# Chapter 1

# Introduction

# 1.1 What is the FCG?

**1.1.1** G *FCG* provides practical assistance and information for firms of all sizes and across all *FCA*-supervised sectors on actions they can take to counter the risk that they might be used to further financial crime. Its contents are drawn primarily from *FCA* and *FSA* thematic reviews, with some additional material included to reflect other aspects of our financial crime remit.

**1.1.2** G Effective systems and controls can help firms to detect, prevent and deter financial crime.*FCG* provides guidance on financial crime systems and controls, both generally and in relation to specific risks such as money laundering, bribery and corruption and fraud. Annexed to *FCG* is a list of common and useful terms. FCG Annex 1 is provided for reference purposes only and is not a list of 'defined terms'. Where a word or phrase is in italics, its definition will be the one used for that word or phrase in the *Glossary* to the *FCA Handbook*.

**1.1.3** G *FCTR* provides summaries of, and links to, *FSA* (now the *FCA*) thematic reviews of various financial crime risks and sets out the full examples of good and poor practice that were included with the reviews' findings.

**1.1.4** G We will keep *FCG* under review and will continue to update it to reflect the findings of future thematic reviews, enforcement actions and other *FCA* publications and to cover emerging risks and concerns.

**1.1.5** G The material in *FCG* does not form part of the *Handbook*, but it does contain *guidance* on *Handbook rules* and *principles*, particularly:

- SYSC 3.2.6R and SYSC 6.1.1R, which require firms to establish and maintain effective systems and controls to counter the risk that they might be used to further financial crime;

- Principles 1 (integrity), 2 (skill, care and diligence), 3 (management and control) and 11 (relations with regulators) of our Principles for Businesses, which are set out in PRIN 2.1.1R;

- the Statements of Principle for Approved Persons set out in APER 2.1A.3R and the conduct rules set out in COCON 2.1 and 2.2; and

- in relation to guidance on money laundering, the rules in SYSC 3.2.6 to SYSC 3.2.6 IR and SYSC 6.3 (Financial crime).

Where *FCG* refers to guidance in relation to *SYSC* requirements, this may also be relevant to compliance with the corresponding Principle in our Principles for Businesses and corresponding requirements in the *Payment Services Regulations* and the *Electronic Money Regulations*.

**1.1.6** G Direct references in *FCG* to requirements set out in our rules or other legal provisions include a cross reference to the relevant provision.

**1.1.7** G *FCG* contains 'general guidance' as defined in section 139B of the Financial Services and Markets Act 2000 (FSMA). The guidance is not binding and we will not presume that a firm's departure from our guidance indicates that it has breached our rules.

**1.1.8** G Our focus, when supervising firms, is on whether they are complying with our rules and their other legal obligations. Firms can comply with their financial crime obligations in ways other than following the good practice set out in *FCG*. But we expect firms to be aware of what we say where it applies to them and to consider applicable guidance when establishing, implementing and maintaining their anti-financial crime systems and controls. More information about *FCA* guidance and its status can be found in our Reader's Guide: an introduction to the Handbook; ■ DEPP 6.2.1G(4) and ■ EG 2.9.1G – ■ 2.9.6G.

**1.1.9** G *FCG* also contains guidance on how firms can meet the requirements of the *Money Laundering Regulations* and the EU Funds Transfer Regulation. While the relevant parts of the guide that refer to the *Money Laundering Regulations* may be 'relevant guidance' under these regulations, it is not approved by HM Treasury.

**1.1.10** G The Joint Money Laundering Steering Group's (JMLSG) guidance for the UK financial sector on the prevention of money laundering and combating terrorist financing is 'relevant guidance' and is approved by HM Treasury under the *Money Laundering Regulations*. As confirmed in ■ DEPP 6.2.3G, ■ EG 12.1.2G and ■ EG 19.15.5G, the *FCA* will continue to have regard to whether firms have followed the relevant provisions of JMLSG's guidance when deciding whether conduct amounts to a breach of relevant requirements.

**1.1.11** G *FCG* is not a standalone document; it does not attempt to set out all applicable requirements and should be read in conjunction with existing laws, rules and guidance on financial crime. If there is a discrepancy between *FCG* and any applicable legal requirements, the provisions of the relevant requirement prevail. If firms have any doubt about a legal or other provision or their responsibilities under FSMA or other relevant legislation or requirements, they should seek appropriate professional advice.

## 1.2 How to use the FCG

**1.2.1.** G **Who should read this chapter?** This paragraph indicates the types of firm to which the material applies. A reference to 'all firms' in the body of the chapter means all firms to which the chapter is applied at the start of the chapter.

**1.2.2** G Each section discusses how firms tackle a different type of financial crime. Sections open with a short passage giving context to what follows. In *FCG* we use:

- 'must' where provisions are mandatory because they are required by legislation or our rules
- 'should' to describe how we would normally expect a firm to meet its financial crime obligations while acknowledging that firms may be able to meet their obligations in other ways, and
- 'may' to describe examples of good practice that go beyond basic compliance.

**1.2.3** G Firms should apply the guidance in a risk-based, proportionate way taking into account such factors as the nature, size and complexity of the firm. For example:

- We say in FCG 2.2.1G (Governance) that senior management should actively engage in a firm's approach to addressing financial crime risk. The level of seniority and degree of engagement that is appropriate will differ based on a variety of factors, including the management structure of the firm and the seriousness of the risk.
- We ask in FCG 3.2.5G (Ongoing monitoring) how a firm monitors transactions to spot potential money laundering. While we expect that a global retail bank that carries out a large number of customer transactions would need to include automated systems in its processes if it is to monitor effectively, a small firm with low transaction volumes could do so manually.
- We say in FCG 4.2.1G (General – preventing losses from fraud) that it is good practice for firms to engage with relevant cross-industry efforts to combat fraud. A national retail bank is likely to have a greater exposure to fraud, and therefore to have more information to contribute to such efforts, than a small local building society, and we would expect this to be reflected in their levels of engagement.

# 1.3 Format of the FCG

## Financial crime: a guide for firms

1.3.1 G *FCG* looks at key aspects of firms' efforts to counter different types of crime. It is aimed at firms big and small; material will not necessarily apply to all situations. If guidance is specific to certain types of firm, this is indicated by italics.

Self-assessment questions:

- These questions will help you to consider whether your firm's approach is **appropriate**. (Text in brackets expands on this.)
- The *FCA* may follow **similar lines of inquiry** when discussing financial crime issues with firms.
- The questions draw attention to some of the key points firms should consider when deciding how to address a financial crime issue or comply with a financial crime requirement.

| Examples of good practice | Examples of poor practice |
|---|---|
| • This list provides **illustrative** examples of **good practices**. | • This list provides **illustrative** examples of **poor practices**. |
| • Good practice examples are drawn from **conduct seen** in firms during thematic work in relation to financial crime. | • Poor practice examples are also drawn from **conduct seen** during thematic work. |
| • We would draw comfort from seeing **evidence** that these practices take place. | • Some show a lack of commitment, others fall short of our expectations; some, as indicated in the text, may breach regulatory requirements or be **criminal offences**. |
| • Note that **if these practices are lacking** it may not be a problem. The *FCA* would consider whether a firm has taken other measures to meet its obligations. | • These **do not identify all cases** where conduct may give rise to regulatory breaches or criminal offences. |

## Case studies and other information

1.3.2 G Most sections contain case studies outlining occasions when a person's conduct fell short of the regulatory expectations, and enforcement action followed; or information on topics relevant to the section.

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## 1.4 Further financial crime information

**1.4.1** G Where to find out more:

•Most sections close with some sources of further information..

•This includes cross-references to relevant guidance in *FCTR*.

•It also includes links to external websites and materials. Although the external links are included to assist readers of *FCG*, we are not responsible for the content of these, as we neither produce nor maintain them