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SECOND SUPERVISORY NOTICE

To:	**Bazar Money Transfer Limited**
Reference Number:	**935784**
Address:	**1 Canada Square, London, E14 5AA**
Date:	**6 March 2026**

1 ACTION

1.1 For the reasons given in this Second Supervisory Notice, the Financial Conduct Authority (the "Authority") has decided not to rescind the requirements and the variation set out in paragraph 1.3 below on Bazar Money Transfer Limited (the "Firm") and notified to it in the First Supervisory Notice (the "FSN") dated 21 November 2025. On 9 January 2026, representations were received by the Authority from the Firm in relation to the FSN (the "Representations"). The Authority has considered the Representations and concluded that the requirements and variation remain proportionate and appropriate. A summary of the Firm's Representations and the Authority's response is set out at Annex 2.

1.2 Pursuant to regulations 12(1) and 15 of the Payment Services Regulations 2011 (the "PSR"), in the FSN the Authority decided to vary the registration granted to the Firm pursuant to Part 2 of the PSR by removing the Firm's money remittance payment service ("Variation") and by imposing the following requirements (the "Requirements") on the Firm.

1.3 The Firm will no longer be permitted to provide any payment services.

Restriction on payment services

1) The Firm must not register, onboard or provide regulated payment services (either directly or through outsourced partners) to any new customers without the prior written consent of the Authority.

2) The Firm must not provide any regulated payment services (either directly or through outsourced partners) to any existing customers, without the prior written consent of the Authority.

Payment of liabilities

3) By 12pm on 28 November 2025, the Firm must pay all liabilities owed to any existing customers. Unless instructed otherwise by the customer, the Firm must make payment to the same payment account the customer (or a third party on the customer's behalf) used to transfer the funds to the Firm.

Notification requirements

4) The Firm must by 12pm on 26 November 2025, notify in writing all customers, banking partners, payment service providers or any other relevant person of the imposition and effect of the Requirements in a form to be agreed in advance with the Authority.

5) By 12pm on 26 November 2025, the Firm must:

   a) Ensure that a prominent notice is displayed on the front page of its website, and any website that it controls, or mobile app, 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.

   b) 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.

6) Within 24 hours of the notifications at Requirements 4 and 5 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 Requirements 4 and 5.

7) A statement to evidence the payment of liabilities to its customers pursuant Requirement 3.

8) The Firm shall send to the Authority via email by 12 noon every Friday, beginning on 28 November 2025 until such time as it is notified otherwise in writing by the Authority up-to-date bank statements for all the Firm's bank, payments or electronic money accounts.

Secure records

9) The Firm must secure and preserve all records and/or information (physical or electronic) relating to payment services in their original form, or in a copy provide to be identical to the source material. These must be retained in a form and at a location within the United Kingdom, to be notified to the Authority in

writing by 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 28 November 2025 the Firm must provide written confirmation to the Authority that it is in compliance with the Requirements.

1.4 The Requirements and the Variation took effect upon the imposition of the FSN on 21 November 2025 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 REASONS FOR ACTION

Summary

2.1 The Authority has concluded, on the basis of the facts and matters described below, that it is necessary to vary the Firm's registration by removing the Firm's money remittance payment service and imposing the Requirements because it appears that:

a) pursuant to regulations 12(1)(a) and 15 of the PSR the Firm no longer meets, or it is unlikely to continue to meet, the conditions for registration under regulation 14(4) to (11) of the PSR (the "Conditions for Registration"); and

b) it is desirable in order to protect the interests of consumers pursuant to regulations 12(1)(d) and 15 of the PSR.

2.2 The Authority considers that it was necessary that the imposition of the Requirements and Variation took immediate effect on 21 November 2025 because the facts and matters described below demonstrated that it appears that the Firm:

a) has been carrying out a cryptoasset business without the registration required by regulation 56(1)(f) of the MLR and therefore is also not complying with the requirement in regulation 14(11) of the PSR to be included in the register of cryptoasset businesses under the MLR;

b) has not been open and cooperative with the Authority in accordance with Principle 11 of the FCA's Principles for Businesses; and

c) having regard to the need to ensure the sound and prudent conduct of the affairs of a SPI, the Firm's sole shareholder is not a fit and proper person (regulation 14(6) of the PSR).

2.3 The Authority is also concerned that that the Firm has been offering its unregistered crypto exchange services to existing payment services clients and therefore also considers that this action is desirable in order to protect the interests of consumers.

2.4 Based on the facts and matters described in this Second Supervisory Notice, and having consider the Representations made by the Firm in respect of the FSN, together with additional material provided by the Firm the Authority considers that the Firm is unable to manage its affairs in a sound and prudent manner and it is putting customers at risk, therefore the imposition of the Requirements and Variation continues to be necessary and appropriate.

3 DEFINITIONS

3.1 The definitions below are used in this Second Supervisory Notice:

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

"Authority" means the Financial Conduct Authority;

"Bank A" means the authorised firm which the Firm engaged to hold funds on behalf of the Firm;

"Conditions for Registration" means the conditions for registration set out in regulations 14(2) to (11) of the PSR;

"Cryptoasset Exchange A" means a cryptoasset exchange provider with which the Firm held an account and transacted between 17 December 2021 and 15 January 2025.

"Cryptoasset Exchange B" means the cryptoasset exchange provider referred to in Annex 2.

"the Firm" means Bazar Money Transfer Limited;

"Firm A" means the entity referred to in paragraph 4.17;

"Firm B" means the entity referred to in paragraph 4.25;

"Firm C" means the authorised electronic money institution which the Firm engaged to hold funds on behalf of the Firm;

"PSR" means the Payment Services Regulations 2017;

"the Requirements and the Variation" means the terms imposed on the Firm by the First Supervisory Notice on 21 November 2025 and maintained in this Second Supervisory Notice as outlined in section 1 above;

"Senior Manager A" means a senior manager at the Firm;

"Senior Manager B" means a senior manager at the Firm; and

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

4 FACTS AND MATTERS

Background

4.1 The Firm was incorporated on 9 March 2020 and registered on 16 March 2021 as a Small Payments Institution. The sole payment service the Firm is registered to provide is money remittance.

4.2 The Firm is not an authorised firm, and the Firm is not registered with the Authority under the MLR as a cryptoasset exchange provider or custodian wallet holder.

Failings and risks identified

<u>Registration of cryptoasset exchange providers</u>

4.3 The Authority is the anti-money laundering and counter-terrorist financing supervisor of UK cryptoasset businesses under the MLR. Since 10 January 2020, any cryptoasset exchange provider which operates by way of business in the UK, must be registered with the Authority. A cryptoasset exchange provider means a firm or sole practitioner who provides one or more of the following services by way of business:

a) Exchanging, or arranging or making arrangements with a view to the exchange of, cryptoassets for money or money for cryptoassets;

b) Exchanging, or arranging or making arrangements with a view to the exchange of, one cryptoasset for another; or

c) Operating a machine which utilises automated processes to exchange cryptoassets for money or money for cryptoassets.

The Firm's unregistered cryptoasset business

4.4 On 27 June 2025, in response to an information requirement, Cryptoasset Exchange A provided information to the Authority in respect of an account that the Firm held with Cryptoasset Exchange A. Cryptoasset Exchange A provided KYC, transaction history, and other information about an account that the Firm had held with Cryptoasset Exchange A, which showed that:

a) The Firm had held a business account with Cryptoasset Exchange A, which had been opened on 17 December 2021.

b) The account appeared to be controlled by Senior Manager A, whose name and Firm email address appeared to be used to open the account.

c) When opening the account with Cryptoasset Exchange A, the Firm provided copies of the following documents:

i. Among other things, the Firm's certificate of incorporation, and the Firm's registered office address.

ii. A letter from the Authority to the Firm dated 16 March 2021, confirming the Firm had been granted registration to carry on payment services activities as a SPI;

iii. The Firm's anti-money laundering and counter terrorism financing policy;

iv. Senior Manager A's passport and proof of address.

d) On 2 December 2021, Senior Manager A sent Cryptoasset Exchange A an email, in relation to Cryptoasset Exchange A's AML Questionnaire, and stated that "*… About the question number 7C, I am not sure which answer is applying to us as we would like to use your services to exchange our own Funds (GBP or CAD) to USDT and since USDT is not a crypto asset, I am not sure this could be considered as Crypto exchange or not…*"

e) The account was closed on 15 January 2025.

4.5 The Authority has reviewed the transaction history of the Firm's Cryptoasset Exchange A account, which shows that, between 29 December 2021 and 18 January 2025:

a) the equivalent of approximately £15 million (comprising £4,622,730.43 cash; 13,352,590.75 USDT (Tether) and approximately 4.9273 BTC (Bitcoin)) was deposited into the account from other crypto wallets and bank accounts;

b) the equivalent of approximately £15 million (comprising £10,419,850.71 cash; 6,376,015.30 USDT; and 1066 TRX (TRON)) was withdrawn from the account and paid into other crypto wallets;

c) many of the deposits into the wallet were for large sums. 46 deposits were for the equivalent of £100,000 (or more). In one instance, approximately £480,000 worth of crypto was deposited into the wallet;

d) a total of 19,041 cryptoasset transactions were executed through the Firm's Cryptoasset Exchange A wallet;

e) the approximate total volume of trading activity carried out on the Firm's wallet with Cryptoasset Exchange A was £30 million.

4.6 On 7 December 2021, Cryptoasset Exchange A's Client Engagement Team emailed the Firm and asked whether the Firm planned to resell cryptocurrency, including USDT, to its clients.

4.7 On 8 December 2021, the Firm sent an email to Cryptoasset Exchange A's Client Engagement Team stating that "*we* [sic] *only be undertaking the exchange of fiat currencies for cryptocurrencies (BTC-USDT) and vice versa. We will be instantly transferring crypto and will not be holding fiat or crypto for customers. We will buy bulk amounts of BTC or USDT with our own capitals (Not clients funds) and resell it to our costumer [sic] in small amounts. The firm will accept fiat from a customer (who will be located within the UK, EU and Canada to exchange for USDt. The activities will be similar to an Over The Counter trade, whereby the firm will advise the customer of the price of a transfer, and if the customer accepts based on the details provided, the customer will pay the firm and the firm will immediately transfer the coins to the customer's wallet (held on an external platform)*."

4.8 On 13 December 2021, Cryptoasset Exchange A's Client Engagement team emailed the Firm and requested the Firm to provide verification of the licensing status for cryptocurrency exchange activities in the UK, and a copy of the Firm's application to the FCA for registration as a cryptoasset business. The Firm responded to the request stating that "*We do not registered as crypto exchange activities because according to FCA regulations, businesses which work with none regulated coins such as USDT they do not need to be registered as crypto exchange activities. I mentioned earlier that we only be involve in exchange Fiat to USDt and rise versa* [sic]". "Cryptoasset" is defined in regulation 14A(3)(a) of the MLR and means "*a cryptographically secured digital representation of value or contractual rights that uses a form of distributed ledger technology and can be transferred, stored or traded electronically*." Tether (USDT) is a form of cryptoasset called a "stablecoin", meaning that its value is linked to stable assets like the US Dollar or gold. There is no differentiation in the MLR between unregulated and regulated coins for the purpose of carrying on a cryptoasset business and therefore as noted at paragraph 4.3 above, any cryptoasset exchange provider which operates by way of business in the UK, must be registered with the Authority.

4.9 On 17 December 2021, Cryptoasset Exchange A's Client Engagement team sent an email to the Firm confirming that the Firm's application to open a Cryptoasset Exchange A business account had been approved.

4.10 On 20 February 2023, Cryptoasset Exchange A's Support team sent the Firm an

email regarding frequent high value transactions being conducted with a specific wallet address. Cryptoasset Exchange A's Support team asked the Firm to provide further information regarding the transactions, including the name and address of the wallet holder, the name and address of the exchange, and the purpose of the transfers.

4.11 On 22 February 2023, the Firm responded to Cryptoasset Exchange A's request, confirming the name and address of the wallet holder, the name and address of the exchange as Bazar Money Transfer and the Firm's registered address. In terms of the purpose of the transfers, the Firm stated that: "*The client has deposit[ed] GBP to our account and exchange[d] it to USDt to do investment on crypto assets. The source of fund[s] of this client is selling his property in [the] UK worthing [sic]938,549 GBP. Also he has income from property rental fee in Canada*."

4.12 On 18 December 2023, Cryptoasset Exchange A's Support team sent the Firm an email querying a withdrawal and deposit of approximately 260,000 USDT (the equivalent of approximately $260,000 USD). Cryptoasset Exchange A asked the Firm to provide details in relation to the transactions, including information about the purpose of each transaction. The Firm responded to the query stating that the transaction was initiated by an applicant who had expressed interest in establishing an account with the Firm. The Firm explained that its anti-money laundering ("AML") team were unable to complete the KYC process for the applicant, which the Firm had assessed as high risk, and consequently the Firm decided to return the funds to the wallet from which they were received.

4.13 On 20 December 2023, Cryptoasset Exchange A's Support team wrote to the Firm, and, among other things, asked the Firm to advise whether it had provided services to individuals or entities (or remitted or received funds from exchanges) in Cuba, Iran, Syria, North Korea, Russia, Belarus, the Donetsk or Luhansk Region of Ukraine or Crimea. In response to Cryptoasset Exchange A's request, the Firm stated that its services were exclusively provided to individuals and businesses in the UK, EU, Canada, USA, and Australia.

4.14 On 28 December 2023, Cryptoasset Exchange A's Support team sent the Firm an email confirming that it had closed the Firm's account. The Firm's account remained open pending the withdrawal of funds remaining on the account. On 15 January 2025, the Cryptoasset Exchange A's Support team contacted the Firm to confirm the Firm must withdraw any remaining funds from the account within 48 hours, after which time the account would be finally closed. On 22 January 2025, Senior Manager A asked if he could withdraw the remaining balance to his personal account.

4.15 On 1 August 2025, pursuant to an information requirement sent by the Authority to Bank A on 23 July 2025, the Authority obtained details of transactions through the Firm's account between 23 September 2021 and 23 July 2025. On 27 October 2025, pursuant to an information requirement sent by the Authority to Bank A on 21 October 2025, the Authority obtained details of transactions through the Firm's account between 29 July 2025 and 21 October 2025. On 28 October 2025, pursuant to an information requirement sent by the Authority to Firm C on 28 October 2025, the Authority obtained details of transactions through the Firm's account between 26 June 2021 to 28 October 2025.

4.16 The Authority has reviewed the transactional activity through the Firm's accounts held with Bank A. The transaction analysis conducted by the Authority confirms that between 10 November 2022 and 18 January 2025 the Firm sent £3,941,182.93 from the Firm's bank account to Cryptoasset Exchange A.

4.17 The Authority is aware that the Firm's business has been promoted by Firm A, a financial institution which appears to offer cryptoasset exchange services. On 16 October 2024, the contact page of Firm A's website contained the following statements:

a) "*Bazar money transfer is a financial start-up that has been registered in the UK and Canada since 2020, and with specialized knowledge in the financial sector and with a deep understanding of all the needs of its customers, it operates in the field of money transfers between different countries*."

b) "*You can easily legally transfer bank transfers between Iran and the United Kingdom through* [Firm A]*.* [Firm A] *is a brand of Bazar money transfer LTD company, which is registered with the British Companies Registry under the number [illegible] and also has a license from the supervisory organization. It is based on the Financial Conduct Authority of Great Britain (FCA) with reference number [illegible]. Experience confidence with us*."

c) the Firm A website appeared to offer "remittances", "*payment of university tuition*" and "*cryptocurrency financial services*".

d) The webpage contained a photograph of Senior Manager A, who is listed as the Co-founder and CEO UK.

e) The website contained links to the Firm's "*UK FCA License*".

4.18 On 31 October 2024, the Authority sent a letter to the Firm requesting further information about the Firm's business, noting that the Firm's activities may fall within scope of the MLR. The Authority asked the Firm to explain the activities carried out by the Firm and advertised on the Firm A website, and to explain whether it considered these activities were captured by the MLR.

4.19 On 1 November 2024, the Firm sent the Authority an email in response to the Authority's information request. The Firm stated that:

"*Thank you for your correspondence dated 31 October 2024, regarding unregistered cryptoasset activities associated with the* [Firm A] *website. I am writing to provide clarity on behalf of Bazar Money Transfer Ltd.*

Clarification on Activities*: We wish to confirm that Bazar Money Transfer Ltd is not associated with, nor have we engaged in, any business activities related to the website in question. We have no knowledge of* [the Firm A website]*, and it appears that our business information may have been misused or misrepresented without our consent.*

Potential Fraud and Protective Measures*: We take this matter very seriously and believe this situation represents a potential fraud targeting our business. As a result, we are taking the following immediate actions:*

1) Internal Review and Investigation: We are conducting an internal investigation to determine whether there has been any unauthorized access to our business data or possible misuse of our information.
2) Engagement with Legal Counsel: We are consulting with legal experts specializing in regulatory compliance and data protection to ensure that we respond appropriately to this situation and safeguard our business interests. Additionally, we are considering legal action against any parties involved if evidence of fraudulent activity is confirmed.
3) *Notification to Authorities: To ensure that all possible protective measures are*

in place, we will report this incident to the relevant data protection authorities and law enforcement bodies to help trace the source of this misuse and prevent any further fraudulent activity. […]" (emphasis in original)

4.20 The Firm also reiterated its commitment to compliance, stating that "*please rest assured that Bazar Money Transfer Ltd remains committed to full compliance with the Money Laundering, Terrorist Financing, and Transfer of Funds Regulations 2017 (MLRs). We will continue to cooperate fully with the FCA in anyway required to resolve this matter swiftly*."

4.21 The Authority has identified that, on or after 16 October 2024, the Firm A website was updated to remove Senior Manager A's photograph.

4.22 The Authority has identified an Instagram account in the name of Firm A. On 30 June 2025, the Authority identified a series of posts from this account posted on or about 1 March 2024, promoting the Firm:

a) One post contained a screenshot of the Firm's entry on the FCA Register;

b) 15 posts contained screenshots of payments made by the Firm.

4.23 On the 26 March 2025 the Authority sent the Firm an email requesting information regarding the Firm's business model. The Authority asked the Firm to provide, among other things:

a) a high level overview of the Firm's business model and the services provided to its customers;

b) an outline of the Firm's customer base; and

c) an explanation of how funds flow through the Firm's business.

4.24 On 2 April 2025, the Firm responded to the Authority's request for information. In its response, the Firm stated that "*Bazar Money Transfer Limited is a UK-based Small Payment Institution registered with the FCA to provide money remittance services. The firm focuses primarily on transfers from and into the UK, with an emphasis on the UK-Canada corridor. Our service allows individual and corporate customers to send funds abroad and to a smaller extent to receive funds from abroad. 98.4% of our customers are individuals, while the remaining 1.6% are corporate clients*." The Firm did not mention in its response the cryptoasset activity transacted through the Firm's Cryptoasset Exchange A wallet.

4.25 The Authority has identified that, as of 13 October 2025, the Firm A website continued to promote the Firm and contained the following statements:

a) "*Legal identity of* [Firm A]*:* [Firm A] *is a reputable brand backed by [illegible] companies:* [Firm B] *in Iran and Bazaar Money Transfer in the UK. With official companies in Iran and the UK, we are a direct intermediary for exchanging money outside Iran*".

b) "*The point of how to choose the best exchange to transfer pound notes to Iran is always sensitive and important matter.* [Firm A]*, as one of the largest and most reputable exchange houses in Iran, can easily and completely legally exchange bank transfers between Iran and the UK.* [Firm A] *is the trade name of BAZAR Money Transfer LTD, registered with the UK Registry under number* [illegible] *and is licenced by the UK Financial Conduct Authority with reference number* [illegible]*, and this provides its customers with confidence in*

transferring Euro and Pound notes from Iran to the UK and vice versa to a reputable exchange house in Iran".

c) On the Tether (USDT) page, "*Buying Tether is one of the most popular cryptocurrencies traded on various markets around the world. But how can you buy this currency at the best price? … To purchase Tether from* [Firm A]*, users can simply log in to the* [Firm A] *website or app, and after registering and authenticating, purchase this currency using their electronic wallet at the price set by* [Firm A]"". This page website also contained a link to the Firm's entry on the Financial Services Register.

4.26 The Authority has serious concerns that the Firm does not appear to have provided accurate or complete information to the Authority with respect to the nature of its cryptoasset business or its payment services business. The Authority has reviewed the information provided by the Firm, and has concerns that:

a) The Firm's statement to the Authority on 1 November 2024, that it remains committed to full compliance with the MLR is at odds with previous statements made by the Firm to Cryptoasset Exchange A for example, on 8 December 2021 ("*we [will] be undertaking the exchange of fiat currencies for cryptocurrencies (BTC-USDT) and vice versa"* and on 22 February 2023, "*The client has deposit[ed] GBP to our account and exchange[d] it to USDt to do investment on crypto assets"*). The nature of the Firm's statement to the Authority is particularly concerning given the scale of transaction activity carried out on the Firm's Cryptoasset Exchange A wallet.

b) The Firm's statement to the Authority on 1 November 2024 that it remains committed to full compliance with the MLR also appears to be at odds with the regular and ongoing payments made by the Firm (and received into the Firm's accounts) containing references which appear to be associated with Firm A and Exchange A, given the cryptoasset (Tether) exchange services promoted by Firm A and Exchange A.

c) The Firm's statement to the Authority on 1 November 2024 that the Firm has no knowledge of, and is not associated with, nor engaged in business activities with Firm A. This is at odds with information identified by the Authority, namely screenshots of payments made by the Firm posted on a Firm A's Instagram page on or about 1 March 2024 and reflected in the Firm's bank statements. The weight of evidence appears to establish a link between the Firm and Firm A, and therefore the Firm's claim that there is no such link between the two firms does not seem credible.

d) The Firm's website (bazarmoneytransfer.com) describes the payments services offered by the Firm, and explains its global presence, but says nothing about the Firm's cryptoasset activities. Having regard to the scale of transaction activity carried out using the Firm's Cryptoasset Exchange A wallet (as set out at paragraph 4.5 above), the Authority considers it is highly unusual that the website made no mention of its cryptoasset service offering. It is not clear to the Authority how the Firm has been promoting its cryptoasset service offering or how the Firm's customers came to be aware of this service. The Authority therefore has serious concerns that the Firm may not be complying with the financial promotion rules for cryptoassets, by ensuring that its financial promotions have been approved by an authorised person pursuant to s21 of the Act, and have been approved by a s21 approver and are clear, fair and not misleading.

e) The Firm has previously stated to the Authority and Cryptoasset Exchange A

that it only provides services to clients in the UK, EU, Canada, USA, and Australia. However, given the evidence pointing to a number of payments made by the Firm to Firm A, which services clients in Iran, the Authority is concerned that there is a high risk that the Firm has not disclosed material matters to the Authority regarding the jurisdictions in which it operates and services clients.

4.27 The Authority considers that there is no reasonable explanation for the Firm to provide inaccurate information to the Authority in response to an information request. Consequently, the Authority has serious concerns that the Firm, and those responsible for managing it, have made false and/ or misleading statements to the Authority. In the absence of a reasonable explanation for the inconsistent information, the Authority has serious concerns about whether those who manage the Firm's affairs have acted with integrity and have the adequate skills and experience to ensure that the Firm's affairs are conducted in an appropriate manner and one that complies with the regulatory framework.

4.28 Overall, the Authority has serious concerns over its ability to supervise the Firm effectively and the Firm's ability to manage its affairs in a sound and prudent manner.

5 CONCLUSION

5.1 The regulatory provisions relevant to this Second Supervisory Notice are set out in the Annex.

Analysis of failings and risks

5.2 For the reasons set out above, the Authority has serious concerns that the Firm:

a) has been carrying out a cryptoasset business without the registration required by regulation 56(1)(f) of the MLR and therefore is not complying with the requirement in regulation 14(11) of the PSR to be included in the register of crypto asset businesses under the MLR;

b) has not been open and cooperative with the Authority in accordance with Principle 11 of the FCA's Principles for Businesses; and

c) having regard to the need to ensure the sound and prudent conduct of the affairs of a SPI, the Firm's sole shareholder is not a fit and proper person (regulation 14(6)).

5.3 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 Registration and several requirements of the regulatory system, because:

a) the Firm appears to have operated a cryptoasset business in the UK when not registered by the Authority to do so;

b) conducting cryptoasset activity on a major scale without being registered or having the appropriate systems and controls in place has put the Firm at risk of being used for the purposes of financial crime;

c) the Firm has not been open and cooperative with the Authority, and the Firm's sole director appears to have failed to disclose to the Authority important matters in respect of which the Authority would reasonably expect notice, namely the existence of and details relating to the Firm's cryptoasset business and the jurisdictional scope of its activities; and

d) the Firm's director and sole shareholder, Senior Manager A, appears not to be a fit and proper person.

5.4 The Authority also has concerns that the Firm has been offering its unregistered cryptoexchange services to existing payment services clients and therefore also considers that this action is desirable in order to protect the interests of consumers.

5.5 Based on the above, the Authority has serious concerns that the Firm is no longer meeting, or is unlikely to continue to meet, the Conditions for Registration, and other regulatory requirements. The Authority considers that the variation of the Firm's authorisation by the imposition of the Requirements and the Variation remain a proportionate and appropriate means to address the current and immediate risks, and remain desirable to protect the interests of consumers in accordance with the Authority's duties under regulation 12(1)(a) and (d) and 15 of the PSR.

Timing and duration of the Requirements and the Variation

5.6 It was necessary to impose the Requirements and Variation immediately given the seriousness of the risks and the need to protect consumers.

5.7 The Authority considers that it is necessary for the Requirements and Variation to remain in place until such time as the Authority is satisfied that it is appropriate to lift them.

6 PROCEDURAL MATTERS

Decision maker

6.1 The decision which gave rise to the obligation to give this Second Supervisory Notice was made by an Authority staff member under executive procedures according to DEPP 2.3.1, DEPP 2.5.7 and DEPP 2.5.7B.

6.2 This Second Supervisory Notice is given to the Firm under regulation 12(9) and 15 of the PSR and in accordance with regulation 12(11) of the PSR.

6.3 The following statutory rights are important.

Representations

6.4 On 9 January 2026, the Firm submitted written representations in response to the FSN and provided further information to the Authority on 6 February and 23 February 2026. The Authority has reviewed and considered all material the Firm provided and concluded that the Requirements and the Variation remain appropriate and proportionate. A summary of the Firm's written representations and the Authority's response is set out in Annex 2.

The Tribunal

6.5 The Firm has the right to refer the matter to which this Second 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 Second Supervisory Notice is given to it to refer the matter to the Tribunal.

6.6 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 Second 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@justice.gov.uk).

6.7 Further information on the Tribunal, including guidance and the relevant forms to complete, can be found on the HM Courts and Tribunal Service website: https://www.gov.uk/government/collections/upper-tribunal-tax-and-chancery-chamber-.

6.8 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

6.9 The Firm should note that this Second 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).

6.10 The Firm should note that section 391(5) of the Act, as applied by paragraph 10 of Schedule 6 of the PSR, requires the Authority, when this Second Supervisory Notice takes effect (and this Second Supervisory Notice takes immediate effect), to publish such information about the matter to which the Authority considers appropriate.

6.11 In the Authority's view, publication of this Second Supervisory Notice is not unfair to the Firm or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system, in view of section 391(6) of the Act.

Authority contacts

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

Decision made under executive procedures

Director, Payments and Digital Assets — Supervision, Policy and Competition

Annex 1

RELEVANT STATUTORY PROVISIONS

Payment Services Regulation 2017

1. Regulation 7(1) of the PSR provides that the Authority may include in the authorisation of an authorised payment institution such requirements as it considers appropriate. Regulation 7(2) of the PSR 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(c) of the PSR provides that the Authority may, on the application of an authorised payment institution, vary that person's authorisation by, among other things, imposing a requirement such as may, under regulation 7 of the PSR, be included in an authorisation provided that the Authority is satisfied that the conditions set out in regulations 6(4) to (9) and regulation 22(1) are being or likely to be met.

3. Regulation 12(1) of the PSR provides that the Authority may vary the authorisation of an authorised payment 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 (9) or the requirement in regulation 22(1) to maintain own funds.
   (c) The person would constitute a threat to the stability of a payment system by continuing to provide a particular payment service or payment services.
   (d) The variation is desirable in order to protect the interests of consumers."

4. Regulation 12(2) of the PSR 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 12(3) of the PSR 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 12(6) of the PSR provides that, where the Authority proposes to vary a person's authorisation, it must give the person notice. Regulation 12(9) of the PSR provides that, if having considered any representations by the person, the Authority decides to either vary the authorisation in the way proposed or if the authorisation has been varied, not to rescind the variation, it must give the person notice. Under regulation 12(11) of the PSR, a notice given under paragraph (9) must inform the person of their right to refer the matter to the Upper Tribunal and the procedure for such a reference.
   Regulation 14 of the PSR provides the conditions for registration as a small payment institution, including the condition under regulation 14(11) that the applicant must comply with a requirement of the MLR to be included in a register maintained under those Regulations where such a requirement applies to the applicant.

6. Regulation 14(3) of the PSR provides that a firm must ensure that the monthly average over the period of 12 months preceding the application of the total amount of payment transactions executed by the firm, including any of its agents in the United Kingdom, must not exceed 3 million euros.

7. Regulation 14(6) of the PSR provides that where the firm is a partnership, an unincorporated association or a body corporate, the firm must satisfy the Authority that any persons having a qualifying holding in it are fit and proper persons having regard to the need to ensure the sound and prudent conduct of affairs of a small payment institution.

8. Regulation 15 of the PSR provides that regulations 7 to 12 apply to registration of a small payment institution as they apply to authorisation as a payment institution as if:

"[…]
(a) references to authorisation were references to registration;
(c) in regulation 8 […]— (i) for "an authorised payment institution" there were substituted "small payment institution"
(e) in regulation 12(1) (variation of authorisation on FCA's own initiative) for sub-paragraph (a) there were substituted—

"(a) the person does not meet, or is unlikely to meet, any of the conditions set out in regulation 14(4) to (11) or the financial limit referred to in regulation 8".

9. Section 391 of the Act, as applied in modified form by paragraph 10 of Schedule 6 to the PSR, 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."

RELEVANT REGULATORY PROVISIONS

FCA Handbook

The Supervision Manual ("SUP") and the Enforcement Guide ("ENFG")

10. 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.

11. ENFG App 2.2 of ENFG outlines that the Authority's policy in respect of the use of its powers under the PSR is consistent with the use of powers under the Financial Services and Markets Act 2000 and the Authority's general policy as explained in ENFG provides that the PSR, for the most part, mirror the Authority's investigative, sanctioning and regulatory powers under the Act and that the Authority has decided to adopt procedures and policies in relation to the use of those powers akin to those it has under the Act.

12. The Authority considers that the powers under regulation 12(1) and 15 of the PSR 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.

13. 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.

14. 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.

15. UP 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.

16. 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.

17. 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; and 2) evidence that the firm has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about the firm's ability to meet its regulatory obligations.

18. 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:

    a. the extent of any loss, or risk of loss, or other adverse effect on consumers. The more serious the loss or potential loss or other adverse effect, the more likely it is that the Authority's own-initiative powers will be appropriate, to protect consumers' interests (SUP6B.3.4(1)).

    b. the nature and extent of any false or inaccurate information provided by the firm. Whether false or inaccurate information warrants the Authority's exercise of its own-initiative powers will depend on matters such as (SUP6B.3.4(3)):

(a) the impact of the information on the FCA's view of the firm's compliance with the regulatory requirements to which it is subject, the firm's suitability to conduct regulated activities, or the likelihood that the firm's business may be being used in connection with financial crime;
(b) whether the information appears to have been provided in an attempt knowingly to mislead the FCA, rather than through inadvertence;
(c) whether the matters to which false or inaccurate information relates indicate there is a risk to customer assets or to the other interests of the firm's actual or potential customers.

c. the seriousness of any suspected breach of the requirements of the legislation or the rules and the steps that need to be taken to correct that breach (SUP6B.3.4(4)).

d. the firm's conduct. The Authority will take into account whether the firm identified the issue, brought it promptly to the Authority's attention and what steps the firm has taken or is taking to address the issue (SUP6B.3.4(8)).

e. the impact that use of the Authority's own-initiative powers will have on the firm's business and on its customers. The Authority will need to be satisfied that the impact of any use of the own-initiative power is likely to be proportionate to the concerns being addressed, in the context of the overall aim of achieving its statutory objectives (SUP6B.3.4(9)

19. SUP 6B.4.4 states that examples of requirements that the Authority may consider imposing when exercising its own-initiative power include a requirement not to take on new business.

Fit and Proper test for Employees and Senior Personnel ("FIT")

20. The Authority has issued guidance (*Payment Services and Electronic Money – Our Approach,* November 2024, at 3.104) which explains that the Authority has interpreted the term "fit and proper" in regulation 6 of the PSR in relation to controllers to mean in substance the same for payment institutions as it does for individuals approved in firms authorised under the Act.

21. The FIT chapter of the FCA Handbook sets out the fit and proper test for employees and senior personnel. FIT 1.3.1 G states that the Authority will have regard to a number of factors when assessing the fitness and propriety. FIT 1.3.1B G states that in the Authority's view, the most important considerations will be the persons: (1) honesty, integrity and reputation; (2) competence and capability; and (3) financial soundness.

22. FIT 2.1.1G states that in determining a person's honest, integrity and reputation the Authority will have regard to all relevant matters, including but not limited to those set out in FIT 2.1.3G which may have arisen either in the United Kingdom or elsewhere.

23. FIT 2.1.3G states that the matters referred to in FIT 2.1.1G to which the Authority will have regard, and to which a firm should also have regard, include, but are not limited to:

(5) whether the person has contravened any of the requirements and standards of the regulatory system

(13) whether, in the past, the person has been candid and truthful in all their dealings with any regulatory body and whether the person demonstrates a readiness and

willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards.

Decision Procedure and Penalties Manual ("DEPP")

24. DEPP 2.3.1G provides that if a decision maker is asked to decide whether to give a second supervisory notice, it will:
    a. Review the material before it;
    b. Consider any representations made (whether written, oral or both) and any comments by FCA staff or others in respect of those representations;
    c. Decide whether to give the notice and the terms of any notice given.

25. 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. DEPP 2 Annex 2 notes that this includes supervisory notices issued under regulation 12(9) and 15 of the PSR.

26. 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.

Annex 2

REPRESENTATIONS

The Firm's Representations, and the Authority's response, are summarised as follows.

Ground 1 - Unregistered cryptoasset business

The Firm's Representations

The Firm acknowledges that it opened a business account with Cryptoasset Exchange A on 17 December 2021, which was closed on 15 January 2025. The Firm says this account was controlled by Senior Manager A.

The Firm says that "*the* [Cryptoasset Exchange A] *account was used to hold and transfer the Firm's funds. It was not used as a cryptoasset exchange. None of the Firm's customers have used the Firm to exchange money for cryptoassets, cryptoassets for money, or one cryptoasset for another cryptoasset".*

The Firm says that it provides money remittance services only, principally servicing the UK / Canada corridor. The Firm says that *"[w]here payments are required to be made to beneficiaries in the UK or Canada, such payments are executed by the relevant entity (i.e. the Firm or* [the Firm's Canadian counterpart]*) using its own corporate funds, rather than by drawing on customer funds received in the UK*. The Firm says that it used its Cryptoasset Exchange A account for the purpose of corporate treasury balancing: "*[Cryptoasset Exchange A] was used solely as a treasury settlement and liquidity balancing venue, enabling conversion and transfer of funds between the entities, where required to reconcile bilateral payment flows. No direct bank-to-bank transfers of funds occurred between the UK and Canadian entities, and [Cryptoasset Exchange A] was not used to provide cryptoasset services to customers or to facilitate customer transactions."*

The Firm says that the treasury balancing and settlement mechanism operated by the Firm is "*supported by internal ledgers, contractual arrangements, and auditable treasury movements*".

The Firm says that between 17 December 2021 and 15 January 2025 the Firm initiated the following transactions through its Cryptoasset Exchange A account: 132 GBP deposits; 112 GBP withdrawals; 121 deposits of the cryptoasset Tether (USDT); 185 USDT withdrawals. The Firm says that the vast amount of the 19,041 cryptoasset transactions recorded in Cryptoasset Exchange A's ledger are trades initiated by Cryptoasset Exchange A with other exchange participants to fulfil the orders received from the Firm. The Firm also says that the 46 deposits of £100,000 equivalent or more, and one deposit of £480,000 worth of cryptocurrency "*is indicative of firm-level, treasury settlement activity, not transactions undertaken with the Firm's customers*."

The Firm refers to a letter from its Canadian counterpart which states that the Canadian counterpart provided 13 cryptowallet addresses which were *"used for corporate treasury and liquidity management purposes … The same wallets were also used to send USDT back to the* [*Cryptoasset Exchange A*] *account operated by [the Firm]). Accordingly, both the sender and the recipient of USDT in the relevant* [*Cryptoasset Exchange A*] *records was* [*the Firm's Canadian counterpart*]*".* The letter also states that *"these wallets are not customer wallets, are not accessible to customers, and are not used to provide any customer-facing cryptoasset services."*

The Firm says that since January 2025 it has not used any other cryptoasset exchange and has not conducted any cryptoasset transactions.

The Firm makes representations in relation to correspondence between the Firm and Cryptoasset Exchange A, referred in paragraph 4.11 above and says that the Firm's statement *"regrettably gave the impression to the [Cryptoasset Exchange A] Support Team that the Firm had used its account to exchange GBP to USDT"* for its customer and that "*greater care ought to have been taken to provide an accurate response*" to Cryptoasset Exchange A and "[Senior Manager A] wrongly described the nexus as a "customer exchange" rather than a firm-level treasury transfer.

The Firm makes representations in relation to the alleged connection between the Firm and Firm A. The Firm says "there is no tangible connection between Firm A and the Firm" and that *"[Firm A] continues to fraudulently claim an affiliation with [the Firm].*

The Authority's Response

Contrary to the Firm's representations, the Firm appears to have been conducting cryptoasset exchange activity on behalf of its customers, despite not being registered with the Authority to do so.

The Authority has sought to verify the Firm's claims that it used its Cryptoasset Exchange A account to operate a treasury balancing and settlement mechanism, and that it sent cryptoassets to (and received cryptoassets from) 13 cryptoasset wallets which are not customer wallets, are not accessible to customers, and are not used to provide any customer-facing cryptoasset services.

In doing so, the Authority has identified that three of the 13 wallets to which the Firm sent cryptoassets are linked to Cryptoasset Exchange B accounts for customers of the Firm. A fourth wallet is linked to a Cryptoasset Exchange B account registered in Iraq. None of the transaction activity on these wallets is consistent with the Firm's explanation that they are for corporate treasury rebalancing and settlement and the Firm has not informed the Authority about any operations in Iraq. It is unlikely that a Cryptoasset Exchange B account registered in Iraq would be used for the purpose of treasury rebalancing and settlement since the Firm has confirmed to the Authority that it has an "*operational focus on the UK-Canada corridor*"; that "*the Firm's main recipient country will be Canada*" and the "*long term goal is to expand operations into United States, Australia and Europe*". The Authority is therefore concerned that the remaining wallets may similarly not have been used for corporate treasury rebalancing and settlement, contrary to the Firm's explanation. In addition, given that the Firm's business wide risk assessment ("BWRA") does not contemplate servicing customers or other third parties based in Iraq, the Authority has serious concerns about the efficacy of the Firm's controls if it has nonetheless been transferring cryptoassets to third parties in Iraq.

The Authority has also reviewed the transaction activity associated with the remaining 9 wallets referred to in the Firm's representations and has identified that the transaction activity carried out on those wallets does not appear to be consistent with corporate treasury rebalancing and settlement activity. All wallets featured deposits from and withdrawals to numerous different cryptowallets. A number of the wallets featured very large transaction volumes which would appear to be inconsistent with corporate treasury rebalancing. For example, 9,927 transactions were carried out on one wallet and 1,175 transactions were carried out on another wallet.

In view of the large sums transacted through the Cryptoasset Exchange A account, the Authority is concerned that, in response to requests for information on 28 January and 4 February 2026, the Firm has been unable to provide an audit trail for the flow of funds or contemporaneous correspondence between the Firm and its Canadian counterpart such as instructions, in relation to the transactions carried out on the Cryptoasset Exchange A wallet. Notwithstanding the Firm's assertion that the Firm's treasury balancing and settlement mechanism is "*supported by internal ledgers, contractual arrangements, and*

auditable treasury movements", the Firm has been unable to provide an audit trail for the relevant period demonstrating a flow of funds into the Canadian counterpart's bank account. The Firm has provided extracts from the Firm's management accounting records dated September 2025 but has been unable to provide reconciliations for the relevant period and has been unable to provide any contemporaneous correspondence between the Firm and its Canadian counterpart in relation to its purported treasury balancing and settlement.

The Authority requested the Firm provide copies of its Canadian counterpart's bank statements for the relevant period, which presumably ought to show the flow of funds originating from the Firm's Cryptoasset Exchange A account into its Canadian counterpart's bank account. The Firm states that it has been unable to obtain these statements from its Canadian counterpart because the Canadian counterpart "is a separate legal entity". The Authority recognises this, but observes that the Canadian counterpart nonetheless willingly provided a signed letter in support of the Firm's representations.

The Authority notes that one of the documents which the Firm has provided in response to the Authority's request for further information, a document called "*Crypto Treasury Rebalancing – Compliance Assessment and Required Actions (2021)*", is dated 11 October 2021 and purports to record a compliance assessment carried out by Senior Manager B regarding the proposed use of the Cryptoasset Exchange A as a treasury rebalancing and settlement mechanism between the Firm and its Canadian counterpart. In the Authority's view, it is curious that this document has been provided now, when it was not provided to Cryptoasset Exchange A or to the Authority to address queries in relation to the Firm's cryptoasset activities, and the Firm did not refer to this document in (or provide it with) the Firm's Representations.

The document refers to the inherent AML and sanctions risks associated with the use of cryptoassets "*particularly if funds are transferred to or from unknown third parties*". The document notes that "*the risk was assessed as manageable provided that: transfers were limited to known wallets associated with [the Firm's Canadian counterpart]; no third-party or customer wallets were permitted; and all movements were reconcilable to known treasury requirements*." If this document were in place at the time the Firm was operating the Cryptoasset Exchange A account, the Authority considers that the Firm's use of the Cryptoasset Exchange A account represents a complete failure of the Firm's systems and controls. It appears the account was used to exchange cryptoassets on behalf of customers, to send cryptoassets to customer wallets, to send cryptoassets to jurisdictions not envisaged by the Firm's BWRA or AML policy and the Firm has been unable to provide reconciliations for the period during which the Firm was operating the Cryptoasset Exchange A account, all of which goes against the specific risk mitigations and controls suggested in the document. It also raises further questions about the fitness and propriety of senior management, given the cryptoasset transactions to customers were presumably signed off or instigated by a senior member of the Firm.

If the Firm was carrying out cryptoasset exchange activity for the purpose of treasury rebalancing and settlement, it is not clear why the Firm's Cryptoasset Exchange A account was not used for the entire flow of funds between the Firm and its Canadian counterpart. Nor is it clear why the Firm sent cryptoassets to 13 separate wallet addresses, four of which are linked to a separate exchange (Cryptoasset Exchange B).

In response to the Firm's representations regarding the statement made to Cryptoasset Exchange A referred to in paragraph 4.11 above, the Authority considers that since the Firm appears to have been carrying out cryptoasset exchange activity by way of business and on behalf of customers, the explanation provided by the Firm does not seem plausible.

In relation to the Firm's representations on the alleged connection between the Firm and Firm A, the Authority notes that it wrote to the Firm on 31 October 2024 to query the

Firm's relationship with Firm A. Although the Firm advised on 1 November 2024 that it was taking steps to notify law enforcement and data protection authorities, the Authority observes that many of the steps which the Firm has taken in relation to Firm A such as making enquiries of the website hosting service, investigating links between Firm A and the Firm and notifying relevant authorities, occurred after the FSN was issued almost a year later. The Firm notes payments from the Firm's bank accounts which appear on a Firm A social media account, and says the Authority has misattributed payments as payments between the Firm and Firm A. However, the Firm has not explained how these payments have nonetheless appeared on Firm A's social media account. As such, the explanation that the Firm has provided about its relationship with Firm A does not seem plausible.

Ground 2 – Senior Manager A's fitness and propriety

The Firm's Representations

The Firm states that the Firm has demonstrated that it has not operated an unregistered cryptoasset business. Senior Manager A's communication with the Authority cannot therefore be criticised and there is no basis upon which the Decision Maker could find that they are not a fit and proper person. The Firm says that the Authority do not raise any residual or additional concerns about Senior Manager A's fitness and propriety and provided additional information regarding their background and regulatory experience.

The Authority's Response

The Authority notes rather than addressing its concerns, the information that has been provided by the Firm in its Representations reinforces the concerns that the Firm appears to have been conducting cryptoasset exchange activity on behalf of its customers, despite not being registered with the Authority to do so. The Authority finds it particularly concerning that the Firm has consistently maintained this position and in doing so has submitted further information and documentation to the Authority which appears to be inaccurate or misleading. The pattern of providing information which appears to be inaccurate and/or misleading reinforces Supervision concerns that Senior Manager A is not a fit and proper person.