

**SUPERVISION MANUAL (FINANCIAL CRIME REPORT) (AMENDMENT)
INSTRUMENT 2018**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions:
- (1) section 139A (Power of the FCA to give guidance) of the Financial Services and Markets Act 2000; and
 - (2) regulation 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99).

Commencement

- B. This instrument comes into force on 23 February 2018.

Amendments to the Handbook

- C. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- D. This instrument may be cited as the Supervision Manual (Financial Crime Report) (Amendment) Instrument 2018.

By order of the Board
22 February 2018

Annex

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

16 Reporting requirements

16 Guidance notes for completion of the Annual Financial Crime Report

Annex
42BG

...

Section 1: Operating jurisdictions		
Please list:		
3A	The jurisdictions within which the <i>firm</i> operates as at the end of the reporting period.	<p>Select from the list of <u>Input</u> the country codes (in ISO 3166 format); <u>of</u> the jurisdictions within which the <i>firm</i> is operating as at the end of the reporting period.</p> <p>Only those jurisdictions active as at the end of the reporting period should be reported; if a <i>firm</i> terminated operations within a jurisdiction during the reporting period, this jurisdiction does not need to be reported.</p> <p>‘Operates’ for the purposes of this form is defined as where the <i>firm</i> carries on its business or has a physical presence through a legal entity.</p> <p>For avoidance of doubt, this definition includes those jurisdictions in which the <i>firm</i> has representative offices. It also includes any jurisdictions where the firm carries on business using a services passport or an establishment passport.</p> <p><u>Where a <i>firm</i> is operating in the UK as a branch or subsidiary of a foreign institution, it should report the operations of the UK branch or subsidiary rather than all jurisdictions where the <i>firm</i> operates.</u></p> <p><u>This question does not concern the geographical location of the <i>firm’s</i> customers or clients.</u></p> <p><u>This question is mandatory and must contain at</u></p>

		<u>least one entry, i.e. ‘GBR’.</u>
3B	Those jurisdictions assessed and considered high-risk by the <i>firm</i> .	<p>Select from the list of <u>Input</u> the country codes (in ISO 3166 format), of the jurisdictions assessed and considered by the <i>firm</i> to be high-risk. <i>Firms</i> <u>As a minimum, <i>firms</i> should report any jurisdictions considered high-risk in which they operate and any additional jurisdictions assessed as high risk by the <i>firm</i> within the previous 2 years, e.g. as part of a Country Risk Assessment. In addition, where a <i>firm</i> has conducted a Country Risk Assessment (i.e. it maintains a ‘high-risk jurisdiction list’) the jurisdictions that were the subject of such an assessment should be recorded in 3B.</u></p> <p>A <i>firm</i> is not required to report those jurisdictions in which it does not operate or which it has not assessed for risk.</p> <p>This question should be answered with regard to the <i>firm</i>’s own assessment of risk, which may or may not include the use of available public indices.</p> <p><u>A <i>firm</i> should therefore leave this section blank if it does not operate in any high-risk jurisdictions nor carry out a country risk assessment.</u></p> <p><u><i>Firms</i> who provide a positive response to question 17 (customers linked to high-risk jurisdictions) should also provide a response to question 3B.</u></p>
<p>Section 2: Customer information</p> <p>Figures in this section should be for the number of <i>customer</i> or <i>client</i> relationships as at the end of the reporting period. It should include all accounts that are open, including dormant and inactive accounts. This would also include all <i>current accounts</i>, <i>CTF bank accounts</i>, <i>client bank accounts</i> and <i>client transaction accounts</i>. It excludes former <i>customers</i> or <i>clients</i>. <u>Each party to a joint account should be recorded as a separate <i>customer</i> or <i>client</i>.</u></p> <p>Where the figure requested is ‘new in the reporting period’, a <i>firm</i> should report new (not pre-existing) <i>customer</i> or <i>client</i> relationships initiated within the reporting period. This should not include existing customers taking on new products. A <i>firm</i> should only provide figures in this section for those areas of its business subject to the <i>Money Laundering Regulations</i>.</p> <p>For non-financial institutions which may carry out <u>some</u> regulated business (e.g. consumer credit), the <i>firm</i> should not include customers which are outside <u>its regulated activities</u> the scope of the <i>Money Laundering Regulations</i>.</p>		

Firms should refer to sector specific industry guidance (i.e. JMLSG Guidance Part II) for additional information on who is their *customer* or *client* for the purposes of this section.

Firms should ensure they record an entry in each field. Where a *firm* has no data to report it should record '0'.

If any part of the *firm's* business is subject to the *Money Laundering Regulations*, please provide the total number of the *firm's* relationships with:

<p>4A&B</p>	<p>Politically Exposed Persons (PEPs)</p>	<p>A definition of 'Politically Exposed Person' can be found in Regulation 14(5) 35(12)(a). <u>The figure should include family members and known close associates of PEPs, as defined in Regulation 35(12)(b) and (c) of the <i>Money Laundering Regulations</i>. These definitions should be read in conjunction with the guidance published by the <i>FCA</i> in FG17/6. This could be either a <i>customer</i> or <i>client</i> relationship with an individual, or with a corporate entity which the <i>firm</i> has classified as being a PEP-connected <i>customer</i> due to the existence of PEP shareholders, PEP ultimate beneficial owners of PEP Board Directors, as per the <i>firm's</i> own internal policy.</u></p> <p><i>Firms</i> should report the number of <i>customer</i> or <i>client</i> relationships, either individual or corporate, which they have classified <u>in accordance with FG17/6 as being a "higher risk" PEP, family member, known close associate or PEP-connected relationships relationship.</u> They should not report the total number of PEPs associated with a particular corporate <i>customer</i> or <i>client</i>.</p> <p><u><i>UK</i> PEPs do not need to be reported as PEP customers. However, if there are other factors which might indicate higher risks, then this should be reported in Question 6A&B.</u></p> <p><i>Firms</i> should not reclassify <i>customers</i> or <i>clients</i> for the purposes of completing this return. If <i>firms</i> do not classify or identify PEP-connected corporate entities as PEP <i>customers</i> or <i>clients</i> within their current policies, there is similarly no requirement to report.</p> <p>If a <i>firm</i> uses its own alternative, wider, PEP definition (e.g. including domestic PEPs or retention periods longer than a year), it should submit figures using its own definition.</p> <p>The figure provided should include existing</p>
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		<p><i>customer</i> or <i>client</i> relationships that became PEPs in the reporting period.</p> <p>Where a PEP has multiple relationships with the <i>firm</i>, that PEP should only be reported once in each of questions 4A and 4B.</p>
5A&B	Non-EEA correspondent banks	<p>This refers to situations where a <i>credit institution</i> has a correspondent banking relationship with a respondent institution from a <i>non-EEA state</i>. These terms are intended as set out in Regulation 14(3) <u>34(4)(a)(i)</u> of the <i>Money Laundering Regulations</i>. <i>Non-credit institutions</i> who do not hold these types of relationships should simply record zero in their response. <u>In addition, for the purposes of reporting, a <i>firm</i> is not required to include any relationship that falls within Regulation 34(4)(a)(ii).</u></p>
6A&B	All other high-risk customers	<p>This refers to a <i>customer</i> or <i>client</i> categorised as being of high-risk for the purposes of compliance with Regulation 14 <u>33(1)(a)</u> of the <i>Money Laundering Regulations</i>, and therefore subject to Enhanced Customer Due Diligence measures, but not otherwise captured in response to question 4 or 5.</p> <p>It does not include <i>customers</i> or <i>clients</i> meeting the definition under Regulation 14(2) (<i>customers</i> not physically present for identification purposes) except where they are deemed high risk for other reasons.</p> <p><u>Existing customers who become high-risk during the relevant period should be included in the response to 6B.</u></p>
For the <i>firm's</i> business subject to the <i>Money Laundering Regulations</i> :		
7-16	Please provide the number of the <i>firm's</i> customer relationships located in the following geographical areas:	<p>The location for <i>customer</i> or <i>client</i> relationships should be determined by the location in which the <i>customer</i> or <i>client</i> is based. Where a <i>customer</i> or <i>client</i> has multiple addresses, the location reported should be the primary correspondence address as determined by the <i>firm</i>.</p> <p>Where the relationship is with a trust, the <i>firm</i> should report the location as the location of the</p>

		<p>trust.</p> <p><u>Note that question 7 is an aggregate figure, therefore responses recorded in questions 8 to 10 should be less than or equal to the figure recorded in response to question 7.</u></p> <p>Except for the <i>United Kingdom</i> and <i>EEA</i>, for the purposes of this question geographical areas should be determined with reference to <i>SUP 16 Annex 42CG</i>.</p>
17	Please provide the number of the <i>firm's</i> customers linked to those jurisdictions considered by the <i>firm</i> to be high-risk:	<p>The <i>firm</i> should provide the number of customers judged by the <i>firm</i> to have links to jurisdictions identified by it as high-risk in question 3B. <u>Therefore <i>firms</i> who provide customer numbers in response to question 17 should also provide a response to question 3B.</u></p> <p>Links to a high-risk jurisdiction, for the purposes of this question, means <i>customers</i> or <i>clients</i> that are resident/domiciled/incorporated in a jurisdiction identified as high-risk by the <i>firm</i>.</p>
18A&B	Please provide the number of customer relationships refused or exited for financial crime reasons during the reporting period:	<p>The number of 'refused' relationships refers to the number of <i>customers</i> or <i>clients</i> that the <i>firm</i> did not take on, where financial crime was the principal driver behind the decision. <u>This could be at any stage of <i>customer</i> or <i>client</i> take-on.</u></p> <p>It would not include <i>customers</i> or <i>clients</i> whose application did not proceed because, for example, they lacked appropriate documentary evidence of identity or who failed Immigration Act 2014 checks.</p> <p>It would include <i>customers</i> or <i>clients</i> whose application was escalated to management (due to financial crime concerns) for a decision on whether to proceed, and was rejected.</p> <p>'Relationships exited' covers any <i>customers</i> or <i>clients</i> with whom the <i>firm</i> ceased to do business where financial crime was the principal driver behind the decision. <u>This would only include <i>customers</i> or <i>clients</i> exited from all lines of business.</u></p> <p><u>This 'Relationships exited' also covers criminal behaviour by the <i>customer</i> or <i>client</i> where such behaviour has a financial element, e.g. benefits</u></p>

		fraud.
Section 3: Compliance information		
<u>Firms should ensure they record an entry in each field. Where a firm has no data to report it should record '0'.</u>		
Please provide the number of suspicious activity reports (SARs) under Part 7 of the Proceeds of Crime Act 2002 (POCA):		
...		
23A&B	Please provide the number of relationships maintained with natural or corporate <i>persons</i> (excluding group members) which introduce business to the <i>firm</i> . Please also provide the number of these relationships which have been exited for financial crime reasons during the reporting period.	<p>This question refers to individuals who, or corporate entities which, directly introduce <i>customers</i> or <i>clients</i> to the <i>firm</i> under a formal agency/broker agreement in return for a direct or indirect fee, commission or other monetary benefit.</p> <p><u>If the <i>firm</i> makes no payment to the introducer (e.g. commission) it is not necessary to report these relationships.</u></p> <p><u>Legacy commission payments do not need to be included where these arrangements were made prior to the relevant reporting period.</u></p> <p><u>This question does not concern reliance as defined under Regulation 39 of the <i>Money Laundering Regulations</i>.</u></p>
If the <i>firm</i> has <i>appointed representatives</i> (ARs):		
24	Please provide the number of <i>appointed representative</i> (AR) relationships exited due to financial crime reasons:	<p><i>Firms</i> should report the number of existing AR relationships terminated for financial crime reasons during the reporting period.</p> <p><u>If the <i>firm</i> has no <i>appointed representatives</i> it should record '0'.</u></p>
For all <i>firms</i> :		
25	As at the end of the reporting period, please provide the total full time equivalent (FTE) the total full time equivalent (FTE) of UK staff with	<p><i>Firms</i> should provide an FTE figure on a reasonable endeavours basis.</p> <p>For example, if the <i>firm</i> has 20 part time staff that work 50% of normal hours <u>in a financial crime role</u>, the figure would be 10 FTE.</p> <p><u>This figure should cover staff in roles relating to anti-money laundering, counter-terrorist</u></p>

	financial crime roles:	<p><u>financing, anti-bribery and corruption, and fraud.</u></p> <p>This field facilitates the entry of numbers to two decimal places. Integers should therefore be provided in the format [n].00.</p> <p>If this report is being completed on a <i>group</i> basis this figure should be the FTE for the specified <i>group</i>.</p> <p>Where this report is being completed on a single regulated entity basis and services are shared across multiple <i>firms</i>, <i>firms</i> may provide an estimate of the FTE spent on each reported entity on a best endeavours basis.</p> <p>In <i>firms</i> where financial crime responsibilities are divided up among staff with other roles rather than managed by a dedicated function, the figure should reflect the aggregated FTE spent on financial crime activity.</p> <p>The phrase ‘financial crime roles’ for the purposes of this question is intended to cover staff employed in a dedicated financial crime function (for example AML or compliance teams) who <u>deal with, or take decisions on</u> financial crime issues. Therefore it would not cover teams or individuals responsible for collecting customer due diligence or those who submit internal suspicious activity reports.</p> <p>Outsourced financial crime activities should not be included in this figure.</p>
Of which:		
26	Please provide the percentage of the FTE <u>percentage of the FTE</u> stated above dedicated to fraud <u>fraud</u> responsibilities	<p>Firms should provide a percentage figure <u>percentage figure</u> on a reasonable endeavours basis. This field facilitates the entry of numbers to two decimal places. Integers should therefore be provided in the format [n].00.</p> <p><u>Firms should note that this question requires them to provide the percentage of financial crime staff dedicated to fraud (i.e. of the total number provided in response to Q25, what proportion of staff deal with fraud only). This field should contain a value between 0 and 100 (to two decimal places).</u></p> <p>If this report is being completed on a <i>group</i> basis this figure should be the percentage for</p>

		<p>the specified <i>group</i>.</p> <p>Where this report is being completed on a single regulated entity basis and services are shared across multiple <i>firms</i>, <i>firms</i> may provide an estimate of the percentage spent on each reported entity on a best endeavours basis.</p>
Section 4: Sanctions-specific information		
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<u>28A&B</u>	<p>How many TRUE sanction <u>sanctions</u> matches were detected during the reporting period?</p>	<p>The number of confirmed true sanctions alerts which matched against the <i>firm's customer, client</i> or <i>payment</i>.</p> <p>The number to be reported relates to any matches against any relevant sanctions lists and is defined as any matches reported to the relevant authorities, regardless of whether these are confirmed as true by the authority.</p> <p>Relevant sanctions lists are the lists against which the <i>firm</i> screens its <i>customers</i> or <i>clients</i>.</p> <p><u>Where no true sanctions matches were detected, firms should record '0'.</u></p>
...		