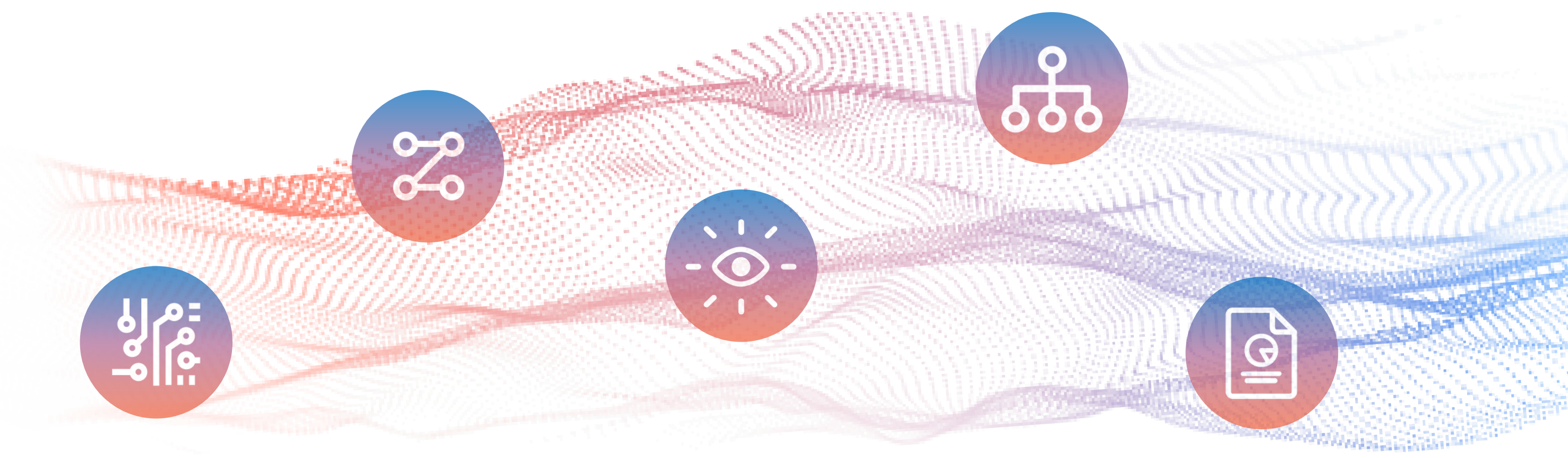


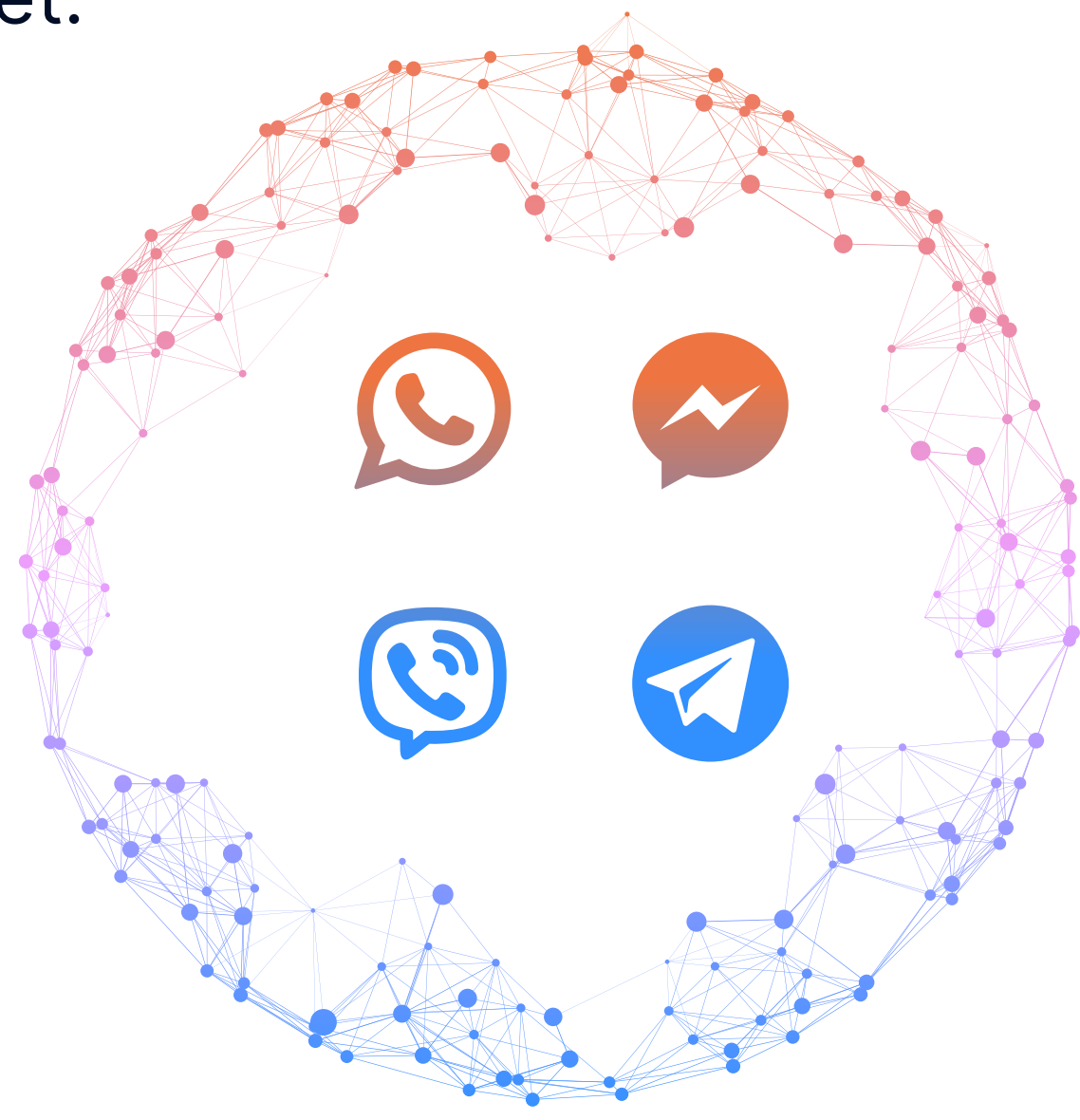
# Regulatory Enforcement Trends in Financial Services

Over the last 12 months, several enforcement trends have emerged as regulators increasingly crack down on record-keeping lapses, crypto fraud, and corporate governance weaknesses. Here are some of the highlights, drawn from the market's largest inventory of standardised regulatory data.



## Record-keeping failures get expensive

Unmonitored phone usage resulted in more than \$670m in fines in 2023, and more than \$2bn since 2022, following a major record-keeping sweep of Wall Street.



**\$549m** In August 2023, 11 institutions were fined \$549m for allowing off-record communications to take place.

**\$79m** The next month, 10 firms were ordered to pay a combined \$79m for similar failures.

**\$1.5bn** The Securities and Exchange Commission (SEC) has carried out more than 30 enforcement actions related to poor record-keeping and communications archiving and imposed over \$1.5bn in penalties in this area.

The SEC, leading the prosecutions, said it is continuing to probe for lapses, with further penalties to come.

The scale of the penalties is unmatched, leaving firms with no doubt that accurate record-keeping has become a mission critical compliance process.

## Compliance supervision under the microscope

Multiple enforcement actions taken in 2023 reiterated firms' responsibility to supervise diligently or establish and maintain a system to do so.

**\$131m** Reporting inaccuracies triggered more than \$131m in fines.

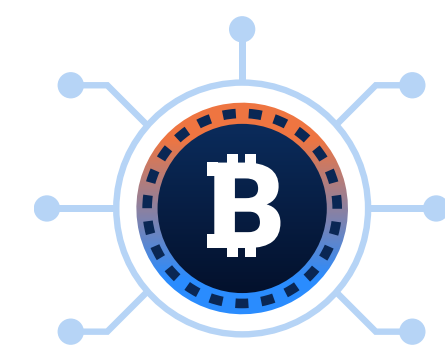
**\$53m** Three tier 1 banks were fined a combined \$53m for failing to supervise swap dealer activities and for non-compliance with swaps reporting obligations.

**2023** Enforcement actions under Regulation Best Interest (Reg BI) tripled during 2023, when a moratorium on enforcement during the pandemic was removed.

Maintaining accurate systems and controls is key to a robust compliance framework; many firms are turning to AI and machine learning tools to help manage regulatory overload.

## Soaring crypto fraud

The number of crypto-fraud investigations by the Commodities and Futures Trading Commission (CFTC) has nearly quintupled in the past three years.



Cryptocurrency-related fines accounted for over

**\$8bn**

in total penalties in 2023, making up the bulk of AML and fraud-related fines.



Cryptocurrency fraud resulted in

**\$4bn**

in fines across the calendar year.

In April 2023, an unregistered crypto commodity pool operator was hit with the CFTC's largest ever penalty;

**\$3.4bn**

for multilevel Bitcoin and Forex fraud.

Most common Bank Secrecy Act anti-money laundering failures in crypto:

Inadequate security measures

Failure to register as a money-transmitting business

Not performing customer checks

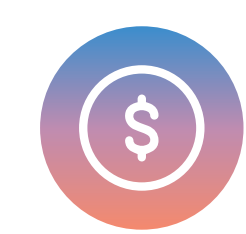
Sanctions breaches

Crypto exchange Binance was fined \$4.3bn in November 2023 for all the above, receiving the largest fine ever imposed by the Financial Crimes Enforcement Network (FinCEN).

The US has largely regulated by enforcement, and with sanctions now regularly in the billions, the message is clear that whilst crypto is still in a nascent era of growth, noncompliance is no excuse for failings.

## Areas of compliance focus for 2024/2025

CUBE's client base of senior compliance professionals identified the following challenges for the coming year:



Reining in compliance spend



Dealing with regulatory overload



Tougher reporting obligations



Data privacy compliance



Improving risk controls

## Think compliance, think CUBE

CUBE's robust source of classified and meaningful AI-driven regulatory intelligence helps businesses make better-informed operational decisions. Talk to us to learn more.