
FINAL NOTICE

To: **CACEIS BANK (UK Branch)**

Reference
Number: **622691**

Address: **Broadwalk House, 5 Appold Street,
London, EC2A 2AD**

Date: **19 June 2026**

1. ACTION

- 1.1. For the reasons given in this Final Notice, the Authority hereby imposes on CACEIS UK a public censure pursuant to section 205 of the Act.
- 1.2. CACEIS UK agreed to resolve these matters. As part of the resolution, CACEIS UK has agreed to make a voluntary payment of £31,714,068 to be distributed amongst WealthTek's clients pursuant to the distribution plan of WealthTek's Joint Special Administrators.
- 1.3. The Authority has considered CACEIS UK's co-operation from the outset of the investigation (see paragraph 2.13 as well as Section 6) including its acceptance of the failings identified in this Notice and its agreement to make the voluntary payment, and decided it is not appropriate to impose a financial penalty. Had it not been for these factors, the Authority would also have imposed a financial penalty of £32,988,540 in respect of the failings set out in this Notice. In that event, CACEIS UK would have qualified for a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure, which would have reduced the penalty to £23,091,900.
- 1.4. The public censure will be issued on 25 June 2026 and will take the form of this Final Notice, which will be published on the Authority's website.

2. SUMMARY OF REASONS

- 2.1 The Authority has the operational objective of protecting and enhancing the integrity of the UK financial system. The laundering of money through UK financial institutions undermines the integrity of the UK financial system. The nature of their business means that banks are particularly susceptible to the risk of being used by their customers/clients to facilitate the laundering of money.
- 2.2 Accordingly, banks (and other authorised firms) must establish, implement and maintain adequate policies and procedures sufficient to ensure that they comply with their obligations under the regulatory system and for countering the risk that they might be used to further financial crime (such as those in SYSC 6.1.1R, 6.3.1R and 6.3.3R and regulations 18, 27 and 28 of the MLRs). They must also ensure that the policies and procedures they adopt are in fact implemented effectively in practice.
- 2.3 To comply with their AML obligations, firms must ensure that they apply appropriate customer due diligence measures. This requires firms to:
- a) Take sufficient steps to establish the identity of their customer/client, understand the nature of their customer/client's business and risk profile, the purpose of the account(s), and how the customer/client will use the bank's services, as well as ensuring there is no legal barrier to providing the customer/client with the product or service requested.
 - b) Conduct ongoing monitoring of the business relationship. This includes:
 - i. monitoring transactions undertaken throughout the course of the relationship to ensure that the transactions are consistent with the relevant person's knowledge of the customer/client, the customer/client's business and risk profile; and
 - ii. undertaking reviews of existing records and keeping the documents or information obtained for the purpose of applying customer due diligence measures up-to-date.
- 2.4 During the Relevant Period, CACEIS UK provided custody services to its clients, which included other firms regulated and authorised by the Authority. Firms offering such services should ensure that they put in place and implement suitably robust policies and procedures in

relation to the opening and ongoing monitoring of client accounts, as otherwise there is an increased risk of misappropriation and/or of money laundering in connection with those client accounts. This in turn poses an increased risk to the Authority's market integrity and consumer protection objectives.

- 2.5 In October 2020, CACEIS UK was preparing for a merger with KAS Bank, following which WealthTek (at the time named Vertus) became a client of CACEIS UK.
- 2.6 Prior to the merger with KAS Bank, CACEIS UK identified from a check of the FS Register that WealthTek did not have the 'safeguarding and administering investments' permission that was required for it to hold various types of client assets on CACEIS UK's platform. Despite CACEIS UK initiating contact with WealthTek in relation to the issue and resolving that it would check the position on the FS Register before migration, CACEIS UK failed to make such checks, and migrated and made available the WealthTek accounts, without first satisfying itself on reasonable grounds that WealthTek in fact had the requisite Part 4A permissions that it would need to hold client assets on CACEIS UK's platform. No other step was taken to ensure that the accounts were only made operational upon proof of the requisite permissions being obtained.
- 2.7 Following Vertus changing its name to WealthTek in March 2021, CACEIS UK again identified that WealthTek did not have the required permissions through a further check of the FS Register. However, CACEIS UK failed to take further action in relation to the issue it had identified and continued to open further accounts for WealthTek when requested without taking any further action. CACEIS UK also failed to identify and take appropriate action in response to this issue on a further check of WealthTek's FS Register entry in December 2022.
- 2.8 Further, notwithstanding that it was on notice as to the sufficiency of WealthTek's permissions to hold client assets, CACEIS UK failed to identify that the Authority had imposed a restriction on WealthTek's Part 4A authorisation which prevented it from holding client money. The fact of this restriction was apparent from WealthTek's entry on the FS Register.
- 2.9 In addition to the above issues, the monitoring of WealthTek accounts using a legacy transaction monitoring system, which has since been retired, was not sufficient.

- 2.10 When CACEIS UK reviewed the first WealthTek transaction monitoring alert that was generated in the Relevant Period, it identified deficiencies (as against its own requirements) in the KYC information it held. However, despite the concerns identified, there is no evidence of CACEIS UK taking sufficient steps (either in respect of this or the 15 subsequent alerts in the Relevant Period) to remedy the deficiencies its reviewer had identified, and/or to satisfy itself that the circumstances that generated the alert were not cause for concern (and to record the basis on which it reached that view), within a period of over two years.
- 2.11 Accordingly, CACEIS UK failed to take sufficient steps to mitigate the risk of misappropriation and/or money laundering in connection with the client accounts it held for WealthTek. Over the Relevant Period, credits into WealthTek's client accounts totalled in excess of £314m.
- 2.12 As a result of the matters summarised above, CACEIS UK failed to conduct its business with due skill, care and diligence, in breach of Principle 2.
- 2.13 The Authority hereby imposes on CACEIS UK a public censure. In determining that censure is the appropriate sanction and deciding to not impose a penalty, the Authority has had regard to CACEIS UK's full and significant co-operation from the outset of the investigation, and its agreement, prompted by the Authority, to make a voluntary ex-gratia payment of £31,714,068 for the benefit of the WealthTek investors. Were it not for these matters, the Authority would have imposed a financial penalty of £23,091,900. Without the 30% settlement discount, the Authority would have imposed a financial penalty of £32,988,540.
- 2.14 For the avoidance of doubt, no criticism is made in this Notice of any person other than CACEIS UK.

3. DEFINITIONS

- 3.1. The definitions below are used in this Notice:

"the Act" means the Financial Services and Markets Act 2000;

"AML" means anti-money laundering;

“AR” means an appointed representative as that term is used in section 39 of the Act;

“the Authority” means the Financial Conduct Authority;

“CACEIS” means CACEIS Bank S.A., the asset servicing banking group of Credit Agricole, headquartered at 89-91 Rue Gabriel Péri, 92120 Montrouge, France;

“CACEIS UK” means CACEIS Bank UK Branch, being the firm with firm reference number 622691, which is part of CACEIS;

“CASS” means the Authority’s Client Assets Sourcebook in the Handbook;

“CDD” means customer due diligence as that term is used in regulation 27 of the MLRs, being (broadly) the measures a firm must take to establish and verify the identity of its customers and the purpose and intended nature of the business relationship;

“DEPP” means the Decision Procedure and Penalties Manual in the Handbook;

“EDD” means enhanced customer due diligence as that term is used in regulation 33 of the MLRs, being (broadly) the measures a firm must apply in certain circumstances including where the customer presents a higher risk of money laundering;

“the FS Register” means the Financial Services Register, which is a publicly accessible website maintained by the Authority which records various information about authorised firms and approved persons;

“the Handbook” means the Authority’s Handbook of rules and guidance;

“JMLSG” means the Joint Money Laundering Steering Group, a private sector body made up of the leading UK trade associations in the financial services industry;

“JMLSG Guidance” means the guidance issued by the JMLSG and approved by a Treasury Minister that sets out what is expected of firms and their staff in relation to the prevention of money laundering and terrorist financing;

“KAS Bank” means KAS Bank N.V.;

"KAS UK" means the UK branch of KAS Bank;

"KYC" means know your customer;

"KYC alert" means a specific alert generated on 20 October 2021 by CACEIS UK's systems and which had a note added on 27 October 2021 in relation to the KYC documentation on the WealthTek accounts;

"MLRO" means Money Laundering Reporting Officer, an individual with responsibility for oversight of a firm's AML systems and controls whose role is to act as the focal point for all AML activity within the firm;

"the MLRs" means The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;

"Pooled Client Account" has the same meaning as in the JMLSG Guidance, namely an account opened with a firm by a customer to administer funds that belong to that firm's own clients. Their clients' money will be co-mingled but the customer's clients will not be able to directly instruct the firm to carry out transactions;

"Principal" means the firm of which WealthTek was appointed an AR prior to 28 January 2020;

"the Principles" means the Authority's Principles for Businesses in its Handbook;

"the RAO" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

"the Relevant Period" means the period between 1 October 2020 and 4 April 2023 (inclusive);

"SYSC" means the Senior Management Arrangements, Systems and Controls chapter of the Handbook;

"Temporary Permissions Regime" means the regime established for passporting firms operating in the European Economic Area (EEA) on temporary permissions after Brexit;

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber);

"Vertus" means Vertus Asset Management LLP; and

"WealthTek" means WealthTek LLP, a firm which held various permissions under the Act, and which entered into investment bank special administration on 6 April 2023.

4. FACTS AND MATTERS

Authorised firms' AML obligations

- 4.1. All authorised firms (including CACEIS UK) have legal and regulatory obligations to establish and maintain appropriate and risk-sensitive policies and procedures to minimise the risk of being used to further financial crime. For example:
- a) SYSC 6.1.1R requires a firm to establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the firm with its obligations under the regulatory system and for countering the risk that it might be used to further financial crime.
 - b) SYSC 6.3.1R provides that a firm must ensure the policies and procedures established under SYSC 6.1.1R include systems and controls that: (i) enable it to identify, assess, monitor and manage money laundering risk; and (ii) are comprehensive and proportionate to the nature, scale and complexity of its activities.
 - c) SYSC 6.3.3R requires a firm to carry out a regular assessment of the adequacy of these systems and controls to ensure that they continue to comply with SYSC 6.3.1R.
 - d) Regulation 18 of the MLRs requires a firm to keep an up-to-date record in writing of all the steps it has taken to identify and assess the risks of money laundering and terrorist financing to which its business is subject, unless its supervisory authority notifies it in writing that such a record is not required.
 - e) Regulations 27 and 28 of the MLRs require a firm to conduct CDD if the person establishes a business relationship or doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification. Such measures include (broadly) identifying the customer, verifying their identity, and assessing the purpose and intended nature of the business relationship.

- 4.2. During the Relevant Period, further guidance on what was expected in relation to the prevention of money laundering and terrorist financing was available to CACEIS UK in the JMLSG Guidance. Relevant parts of the JMLSG Guidance include the following (all in Part 1 of that guidance):
- a) Paragraph 5.1.13 states that firms need to carry out CDD and monitoring for two broad reasons. First, to help the firm, at the time due diligence is carried out, to be reasonably satisfied that customers are who they say they are, to know whether they are acting on behalf of another, and that there is no legal barrier (e.g. government sanctions) to providing them with the product or service requested. Second, to enable the firm to assist law enforcement, by providing available information on customers or activities being investigated.
 - b) Paragraph 5.3.27 notes that: documents or information obtained for the purposes of applying CDD measures, held about customers, must be kept up to date; and a range of trigger events, such as an existing customer applying to open a new account or establish a new relationship, might prompt a firm to seek appropriate evidence.
 - c) Paragraph 5.7.1 states that firms must conduct ongoing monitoring of the business relationship with their customers. Ongoing monitoring of a business relationship includes:
 - i. Monitoring of transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with the firm's knowledge of the customer, its business and risk profile;
 - ii. Ensuring that the documents or information obtained for the purposes of applying customer due diligence are kept up to date.
 - d) Paragraph 5.7.3 states that the essentials of any system of monitoring are that: it flags up transactions and/or activities for further examination; these reports are reviewed "*promptly*" by the right person(s); and "*appropriate action is taken*" on the findings of any further examination.

e) Annex 5-V addresses Pooled Client Accounts (such as client accounts offered by CACEIS UK to which this notice refers), and states that:

- i. Two primary vectors of risk are: (1) the customer's clients misusing the account for money laundering purposes without the knowledge of the customer; and (2) the customer being complicit in using the account for money laundering purposes (either willingly or under duress).
- ii. Firms should take reasonable measures to establish and document the purpose of Pooled Client Accounts. The JMLSG Guidance goes on to note that firms may need to establish information such as the types of clients whose funds are in the account, the levels of assets deposited, and the size of transactions undertaken.
- iii. Where a firm considers the customer and its use of the Pooled Client Account to represent low risk of money laundering, it may apply simplified due diligence measures on the pooled account. The JMLSG Guidance goes on to note this means that the firm need not identify or verify the owners of the funds in the Pooled Client Account.

Regulatory approval required for a firm's clients to hold client assets/money

- 4.3. To conduct a regulated activity, a firm requires authorisation from the Authority, and it must apply to the Authority for permissions under Part 4A of the Act to carry out regulated activity. The RAO sets out those activities and investments which are regulated for the purposes of the Act.
- 4.4. One such activity, under Article 40 RAO, is the permission 'Safeguarding and administering investments', which a firm is required to have if (broadly) it (1) acts as the custodian of certain types of assets belonging to its clients and (2) provides administration services to the manager or owner of that property (such as settlement of sale transactions relating to an investment, dealing with income arising from the investment and carrying out corporate actions such as voting). Accordingly, if an authorised firm does not have this permission, it is typically not permitted to hold such client assets.

- 4.5. In contrast, holding or controlling client money is not a regulated activity. However, it can be ancillary to regulated activities which a firm is undertaking, as holding/controlling client money can arise in the course of activities. The Authority controls the holding/controlling of client money by way of requirements on an authorised firm's Part 4A permissions.
- 4.6. An applicant for a Part 4A permission that seeks to hold or control client money must demonstrate that it is ready, willing and organised to comply with the relevant requirements in CASS.
- 4.7. If an applicant for Part 4A permission does not wish to hold or control client money or does not demonstrate to the Authority that it should be permitted to do so, the Authority will grant it Part 4A authorisation subject to a requirement to the effect that the firm will not be able to hold, or control, client money.
- 4.8. The Authority's FS Register provides information on all the firms that it has authorised to carry on regulated activities. Each firm's entry on the FS Register records the Part 4A permissions it has been granted and any requirements or restrictions the Authority has placed on their permissions. Such requirements and their inclusion on the Authority's FS Register are an important tool in furthering the Authority's operational objective of protecting consumers; it helps ensure that only those firms with the appropriate resources can hold and are responsible for their clients' money.

Relevant parties

CACEIS UK

- 4.9. CACEIS is a French-headquartered bank and is the asset servicing banking group of Credit Agricole, providing services to asset managers, insurance companies, pension funds, banks, private equity and real estate funds, brokers and corporate clients. CACEIS offers a range of services covering execution, clearing, FX, securities lending, custody, depositary, fund administration, fund distribution support, middle office outsourcing and issuer services through offices across Europe, North and South America and Asia.
- 4.10. CACEIS UK is the UK-based branch of CACEIS. CACEIS UK provides securities services (including custody services) to UK clients. CACEIS UK's typical client base is regulated (whether by the Authority or by another professional regulatory body) with limited exceptions.

4.11. CACEIS UK opened its London-based office on 20 October 2016, operating under passporting rights which utilised CACEIS's authorisation with the French regulator, Autorité de Contrôle Prudentiel et de Résolution.

4.12. Following Brexit and the end of the passporting regime (and the subsequent Temporary Permissions Regime), since 20 October 2023, CACEIS UK has been directly authorised and supervised by the FCA.

KAS UK

4.13. On 1 November 2020, CACEIS merged with KAS Bank, a Dutch bank founded in 1806, based in Amsterdam. KAS Bank operated in the UK through a branch, KAS UK.

4.14. Following that merger, clients of KAS UK (including WealthTek) became clients of CACEIS UK.

WealthTek (formerly Vertus)

4.15. At the start of the Relevant Period, the full name of Vertus was Vertus Asset Management LLP. However, on 13 January 2021, Vertus changed its name to WealthTek LLP, which remained the firm's name for the remainder of the Relevant Period. For ease, the firm is referred to in this notice as WealthTek.

4.16. During the Relevant Period, WealthTek was an independent wealth management firm offering discretionary management, advisory and execution only services to both retail clients and intermediaries.

4.17. Prior to 28 January 2020, WealthTek was an appointed representative (or 'AR') of the Principal. This means that (broadly) it did not need to be separately authorised, instead carrying on business on behalf of its directly authorised Principal. As an AR, WealthTek used client accounts in the name of the Principal at KAS UK.

4.18. On 28 January 2020, WealthTek was itself granted Part 4A authorisation by the Authority. Importantly:

- a) the permissions granted to WealthTek did not include permission to carry on the regulated activity of safeguarding and administering investments; and
- b) upon authorisation a restriction was placed on WealthTek's Part 4A authorisation that prevented it from holding client money.

4.19. Thereafter, WealthTek entered into a Custody Agreement for Financial Intermediaries with KAS Bank (the “**Custody Agreement**”, described in more detail below). Following this agreement, the parties conducted themselves in accordance with this agreement.

4.20. The position described in paragraph 4.18 remained unchanged throughout the Relevant Period, and WealthTek’s entry on the FS Register reflected that position.

CACEIS UK’s awareness of (and response to) WealthTek’s permissions

CACEIS UK’s preparations for the merger

4.21. In advance of the merger between CACEIS and KAS Bank on 1 November 2020, between 7 August 2020 and 1 November 2020, CACEIS UK took steps in preparation for the migration of client accounts from KAS UK. However, it was not until the weekend of 5 December 2020 that the migration of client accounts from KAS UK to CACEIS UK commenced, following which CACEIS UK made client accounts on its platform available to WealthTek.

4.22. As part of the migration process CACEIS UK adopted KAS UK’s risk assessment of WealthTek, which classified the firm as low risk based on the following factors:

- a) The length of the relationship between KAS UK and WealthTek and its previous Principal firm, which relationship started in 2013.
- b) The purpose of the account and the nature of the business (which according to CACEIS UK’s records and belief did not change throughout that period (from 2013)).
- c) The size of deposits and transactions undertaken.
- d) No AML risk events being identified during the KAS UK relationship.
- e) WealthTek was a UK-based Authority-regulated entity.

4.23. On 26 October 2020, in advance of migrating client accounts, CACEIS UK conducted a check of the FS Register to confirm WealthTek’s permissions.

- 4.24. As a result of checking the FS Register, CACEIS UK identified that WealthTek did not have the 'safeguarding and administering investments' permission that would be required for it to hold various types of client assets on CACEIS UK's platform. This prompted a question within CACEIS UK as to whether it would be holding proprietary assets of WealthTek in the event that WealthTek held client assets on CACEIS UK's platform at a future date, and whether WealthTek was currently seeking to obtain Part 4A permission to permit it to safeguard and administer investments. CACEIS UK therefore approached WealthTek for clarification.
- 4.25. On the same day (26 October 2020), CACEIS UK resolved that it would check whether there had been any change to the FS Register prior to making client accounts on its platform available to WealthTek (which, as referenced at paragraph 4.21 above, was planned to occur from the weekend of 5 December 2020), and there was no re-assessment of WealthTek's classification as 'low risk'.

Custody agreement between WealthTek and KAS Bank

- 4.26. As explained at paragraph 4.19 above, WealthTek entered into the Custody Agreement. Pursuant to the Custody Agreement, KAS Bank acted as a sub-custodian for WealthTek, providing it with custody and fund order execution services, with KAS Bank to "*hold and administer Securities pursuant to the terms and conditions of this agreement*". The agreement further provided that:

'the Client [i.e., WealthTek] acts as a financial intermediary for its customers and wishes to use the custodial and associated services of the Bank for certain securities and the Bank is willing to provide these services to the Client under the terms and conditions set out in this Agreement.'

"if the Client is acting as agent in respect of any transaction or asset in relation to this Agreement the Bank shall treat the Client (and no other person) as its customer and as principal in relation to such transaction or asset (without prejudice to any rights the Bank may have against any person for whom the Client acts as agent)."

"[the Client] had established and maintained policies and procedures requiring it to obtain, verify and record information about the identity and the source of the assets of persons on whose account it is acting and which are

reasonably designated to ensure that it is not being used by any such other persons as a conduit for money laundering or other illegal or illicit purposes”.

4.27. Following the merger of CACEIS and KAS Bank, CACEIS succeeded to KAS Bank’s rights and obligations under the Custody Agreement.

4.28. The services provided under the Custody Agreement did not change during the period to 4 April 2023, and the parties did not enter into a further custody agreement in that period.

Migration of assets to CACEIS UK accounts

4.29. On the weekend of 5 December 2020, the migration of client accounts from KAS UK to CACEIS UK referred to above commenced. Following this, CACEIS UK made client accounts on its platform available to WealthTek.

4.30. This occurred despite CACEIS UK being aware that its previous checks of the FS Register had shown that WealthTek did not have Part 4A permission to safeguard and administer investments. CACEIS UK:

- a) did not take any specific steps to mitigate any risks that might arise in connection with the absence of that permission (for example blocking an account pending resolution of the issue it had identified);
- b) did not carry out any further checks of the FS Register to confirm whether the required permissions were now showing (despite previously having noted that it would take this step); and/or
- c) did not identify from further scrutiny of the FS Register that WealthTek was restricted from holding client money.

4.31. As a result, WealthTek’s client accounts on CACEIS UK’s platform were operated without any restrictions, in circumstances where WealthTek did not have the requisite permissions to safeguard or administer investments and it was restricted from holding client money.

Further accounts opened by CACEIS UK

4.32. CACEIS UK opened client accounts at WealthTek’s request on various occasions subsequent to the migration referred to above. When it did so, CACEIS UK followed its own account opening procedures. In the course of opening these accounts, CACEIS UK did not take any further

steps to resolve the issue it had identified (discussed above) regarding WealthTek's permissions.

CACEIS UK's further reviews of the FS Register

February 2021: WealthTek's change of name

- 4.33. On or around 25 February 2021, CACEIS UK became aware that WealthTek had changed its name. CACEIS UK therefore amended WealthTek's accounts to be in its new name. Following this change of name, CACEIS UK conducted some further due diligence on WealthTek, confirming the name change and checking identity documents of the company's officers.
- 4.34. Shortly afterwards, on 22 March 2021, CACEIS UK identified for the second time that the FS Register showed that WealthTek did not hold the correct Part 4A permissions to safeguard and administer investments.
- 4.35. Whilst it was agreed internally within CACEIS UK that this issue should be discussed with WealthTek, CACEIS UK has not identified any records of such discussions taking place. The provision of services to WealthTek therefore continued without any further steps by CACEIS UK to resolve or mitigate this issue.

December 2022: WealthTek's request for the Custody Agreement

- 4.36. On 1 December 2022, CACEIS UK received a request from WealthTek for a copy of the Custody Agreement. CACEIS UK responded the same day, providing a copy of the Custody Agreement referred to at paragraph 4.26 above.
- 4.37. On 21 December 2022, CACEIS UK accessed the FS Register entry for WealthTek. The entry (of which CACEIS UK took a screenshot at the time) confirmed WealthTek's Part 4A permissions (including the absence of the permission for safeguarding and administering investments) and the restriction against it holding client money. However, CACEIS UK took no further action in relation to either of these points at this time, having not specifically identified that WealthTek still did not have the right permissions for its activities.
- 4.38. On 10 January 2023, and further to the correspondence detailed at paragraph 4.36 above, WealthTek requested that the Custody Agreement be updated to reflect its current name.

4.39. Having conducted checks at Companies House and on the FS Register as noted at paragraph 4.37 above, on 12 January 2023 CACEIS UK noted again that WealthTek's Part 4A permissions as set out on the FS Register did not include permissions for safeguarding and administering investments. On this occasion, the matter was referred to the compliance function of CACEIS UK.

4.40. CACEIS UK's understanding at this time was that:

- a) WealthTek was acting as custodian to its underlying clients, and CACEIS UK was acting as sub-custodian to WealthTek.
- b) For CACEIS UK to act as the sub-custodian to WealthTek's clients, WealthTek would have needed the safeguarding and administering investments permission, which it was not shown as having on the FS Register.
- c) The permission not being present on the FS Register may have been an error.

4.41. During this period, CACEIS UK continued to conduct enquiries, including with the compliance function at WealthTek, to address the identified inconsistency between its understanding of WealthTek's permissions and the information showing on the FS Register. However, CACEIS UK did not, for example, promptly seek clarification from the Authority on this issue, which would have confirmed that the belief detailed at paragraph 4.40(c) above was not correct.

Notification to the Authority and decision to exit WealthTek

4.42. Having established that WealthTek did not have the permissions required to safeguard and administer investments, on 17 February 2023 CACEIS UK made a notification, in accordance with Principle 11, to the Authority identifying that following a review of the Custody Agreement they had concluded that *"the regulatory permissions do not reflect the service we currently provide"*. CACEIS UK further noted that it:

"provides custody services to Wealthtek and not their underlying clients and there is no relationship between CACEIS UK Branch and the underlying clients of Wealthtek. Wealthtek have advised us that assets being held by CACEIS UK Branch belong solely to their underlying clients [sic]."

4.43. CACEIS UK also made the decision to exit WealthTek as a client as, without the required permissions, CACEIS UK concluded it was unable to continue that relationship. CACEIS UK reached this view on the basis that it did not itself have the permissions required to provide custody services to retail investors (of which many of WealthTek's clients were). Shortly following CACEIS UK's notification to the Authority, and before CACEIS UK could terminate its relationship with WealthTek, WealthTek was placed into Special Administration under the Investment Bank Special Administration Regulations on 6 April 2023.

CACEIS UK's ongoing monitoring of WealthTek's client accounts

4.44. As explained in paragraph 4.1 and 4.2 above, CACEIS UK was required to conduct ongoing monitoring of the client accounts it held for WealthTek.

4.45. However, CACEIS UK's account monitoring procedures were inadequate. Between 1 November 2020 and February 2023, CACEIS UK used an automated transaction monitoring system, which has since been retired. However, as explained below, where alerts were generated in relation to the WealthTek accounts, there were significant delays in fully assessing them, documenting actions, and following up any identified issues appropriately.

Overview of CACEIS UK's approach to transaction monitoring

4.46. CACEIS UK used a client risk classification system to inform its approach to refreshing KYC information and the transaction monitoring that was required for a particular client.

4.47. In line with CACEIS's risk assessment and on-going monitoring processes:

- a) as a low-risk client WealthTek was subject to simplified due diligence, which involved a risk assessment refresh every 5 years (unless there was a triggering event as determined by the firm's screening tool); and
- b) WealthTek's low risk classification did not trigger CACEIS's processes for EDD.

4.48. Given WealthTek's 'low risk' client classification, the level of 'vigilance' that CACEIS UK required from its employees who monitored accounts was described as 'Low Vigilance'. The level of vigilance determined

the procedures carried out throughout the business relationship with the client, including transaction monitoring.

4.49. The importance of accurate KYC files was recognised explicitly in CACEIS UK's own policies. For example:

- a) The CACEIS UK KYC policy set out that the quality, relevance and accurate updating of the KYC documentation directly affect the Firm's ability to analyse the consistency of the transaction(s) on the account. This would in turn feed into whether a CACEIS UK employee could properly identify those same transaction(s) as suspicious as part of that analysis.
- b) A separate policy at CACEIS UK, dated 15 October 2020, relating to the response to irregularities identified on accounts, states that the basis of identifying potentially suspicious transactions is complete and up to date KYC files.

4.50. CACEIS UK's approach to ongoing monitoring involved it setting thresholds or triggers relating to activity on an account, with an alert being generated automatically if one of these triggers or thresholds was met. The policy referred to in paragraph 4.49(b) above makes clear that "[a]ll alerts must be responded to and no alert may be filed without eliminating the initial doubt".

4.51. The factors considered by the system to generate an alert comprised a combination of the underlying core risk rating applied to the client, the vigilance level, the level of transactions on the account over the preceding 12 months and a specific type of potentially suspicious transaction on the account.

4.52. In order for the transaction monitoring system to determine whether a transaction represented a significant increase or decrease relative to the transactions on an account, it set a monthly threshold for each account based on the underlying core risk rating of the client and, using the preceding 12 months to determine average account movement, the average monthly cash operation sums associated with the account. The monthly threshold for each of the Accounts was termed the 'Profile Value', which varied per account based on the factors set out above. To generate an alert, an account's rolling monthly transaction total had to be several times the standard deviation of its respective Profile Value.

Failures in approach to reviewing alerts on WealthTek's accounts

4.53. There were 16 alerts raised on the WealthTek accounts held by CACEIS UK between 20 October 2021 and 22 February 2022. All 16 of these alerts were generated based on a transaction exceeding the permitted deviation from its respective Profile Value as described in paragraph 4.52 above.

4.54. However, CACEIS UK has only been able to retrieve full information from their systems for 11 of these 16 alerts, due to the transaction monitoring system it used until February 2023 being decommissioned and the alerts being archived.

4.55. The first alert (chronologically) generated by CACEIS UK's systems in respect of WealthTek's client accounts was dated 20 October 2021. A note was added to CACEIS UK's systems in respect of that KYC Alert on 27 October 2021, which stated:

"KYC is not complete on system and information are incorrect - the risk categorisation is bein reviewed and KYC is being collected [sic]."

4.56. There is no further information available from the note to indicate (i) what aspects of the KYC requirements as set by CACEIS UK's internal policies were incomplete (ii) what (if any) consideration had been given to the implications for the transaction in question or (iii) what (if any) further steps CACEIS UK was taking specifically in relation to the transaction and why.

4.57. Despite the reference to further KYC documentation being collected:

- a) there is no record in relation to this alert as to how it was resolved (e.g. why there was no cause for concern and the basis for that view) during the Relevant Period;
- b) no substantive action was taken by CACEIS UK in relation to WealthTek's KYC following this alert (in particular there is no evidence that it was in fact updated sufficiently during the Relevant Period); and
- c) there are no further references to KYC documentation and its adequacy in any of the subsequent alerts that the system generated in relation to WealthTek's client accounts.

4.58. Further, notes recorded in response to five of the alerts indicate that there were failures to properly address the matters required under CACEIS UK's policy in respect of transaction monitoring alerts. The

policy required that the following were to be addressed during the investigation of alerts: identify the originator, the beneficiary and establish the relevance of the link between the two; identify and analyse the economic reason for the transaction; and explain how the transaction is unusual compared to the normal operation of the account. However, there is no record of these matters being considered in relation to these alerts.

Delays in reviewing alerts

- 4.59. In early 2023, the transaction monitoring alert system that CACEIS UK used changed, however no alerts from the previous system were transferred to the new system, even though these alerts remained open at the time of migration.
- 4.60. At this time, the 16 alerts referred to above remained unresolved. For 10 of the 11 alerts for which CACEIS UK retained complete information, the records show that they were accessed on 21 April 2023; however, there was no further substantive action for a further 14 months to investigate and resolve them.
- 4.61. In May 2024, CACEIS UK introduced a new policy in relation to how to process AML alerts. This policy set out specific steps to deal with deviations from the historical usage of specific accounts, including whether the KYC status indicates that sufficient KYC information is held.
- 4.62. It was not until 20 June 2024 that steps were taken to substantively address the contents of the 11 alerts that CACEIS UK retained complete information for, following which CACEIS UK did not identify any suspicious activity in relation to those alerts such that the alerts were deemed to be false positives and the alerts were closed. By this time, WealthTek had been placed into special administration. The last of the 16 alerts raised was not closed until 21 March 2025, over three years after this alert was first raised on the account.

5. FAILINGS

- 5.1. The regulatory provisions relevant to this Notice are referred to in Annex A.
- 5.2. If a firm offering custody services fails to implement effective policies and procedures in relation to the opening and ongoing monitoring of

client accounts, there is an increased risk of misappropriation and/or of money laundering in connection with client accounts that they provide. This in turn poses an increased risk to the Authority's market integrity and consumer protection objectives.

- 5.3. It is imperative that such policies and procedures are in fact applied appropriately in relation to individual accounts and that, if a firm identifies matters that present concerns as to money laundering and/or the misappropriation in connection with client accounts, they react appropriately and promptly.
- 5.4. Before client accounts were migrated from KAS UK to CACEIS UK on the weekend of 5 December 2020, CACEIS UK had identified (on 26 October 2020) from the FS Register that WealthTek did not have Part 4A permission to safeguard and administer investments. Despite CACEIS UK initiating contact with WealthTek in relation to the issue and resolving that it would check the position on the FS Register before migration, CACEIS UK failed to do so, and migrated and made available the WealthTek accounts, without taking any other step to ensure that the accounts were only made operational upon proof of the requisite permissions being obtained.
- 5.5. These failures were not a one-off occurrence. On three occasions in the Relevant Period it came to CACEIS UK's specific attention that the FS Register continued to show that WealthTek did not have the requisite permissions in respect of clients' assets. In those cases CACEIS UK failed to take appropriate steps in response.
- 5.6. Further, notwithstanding that it was on notice as to an issue with the sufficiency of WealthTek's Part 4A authorisation, CACEIS UK failed to identify that the FS Register also showed that WealthTek was subject to an explicit restriction preventing it from holding client money. CACEIS UK permitted WealthTek to hold client money in its client accounts, consequently without considering the associated risks that might arise and whether/how they should be mitigated.
- 5.7. It was not until WealthTek sought an update to the contractual documentation to reflect its current name that CACEIS UK took action. Had WealthTek not made that request of CACEIS UK, it is unclear whether or when CACEIS UK would have taken action to mitigate risks, including money laundering, misappropriation and/or loss of client assets, which may arise where a person holds/controls client assets without appropriate regulatory approvals.

- 5.8. In addition, whilst CACEIS UK had put in place policies and procedures for the ongoing monitoring of accounts, it failed in practice in relation to WealthTek's client accounts to conduct sufficient ongoing monitoring to ensure it understood the risks arising from those accounts. In particular, CACEIS UK:
- a) fell short in its approach to reviewing alerts on WealthTek's accounts (see paragraphs 4.53 to 4.58 above); and
 - b) did not review and resolve the alerts sufficiently promptly (see paragraphs 4.59 to 4.62 above).
- 5.9. As a result of these failures in its ongoing monitoring of these accounts, CACEIS UK was unable to adequately identify, access, monitor and manage the risk of money laundering and/or misappropriation of assets in connection with these accounts.
- 5.10. Accordingly, for the reasons set out above CACEIS UK breached Principle 2 in the Relevant Period.

6. SANCTION

- 6.1. The Authority considers that a financial penalty of £32,988,540 (£23,091,900 after the application of a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure) in respect of CACEIS UK's breach of Principle 2 is appropriate. However, the Authority has taken account of the full and significant co-operation shown by CACEIS UK throughout the investigation and during the settlement period.
- 6.2. CACEIS UK's co-operation included: responding promptly to all the Authority's information requirements and proactively providing detailed explanatory or background information regarding the content of documentation provided; taking a collaborative and pragmatic approach to the provision of the information which went above and beyond its legal obligations (saving the Authority significant time and resource); and, in particular, the fact that CACEIS UK has made a voluntary ex-gratia payment of £31,714,068 to be distributed to WealthTek's clients.
- 6.3. For these reasons, the Authority does not consider that it would be appropriate to require CACEIS UK to pay a financial penalty, and

instead hereby imposes a public censure in relation to CACEIS UK. The Authority considers that a public censure and CACEIS UK's payment for the benefit of WealthTek's clients supports the Authority's operational objective of securing an appropriate degree of protection for consumers.

- 6.4 The Authority's policy for imposing a financial penalty or publishing a statement of misconduct is set out in Chapter 6 of DEPP. DEPP 6.2.1G states that the Authority will consider the full circumstances of each case when determining whether or not to take action by way of a financial penalty or public censure. DEPP 6.2.1G also provides a list of relevant factors including those factors referred to below.

The nature and seriousness of the breach (DEPP 6.2.1G(1))

- 6.5 In determining the appropriate sanction, the Authority has had regard to the seriousness of the breaches, the nature and extent of the breaches, their duration and the number of investors who were exposed to the risk of loss.
- 6.6 Although not deliberate or reckless, CACEIS UK's failure to conduct its business with due skill, care and diligence in relation to the client accounts that are the subject of this notice exposed the firm and the underlying clients to the risk of loss. It took CACEIS UK over two years to act in relation to the issues identified in respect of WealthTek's permissions, and during that period credits into WealthTek's client accounts at CACEIS UK totalled in excess of £314m.

The conduct following the breach (DEPP 6.2.1G(2))

- 6.7 The Authority has taken into account that CACEIS UK acknowledged the failings raised by the Authority, and, prompted by the Authority, made a voluntary ex-gratia payment of £31,714,068, to be distributed to WealthTek's clients.
- 6.8 CACEIS UK has fully co-operated with the Authority from the outset of the investigation. In particular, CACEIS UK accepted the failings raised by the Authority at an early stage, was proactive in providing relevant documents and information to the Authority and committed to reaching a resolution on the matter.

Disciplinary record and compliance history (DEPP 6.2.1G(3))

- 6.9 CACEIS UK has not previously been the subject of disciplinary action by the Authority.

Financial penalty or public censure (DEPP 6.4.1G / DEPP 6.4.2G)

- 6.10 DEPP 6.4.1G provides that the Authority will consider all the relevant circumstances when deciding whether to impose a penalty or issue a public censure.

- 6.11 DEPP 6.4.2G sets out factors that may be of particular relevance when the Authority determines whether it is appropriate to impose a public censure. The criteria are not exhaustive. The Authority considers that the factors below are particularly relevant in this case in that CACEIS UK:

- a) did not profit directly or indirectly as a result of its breach;
- b) accepted the failings raised by the Authority and committed to resolving the matter;
- c) agreed to make a voluntary ex-gratia payment of £31,714,068 to be distributed to WealthTek's clients; and
- d) has co-operated fully with the Authority during its investigation.

- 6.12 The serious nature of the breaches identified in this Notice would ordinarily have led the Authority to impose a penalty of £32,988,540 (£23,091,900 after the application of a 30% discount (stage 1) in accordance with the Authority's executive settlement procedure). However, the Authority considers that its objectives may appropriately be achieved by means of a public censure and a voluntary ex-gratia payment of £31,714,068 to be distributed to WealthTek's clients.

- 6.13 In all the circumstances of this case the Authority does not consider that it would be appropriate to require CACEIS UK to pay a financial penalty and hereby imposes a public censure in relation to CACEIS UK.

7. PROCEDURAL MATTERS

- 7.1. This Notice is given to CACEIS UK under and in accordance with section 390 of the Act.
- 7.2. The following statutory rights are important.

Publicity

- 7.3. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.
- 7.4. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

- 7.5. For more information concerning this matter generally, contact Anthony Williams at the Authority (direct line: 0207 066 2196 / email: anthony.williams@fca.org.uk).

Dharmesh Gadhavi
Head of Department
Financial Conduct Authority, Enforcement and Market Oversight
Division

ANNEX A: RELEVANT STATUTORY AND REGULATORY PROVISIONS

1. Relevant Statutory Provisions

The Financial Services and Markets Act 2000

- 1.1 The Authority's operational objectives, set out in section 1B of the Act, include:
- a) Protecting and enhancing the integrity of the UK financial system (section 1D(1) of the Act). The integrity of the UK financial system includes (amongst other things) it not being used for a purpose connected with financial crime (section 1D(2)(b) of the Act).
 - b) Securing an appropriate degree of protection for consumers (section 1C(1) of the Act).
- 1.2 Section 205(1) of the Act provides:

"If the [Authority] considers that an authorised person has contravened a relevant requirement imposed on the person, it may publish a statement to that effect."

2. Relevant Regulatory Provisions

Principles

- 2.1. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook.
- 2.2. Principle 2 provides:

"A firm must conduct its business with due skill, care and diligence."

Decision Procedure and Penalties Manual ("DEPP")

- 2.3. The Authority's policy for determining whether to impose a financial penalty or issue a public censure is set out in Chapter 6 of DEPP, which forms part of the Authority's Handbook, in particular DEPP 6.2 and DEPP 6.4.
- 2.4. Specifically, DEPP 6.2.1 G and DEPP 6.4.2 G set out that the Authority will consider the full circumstances of each case when determining whether or not to take action for a financial penalty or public censure.
- 2.5. DEPP 6.4.2 G sets out that the criteria for determining whether it is appropriate to issue a public censure rather than impose a financial penalty include those factors that the Authority will consider in determining the amount of penalty set out in DEPP 6.5 A to DEPP 6.5 D.

The Enforcement Guide ("ENFG")

- 2.6. ENFG sets out the Authority's approach to the exercise of its enforcement powers under the Act.