

**SUPERVISION MANUAL (FINANCIAL CRIME REPORT)
(AMENDMENT No 2) INSTRUMENT 2021**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 139A (Power of the FCA to give guidance);
 - (2) the following provisions of the Electronic Money Regulations 2011 (SI 2011/99):
 - (a) regulation 49 (Reporting Requirements);
 - (b) regulation 60 (Guidance); and
 - (3) the following provisions of the Payment Services Regulations 2017 (SI 2017/752):
 - (a) regulation 109 (Reporting Requirements); and
 - (b) regulation 120 (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 30 March 2022.

Amendments to the Handbook

- D. The General Provisions (GEN) is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Supervision Manual (Financial Crime Report) (Amendment No 2) Instrument 2021.

By order of the Board
25 March 2021

Annex A

Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text.

Sch 4 Powers exercised

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Sch 4.8G The following additional powers and related provisions have been exercised by the *FCA* in *GEN* to direct, require or specify:

Regulation 74A (Reporting Requirements) of the *Money Laundering Regulations*

Regulation 49 (Reporting requirements) of the *Electronic Money Regulations*

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Annex B

Amendments to the Supervision manual (SUP)

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

16 Reporting requirements

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16.13 Reporting under the Payment Services Regulations

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Purpose

16.13.2 G ...

(5) give directions to *payment service providers* referred to at SUP 16.13.3-BD under regulation 109(1) (Reporting requirements) of the *Payment Services Regulations* in relation to annual financial crime reporting to the FCA.

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Reporting requirement

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16.13.3-AA D SUP 16.23.4R to SUP 16.23.7R (Annual Financial Crime Report) apply to a *payment institution* as if a reference to *firm* in these *rules* and *guidance* were a reference to a *payment institution* and the reference to *group* is read accordingly, other than:

(1) a *payment institution* where its authorisation or registration permits it to provide only one or more of the following *payment services* and it is not permitted to carry on any *regulated activities*:

(a) *account information services*;

(b) *payment initiation services*; or

(c) *money remittance*, or

(2) a person with *temporary PI authorisation* that immediately before *IP completion day* was providing *payment services* other than through a branch in the UK or a UK-based agent.

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16.15 Reporting under the Electronic Money Regulations

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Reporting requirement

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- 16.15.5A D ~~SUP 16.23.4R to SUP 16.23.7R~~ (Annual Financial Crime Report) apply to an *electronic money institution* ~~that has reported total revenue of £5 million or more as at its last *accounting reference date*~~ as if a reference to *firm* in these rules and guidance were a reference to an *electronic money institution* and the reference to *group* is read accordingly.

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16.23 Annual Financial Crime Report

Application

- 16.23.1 R This section applies to all *firms* (a) subject to the *Money Laundering Regulations*, ~~other than~~ and (b) listed in the table below, except for:
- (1) a *credit union*;
 - (2) a *P2P platform operator*;
 - (3) an *authorised professional firm*; or
 - (4) a *firm* with *limited permissions* only; ~~or,~~
 - (5) a *firm* ~~excluded under SUP 16.23.2R~~. [deleted]
- 16.23.2 R Unless a *firm* is listed in the table below, this section does not apply to it where both of the following conditions are satisfied:
- (1) ~~the *firm* has reported total revenue of less than £5 million as at its last *accounting reference date*; and~~
 - (2) ~~the *firm* only has *permission* to carry on one or more of the following activities:~~
 - (a) ~~*advising on investments*;~~
 - (b) ~~*dealing in investments as agent*;~~
 - (c) ~~*dealing in investments as principal*;~~
 - (d) ~~*arranging (bringing about deals) in investments*;~~
 - (e) ~~*making arrangements with a view to transactions in investments*;~~

- (f) ~~assisting in the administration and performance of a contract of insurance in relation to non-investment insurance contracts;~~
- (g) ~~agreeing to carry on a regulated activity;~~
- (h) ~~advising on pension transfers and pension opt-outs;~~
- (i) ~~credit-related regulated activity;~~
- (j) ~~home finance mediation activity;~~
- (k) ~~managing investments;~~
- (l) ~~establishing, operating or winding up a collective investment scheme;~~
- (m) ~~establishing, operating or winding up a personal pension scheme;~~
- (n) ~~establishing, operating or winding up a stakeholder pension scheme;~~
- (o) ~~managing a UK UCITS;~~
- (p) ~~managing an AIF;~~
- (q) ~~safeguarding and administering investments;~~
- (r) ~~acting as trustee or depositary of a UK UCITS;~~
- (s) ~~acting as trustee or depositary of an AIF; and/or~~
- (t) ~~operating a multilateral trading facility.~~

Table: Firms to which the exclusion in SUP 16.23.2R does not apply SUP 16.23.1R applies (subject to the exclusions in SUP 16.23.1R).

a UK bank;
a building society;
a non-UK bank
a mortgage lender;
a mortgage administrator; or
a firm offering life and annuity insurance products.

<u>a firm that has permission to carry on one or more of the following activities:</u>
<u>advising on investments</u> , provided that during the relevant financial year the <u>firm</u> :
(i) <u>held client money under CASS 5 (Client money: insurance distribution activity) and/or CASS 7 (Client money rules); and/or</u>
(ii) <u>held safe custody assets under CASS 6 (Custody rules);</u>
<u>arranging (bringing about deals) in investments</u> , provided that during the relevant financial year the <u>firm</u> :
(i) <u>held client money under CASS 5 (Client money: insurance distribution activity) or CASS 7 (Client money rules); and/or</u>
(ii) <u>held safe custody assets under CASS 6 (Custody rules);</u>
<u>dealing in investments as agent;</u>
<u>dealing in investments as principal;</u>
<u>assisting in the administration and performance of a contract of insurance in relation to non-investment insurance contracts;</u>
<u>managing investments;</u>
<u>establishing, operating or winding up a collective investment scheme;</u>
<u>establishing, operating or winding up a personal pension scheme;</u>
<u>establishing, operating or winding up a stakeholder pension scheme;</u>
<u>managing a UK UCITS;</u>
<u>managing an AIF;</u>
<u>safeguarding and administering investments;</u>
<u>acting as trustee or depositary of a UK UCITS;</u>
<u>acting as trustee or depositary of an AIF;</u>
<u>operating a multilateral trading facility; and/or</u>
<u>operating an organised trading facility.</u>
<u>a firm that has reported total revenue of £5 million or more as at its last accounting reference date and has permission to carry on one or more of the following activities:</u>
<u>advising on investments;</u>
<u>arranging (bringing about deals) in investments;</u>

<u>advising on pension transfers and pension opt-outs; and</u>
<u>credit-related regulated activity.</u>

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16 Annex 42BG Guidance notes for completion of the Annual Financial Crime Report

The form in SUP 16 Annex 42AR should only be completed by *firms*, ~~and~~ *electronic money institutions* and payment institutions subject to the reporting requirements in SUP 16.23.4R and SUP 16.15.5AD of the *FCA Handbook*.

General Notes

This data item is reported on a single unit basis and in integers, except where a full-time equivalent (FTE) figure is requested. Where an FTE figure is requested, this should be reported to two decimal places where available. If the figure to be reported is a whole number, this should be reported as [n].00.

For the purposes of this data item and guidance notes, any references to *firm* or *firms* should be read as also applying to *electronic money institutions* and payment institutions.

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Data Elements

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Section 5: Fraud		
30-35A-D	Please indicate the <i>firm's</i> view of the top three most prevalent frauds which the <i>FCA</i> should be aware of and whether they are increasing, decreasing or unchanged.	<p>NB. This question is not mandatory.</p> <p>This question is designed to obtain the <i>firm's</i> view on the most prevalent frauds relevant to the <i>firm's</i> business and will be used by the <i>FCA</i> to understand whether the organisation is aware of the fraud risks identified by the broader industry.</p> <p>The fraud typologies available in the dropdown list are a subset taken from the Action Fraud A-Z of fraud types and are specified below. Please refer to the Action Fraud definitions in answering this question.</p> <p>The identified fraud typologies may or may not be those by which the <i>firm</i> has been specifically impacted, but should be</p>

		<p>those that the <i>firm</i> considers most prevalent as at the end of the reporting period.</p> <p>Fraud typologies</p> <p>419 emails and letters</p> <p>Abuse of position of trust</p> <p>Account takeover</p> <p>Advance fee fraud</p> <p>Application fraud</p> <p>Asset misappropriation fraud</p> <p>Bond fraud</p> <p>Carbon credits fraud</p> <p>Cashpoint fraud</p> <p>Cheque fraud</p> <p>Companies – fraudulent</p> <p>Computer hacking</p> <p>Credit card fraud</p> <p>Debit card fraud</p> <p>Expenses fraud Exploiting assets and information</p> <p><u>Exploiting assets and information</u></p> <p>Fraud recovery fraud</p> <p>Hedge fund fraud</p> <p>Identity fraud and identity theft</p> <p>Insurance fraud</p> <p>Landbanking fraud</p> <p>Loan repayment fraud</p> <p>Short and long firm fraud</p> <p>Malware-enabled fraud</p> <p>Mandate fraud</p> <p>Mortgage fraud</p> <p>Other (to be used where the specified typologies are not applicable). Please provide the fraud type in the free text box.</p> <p>Other investment fraud</p>
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		<p>Pension liberation fraud</p> <p>Phishing</p> <p>Ponzi schemes</p> <p>Procurement fraud</p> <p>Pyramid schemes</p> <p>Share sale fraud</p> <p>Smishing</p> <p>Vishing</p> <p>Suspected perpetrators</p> <p>Customer</p> <p>Internal employee</p> <p>Organised crime group</p> <p>Other (to be used where the suspected perpetrator typologies are not applicable). Please provide the perpetrator type in the free text box.</p> <p>Third party contractor</p> <p>Third party professional</p> <p>Third party supplier</p> <p>Unknown third party</p> <p>Primary Victim</p> <p>Customer</p> <p>Other (to be used where the suspected perpetrator is neither a customer nor a regulated <i>firm/electronic money institution/payment institution</i>). Please provide the primary victim type in the free text box.</p> <p>Regulated <i>firm/electronic money institution/payment institution</i> (all jurisdictions).</p> <p>Incidence</p> <p>Decreasing</p> <p>Emerging risk</p> <p>Increasing</p> <p>Stable</p>
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