

THE RENEWED SPOTLIGHT ON CRYPTO

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OVERVIEW

Last month, the FCA [offered a warning](#) on illegal-crypto ATMs operating in the UK, highlighting that none of the crypto-assets firms registered with the FCA have been approved to offer ATM services. The Authority has said they will be contacting operators and instructing that the machines be shut down.

Crypto-asset firms have already been in the spotlight this month as regulators faced calls from government officials in the US, the UK and the EU to step up their monitoring of firms that could be deemed vulnerable to being used for sanctions evasion. US President Joe Biden also issued an [Executive Order on Cryptocurrencies](#) earlier this month, with a focus on regulation for crypto-assets.

KEY INSIGHTS

The FCA's renewed focus on crypto-assets, at a time when Western governments are anxious to ensure the effectiveness of Russia-focused sanctions, highlights the real sanctions evasion risks associated with crypto-assets, especially given that large segments of the industry remain unregulated.

Crypto firms, traditional financial institutions and corporates alike should be aware of their exposure to both crypto-assets and firms offering crypto products and services. Entities may wish to check the relevant FCA register to determine the regulatory status of third parties with whom they do business, and should conduct due diligence and ongoing monitoring that is commensurate to the risks presented by individual relationships.

In the context of Russia sanctions, indicators of higher risk can include a significant share of total revenues being generated from Russian accounts, or company registration in a country with strong economic or cultural links to Russia, Crimea, Donetsk or Luhansk. In a similar vein, a crypto firm may carry elevated sanctions risk if it is registered in a high-secrecy or low regulation jurisdiction, or offers products – such as crypto ATMs – which grant its customers a greater level of anonymity. Other products bearing higher sanctions risk include privacy coins, mixing services and peer-to-peer transfers.

HOW WE CAN HELP

Exiger has extensive experience of working with entities both within the crypto industry and with exposure to digital assets. We are equipped to assist financial institutions, corporates and fintech's tackling the challenges posed by the fast-moving global sanctions environment with services such as:

- **Sanctions Screening and Monitoring:** We perform initial batch processing to screen your current or new third party relationships against updated sanctions lists, which are recommended to be enrolled in DDIQ monitoring as sanctions lists continue to receive updates. Exiger also offers a managed service to adjudicate and remove or escalate alerts on your behalf.
- **Entity Unwrapping:** We identify direct and indirect ownership, key personnel and management. Identified subjects are then screened, monitored, and adjudicated.
- **Foreign Ownership, Control or Influence (FOCI) Analysis:** Corporate structure, foreign ownership and controlling interests, operational risks, high risk foreign transactions and M&A are identified and analyzed. Identified subjects are screened, monitored, and adjudicated.
- **Specially Designated Nationals (SDNs) Network Analysis:** We identify connections to parties associated with SDNs from Exiger's database



Exiger is also excited to announce the launch of [Supply Chain Explorer](#), the world's first single-click supply chain risk detection SaaS platform. Rapidly surface, understand and mitigate critical threats to your entire supplier ecosystem – including rapidly evolving sanctions and cyber risk - with a single click.

Sign up for a [early-access trial license today](#).

This client alert was compiled by Christian Thorley, Jim Roberts, and Patrick Stillman of Exiger.

ABOUT EXIGER

Exiger is revolutionizing the way banks, corporations, and governments manage risk through its combination of practical expertise, award-winning technology, and process excellence. In recognition of the growing volume and complexity of data and regulation, Exiger is committed to creating a more sustainable compliance environment through its holistic and innovative approach to problem solving. Powered by DDIQ and Insight 3PM, Exiger takes an analytics-led, technology-enabled approach to everything we do.

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