FINANCIAL CONDUCT AUTHORITY

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FIRST SUPERVISORY NOTICE

To:	**Euro Exchange Securities UK Ltd**
Reference Number:	**902021**
Address:	**107 Great Portland Street, London W1W 6QG**
Date:	**2 June 2026**

1 ACTION

1.1 For the reasons given in this First Supervisory Notice, the Authority has varied the authorisation granted to the Firm pursuant to Part 2 of the EMRs by imposing, pursuant to regulation 11(1) of the EMRs, the following requirements (the "Requirements") on the Firm with immediate effect.

Restriction on business activities

1) The Firm must not, without the prior written consent of the Authority, carry out any electronic money services for which it is authorised by the Authority pursuant to Part 2 of the EMRs or conduct any payment services as defined under regulation 2(1) of the PSRs. For the avoidance of doubt, this includes not onboarding any new customers and not accepting any new funds from existing

customers.

Assets requirement

2) The Firm must not return, transfer, or otherwise deal with any funds that have been received in exchange for electronic money that has been issued ("Relevant Funds" as defined in Regulation 20 of the EMRs) without the prior written consent of the Authority.

3) The Firm must appoint an independent and suitably qualified third party, to be agreed in advance with the Authority, to oversee the return of Relevant Funds to the Firm's clients.

4) In respect of Requirement 2, a client may redeem their own funds upon their request to the Firm where the customer due diligence and, where applicable, enhanced due diligence on the client file has been remediated to the satisfaction of the independent third party (appointed in accordance with Requirement 3 above) so that the evidence contained in the client file is sufficient to enable the Firm to comply with its obligations under the relevant legislation, including the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Proceeds of Crime Act 2002 in respect of the client.

5) The Firm must ensure that all Relevant Funds are appropriately ringfenced in a designated safeguarding account, in accordance with regulations 20, 21 and 22 of the EMRs. For avoidance of doubt, if this requires a transfer between accounts, this must only be done with the prior written consent of the Authority.

Notification and reporting requirements

6) By 12pm on 9 June 2026 the Firm must:

    a. Notify in writing all customers, banking partners, payment services providers or any relevant person of the imposition and effect of these Requirements in a form to be agreed in advance with the Authority. The wording of this communication and the method of delivery must be agreed in advance with the Authority.

    b. Ensure that a prominent notice is displayed on the front page of its website, and any website or mobile app that it controls, in terms, font and size to be agreed with the Authority, outlining the effect of the Requirements and providing a link to the relevant website and entry in the Financial Services Register relating to the Firm where the terms of those Requirements will appear.

    c. Ensure that, when any client of the Firm enters login details to access an account, a prominent notice is immediately displayed to the client, in terms, font and size to be agreed with the Authority, outlining the effect of the Requirements and providing a link to the relevant website address of the entry in the Financial Services Register relating to the Firm, where the terms of these Requirements will appear.

7) Within 24 hours of the notifications at Requirement 6 being made, the Firm must provide the Authority with:

    a. copies of the template notification sent to all recipients; and

b. confirmation that, to the best of its knowledge, the Firm has sent notifications pursuant to the Requirement 6.

8) The Firm shall send to the Authority via email by 12 noon every Friday, beginning on 5 June 2026, until such time as it is notified otherwise in writing by the Authority, up-to-date bank statements for all the Firm's bank, payment or electronic money accounts.

Secure records

9) The Firm must secure all books and records, preserve information and systems, and must retain such records in a form and at a location within the UK, to be notified to the Authority in writing no later than seven days after these Requirements come into force, such that they can be provided to the Authority, or to a person named by the Authority, promptly on its request.

10) By 12pm on 10 June 2026 the Firm must provide written confirmation to the Authority that it is in compliance with these Requirements.

1.2 These Requirements take effect immediately and shall remain in force unless and until varied or cancelled by the Authority (either on the application of the Firm or of the Authority's own volition).

2 DEFINITIONS

2.1 The definitions below are used in this First Supervisory Notice:

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

"Authority" means the Financial Conduct Authority;

"CASS" means the Client Assets Sourcebook chapter of the FCA Handbook;

"Conditions for Authorisation" means the conditions for authorisation set out in regulations 6(4) to (8) of the EMRs;

"CDD" means Customer Due Diligence;

"CRA" means Customer Risk Assessment;

"EMRs" means Electronic Money Regulations 2011;

"the Firm" means Euro Exchange Securities UK Ltd;

"JMLSG" means Joint Money Laundering Steering Group;

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

"PEP" means Politically Exposed Person;

"PSRs" means the Payment Service Regulations 2017;

"Relevant Funds" has the meaning given to it by Regulation 20 of the EMR;

"Requirements" means the terms imposed on the Firm by this First Supervisory Notice as outlined in section 1 above; and

"SOF" means Source of Funds;

"SOW" means Source of Wealth;

"TM" means transaction monitoring; and

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

3 FACTS AND MATTERS

Background

3.1 The Firm was authorised by the Authority as an authorised electronic money institution ("AEMI") on 20 July 2018. The Firm has permission for the payment and electronic money services relating to depositing and withdrawing cash from payment accounts, executing payment transactions (with or without credit), issuing payment instruments or acquiring payment transactions, money remittance, and issuing electronic money.

3.2 The Firm provides multi-currency electronic money accounts, money remittance and payment card services to corporate and retail customers.

Failings and risks identified

3.3 The Authority has concluded, on the basis of the facts and matters described below, that it is necessary to vary the Firm's authorisation by imposing the Requirements because it appears that:

a) pursuant to regulation 11(1)(a) of the EMRs the Firm no longer meets, or it is unlikely to continue to meet, the conditions for authorisation under regulation 6(4) to (8) of the EMRs (the "Conditions for Authorisation") and did not inform the Authority of a major change in circumstances which is relevant to its meeting those conditions or that requirement, as required by regulation 37 of the EMRs; and

b) it is desirable in order to protect the interests of consumers pursuant to regulation 11(1)(d) of the EMRs.

3.4 The Authority has identified serious concerns about the Firm including that it appears the Firm may not have:

a) effective procedures to identify, manage, monitor and report any risks to which it might be exposed (regulation 6(5)(b) of the EMRs); or

b) adequate internal risk control mechanisms, including sound administrative, risk management, and accounting procedures (regulation 6(5)(c) of the EMRs),

which are comprehensive and proportionate to the nature, scale and complexity of electronic money to be issued and payment services to be provided by the Firm.

3.5 This is because the Authority has identified that:

a) there are systemic weaknesses in the Firm's financial crime framework, indicating that it appears to lack effective and proportionate systems and controls to identify, manage and report risk in accordance with regulations 6(5)(b) and 6(5)(c) of the EMRs.

b) the Firm's deficient AML controls, which include weaknesses in CRA, CDD, EDD, screening, transaction monitoring and governance, pose an ongoing financial crime risk and may constitute breaches of multiple provisions on the MLRs.

c) the Firm appears to be failing to comply with the safeguarding requirements set out in regulation 20 of the EMRs as required by regulation 6(6)(d). The Firm's reconciliation processes appear to be inadequate and the Firm appears unable to demonstrate that sufficient funds are held to meet customer liabilities.

d) [Redacted]

3.6 These concerns are set out in more detail below.

3.7 On 5 December 2025, Supervision sent an information requirement to the Firm pursuant to section 165(1) of the Act as modified by paragraphs 3(a) of Schedule 3 of the EMRs, requesting copies of ten client files. The files were selected to provide a representative cross-section of the Firm's customer base, including a range of risk ratings, customer types, sectors and jurisdictions.

3.8 The Firm provided the requested client files on 8 December 2025 and subsequently confirmed that these constituted its complete records. It later indicated that additional material was held across multiple internal systems and would be provided separately.

3.9 On 23 December 2025, the Firm provided approximately 15GB of additional material, comprising around 180,000 documents. A review of this material identified significant issues with accessibility and usability. A substantial proportion of files were unreadable, lacked identifiable formats, or required multiple applications to access. The material was also unstructured, making it difficult to identify or retrieve specific records.

3.10 Given the volume and condition of the material, it was not proportionate for the Authority to undertake a full review. Instead, the Authority conducted a targeted review of the additional material for one client. This review did not identify any information capable of addressing the deficiencies identified in the original client file and included duplicate, illegible and machine-generated records, as well as material predating the customer's onboarding.

3.11 Supervision conducted systems walkthroughs with the Firm on 12 January and 19 January 2026 to assess its record-keeping, onboarding and financial crime controls, and to identify whether relevant documentation could be located. During these walkthroughs, the Firm was unable to locate or produce documentation evidencing customer risk assessments, customer due diligence, or monitoring activity. With limited exception, no additional material was identified which addressed the deficiencies in the client files. The evidence therefore indicates that such documentation was either not obtained or not retained.

3.12 Under regulation 28(16) of the MLRs, the Firm is required to demonstrate to the Authority that its customer due diligence measures are appropriate to the risks identified. In light of the Firm's inability to produce complete and accessible records in response to the information requirement, Supervision considers that the Firm has failed to meet this standard.

3.13 The Authority's Financial Crime Market Intervention Team conducted quality assurance of the file reviews and assessed all reviewed client files as inadequate.

The review identified widespread and systemic deficiencies in the Firm's financial crime framework, including failures in customer risk assessment, customer due diligence and enhanced due diligence, governance and escalation, and ongoing monitoring.

3.14 As a result of the Authority's review and assessment of the Client Files and the Firm's financial crime policies and procedures, it has identified significant concerns regarding the adequacy and operational effectiveness of the Firm's financial crime controls.

Customer Due Diligence ("CDD") and Customer Risk Assessment ("CRA")

3.15 As an authorised payment and electronic money institution, the Firm is required under the MLRs to establish and maintain effective systems and controls to mitigate the risk of money laundering and terrorist financing.

3.16 Regulations 27 and 28 of the MLRs require firms to apply CDD measures on a risk-sensitive basis, including identifying and verifying customers and beneficial owners, understanding the purpose and intended nature of the business relationship, and conducting ongoing monitoring. The extent of those measures must reflect the firm's assessment of risk (regulation 28(12)) and take into account relevant risk factors (regulation 28(13)).

3.17 The Authority has identified serious and systemic deficiencies in the Firm's application of CDD and CRA across all ten Client Files reviewed. The findings indicate that the Firm is not applying CDD on a risk-sensitive basis and is not adequately assessing, documenting or responding to financial crime risk.

3.18 In relation to CRA, all Client Files were assessed as inadequate. There is no documented rationale explaining how customer risk was assessed or the basis on which customers were onboarded. The Firm appears to rely on an internal scoring tool, without evidence of independent review or effective challenge.

3.19 In several cases, no CRA had been completed prior to onboarding. Customers were onboarded and permitted to transact without any documented assessment of financial crime risk, and in some cases CRAs were completed only after the relationship had been established. The Firm was unable to locate CRA documentation when requested.

3.20 The Firm also failed to obtain and assess sufficient information to inform an appropriate risk assessment or to reassess risk in light of new or inconsistent information. For example, key onboarding documentation, including information on income, occupation or source of funds, was not obtained, and contradictory customer information was not investigated or reflected in the risk assessment.

3.21 Supervision also identified failures to follow internal approval and escalation processes. A majority of Client Files contained no evidence of required approvals, including senior management or MLRO sign-off, and transactions were undertaken prior to completion of any risk assessment.

3.22 In relation to CDD, the Firm did not obtain sufficient information to understand the purpose and intended nature of customer relationships or the expected level of activity. As a result, the Firm cannot demonstrate that it understands or is able to effectively monitor customer activity.

3.23 The Firm also failed to adequately identify and verify customers, beneficial owners and controlling persons. In multiple instances, the Firm relied on incomplete,

outdated or irrelevant documentation, including expired identification, unsupported proof of address, untranslated documents, and records relating to different entities.

3.24 These deficiencies indicate that the Firm is not applying CDD measures in accordance with regulations 28(3), 28(4) and 28(16) of the MLRs. Further, the absence of any meaningful link between CDD and CRA indicates that the Firm is not applying a risk-based approach as required by regulations 28(12) and 28(13).

3.25 The Authority therefore considers that the Firm's deficiencies in CDD and CRA are systemic and the Firm appears to be failing to comply with key requirements of the MLRs. These weaknesses undermine the Firm's ability to identify, assess, and mitigate financial crime risk.

Enhanced Due Diligence ("EDD") and Source of Funds/Source of Wealth ("SoF/SoW")

3.26 Regulation 33 of the MLRs requires firms to apply enhanced due diligence ("EDD") measures on a risk-sensitive basis in higher-risk situations, including where customers are assessed as high risk. Such measures include obtaining and verifying information on a customer's source of funds and source of wealth, and applying enhanced ongoing monitoring.

3.27 The Authority identified serious deficiencies in the Firm's application of EDD across the six Client Files where EDD was required. In each case, customers had been assessed as high risk based on factors such as jurisdiction, sector, ownership structure or business model. Notwithstanding this, there is no evidence that the Firm applied EDD measures commensurate with that risk classification.

3.28 In particular, the Firm did not obtain or verify customers' source of funds or source of wealth in any of the high-risk relationships reviewed. Nor is there evidence that the Firm applied enhanced verification or enhanced ongoing monitoring.

3.29 In one case, EDD documentation appears only to have been obtained after the FCA requested the client file, despite the customer having been onboarded several years earlier. This indicates that EDD measures were not applied at onboarding or during the course of the business relationship.

3.30 These findings indicate that the Firm is not applying EDD measures in a risk-sensitive or consistent manner as required by regulation 33 of the MLRs. In particular, the Firm does not appear to subject high-risk customers to enhanced scrutiny, including in respect of source of funds, source of wealth, monitoring, or escalation.

3.31 The Authority is therefore concerned that the Firm is not applying EDD in a risk sensitive or consistent manner, as required under Regulations 33 of the MLRs. The Firm appears not to have applied a sufficient degree of scrutiny to its "high risk" clients' SoF or SoW. Further, there was no clear evidence of enhanced monitoring within relevant "high risk" Client Files, senior management approval, or documented escalation.

Politically Exposed Persons, Sanctions and Adverse Media Screening

3.32 Regulation 35(1) of the MLRs requires firms to establish appropriate risk management systems and procedures to determine whether a customer, or a beneficial owner, is a politically exposed person ("PEP"), or a family member or known close associate of a PEP, and to manage the enhanced risks associated with such relationships. Firms are also required under regulation 28 to conduct

appropriate screening for sanctions and adverse media.

3.33 The Authority identified serious deficiencies in the Firm's screening arrangements across six of the ten Client Files reviewed. Screening was incomplete, inconsistently applied, and in a number of cases undertaken after onboarding or significantly delayed.

3.34 In particular:

- in several cases, there is no evidence that customers' directors, shareholders, or beneficial owners were screened at onboarding or during the course of the relationship;
- in other cases, screening was undertaken only several months or years after onboarding, or immediately prior to the Firm responding to the FCA's information requirement; and
- in one instance, adverse media searches were conducted using an incorrect spelling of the customer's name, calling into question the reliability of the screening performed.

3.35 The Firm's adverse media screening is also ineffective. The search methodology applied does not appear capable of identifying relevant financial crime risks. The FCA has identified adverse open-source material, specifically reporting relating to an alleged money laundering scheme and an FBI investigation, which the Firm did not identify. In addition, while screening tools recorded potential matches, there is no evidence that these were investigated, risk-assessed, or subject to documented decision-making.

3.36 The Authority is concerned that the Firm does not have appropriate systems and procedures to identify and assess PEP exposure, sanctions risk, or adverse media, as required under regulations 28 and 35 of the MLRs. Screening does not appear to be carried out in a timely, consistent or sufficiently robust manner, and there is no clear audit trail evidencing how screening decisions are reached.

3.37 Further, in light of the deficiencies identified in the Firm's CDD, the Firm does not appear to obtain sufficient information to determine whether customers or beneficial owners are PEPs or otherwise present elevated risk. As a result, the Firm is unable to identify or manage higher-risk relationships effectively.

Transaction Monitoring ("TM") and Suspicious Activity Reporting

3.38 Regulation 28(11) of the MLRs requires firms to conduct ongoing monitoring of customer relationships, including scrutinising transactions to ensure they are consistent with the firm's knowledge of the customer and their risk profile. Regulation 19 and regulation 21 of the MLRs, together with sections 330–334 of the Proceeds of Crime Act 2002 ("POCA"), require firms to establish and maintain effective systems and controls to identify, investigate and report suspicious activity in a timely manner.

3.39 The Authority identified serious deficiencies in the Firm's transaction monitoring and suspicious activity reporting framework. The evidence indicates that transaction monitoring alerts are not consistently reviewed, investigated, or resolved, and that the Firm does not maintain an adequate audit trail of its decision-making.

3.40 In one client file, the Firm recorded 4,968 transaction monitoring alerts as "not suspicious", of which 3,294 had no documented rationale. A further 294 alerts remained unresolved at the time of review, with some outstanding for over one

month. Only one alert had been escalated. These findings indicate that alerts are not subject to meaningful review or effective challenge.

3.41 More broadly, the Firm's records do not evidence the investigative steps taken in response to alerts or the basis on which alerts are discounted. Alerts remain unallocated or "in review" for extended periods, and there is no consistent approach to documenting outcomes.

3.42 The Firm also appears to lack sufficient resource and oversight. During a meeting with the Authority, the Firm confirmed that responsibility for reviewing alerts rests with a single individual. Alerts observed during that meeting had been open for several months. There is no evidence of an effective quality assurance or oversight framework to ensure timely and consistent review.

3.43 The deficiencies extend to the Firm's assessment of potential financial crime risk. In one instance, an alert relating to a third-party name match was discounted without further investigation, despite publicly available information indicating that an individual with the same name had been charged with money laundering offences. This indicates that the Firm relies on narrow criteria and does not consider wider financial crime risk indicators.

3.44 The Authority has serious concerns that the Firm is not effectively monitoring customer transactions or identifying potentially suspicious activity. The Firm does not appear to be operating systems and controls capable of complying with regulations 19, 21 and 28 of the MLRs or its obligations under POCA.

3.45 As a result, the Firm's transaction monitoring and reporting framework is not capable of identifying, investigating or reporting suspicious activity in an effective or timely manner.

Periodic reviews

3.46 Regulation 28(11) of the MLRs requires firms to conduct ongoing monitoring of customer relationships, including keeping CDD information up to date. Regulation 27(8) further requires firms to apply fresh CDD measures where they become aware of changes in a customer's circumstances that affect the risk assessment.

3.47 The Authority identified serious deficiencies in the Firm's approach to periodic and event-driven reviews across the Client Files reviewed. Where periodic reviews were required under the Firm's own policies, they were not conducted in accordance with those requirements. In other cases, reviews were undertaken inconsistently or only after the FCA requested information.

3.48 The Firm also failed to carry out event-driven reviews in response to information which should reasonably have prompted reassessment. This includes changes in customer risk ratings, discrepancies in customer information, and indicators of unusual activity. There is no evidence that such events were identified, investigated, or used to trigger refreshed CDD.

3.49 Where documents described as "reviews" are present, they do not evidence a structured or consistent process. There is no clear audit trail demonstrating when reviews were conducted, what steps were taken, or how conclusions were reached. In some cases, screening and monitoring activity appears fragmented and undertaken only shortly before the Firm responded to the FCA's information requirement.

3.50 The Authority has serious concerns that the Firm is not maintaining up-to-date

customer due diligence or monitoring customer relationships on an ongoing basis, as required by regulation 28(11). The Firm also does not appear to apply fresh due diligence in response to changes in customer risk, as required by regulation 27(8). As a result, the Firm's periodic review framework is not capable of identifying or responding to changes in financial crime risk in a timely or effective manner.

Inadequate safeguarding of Relevant Funds

3.51 Regulation 20 of the EMRs requires firms to establish and maintain effective arrangements to safeguard relevant funds and to ensure, on an ongoing basis, that funds held are sufficient to meet their obligations to electronic money holders.

3.52 The Authority identified serious deficiencies in the Firm's safeguarding arrangements. The Firm does not operate a reconciliation process capable of demonstrating, on an ongoing basis, that the funds held in safeguarding accounts are sufficient to meet its customer liabilities.

3.53 In particular, the Firm's approach is limited to transaction-level reconciliation, comparing account movements against payment flows. The Firm does not calculate its overall safeguarding requirement by aggregating customer entitlements, nor does it reconcile that aggregate liability to the balance held in safeguarding accounts.

3.54 While the Firm maintains records of individual customer balances and performs separate accounting reconciliations, these do not form part of a safeguarding framework and are not used to demonstrate that sufficient funds are segregated to meet customer obligations.

3.55 As a result, there is no evidence that the Firm operates a reconciliation capable of ensuring that the amount of relevant funds safeguarded matches its aggregate customer liabilities at any given point in time.

3.56 The Authority's *Payment Services and Electronic Money – Our Approach* (March 2026) ("the Approach Document") set out clear expectations that firms should reconcile customer entitlements against safeguarded funds and ensure that those balances match. The Firm's arrangements do not meet these expectations and are not capable of demonstrating compliance with regulation 20 of the EMRs.

a) firms are expected to reconcile their records of customer entitlements with the amounts of relevant funds safeguarded (see paragraph 10.79);

b) reconciliation should result in the safeguarded balance matching the firm's internal record of the total sum of relevant funds (see paragraph 10.83);

c) an adequate reconciliation method includes comparing the total balance of relevant funds recorded by the firm and the total balances held in safeguarding accounts, as evidenced by statements or confirmations (see paragraph 10.86).

3.57 On the information available, the Firm's safeguarding arrangements do not meet these expectations. In particular, the Firm does not appear to perform a reconciliation capable of demonstrating that the total amount of relevant funds held in safeguarding accounts matched its aggregate customer entitlements at a given point in time. As such the Firm does not appear to have in place a framework capable of ensuring compliance with regulation 20 of the EMRs.

3.58 The deficiencies identified indicate that the Firm does not have sufficient oversight of its safeguarding position and is unable to determine whether it can meet its

obligations to customers at any given time. This creates a risk that any shortfall in safeguarded funds would not be identified or remedied promptly.

3.59 The Authority has serious concerns that the Firm appears to be failing to comply with its obligations under regulation 20 of the EMRs. The Firm's safeguarding arrangements appear to be materially deficient. Supervision is therefore concerned that the Firm does not appear able to demonstrate, on an ongoing basis, that the amount of relevant funds safeguarded is equal to or exceeds its obligations to customers, and does not appear to have sufficient visibility over whether it can meet those obligations at any given point in time. This creates a risk that any shortfall in its safeguarded funds would not be identified or remedied in a timely manner and presents a serious risk of harm to customers in the event of firm failure, where customer funds may not be adequately protected.

[Redacted]

3.60 [Paragraphs 3.60 to 3.68 redacted]

4 CONCLUSION

4.1 The regulatory provisions relevant to this First Supervisory Notice are set out in the Annex.

4.2 As a result of the facts and matters detailed above, the Authority considers that the Firm no longer meets, or is unlikely to continue to meet, the Conditions for Authorisation and several requirements of the regulatory system, because:

a) the Firm does not have in place effective procedures or adequate internal controls to identify, manage, monitor and report financial crime risks, and therefore may not meet the requirements of regulations 6(5)(b) and 6(5)(c) of the EMRs;
b) the Firm's financial crime framework is materially deficient, with systemic failures in its application of customer risk assessment, customer due diligence, enhanced due diligence, screening, transaction monitoring and governance, which expose the Firm to an increased risk of being used to facilitate financial crime and may constitute breaches of the MLRs;
c) the Firm's safeguarding arrangements are materially inadequate and do not meet the requirements of regulation 6(6)(d), as it does not operate a reconciliation framework capable of demonstrating that the funds it safeguards are sufficient to meet its customer liabilities on an ongoing basis, such that it may be failing to comply with regulation 20 of the EMRs and the requirements reflected in the FCA's Approach Document; and
d) [redacted]

4.3 The Authority considers the Requirements to be proportionate in the circumstances, particularly given the seriousness of the financial crime control failings.

4.4 Firms authorised by the Authority are required to comply with applicable regulatory requirements, including the EMRs, the MLRs [redacted]. A failure to do so undermines the firm's ability to operate in a sound and prudent manner and gives rise to a risk to the Authority's operational objectives, including protecting and enhancing the integrity of the UK financial system and securing an appropriate degree of protection for consumers.

5 PROCEDURAL MATTERS

Decision maker

5.1 The decision which gave rise to the obligation to give this First Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.5.7 and DEPP 2.5.7B.

5.2 This First Supervisory Notice is given to the Firm under regulation 11(6) of the EMR and in accordance with regulation 11(7) of the EMR.

5.3 The following statutory rights are important.

Representations

5.4 The Firm has the right to make written representations to the Authority (whether or not it refers this matter to the Tribunal). The Firm may also request to make oral representations, but the Authority will only consider this in exceptional circumstances according to DEPP 2.3.1AG. The deadline for providing written representations and notifying the Authority that the Firm wishes to make oral representations is 3 July 2026 or such later date as may be permitted by the Authority. Any notification or representations should be sent to the Executive Decision Making Secretariat (EDMCaseInbox@fca.org.uk).

The Tribunal

5.5 The Firm has the right to refer the matter to which this First Supervisory Notice relates to the Tribunal. The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the Authority. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the Firm has 28 days from the date on which this First Supervisory Notice is given to it to refer the matter to the Tribunal.

5.6 A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by or on behalf of the Firm and filed with a copy of this First Supervisory Notice. The Tribunal's contact details are: Upper Tribunal, Tax and Chancery Chamber, 5th Floor, Rolls Building, Fetter Lane, London EC4A 1NL (telephone: 020 7612 9700; email: uttc@hmcts.gsi.gov.uk).

5.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website:

5.8 The Firm should note that a copy of the reference notice (Form FTC3) must also be sent to the Authority at the same time as a reference is filed with the Tribunal. A copy of the reference notice should be sent to the Executive Decision Making Secretariat (EDMCaseInbox@fca.org.uk).

Confidentiality and publicity

5.9 The Firm should note that this First Supervisory Notice may contain confidential information and should not be disclosed to a third party (except for the purpose of obtaining legal advice on its contents).

5.10 The Firm should note that section 391(5) of the Act, as applied by paragraph 8 of Schedule 3 of the EMR, requires the Authority, when this First Supervisory Notice takes effect (and this First Supervisory Notice takes immediate effect), to publish such information about the matter to which the notice relates as it considers

appropriate.

Authority contacts

5.11 For more information concerning this matter generally, contact the Executive Decision Making Secretariat (EDMcaseinbox@fca.org.uk).

Decision made under executive procedures

Executive Decision Maker
Director, Consumer Investments — Supervision, Policy and Competition

Annex

RELEVANT STATUTORY PROVISIONS

1. Regulation 7(1) of the EMR provides that the Authority may include in the authorisation of an authorised electronic money institution such requirements as it considers appropriate. Regulation 7(2) of the EMR provides that a requirement may, in particular, be imposed so as to require the person concerned to: 1) take a specified action, or 2) to refrain from taking a specified action.

2. Regulation 8(a) of the EMR provides that the Authority may, on the application of an authorised electronic money institution, vary that person's authorisation by, among other things, imposing a requirement such as may, under regulation 7 of the EMR, be included in an authorisation.

3. Regulation 11(1) of the EMR provides that the Authority may vary the authorisation of an electronic money institution in any of the ways mentioned in regulation 8 if it appears to the Authority that:

   "[…]

   (a) The person no longer meets, or is unlikely to continue to meet, any of the conditions set out in regulation 6(4) to (8) of the requirement in regulation 19(1) to maintain own funds.
   (c) The person would constitute a threat to the stability of a payment system by continuing to issue electronic money or provide payment services.
   (d) The variation is desirable in order to protect the interests of consumers."

4. Regulation 11(2) of the EMR provides that a variation takes effect immediately if the notice given under paragraph (6) states that this is the case, or on such date as may be specified. Regulation 11(3) of the EMR provides that a variation may be expressed to take effect immediately or on a specified date only if the Authority, having regard to the ground on which it is exercising the power under paragraph (1), reasonably considers that it is necessary for the variation to take effect immediately or, as the case may be, on that date.

5. Regulation 11(6) of the EMR provides that, where the Authority proposes to vary a person's authorisation, it must give the person notice.

6. Section 391 of the Act, as applied in modified form by paragraph 8 of Schedule 3 to the EMR, provides that:

   "[…]

   (5) When a supervisory notice takes effect, the Authority must publish such information about the matter to which the notice relates as it considers appropriate.
   (6) The Authority may not publish information under this section if, in its opinion, publication of the information would be: a) unfair to the person with respect to whom the action was taken (or was proposed to be taken), b) prejudicial to the interests of consumers, or c) detrimental to the stability of the UK financial system.
   (7) Information is to be published under this section in such manner as the Authority considers appropriate."

7. Regulation 20 of the EMRs provides that relevant funds received by an authorised electronic money institution in exchange for electronic money that has been issued must be safeguarded in accordance with the applicable safeguarding requirements.

8. [Redacted]

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

9. Regulation 27(8) of the MLRs provides that where a relevant person has doubts about the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification, or otherwise becomes aware that the circumstances relating to a customer are relevant to the assessment of risk, it must apply customer due diligence measures again to the extent appropriate to the risk.

10. Regulation 28(2) of the MLRs provides that customer due diligence measures must comprise identifying the customer, verifying the customer's identity, assessing and, where appropriate, obtaining information on the purpose and intended nature of the business relationship or occasional transaction, and, where applicable, identifying and taking reasonable measures to verify the identity of any beneficial owner.

11. Regulation 28(3) of the MLRs provides that a relevant person must verify the identity of a customer and any beneficial owner before the establishment of a business relationship or the carrying out of an occasional transaction, save in the limited circumstances permitted by the Regulations.

12. Regulation 28(4) of the MLRs provides that where a business relationship is established, the relevant person must conduct ongoing monitoring of that relationship. This includes scrutiny of transactions undertaken throughout the course of the relationship and keeping the documents, data or information obtained for the purpose of applying customer due diligence measures up to date.

13. Regulation 28(11) of the MLRs provides that the extent of customer due diligence measures and ongoing monitoring must be determined on a risk-sensitive basis, depending on the type of customer, business relationship, product or transaction.

14. Regulation 28(12) of the MLRs provides that in deciding the extent of the measures to be taken for the purposes of customer due diligence and ongoing monitoring, a relevant person must take account of any relevant information made available to it under the MLRs and must be able to demonstrate to the supervisory authority that the extent of the measures is appropriate in view of the risks of money laundering and terrorist financing.

15. Regulation 28(13) of the MLRs provides that when assessing the risks of money laundering and terrorist financing in relation to a customer, the relevant person must take account of risk factors including those relating to the customer, the product, service, transaction or delivery channel, and the country or geographic area concerned.

16. Regulation 28(16) of the MLRs provides that a relevant person must be able to demonstrate to its supervisory authority that the extent of the customer due diligence measures applied is appropriate having regard to the risks of money laundering and terrorist financing.

17. Regulation 33 of the MLRs requires a relevant person to apply enhanced customer due diligence measures and enhanced ongoing monitoring in any case which by its

nature can present a higher risk of money laundering or terrorist financing, including in the circumstances specified in that regulation.

18. Regulation 35(1) of the MLRs requires a relevant person to have in place appropriate risk management systems and procedures to determine whether a customer or the beneficial owner of a customer is a politically exposed person, or a family member or known close associate of a politically exposed person.

19. Regulation 40 of the MLRs requires a relevant person to keep copies of the documents and information obtained to satisfy customer due diligence requirements and supporting records in respect of transactions and business relationships for the prescribed retention period.

RELEVANT REGULATORY PROVISIONS

FCA Handbook

The Supervision Manual ("SUP")

20. The Authority's approach in relation to its own-initiative powers is set out in Chapter 6B of the Supervision Manual ("SUP"), certain provisions of which are summarised below.

21. The Authority considers that the powers under regulation 11(1) of the EMR are similar to those under sections 55J and 55L of the Act and that the provisions of SUP 6B "Variation and cancellation of permission and imposition of requirements on the Authority's own-initiative and intervention against incoming firms" are applicable.

22. SUP 6B.1.1 states that the Authority will have regard to its statutory objectives and the range of regulatory tools that are available to it when it considers how it should deal with a concern about a firm. It will also have regard to: 1) the responsibilities of a firm's management to deal with concerns about the firm or about the way its business is being or has been run; and 2) the principle that a restriction imposed on a firm should be proportionate to the objectives the Authority is seeking to achieve.

23. SUP 6B.2.3 states that in the course of its supervision and monitoring of a firm or as part of an enforcement action, the Authority may make it clear that it expects the firm to take certain steps to meet regulatory requirements. In the vast majority of cases the Authority will seek to agree with a firm those steps the firm must take to address the Authority's concerns. However, where the Authority considers it appropriate to do so, it will exercise its formal powers under section 55J or 55L of the Act where the Authority considers it appropriate to ensure such requirements are met. This may include where, amongst other factors, the Authority has serious concerns about a firm, or about the way its business is being or has been conducted or is concerned that the consequences of a firm not taking the desired steps may be serious.

24. SUP 6B.3.1 states that the Authority may impose a requirement so that it takes effect immediately or on a specified date if it reasonably considers it necessary for the requirement to take effect immediately (or on the date specified), having regard to the ground on which it is exercising its own-initiative powers.

25. SUP 6B.3.2 states that the Authority will consider exercising its own-initiative power where: 1) the information available to it indicates serious concerns about the firm or its business that need to be addressed immediately; and 2) circumstances indicate that it is appropriate to use statutory powers immediately to require and/or prohibit certain actions by the firm in order to ensure the firm addresses these concerns.

26. SUP 6B.3.3 states that it is not possible to provide an exhaustive list of the situations that will give rise to such serious concerns, but they are likely to include some of the following characteristics: 1) information indicating significant loss, risk of loss or other adverse effects for consumers, where action is necessary to protect their interests; [redacted].

27. SUP 6B.3.4 states that the Authority will consider the full circumstances of each case when it decides whether an imposition of a requirement is appropriate and sets out a non-exhaustive list of factors the Authority may consider, these include: 1) the extent of any consumer loss or risk of consumer loss or other adverse effect on consumers; 2) the extent to which customer assets appear to be at risk; 3) the financial resources of the firm; [redacted] 5) the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers.

28. SUP 6B.4.4 states that examples of requirements that the Authority may consider imposing when exercising its own-initiative power are: 1) a requirement not to take on new business; 2) a requirement not to hold or control client money; and 3) a requirement that prohibits the disposal of, or other dealing with, any of the firm's assets or restrict those disposals or dealings.

29. [Paragraphs 29 to 30 redacted]

Decision Procedure and Penalties Manual ("DEPP")

30. DEPP 2.5.7G provides that Authority staff under executive procedures will take the decision to give a supervisory notice exercising the Authority's own-initiative powers (by removing a regulated activity, by imposing a limitation or requirement or by specifying a narrower description of regulated activity), including where the action involves a fundamental variation or requirement.

31. DEPP 2.5.7BG provides that Authority staff of at least Director level will take the decision to give a supervisory notice exercising the Authority's own-initiative powers if the action involves a fundamental variation or requirement. DEPP 2.5.8G provides that a fundamental variation or requirement means: 1) removing a type of activity or investment from the Firm's permission; 2) refusing an application to include a type of activity or investment; or 3) imposing or varying an assets requirement (as defined in s.55P of the Act), or refusing an application to vary or cancel such a requirement.