

MARKET REGULATION BULLETIN #4

January 2026

Purpose

In this Bulletin, ICE Futures Europe (the “Exchange”) reminds Members of their legal obligation to have Know Your Customer (“KYC”) and Customer Due Diligence (“CDD”) policies, procedures and processes in place to enable them to conduct comprehensive and effective due diligence on their clients and respond in a timely manner to the Exchange’s requests for client information.

KYC/CDD Requirements

Section B (Membership) of the Exchange Regulations sets out various criteria and obligations that Members of the Exchange are required to always adhere to.

More specifically, in relation to KYC/CDD requirements, Rule B.1.10 stipulates as follows:

“In connection with its membership of the Exchange and its business and activities as a Member, each Member that provides any trading services to third parties or which acts for any third party shall at all times represent and warrant that it has carried out its customer due diligence to the standards sets out under the Money Laundering Directive or such other Applicable Laws as determined acceptable by the Exchange at its discretion in relation to all of its customers and all other “beneficial owners” (for the purposes of this Rule B.1.10 having the meaning given to it in article 3(6) of the Money Laundering Directive) of such customers in respect of any Contracts entered into on the Exchange or any deliveries made pursuant to such Contracts.”

Regulators, governments and businesses worldwide have been intensifying their efforts to address the increasing threat of money laundering, terrorist financing and other illicit financial crime activities, driven by global geopolitical events, technological advances and growing sophistication of organised crime groups and illegal financial networks. The Exchange expects its Members to have robust KYC/CDD processes in place to ensure full compliance with applicable legal obligations and effective management of potential risks that could undermine their reputation, the integrity of the Exchange’s markets and financial stability.

The Exchange frequently requests Members to provide evidence of the due diligence they have conducted on clients with respect to whom they have given access to the Exchange. When doing so, the Exchange expects Members to disclose comprehensive records, in a clear, digestible format and in a timely manner to aid the Exchange’s investigative purposes.

The Exchange has observed good practices at some Members in line with regulatory expectations¹. However, in some instances, the Exchange has received inadequate or incomplete information, indicating that, for instance, the Member has undertaken insufficient assessment of a client’s background, financial profile and exposure to high risk factors, and/or given limited consideration to the potential risks, both to the Member and indirectly to the Exchange, posed by the potential or continued access to the Exchange and/or business relationship with the client.

¹ <https://www.fca.org.uk/publication/thematic-reviews/tr19-004.pdf>
<https://www.fca.org.uk/publication/corporate/money-laundering-through-markets-review-january-2025.pdf>
https://assets.publishing.service.gov.uk/media/67f3f2467ed82b90cf5bffc/OFSI_Financial_Services_Threat_Assessment_Report.pdf

Below is a non-exhaustive list of examples observed:

i) **Knowing and understanding your client**

Members are expected to understand their client's business activity and purpose of the business relationship, its ownership/control structure, its underlying client base, its experience and its source of funds/wealth. In some instances, the Exchange has observed Members undertaking limited analysis and accepting inadequate KYC/CDD documentation, resulting in a poor understanding of their clients. Further questions and deeper investigation into the background of some clients, challenging and vetting their experience will be required to fully understand their risk profile.

The Exchange has observed that some Members do not adequately identify common ownership or control among clients which can potentially obscure hidden networks and increase the potential for money laundering or misuse of the Exchange's facilities.

ii) **Insufficient staffing levels relative to customer base size**

Some Member firms appear to have too few staff dedicated to KYC/CDD when considering the size and complexity of their customer portfolio. Insufficient resourcing will be likely to impact the quality of KYC/CDD undertaken and increase the likelihood of missed red flags and thereby increase the potential for money laundering or misuse of the Exchange's facilities.

iii) **Process-driven, tick-box approach to KYC customer due diligence**

The Exchange has observed that some Members tend to approach KYC due diligence in a very procedural way and treat it as a 'tick box exercise', without taking a more thoughtful, analytical approach to reviewing the information provided. For example, there is a tendency among some Members to apply less rigorous checks when their customers are regulated entities. Irrespective of this, Members should consider a broad range of risk factors like ownership structure, geographic exposure, product and service offerings and transaction patterns when assessing money-laundering risks associated with individual business relationships.

iv) **Reliance on information provided by clients without independent corroboration**

Members should not rely solely on information provided by clients without independent verification. The Exchange has observed instances where Members accepted client-provided details without verification, creating gaps that can expose the Member and the Exchange to heightened risks of money laundering and sanctions evasion.

To assist Members in fulfilling their KYC/CDD obligations in compliance with the Exchange's expectations and applicable anti-money laundering, counter-terrorist financing and sanctions laws and to maintain robust and comprehensive KYC review programmes, the Exchange has identified the following potential warning signs that Members should be vigilant for during KYC reviews:

i) **Frequent changes to customer profile**

Regular and unexplained changes to a company's name, address, management or ownership could be an indicator of money laundering and an attempt to disguise former key identifiers.

- ii) **Identity verification**
Identity and address documents that have not been certified or substantiated independently can be indicators of attempts to avoid scrutiny.
- iii) **Clients' reluctance to provide necessary documentation**
If a client refuses to answer questions or provide information about themselves, this should be considered suspicious.
- iv) **Companies with rapid growth in share capital**
Expansion of a company's share capital could be a legitimate way to raise new funds, but it can also be used to launder money by injecting illicit funds into the company and using shares to disguise the origin of the money.
- v) **Sanctions evasion/shell companies**
Shell companies, shell structures or front parties are increasingly being used to hide the beneficial ownership and control of transactions. Having a clear understanding of your client's beneficial owner(s) and structure is vital to ensuring that you know with whom you are dealing.
- vi) **Clients with aggressive growth plans not commensurate with money laundering awareness, personnel and controls**
Rapidly expanding clients without corresponding investment in AML personnel, training and controls pose a heightened risk of compliance failures and undetected illicit activity.
- vii) **Entities that are newly incorporated and are part of a cluster of newly registered ones**
Groups of newly formed companies registered around the same time may indicate potential attempts to obscure ownership or conduct illicit activities through complex corporate structures.

While Members may outsource certain aspects of their AML programme to third-party consultants, the Exchange reminds Members that they remain ultimately accountable for their KYC/CDD processes.

Next Steps

Members should consider the points raised in this document and as necessary update their policies, procedures and arrangements. The Exchange encourages Members to circulate this document within their organisations to individuals that deal with clients or are in roles relating to onboarding, customer due diligence and financial crime compliance.



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