THE COMPLIANCE BRIEFING
PRACTICAL INTELLIGENCE FOR COMPLIANCE PROFESSIONALS

ACTION CHECKLIST

FCA CDD/EDD REVIEW

FCA CDD/EDD Review: *Action Checklist*

Based on FCA multi-firm review findings | Published April 2026 | For MLROs and Compliance Teams

In April 2026, the FCA published findings from its 2025 multi-firm review of customer due diligence (CDD), enhanced due diligence (EDD) and ongoing monitoring controls. The review covered asset managers, banks, non-bank lenders, Contract for Differences (CFD) firms and crowdfunding platforms, but the findings apply to all regulated firms undertaking CDD. Use this checklist to assess your firm against what the FCA found.

☐ **Priority action** — *FCA identified as most common failure point*	☐ **Standard action** — *good practice requirement*

SECTION 1: POLICIES AND PROCEDURES

Section 1: Policies and Procedures

☐ Review your EDD policy to confirm it clearly distinguishes EDD from standard CDD and specifies exactly what additional measures must be taken for high-risk customers.

FCA finding: Policies did not explain what additional measures should be taken for EDD.

☐ Define specific EDD triggers in your policy, including politically exposed persons (PEPs), high-risk jurisdictions, complex corporate structures, cash-intensive businesses and adverse media hits.

FCA finding: Firms lacked sufficient operational detail on when EDD is required.

☐ Ensure your policy includes updated guidance on domestic PEPs following the January 2024 regulatory changes.

FCA finding: Most firms had updated domestic PEP guidance; confirm yours has too.

☐ Add a section to your policy covering alternative identity verification methods for customers who cannot provide standard documentation.

FCA finding: Policies lacked guidance on verifying identity where standard ID is unavailable.

☐ Define your periodic review cycle by specifying review frequencies by risk tier (for example, high risk: annual; medium: every two years) and document this in policy.

FCA finding: It was unclear how often periodic reviews should take place.

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- ☐ Define what constitutes an event-driven review trigger and the required response timeline.
  FCA finding: Firms lacked clarity on event-driven review processes.

- ☐ Implement document version control for all policies and procedures, ensuring each version is dated, version-numbered and retained.
  FCA finding: Firms had no version control and could not demonstrate an audit trail of changes.

- ☐ Introduce an approval matrix specifying when senior management sign-off is required in CDD/EDD decisions.
  FCA finding: Some firms lacked detail on when senior management approval was needed.

- ☐ Schedule an annual policy review and record that the review has taken place with sign-off from the Money Laundering Reporting Officer (MLRO).
  FCA finding: Good practice: regular documented review of CDD/EDD policy.

SECTION 2: CDD AND EDD PROCESSES

Section 2: CDD and EDD Processes

The FCA's most serious finding: some firms failed to produce any evidence that EDD had been conducted at all, not that it was done poorly, but that there was nothing on file to prove it happened.

- ☐ Conduct a sample audit of recent EDD files and confirm that each one contains documented evidence of the measures taken, not just a risk rating.
  FCA finding: Firms failed to produce any evidence of what EDD measures had been taken.

- ☐ Ensure every EDD file records the purpose and intended nature of the business relationship, as this is required for ongoing monitoring.
  FCA finding: Key information was not recorded; no details on purpose or nature of the business relationship.

- ☐ Document the specific EDD steps taken for each high-risk customer, including the checklist, source of funds evidence, adverse media results and PEP screening outcome.
  FCA finding: Stronger firms had clearly documented each step of the EDD process.

- ☐ Define and document the scenarios or customer types that require senior management approval before onboarding proceeds.
  FCA finding: No examples of scenarios requiring senior management approval were found.

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- ☐ Verify that customer risk profiles are being tailored individually and are not being applied as a blanket category.
  FCA finding: Good practice: CDD information collected was determined by the financial crime risks posed by each customer.

- ☐ Check that periodic reviews are actually being completed on schedule by running a report on overdue reviews.
  FCA finding: Firms were not always conducting periodic reviews as required.

- ☐ Ensure EDD processes are applied consistently across all high-risk customer types, not just PEPs.
  FCA finding: There was limited evidence of how the approach differed between low and high-risk customers.

SECTION 3: COMPLIANCE MONITORING AND AUDIT

Section 3: Compliance Monitoring and Audit

- ☐ Confirm that the staff performing second-line assurance on CDD/EDD are independent of those who onboarded the customer, as this is a fundamental three lines of defence requirement.
  FCA finding: One firm's staff onboarded customers and performed second-line assurance on the same customers.

- ☐ Establish a formal compliance monitoring programme with documented review cycles for CDD/EDD, with at minimum annual sample-based testing.
  FCA finding: Some firms lacked detail on how they were checking for quality control.

- ☐ Conduct a thematic review of your EDD files, either via internal audit or an external third party.
  FCA finding: Good practice: firms conducted thematic reviews using external audit.

- ☐ Document and track findings from compliance monitoring so that each finding has an owner, a remediation action and a target date.
  FCA finding: Good practice: firms documented and acted upon findings from independent testing.

- ☐ Implement version control on all compliance documentation so that every change is logged with the date, author and reason.
  FCA finding: Firms had no version control and could not demonstrate an audit trail of changes.

- ☐ Ensure your compliance monitoring covers ongoing monitoring and not just onboarding.
  FCA finding: The FCA reviewed CDD, EDD and ongoing monitoring controls.

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- ☐ Prepare a summary of your CDD/EDD control framework for senior management or board reporting.
  FCA finding: Good practice: strong governance and oversight evidenced through compliance committees.

SECTION 4: QUICK WINS — DO THIS WEEK

Section 4: Quick Wins — Do This Week

- ☐ Pull five recent EDD files at random and check whether each one contains documented evidence of each EDD step; if not, you have a gap.
  FCA finding: Most common failure: no evidence EDD was conducted.

- ☐ Check your policy for a version number and last review date, and add them today if they are not present.
  FCA finding: Version control failure meant firms could not show an audit trail of changes.

- ☐ Check whether your periodic review schedule is up to date and identify any overdue reviews.
  FCA finding: Firms were not always conducting periodic reviews as required.

- ☐ Confirm who performs second-line assurance and verify that they are not the same people doing onboarding.
  FCA finding: Independence of the assurance function was a key failure point.

The full FCA review is available at fca.org.uk under Publications, Good and Poor Practice, Firms' customer due diligence processes and controls: our findings (April 2026). Read it alongside this checklist and consider sharing it with your MLRO, compliance team and board.

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