and innovation from outside the federal government.

### 3. Prohibition of Central Bank Digital Currencies (CBDCs)

- The order explicitly prohibits federal agencies from developing, issuing, or promoting CBDCs, reflecting concerns over government overreach and the need to protect economic freedom.

#### **4. Revocation of Previous Policies**

- The order revokes the prior administration's Digital Assets Executive Order and the Treasury Department's Framework for International Engagement on Digital Assets, which were seen as stifling innovation and undermining U.S. leadership in the global digital finance arena.

#### **5. Regulatory Review and Reform**

- Federal agencies are directed to identify and recommend the rescission or modification of regulations that hinder the growth of the digital assets sector.
- The order also halts aggressive enforcement actions and regulatory overreach that have previously discouraged innovation in the crypto space.

### **A New Era for Digital Financial Technology**

President Trump's Executive Order marks a decisive step toward positioning the United States as the global hub for digital financial technology. By fostering a clear and supportive regulatory environment, the administration aims to:

- Encourage innovation and investment in the digital asset economy.
- Protect economic liberty by reducing unnecessary government interference.
- Ensure the U.S. remains at the forefront of the rapidly evolving digital finance landscape.

This policy shift emphasizes the administration's commitment to making the U.S. the "crypto capital of the planet," paving the way for a future where digital financial technology can thrive and benefit all Americans.

Stay tuned for further updates as the Presidential Working Group begins its work to shape the future of digital assets in the United States.

To access the full fact sheet and executive order, please visit:

<https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-executive-order-to-establish-united-states-leadership-in-digital-financial-technology/>



# USA | SEC Press Release

## SEC Launches Crypto Task Force to Foster Clear and Sensible Regulation

The U.S. Securities and Exchange Commission (SEC) has taken a significant step toward clarifying the regulatory landscape for crypto assets with the formation of a new Crypto Task Force. Announced by Acting Chairman Mark T. Uyeda, the task force will be led by Commissioner Hester Peirce, a well-known advocate for innovation in the crypto space.

### Key Objectives of the Task Force:

- Develop a clear and comprehensive regulatory framework for crypto assets.
- Provide practical paths to registration for crypto businesses.
- Craft sensible disclosure frameworks to protect investors while fostering innovation.
- Deploy enforcement resources judiciously to address fraud and misconduct.



The task force will draw on expertise from across the SEC and collaborate with federal agencies, state regulators, and international counterparts. It will also seek public input from investors, industry participants, academics, and other stakeholders to ensure a balanced and inclusive approach.

### A Shift from Reactive to Proactive Regulation:

The SEC has historically relied on enforcement actions to regulate crypto, often creating confusion and uncertainty. This task force aims to replace that reactive approach with clear regulatory lines and a forward-thinking strategy that supports innovation while safeguarding market integrity.

## **Call for Public Engagement:**

The task force welcomes public input at [Crypto@sec.gov](mailto:Crypto@sec.gov) and plans to hold roundtables in the future to gather diverse perspectives.

This initiative marks a pivotal moment in the SEC's approach to crypto regulation, signaling a commitment to fostering a regulatory environment that protects investors, facilitates capital formation, and supports the growth of the digital asset economy.

To access the full press release, please visit, [Call for Public Engagement:](#)



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