

# Extension of Annual Financial Crime Reporting Obligation

**Consultation Paper**

CP20/17\*\*

August 2020

## How to respond

We are asking for comments on this Consultation Paper (CP) by **23 November 2020**.

You can send them to us using the form on our website at: [www.fca.org.uk/cp20-17-response-form](http://www.fca.org.uk/cp20-17-response-form)

**Please do not post responses to us at the current time.**

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# 1 Summary

## Why we are consulting

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- 1.1** In July 2016, we introduced an annual financial crime reporting obligation for certain firms. This gives us information on a range of indicators that reflect the potential money laundering (ML) risk of the firm, based on its regulated activities and the nature of its customers. For example, a firm could be more exposed to ML due to the risk profile of its clients and the jurisdictions in which it operates. We refer to this in the CP as the 'inherent ML risk' of the firm.
- 1.2** The obligation to provide this financial crime information is set out in our Handbook [SUP 16.23 Annual Financial Crime Report \(REP-CRIM\)](#). When we introduced this obligation, we said we would consult on any future policy change and provide a cost benefit analysis. We refer to this annual financial crime report throughout this consultation as 'REP-CRIM'.

## The current obligations

- 1.3** The current obligation to provide us with REP-CRIM information is based on:
- firm type, irrespective of revenue threshold (e.g. banks, building societies and mortgage lenders), and
  - activity type and total revenue of £5 million or more (for example, intermediaries, e-money institutions and consumer credit firms).
- 1.4** Approximately 2,500 out of the approximate 23,000 firms we supervise under [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017 \(MLRs\)](#) submit REP-CRIM information. As well as helping us supervise firms for financial crime, this information also provides indirect benefits to industry (see Chapter 3, Paragraph 3.4, for full details).

## Our proposed changes

- 1.5** We propose to extend the scope of firms required to provide us with REP-CRIM information to include firms that carry on regulated activities that we consider potentially pose higher money laundering risk. This extension will be irrespective of a firm's revenue threshold. When assessing the ML risk of activities, we considered the [National Risk Assessment \(NRA\)](#), as well as the risks posed by activities that involve handling payment flows and funds. We set out these activities in Annex 4.
- 1.6** At the moment, we do not intend to extend REP-CRIM to firms that carry on activities we consider have a lower money laundering risk. We may consider doing so in the future and would consult on any changes. However, we remind firms that must currently meet the REP-CRIM reporting obligation, that our proposals do not change their obligation to report. Additionally, firms that do not have to comply with this reporting obligation are still subject to the MLRs and FCA supervision.

- 1.7** All firms, irrespective of whether they are required to provide REP-CRIM information, should continue to assess their systems and controls, including through assessments against relevant financial crime publications, to identify and manage money laundering risks. They should also be able to evidence the steps they have taken to manage that risk.

## Who this applies to

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- 1.8** Firms or businesses that we supervise under the MLRs.

## The wider context of this consultation

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- 1.9** In our [2019/20 Business Plan](#), we said we would consider extending the REP-CRIM reporting obligation to more firms. This commitment was also noted in the UK's [Economic Crime Plan 2019 to 2022](#). Reviewing our policy allows us to keep up to date with changes in legislation and Government amendments to the UK's MLRs to address the EU's [5th Money laundering directive](#) (5MLD) (eg the introduction of cryptoasset businesses to the scope of the MLRs).
- 1.10** In 2018, the Financial Action Task Force (FATF), an international body that sets global standards on combating money laundering and terrorist financing, published their [mutual evaluation report](#) of the United Kingdom. FATF suggested that we consider extending the application of REP-CRIM to all firms we supervise which are subject to the MLRs, but vary the frequency of returns depending on the risks identified.

## What we want to change

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- 1.11** Currently, only some types of firms, eg banks and building societies, or those carrying on certain activities and with a total annual revenue of £5million or more must provide REP-CRIM information.
- 1.12** This consultation proposes to:
- Extend the scope of firms to which REP-CRIM will apply. We based our assessment of which firms this extension will apply to on the nature of the regulated activity and the potential money laundering risks.
  - Remove 2 activities from the REP-CRIM reporting obligation which we consider are outside of the scope of the MLRs. These activities are **home finance mediation and making arrangements with a view to transactions in investments**.
- 1.13** Currently, only certain types of firms are required to provide us with REP-CRIM information regardless of their total annual revenue. We propose to extend this REP-CRIM obligation to a wider range of firms.

**1.14** Under this proposal, the following additional firms would need to provide us with REP-CRIM information **irrespective of their total annual revenue** (see Annex 4 for a detailed list):

- all **FSMA authorised firms** within the scope of the MLRs and:
  - that hold client money or assets (ie subject to FCA Handbook CASS 5, 6 or 7), or
  - that carry on an activity that we consider poses higher ML risk (see Annex 4)
- all **payments institutions** except for payment institutions that **only** carry out at least one of the following payment services:
  - Money remittance only - that are supervised by HMRC for anti-money laundering (AML) purposes.
  - Account information services and/or payment initiation services. These firms do not receive or hold clients' money and do not carry out payment transactions, and so potentially pose a low ML risk.
  - EEA-authorized payment institutions which are permitted to provide a payment service in the UK only under the freedom to provide services.
- All **electronic money institutions**.
- All **Multilateral Trading Facilities (MTFs)**.
- All **Organised Trading Facilities (OTFs)**. OTFs are a type of firm introduced by MiFID II, therefore bringing them within the scope of the MLRs and the REP-CRIM obligation.
- All **cryptoasset exchange providers** and **custodian wallet providers**. These firms are new categories of firms within the scope of the REP-CRIM obligation.

**1.15** We also propose to **remove from the scope of REP-CRIM** the following activities, as we do not consider that they fall within the scope for the MLRs:

- home finance mediation activity
- making arrangements with a view to transactions in investments

## Outcome we are seeking

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**1.16** We will have firm-specific information about financial crime **from a wider set of firms**, across a variety of sectors and firm size. This additional information will allow our supervisory approach to be more data led, and broaden our understanding of firms that may have intrinsic ML risks due to their activities.

**1.17** This information will help us improve the **focus and effectiveness of our approach**, with risk-based supervision and better use of our supervisory tools. This means our resources are targeted at firms that carry on activities that pose potentially higher ML risks.

**1.18** We consider that this approach will result in improving firms' money laundering systems and controls, reduce actual risks of money laundering and help improve the overall integrity of the UK financial system. It is also in line and builds on our [data strategy](#), announced earlier this year, to use data and data analytics to transform the way we regulate and reduce the burden on firms.

## Measuring success

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**1.19** Key indicators of success will be:

- receiving financial crime related information from a wider set of firms,
- greater AML supervisory engagement with firms previously not subject to the REP-CRIM reporting obligation,
- the more effective and efficient use of FCA resources through better targeting of firms for supervisory visits and conducting more focused and proportionate visits, and
- benefits to the industry through use of aggregate AML information to inform firms and UK's national financial crime risk assessment.

## Next steps

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**1.20** We want to know what you think about the proposals in this paper. Please send your comments to us by 23 November 2020 using one of the methods in the 'How to respond' section on page 2.

**1.21** We will consider your feedback and plan to publish a Policy Statement (PS), including any final rules, by Q1 2021.

## 2 The wider context

### ***The harm we are trying to reduce/prevent***

- 2.1 Financial crime poses a significant threat to the UK's security and economic prosperity. The criminal activity it facilitates causes incalculable damage to our society, including our citizens, private sector businesses and the public sector.
- 2.2 The information from the extended REP-CRIM will enhance our understanding of the financial crime threats. This will contribute to the collective efforts of the public and private sectors to strengthen the resilience of UK defences, enhance the management of risks across industry and improve the risk based approach to supervision.

### **How it links to our objectives**

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#### **Market integrity**

- 2.3 Fighting financial crime by ensuring firms have effective AML controls has been and continues to be a high priority for the FCA. The size and global nature of the UK financial industry mean that both money laundering, and the criminality that creates the need to launder money, present significant risks to the UK. Since 2016, we have deepened our partnerships with government, law enforcement and regulators to strengthen the UK's defences against money laundering.

### **What we are doing**

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- 2.4 We are proposing to extend the scope of firms who must provide us with Annual Financial Crime Report (REP-CRIM) information.
- 2.5 REP-CRIM information includes, amongst other things, the location of the firm's customers, the jurisdictions in which the firm has business, and which of those jurisdictions it considers high risk. It also includes the resources that the firm allocates to tackling financial crime and the number of suspicious activity reports it files with the National Crime Agency.

### **Equality and diversity considerations**

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- 2.6 We have considered the equality and diversity issues that may arise from the proposals in this Consultation Paper. We do not consider that the proposals have an impact on any of the groups with protected characteristics under the Equality Act 2010.

## 3 Extending the financial crime reporting ('REP-CRIM') obligation

### Overview of our proposal

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**3.1** We propose to extend and clarify the scope of firms who must provide us with Annual Financial Crime Report (REP-CRIM) information. The proposed change to FCA's Handbook, guidance and directions is set out in Appendix 1 and 2 of this consultation. Appendix 1 addresses changes in scope to FSMA, electronic money institutions and payments institutions, and updates supporting guidance to cover payments institutions. Appendix 2 addresses our suggested change of scope to include cryptoasset businesses and also includes, in an annex to the draft direction, a set of REP CRIM questions and guidance for cryptoasset businesses. To note we are only consulting on the change of REP CRIM scope and not the accompanying set of REP CRIM questions. In summary, we intend:

- To include firms that carry on regulated activities that we consider have a higher inherent ML risk. However, we make clear that this does not mean that a firm itself poses a higher money laundering risk, as it may have appropriate systems and controls in place to manage the risk.
- To exclude activities that we consider would normally fall outside of the scope of the MLRs, by clarifying the current REP-CRIM obligation.

### What is REP-CRIM and why is it important?

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**3.2** The scope of REP-CRIM is set out in FCA Handbook [SUP 16.23](#). The content of the information that will be required is set out in SUP 16 Annex 42AR. Guidance notes on the completion of the report can be found in SUP 16 Annex 42B. Firms should note that whilst the format of [SUP 16.23](#) has changed to make it easier to use, no other changes have been made to the existing scope of SUP 16.23 other than the proposed changes set out in this Chapter. For cryptoasset businesses, in Appendix 2 to this consultation, we include in the draft direction an annex that includes the REP CRIM questions and the guidance as it would apply to cryptoasset businesses, to assist in understanding the requirements.

**3.3** REP-CRIM information provides a range of indicators that reflects the inherent ML risk of a firm. For example, it includes information on the type of regulated activity that a firm carries on and the jurisdictions in which it operates or has clients. It also includes the resources that the firm allocates to tackling financial crime and the number of suspicious activity reports it submits to the National Crime Agency, as required under the [Proceeds of Crime Act 2002](#). We take account of the nature and extent to which the firm's AML systems and controls mitigate or manage these risks whenever we assess a firm.

**3.4** REP-CRIM information is important because, among other things, it:

**a. allows us to better target and apply a proportionate supervisory programme (ie the scope and nature of supervisory focus), as it**

- Is one of the determinants we use to decide our supervisory programme, both in terms of the scope of firms within those programmes and the level of our supervisory focus.
- Will allow us to better risk-rate firms and better target our specialist resources on firms that pose the highest potential risk.
- Will allow us to engage with a wider proportion of firms using a risk based and targeted supervisory approach.
- Will enable us to identify industry outliers more efficiently.
- Will allow us to support our financial crime supervision strategy.

**b. allows us to aggregate financial crime data** to identify national and sectors trends, and allow peer benchmarking from a greater number of firms:

- Industry benchmarks: We are uniquely positioned to be a data aggregator for industry and enable peer benchmarking by publishing aggregated data reports and providing individual and group feedback to industry. For example, the industry welcomed our first report containing aggregated data from the current REP-CRIM as it helped firms calibrate their approach in dealing with specific AML issues.
- Trend analysis: We will use the data to conduct trend analysis and identify emerging risks in and across sectors. We also expect the data return to reduce how often we need to make ad hoc data requests from firms.
- National Risk Assessment: REP-CRIM information is fed into UK's National Risk Assessment, which makes it a strategic asset at national level.

**3.5** Our long-term intention is to extend the REP-CRIM reporting obligation to all firms that we have a responsibility to supervise under the MLRs. Furthermore, there may be additional reporting obligations that we might require of cryptoasset businesses in the future. This is something we may consider in the future and consult on.

## Which firms will be affected?

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**3.6** Currently, FSMA authorised firms and electronic money institutions within the scope of the MLRs are subject to REP-CRIM reporting obligation based on their:

- firm type, irrespective of revenue threshold (eg banks, building societies and mortgage lenders), or
- activity type and total annual revenue of £5m or over (for example, intermediaries, e-money institutions and consumer credit firms)

### ***Firms that already provide REP-CRIM information***

**3.7** Apart from 2 activities that we consider are out of scope of the MLRs (see paragraph 3.14), our proposal does not affect firms already subject to REP-CRIM reporting obligations. Firms that already provide this information should continue to do so.

### ***Firms currently exempt from REP-CRIM obligation***

**3.8** We are not proposing to change the types of firms that are currently exempt from the obligation to provide REP-CRIM information. These types of firms continue to be exempt.

### ***New firms to which REP-CRIM obligation will be extended***

**3.9** We propose to extend the reporting obligation to firms that carry on regulated activities that we consider have a higher inherent ML risk. All firms that carry on such an activity will need to provide us with REP-CRIM information, irrespective of total revenue.

**3.10** When assessing which activity and firm types to include, we considered a variety of factors including:

- The National Risk Assessment (NRA). The NRA considered wholesale banking and capital markets as high risk sectors, and wealth management and private banking as a vulnerable sector due to the complexity of services. It also highlighted that the UK has the highest concentration of e-money issuers in the EU and that 'open loop' prepaid cards can potentially become high risk.
- The risks from activities that involve handling payment flows and funds.
- Changes to MiFID II and 5MLD legislation and the inherent ML risk of OTFs and cryptoasset firms' activities.

**3.11** Currently, only certain types of firms are required to provide us with REP-CRIM information, regardless of their total annual revenue. We propose to extend this REP-CRIM obligation to a wider range of firms.

**3.12** Under this proposal, in summary, the following additional firms would need to provide us with REP-CRIM information **irrespective of their total annual revenue** (see Annex 4 for a detailed list):

- all **FSMA authorised firms** within the scope of the MLRs and:
    - that hold client money or assets (ie subject to FCA Handbook CASS 5, 6 or 7), or
    - that carry on an activity that we consider poses higher ML risk (see Annex 4)
  - all **payments institutions** except for payment institutions that **only** carry out at least one of the following payment services:
    - Money remittance only - that are supervised by HMRC for anti-money laundering (AML) purposes.
    - Account information services and/or payment initiation services. These firms do not receive or hold clients' money and do not carry out payment transactions, and so potentially pose a low ML risk.
    - EEA-authorized payment institutions which are permitted to provide a payment service in the UK only under the freedom to provide services.
  - All **electronic money institutions**.
  - All **Multilateral Trading Facilities (MTFs)**.
  - All **Organised Trading Facilities (OTFs)**. OTFs are a type of firm introduced by MiFID II, therefore bringing them within the scope of the MLRs and the REP-CRIM obligation.
- All **cryptoasset exchange providers** and **custodian wallet providers**. These firms are new categories of firms within the scope of the REP-CRIM obligation.

- 3.13** As a result of this proposal, firms that will now be required to report only where their **total annual revenue exceeds the £5 million threshold** will include those that:
- Are not subject to client money or client asset rules. The assessment will be based on whether the firm is subject to FCA Handbook CASS 5,6 or 7, **and**
  - Undertake one or more of the following activities:
    - a. advising on investments (when not holding client money or safeguarding client assets)
    - b. arranging (bringing about deals) in investments (when not holding client money or safeguarding client assets)
    - c. advising on pension transfers and pension opt-outs
    - d. undertake credit-related regulated activity

- 3.14** For completeness, we are also amending GEN Schedule 4.8 G to add reference to the FCA's power to direct cryptoasset businesses to provide us with REP-CRIM information, under Regulation 74A (Reporting Requirements) of the Money Laundering Regulations.

***Activities currently subject to the REP-CRIM obligation, that we propose to remove***

- 3.15** After reviewing the REP-CRIM obligation, we have identified 2 activities that we consider do not fall within the scope of the MLRs and so propose to remove them from the REP-CRIM obligation. These activities are:
- home finance mediation activity
  - making arrangements with a view to transactions in investments

## **Timing of reporting**

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- 3.16** Firms are required to provide REP-CRIM information within 60 business days of the firm's 'accounting reference date'.
- 3.17** We propose that the new REP-CRIM reporting obligations will apply to:
- a. All firms in scope, except for cryptoasset firms, from their next accounting reference date 12 months after any FCA rules are made.
  - b. Cryptoasset firms, from their next accounting reference date after 10 January 2022. We have applied a different reporting start date, as cryptoasset firms carrying on business before 10 January 2020 have until 10 January 2021 to register with the FCA.

- 3.18** Any firm can report earlier on a best endeavours basis, if they want to do so.

## **Method for submitting the Annual Financial Crime Report**

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- 3.19** A firm must submit the REP-CRIM report to the FCA using the appropriate system we will specify, typically either through our Gabriel or Qualtrics system.

**3.20** This will ensure we get the data in a standardised format, to allow for improved consolidation, peer-group analysis and cataloguing. We believe this approach ensures data requirements are transparent and predictable in line with our published data strategy.

**3.21** We remind firms that the current reporting obligation allows a firm to report on a group basis.

**Q1:** *Do you agree with our approach to increase the scope of the REP-CRIM to those firms that carry on activities that may be exposed to intrinsic ML risk? If not, can you explain the reasons why and how you would change it?*

## Annex 1

### Questions in this paper

- Q1:** *Do you agree with our approach to increase the scope of the REP-CRIM to those firms that carry on activities that may be exposed to intrinsic ML risk? If not, can you explain the reasons why and how you would change it?*
- Q2:** *Do you agree with our cost benefit analysis and conclusion? If you do not, please provide an explanation, including any estimated costs or benefits that may of relevance.*

## Annex 2 Cost benefit analysis

### Introduction

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1. FSMA, as amended by the Financial Services Act 2012, requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'. Section 138I also provides that if, in our opinion, the costs or benefits cannot reasonably be estimated or it is not reasonably practicable to produce an estimate, the cost benefit analysis need not estimate them; the CBA must include a statement of our opinion and an explanation of it.
2. The CBA presents our analysis of the expected impacts of extending the scope of the REP-CRIM reporting obligations to firms that carry on activities that we consider may pose higher intrinsic ML risk, including the addition of cryptoasset firms. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide estimates of outcomes in other dimensions. Our proposals are based on carefully weighing up these multiple dimensions and reaching a judgement about the appropriate level of consumer protection, taking into account all the other impacts we foresee.
3. This CBA has the following structure:
  - problem and rationale for intervention
  - proposed intervention
  - baseline and key assumptions
  - summary of costs and benefits
  - costs
  - benefits

### Problem and rationale for intervention

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4. Money laundering creates significant harmful side effects in financial markets and wider society. Money laundering involves the allocation of capital not to where it generates the highest risk-weighted return, but to where it can easily be disguised, distorting prices and markets, and reducing public benefit.
5. As a means of accessing the proceeds of crime, money laundering may facilitate crime such as fraud and drug trafficking, as well as corruption and terrorism. The illicit activities that generate the proceeds of crime through UK-based institutions may occur in the UK or overseas, and reduce economic activity and societal wellbeing.
6. There is no reliable estimate of the harm caused by money laundering. Some crime agencies publish estimates of total money laundering volumes, but these do not equate to the proposal under consideration, for which the relevant harm is from money laundered by direct placement into the UK financial system.

## Drivers of harm

7. Money laundering can be thought of as an externality and/or a misalignment of incentives. Parties to financial transactions may take into account their own private costs and benefits, but not wider costs and benefits to society. Financial firms or employees that accept capital from potential money launderers may benefit financially from those transactions, but do not consider the risk that the transactions could fund illicit activity or motivate it further. Financial firms do have private incentives to tackle money laundering because of the risks of fraud or reputational damage to their firm (as well as cultural or ethical motivations). But international and national money laundering regulations on financial sector firms are designed to strengthen and reinforce these incentives, for instance through deterrence.

## Proposed intervention

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8. We intend to extend the REP-CRIM reporting obligation to a wider set of firms. We consider that our proposal would mean that an approximate additional 4500 firms would report annually. These would primarily be firms with total annual revenue below £5million per year and cryptoasset firms, who have been recently brought into the scope of the MLRs. (See Annex 4 for full list of firms in current in scope and under the proposed extension).
9. We also intend to remove certain activities that we consider are not within the scope of the MLRs. Therefore, firms that only carry on these activities will be removed from the obligation to provide the annual REP-CRIM information. In practice, as the relevant Handbook rule (ie SUP 16.23R) only applies if the firm was in scope of the MLRs, these firms would not have been required to provide this information.

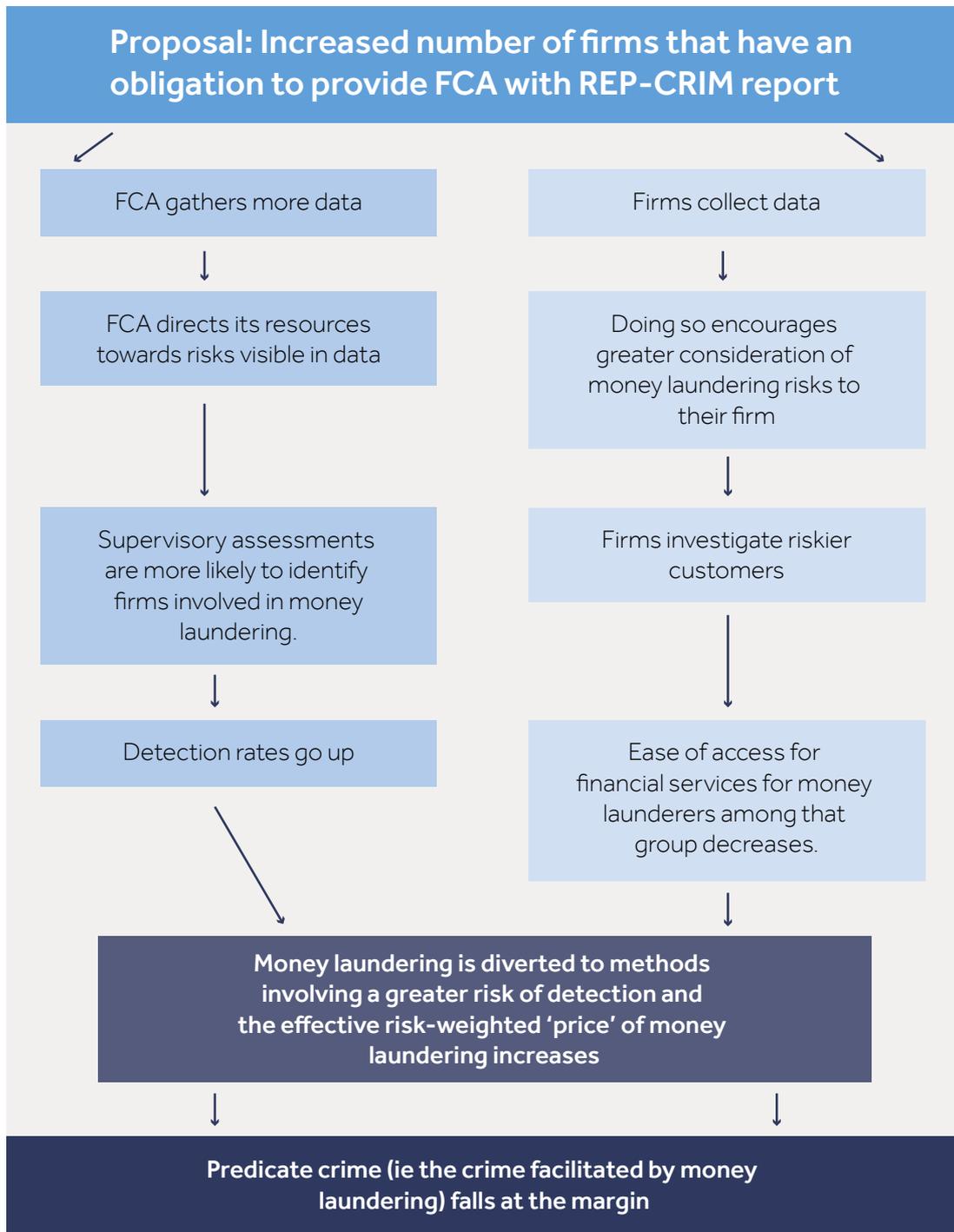
Figure 1 outlines how we expect the proposed REP-CRIM extension to lead to a reduction in harm.

## Baseline and key assumptions

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10. Our baseline scenario is that, without an intervention, the status quo would continue, ie these additional firms would not report this information to us.
11. Our assumption for the baseline harm is that it would stay at the same level. We have not quantified this in this CBA.
12. In our analysis, we have assumed that the firms from which we have gathered compliance cost estimates (see costs section) are representative of the population of firms affected by the proposed extension.

**Figure 1 – How we expect our proposal to reduce harm**



## Summary of costs and benefits

- 13.** Table 1 sets out the main costs and benefits we expect as the result of the proposal. Most of the costs for firms are one-off costs to understand the requirements and change their systems to allow them to submit data.
- 14.** The link between supervision of money laundering regulations and reduction in societal harm is indirect. We have set out some channels by which we believe benefits could occur, but the indirect link and many compounding drivers of the underlying harm of money laundering, mean quantifying these is not reasonably practicable.

**Table 1: Summary of costs and benefits**

	Cost type	Estimate
Costs to firms	One-off	£29.4 m
	Ongoing	£14.2 m
Costs to the FCA	One-off	£0.1 m
	Ongoing	-
Benefits	One-off	Not quantified
	Ongoing	Not quantified

## Costs

### Costs to consumers

- 15.** We do not consider that our proposed intervention will give rise to direct costs to consumers.
- 16.** Indirectly, however, if firms used the information in REP-CRIM in their anti-money laundering actions as a result of the proposal, legitimate consumers displaying 'risky' characteristics could face higher costs from greater compliance checks. Moreover, if firms associate certain customer characteristics with a risk of being investigated, then they could face greater incentives at the margin to 'de-risk' and withdraw services from certain groups of consumers. These potential effects are uncertain and their attribution complex, so it is not reasonably practicable to estimate their cost to consumers.

### Costs to firms

- 17.** To estimate firm compliance costs, we surveyed a sample of firms from across a range of sectors and revenue thresholds that would largely be affected by the proposal. We contacted 77 firms, and received 49 responses. Firms had the option of providing monetary estimates of costs, or providing an estimate of the hours of employee and senior management time required for different cost types. To estimate training costs, we asked firms to provide the number of employees to train, the hours of training required, and any other training costs (eg design and delivery costs). We asked firms to estimate both one-off and ongoing costs.
- 18.** For respondents reporting in terms of hours, we converted responses to a monetary figure using salary estimates from the 2016 Willis Towers Watson Financial Services Report, uprated for inflation and adding 30% to account for employer overheads. We

derive hourly salaries assuming 225 working days per year and 7 working hours per day. We assume employee time relates to a compliance official, or equivalent. To ensure a representative salary estimate for firms of different sizes, we weighted the results according to our assessment of the size distribution of the firms affected by the proposal. We used the same approach to estimate the opportunity cost of employee training.

19. Our analysis did not find any consistent evidence of estimated compliance costs varying by firm size or firm sector. Given that most firms affected by the proposal have turnover of less than £5 million, the potential for significant variation in cost structure is reduced. Therefore, we have presented average costs for all survey respondents, and have multiplied these averages by the total number of firms affected, 4492 to estimate total compliance costs.
20. Table 2 summarises estimated average and total costs, split according to the cost categories that were provided in the survey.

**Table 2: Summary of estimated average and total costs to firms by cost category**

Cost type	Category	Average per firm	Total over population
One-off	Understanding the reporting obligations	£1.2 k	£5.2 m
	Developing/adapting IT systems	£0.7 k	£3.0 m
	Communicating with customers	£0.8 k	£3.6 m
	Project management & governance	£1.2 k	£5.4 m
	Legal resources	£0.6 k	£2.7 m
	Other costs	£0.0 k	£0.2 m
	Staff training	£2.1 k	£9.3 m
	<b>All one-off costs</b>	<b>£6.5 k</b>	<b>£29.4 m</b>
Ongoing	Collecting annual data	£0.7 k	£3.3 m
	Collating and reporting data to the FCA	£0.9 k	£4.1 m
	Legal resources	£0.2 k	£0.9 m
	Amended customer sales or transactions processes	£0.0 k	£0.0 m
	Other costs	£0.0 k	£0.0 m
	Staff training	£1.3 k	£5.9 m
	<b>All ongoing costs</b>	<b>£3.2 k</b>	<b>£14.2 m</b>

Source: FCA compliance cost survey.

Notes: The ongoing cost 'amending customer sales or transactions processes' has been adjusted manually (see text).

21. We have assumed zero ongoing cost from 'amended customers sales or transactions processes'. Upon reviewing the existing MLRs, we consider that all the information that we require a firm to collect in relation to its customers, in relation to the REP-CRIM report, should already be being collected as part of a firm's existing Customer Due Diligence obligations under the MLRs.

22. We estimate total one-off costs to firms of **£29.4 million** and total ongoing costs of **£14.2 million**. We have not made a separate estimate for familiarisation and gap analysis as the compliance cost survey included this within the guidance for 'Understanding the reporting obligations'. The largest element of both one-off and ongoing compliance costs reported by survey respondents is staff training. Firms reported an average total person-hour training requirement of 39 hours one-off and 31 hours on an ongoing basis, and an average of £850 one-off and £450 ongoing for non-employee training costs.

### Costs to the FCA

23. We consider that the main cost to the FCA will be in relation to IT system changes. We estimate that this will be approximately £96,440 one-off. We do not consider that there will be any significant ongoing IT costs in relation to our proposed approach.
24. We consider that there will be minor ongoing costs as a result of any manual intervention or assessment to address any anomalies that arise from the reporting obligation. It is not reasonably practicable to quantify these costs.
25. We expect to use existing supervisory resources to supervise firms, and so should be covered by our current supervisory activities, with no additional increase in costs.

### Benefits

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26. The link between supervision of money laundering regulations and reduction in societal harm is indirect. We have set out below some channels by which we believe benefits could occur, but the indirect link and many compounding drivers of the underlying harm of money laundering, mean quantifying these is not reasonably practicable.
27. However, while quantification of the benefits is not reasonably practicable, we believe that the estimated costs of the proposal are proportionate to the potential benefits from a reduction in harm caused by money laundering.

### Consumers

28. We consider that there will be indirect benefit to consumers, including having more confidence in the market. This is based on the assumption that our proposal will improve AML systems and controls for some firms, and in line with feedback from some firms who provided feedback on the potential benefits of the proposal.
29. To the extent that the data collection improves AML systems and controls, it will also make it more difficult for a firm to facilitate money laundering, and so reduce the incentive for them to do so. This could make money laundering via UK financial institutions more difficult and, depending on the responsiveness of the underlying illicit activities, could result in less criminal activity, benefitting society more widely.

## Firms

30. We consider that there may be the following indirect benefits to firms:

- a. An improvement to a firm's AML systems and controls. For example, some firms which provided feedback on developing our CBA suggested that:
  - adopting some of the information fields into the firm's systems could improve routine analysis and management information.
  - it would enable the firm to maintain high compliance standards in relation to client onboarding and on-going monitoring
  - it would improve their transparency to their regulators and bring their standards in line with other group entities
- b. Reduced counterparty ML risk faced between UK firms and/or and a general confidence in UK markets may result in consumers having more confidence to make use of UK financial services.
- c. The proposal allows the FCA to aggregate a wider set of financial crime data to identify national and sectors trends and benchmark to the benefit of firms. This aggregated data may be of benefit to firms, as it facilitates peer benchmarking. The results of the annual information feeds into the UK's National Risk Assessment, potentially making it a value to the UK market, as a whole.

**Q2: Do you agree with our cost benefit analysis and conclusion? If you do not, please provide an explanation, including any estimated costs or benefits that may be relevant.**

## Annex 3

# Compatibility statement

### Compliance with legal requirements

---

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is (a) compatible with its general duty, under s. 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and (b) its general duty under s. 1B(5)(a) FSMA to have regard to the regulatory principles in s. 3B FSMA. The FCA is also required by s. 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s. 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s. 1JA FSMA about aspects of the economic policy of the Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.
6. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRRA.

### The FCA's objectives and regulatory principles: Compatibility statement

---

7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objective to protect and enhance the integrity of the UK's financial system.

8. We consider these proposals are compatible with our strategic objective of ensuring that the relevant markets function well. The information collected will assist firms to assess and improve their system and controls. It will also allow us to focus our supervisory attention on firms that we consider pose higher inherent ML risk. Improving financial stability within the industry, ensures we protect and enhance the integrity of the financial system. For the purposes of our strategic objective, 'relevant markets' are defined by s. 1F FSMA.

9. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s. 3B FSMA.

**The need to use our resources in the most efficient and economic way**

10. Our proposal means that we will receive financial crime information from a wider population of firms that we supervise. We will strengthen our risk based approach, use new techniques and analytics to analyse this data to identify risks, outliers and emerging issues we need to focus on, when discharging our duties as AML/CTF supervisor.

**The principle that a burden or restriction should be proportionate to the benefits**

11. The Cost Benefit Analysis in Annex 2 sets out the costs and benefits for the proposal in this Consultation Paper. We consider our approach is proportionate to the benefits, as we have maintained the existing reporting requirements and not extended further, and the proposed extension focuses on firms that carry on activities that we consider potentially pose higher ML risk.

**The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term**

12. Our proposal supports the strategic priority 5 of the UK Economic Crime Plan 2019-22, to enhance our risk based approach by expanding the use of information collected in the annual financial crime report. This will lead to greater resilience to economic crime by enhancing risk-based approach supervision.

**The general principle that consumers should take responsibility for their decisions**

13. The proposals in our consultation are not relevant to this principle.

**The responsibilities of senior management**

14. Senior Managers should understand the proposal and the impact it may or may not have on their firm. We expect senior management to take clear responsibility for managing financial crime risks, which should be treated in the same manner as other risks faced by the business.

**The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

15. We have developed our proposals based on regulated activities that we consider may be more prone to ML risk. Credit unions continue to be exempt from the REP-CRIM reporting obligation.

### **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

16. We do not intend to publish firm specific information, or require firms to publish this information. However, we may publish high level or aggregate findings in the future. Similarly, to our report on the '[Financial Crime: analysis of firms' data](#)' published in 2018.

### **The principle that we should exercise of our functions as transparently as possible**

17. We will continue to engage with the industry and other stakeholders to obtain feedback thorough the consultation process. We may also publish aggregated data to support market best practice.

## **Expected effect on mutual societies**

---

18. Mutual societies that carry on activities within the scope of the MLRs will be in scope of the REP-CRIM obligation. However, Credit unions continue to be exempt from the REP-CRIM reporting obligation.
19. Registered societies and industrial provident societies are exempt from the Money Laundering Regulations, and therefore not subject to this proposal. Other mutual societies may be caught depending on their nature and activity, for example building societies are already subject to REP-CRIM obligations.

## **Compatibility with the duty to promote effective competition in the interests of consumers**

---

20. Our proposal does not directly impact competition in the interests of consumers, as the proposal is targeted at firms and their financial crime reporting obligations.

## **Equality and diversity**

---

21. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not and foster good relations between people who share a protected characteristic and those who do not.
22. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in paragraph 2.5 of the Consultation Paper. We do not consider that the proposals impact any of the groups with protected characteristics under the Equality Act 2010. We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.

## Annex 4

# Proposed change of scope of Annual Financial Crime Report ('REP-CRIM')

### **Unchanged: Firms to which REP-CRIM requirements remain unchanged by our proposal**

#### **Firms with total annual revenue £5 million or more**

advising on investments, when not holding client money or safeguarding client assets. The assessment will be based on whether the firm is subject to FCA Handbook CASS 5,6 or 7.

arranging (bringing about deals) in investments, when not holding client money or safeguarding client assets. The assessment will be based on whether the firm is subject to FCA Handbook CASS 5,6 or 7.

advising on pension transfers and pension opt-outs

credit-related regulated activity

#### **Firms irrespective of revenue**

UK bank

building society

EEA bank

non-EEA bank

mortgage lender

mortgage administrator

a firm offering life and annuity insurance products

### **Change: Firms to which REP-CRIM requirements will change under our proposal.**

**Our proposal would mean that all firms carrying on one or more of these activities will have to provide the information, irrespective of revenue.**

advising on investments and holding client money or safeguarding client assets. The assessment will be based on whether the firm is subject to FCA Handbook CASS 5,6 or 7.

arranging (bringing about deals) in investments and holding client money or safeguarding client assets. The assessment will be based on whether the firm is subject to FCA Handbook CASS 5,6 or 7.

dealing in investments as agent

dealing in investments as principal

managing investments

assisting in the administration and performance of a contract of insurance in relation to non-investment insurance contracts

establishing, operating or winding up a collective investment scheme

establishing, operating or winding up a personal pension scheme

establishing, operating or winding up a stakeholder pension scheme

managing a UCITS

managing an AIF

safeguarding and administering investments

acting as trustee or depositary of a UCITS

acting as trustee or depositary of an AIF

---

operating a multilateral trading facility

---

electronic money issuers

---

Payment institutions but not

- payment institutions that carry on only one or more of the following payment services (and are not permitted to carry on any other regulated activities):
    - Money Remitter only,
    - Account information services and/or
    - Payment initiation services.
  - EEA authorised payment institutions which are permitted to provide a payment service in the UK only under the freedom to provide services.
- 

Operating an organised trading facility (this is a new MiFID II activity which is being included)

---

Cryptoasset exchange provider

---

Custodian Wallet provider

---

**Activities that we propose to remove from the reporting obligation**

home finance mediation activity

---

making arrangements with a view to transactions in investments

---

## Annex 5

### Abbreviations used in this paper

<b>AML</b>	Anti-money laundering
<b>FATF</b>	Financial Action Task Force
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>ML</b>	Money Laundering
<b>MLRs</b>	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
<b>NCA</b>	National Crime Agency
<b>REP-CRIM</b>	Annual Financial Crime Report



We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from [www.fca.org.uk](http://www.fca.org.uk). If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: [publications\\_graphics@fca.org.uk](mailto:publications_graphics@fca.org.uk) or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

# Appendix 1

## Draft Handbook text

**SUPERVISION MANUAL (FINANCIAL CRIME REPORT)  
(AMENDMENT No 2) INSTRUMENT 2020**

**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 *[date]*.

**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 2020.

By order of the Board  
*[date]*

**Annex A**

**Amendments to the General Provisions (GEN)**

In this Annex, underlining indicates new text.

**Sch 4 Powers exercised**

...

**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*

...

## Annex B

### Amendments to the Supervision manual (SUP)

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

#### 16 Reporting requirements

...

#### 16.13 Reporting under the Payment Services Regulations

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.

...

Reporting requirement

...

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) an EEA authorised payment institution which is permitted to provide a payment service in the United Kingdom only under the freedom to provide services.

...

#### 16.15 Reporting under the Electronic Money Regulations

...

## Reporting requirement

- 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.~~

...

**16.23 Annual Financial Crime Report**

## Application

- 16.23.1 R This section applies to all *firms* subject to the *Money Laundering Regulations*, ~~other than~~ and listed in the table below, ~~other than~~:
- (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 all 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 UCITS;~~
- (p) ~~managing an AIF;~~
- (q) ~~safeguarding and administering investments;~~
- (r) ~~acting as trustee or depositary of a 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 apply

a UK bank;
a building society;
a EEA bank;
a non-EEA 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> and subject to any of CASS 5 (Client money: insurance distribution activity), CASS 6 (Custody rules) or CASS 7 (Client money rules);
<u>arranging (bringing about deals) in investments</u> and subject to any of CASS 5 (Client money: insurance distribution activity), CASS 6 (Custody rules) or CASS 7 (Client money rules);
<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</u> in relation to <u>non-investment insurance contracts;</u>
<u>agreeing to carry on a regulated activity;</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 UCITS;</u>
<u>managing an AIF;</u>
<u>safeguarding and administering investments;</u>
<u>acting as trustee or depositary of a 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> and not subject to any of CASS 5 (Client money: insurance distribution activity), CASS 6 (Custody rules) or CASS 7 (Client money rules);
<u>arranging (bringing about deals) in investments</u> and not subject to any of CASS 5 (Client money: insurance distribution activity), CASS 6 (Custody rules) or CASS 7 (Client money rules);
<u>advising on pension transfers and pension opt-outs; and</u>

credit-related regulated activity.

...

## 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*.

...

### Data Elements

...

#### Section 5: Fraud

<p><b>30-35A-D</b></p>	<p>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>	<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 those that the <i>firm</i> considers most prevalent as at the end of the reporting period.</p>
------------------------	--	--

		<p><b>Fraud typologies</b></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>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> <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><b>Suspected perpetrators</b></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><b>Primary Victim</b></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><b>Incidence</b></p> <p>Decreasing</p> <p>Emerging risk</p> <p>Increasing</p> <p>Stable</p>
--	--	---

# Annual financial crime reporting requirements for cryptoasset businesses registered under the Money Laundering Regulations

Draft directions

## Part 1: Purpose and application

- 1.1 D These directions are made by the *FCA* under Regulation 74A (Reporting Requirements: cryptoasset businesses) of the *Money Laundering Regulations*.
- 1.2 D The directions come into force on [*date*] and shall continue to apply until such time as they are amended by a further direction or revoked.
- 1.4 D The directions apply to a *cryptoasset business*.

## Part 2: Interpretation

- 2.1 D In these directions, italicised words and phrases have the meanings given in Part 5 (Interpretation).
- 2.2 D The Interpretation Act 1978 applies to these directions.
- 2.3 G In these directions:
- (1) any provision with “D” in the margin indicates that it is a direction made under Regulation 74A (Reporting Requirements: cryptoasset businesses) of the *Money Laundering Regulations*; and
  - (2) any provision with “G” in the margin indicates that the provision is guidance, which is designed to throw light on a particular aspect of a direction.

## Part 3: Reporting requirement

- 3.1 D
- (1) A *cryptoasset business* must submit the Annual Financial Crime Report to the *FCA* annually in respect of the year ending on its *accounting reference date*.
  - (2) A *cryptoasset business* is only directed to submit data that relates to the parts of its business subject to the *Money Laundering Regulations*.
- 3.2 G
- (1) If a *group* includes more than one *cryptoasset business*, a single Annual Financial Crime Report may be submitted, and so satisfy the requirements imposed on all *cryptoasset business* in the *group*.
  - (2) Such a report should contain the information required from all the relevant *cryptoasset businesses*, meet all relevant due dates, indicate all the *cryptoasset businesses* on whose behalf it is submitted and

give their *FCA* firm reference numbers (FRNs), if they have them. The obligation to report under the direction in paragraph 3.1D remains with the individual *cryptoasset business*.

#### **Part 4: Method and time period for submitting the Annual Financial Crime Report**

- 4.1 D A *cryptoasset business* must submit the Annual Financial Crime Report in the form specified in Annex 1 to these directions using the appropriate online systems accessible from the *FCA*'s website.
- 4.2 D A *cryptoasset business* must submit the Annual Financial Crime Report within 60 *business days* of the *cryptoasset business*' *accounting reference date*.

#### **Part 5: Interpretation**

- 5.1 The following words or phrases used in these directions appearing in italics have the meanings given to them below.

<b>Expression</b>	<b>Definition</b>	
<i>accounting reference date</i>	(1)	(in relation to a <i>company</i> incorporated in the <i>United Kingdom</i> under the Companies Acts) the accounting reference date of that <i>company</i> determined in accordance with section 391 of the Companies Act 2006;
	(2)	(in relation to any other body) the last <i>day</i> of its financial year.
<i>business day</i>	any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the <i>United Kingdom</i> .	
<i>cryptoasset business</i>	(1)	a "cryptoasset exchange provider" as defined in regulation 14A(1) of the <i>Money Laundering Regulations</i> ;
	(2)	a "custodian wallet provider" as defined in regulation 14A(2) of the <i>Money Laundering Regulations</i> .
<i>day</i>	a period of 24 hours beginning at midnight.	
<i>FCA</i>	Financial Conduct Authority.	
<i>group</i>	(as defined in section 1261 of the Companies Act 2006) "group", in relation to a body corporate, means the body corporate, any other body corporate which is its holding company or subsidiary and any other body corporate which is a subsidiary of that holding company.	

<i>Money Laundering Regulations</i>	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692).
---	--

# Annex 1

**GROUP REPORTING**

1 Does the data in this report cover more than one firm?

A

--

2 If Yes, list the firm reference numbers (FRNs) of all additional firms included in this report.

FRN


+

**Section 1: Operating Jurisdictions**

3 Please list:

A	B
The jurisdictions within which the firm operates as at the end of the reporting period	Those jurisdictions assessed and considered high-risk by the firm

**Section 2: Customer Information**

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

- 4 Politically Exposed Persons
- 5 Non-EEA Correspondent Banks
- 6 All Other High-Risk Customers

A	B
As at the end of the reporting period	New in the reporting period

For any business conducted by the firm:

Please provide the number of the firm's customer relationships located in the following geographical areas:

7 Europe

A

As at the end of the reporting period

*Of which:*

- 8 United Kingdom
- 9 European Economic Area (EEA) & Switzerland
- 10 Other Europe
- 11 Middle East & Africa
- 12 North America
- 13 Central America & Caribbean
- 14 South America
- 15 Asia
- 16 Oceania


17 Please provide the number of the firm's customers linked to those jurisdictions considered by the firm to be high-risk:

As at the end of the reporting period

18 Please provide the number of customer relationships refused or exited for financial crime reasons during the reporting period:

A	B
Relationships refused	Relationships exited

**Section 3: Compliance Information**

	A	B	C
19 Please provide the number of suspicious activity reports (SARs) under Part 7 of the Proceeds of Crime Act (POCA) 2002:	Submitted internally to the nominated officer/MLRO within the firm as at the end of the reporting period	Disclosed to the National Crime Agency as at the end of the reporting period	The number of those SARs which were consent requests under s.335 POCA 2002

	A
20 Please provide the number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 during the reporting period?	
21 Please provide the number of investigative court orders received as at the end of the reporting period:	

	A	B
22 Please provide the number of restraint orders being serviced/ in effect as at the end of the reporting period and the number of new restraint orders received during the reporting period:	Restraint orders being serviced/ in effect as at the end of the reporting period	New restraint orders received during the reporting period

	A	B
23 Please provide the number of relationships maintained with natural or corporate persons (excluding group members) which introduce business to the firm. Please also provide the number of these relationships which have been exited for financial crime reasons during the reporting period:	Relationships maintained	Relationships exited

*If the firm has appointed representatives:*

	A
24 Please provide the number of appointed representative (AR) relationships exited due to financial crime reasons:	During the reporting period

*For all firms:*

25 As at the end of the reporting period, please provide the total FTE of UK staff with financial crime roles:	
<i>Of which:</i>	
26 Please provide the percentage of the FTE stated above dedicated to fraud responsibilities:	

**Section 4: Sanctions-Specific Information**

27 Does the firm use an automated system(s) to conduct screening against relevant sanctions lists?	
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	A	B
28 How many TRUE sanction matches were detected in the reporting period?	True customer sanctions matches	True payments sanctions matches
29 Does the firm conduct repeat customer sanctions screening?		

**Section 5: Fraud**

Please indicate the firm's view of the top three most prevalent frauds which the FCA should be aware of and whether they are increasing, decreasing or unchanged:

	A	B	C	D
30 1st most prevalent fraud	Fraud Typology	Suspected Perpetrator(s)	Primary Victim	Incidence
31 Where 'Other' is selected in Question 30, please provide details				
32 2nd most prevalent fraud				
33 Where 'Other' is selected in Question 32, please provide details				
34 3rd most prevalent fraud				
35 Where 'Other' is selected in Question 34, please provide details				

## Annex 2

### Guidance notes for completion of the Annual Financial Crime Report

The form should only be completed by cryptoasset businesses.

#### 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.

This return allows firms to report for a specified group of firms in a single Annual Financial Crime Report. Where a report is filed for a group of firms, the reported information should be the aggregate data for those firms. Firms should note that this is only available where all the firms included are subject to the requirement (i.e. firms that would not be subject to the requirement on a solo entity basis should not be included).

Firms subject to the requirement and which have a different accounting reference date from the firm submitting the Annual Financial Crime Report on behalf of a group should have their firm reference numbers (FRNs) included in the group report list. They will then need to submit a nil return for the entity via the appropriate systems accessible from the FCA website.

For the purposes of completing this return, references to ‘customer’ or ‘client’ refer to customer or client relationships.

We will use the data we collect through this data item to assess the nature of financial crime risks within the cryptoasset business sector. Section 5 of this return is designed to allow the FCA to track the industry’s perception of the most prevalent fraud risks. A firm may not be specifically affected by the fraud typologies it considers most prevalent across the industry.

#### Data Elements

Group reporting		
1A	Does the data in this report cover more than one firm?	If the report is being submitted on behalf of a number of firms, firms should answer ‘yes’ to this question.
2A	If yes, list the FRNs (where applicable) of all additional firms included in this report.	Where a report is submitted on behalf of a number of firms, the submitting firm should report all of the FRNs of the firms included. A firm listed in response to this question by another firm within its group will see the requirement marked as ‘satisfied for group’ in the appropriate systems accessible from the FCA website. Firms to whom this applies do not need to report a separate nil return.

## Section 1: Operating jurisdictions

Please list:

3A	The jurisdictions within which the firm operates as at the end of the reporting period.	<p>Input the country codes (in ISO 3166 format) of the jurisdictions within which the firm is operating as at the end of the reporting period. Only those jurisdictions active as at the end of the reporting period should be reported; if a firm 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 firm 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 firm has representative offices. It also includes any jurisdictions where the firm carries on business using a services passport or an establishment passport.</p> <p>Where a firm 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 firm operates.</p> <p>This question does not concern the geographical location of the firm’s customers or clients.</p> <p>This question is mandatory and must contain at least one entry, i.e. ‘GBR’.</p>
3B	Those jurisdictions assessed and considered high-risk by the firm.	<p>Input the country codes (in ISO 3166 format) of the jurisdictions assessed and considered by the firm to be high-risk. As a minimum, firms should report any jurisdictions considered high-risk in which they operate. In addition, where a firm 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.</p> <p>This question should be answered with regard to the firm’s own assessment of risk, which may or may not include the use of available public indices.</p> <p>A firm should therefore leave this section blank if it does not operate in any high-risk jurisdictions nor carry out a country risk assessment.</p>

		Firms who provide a positive response to question 17 (customers linked to high-risk jurisdictions) should also provide a response to question 3B.
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Section 2: Customer information

Figures in this section should be for the number of customer or client 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 current accounts, CTF bank accounts, client bank accounts and client transaction accounts. It excludes former customers or clients. Each party to a joint account should be recorded as a separate customer or client.

Where the figure requested is ‘new in the reporting period’, a firm should report new (not pre-existing) customer or client relationships initiated within the reporting period. This should not include existing customers taking on new products. A firm should only provide figures in this section for those areas of its business subject to the Money Laundering Regulations.

For non-financial institutions which may carry out some cryptoasset business, the firm should not include customers which are outside the scope of the Money Laundering Regulations.

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:

4A&B	Politically Exposed Persons (PEPs)	A definition of ‘Politically Exposed Person’ can be found in Regulation 35(12)(a). The figure should include family members and known close associates of PEPs, as defined in Regulation 35(12)(b) and (c) of the Money Laundering Regulations. These definitions should be read in conjunction with the guidance published by the FCA in FG17/6. Firms should report the number of customer or client relationships, either individual or corporate, which they have classified in accordance with FG17/6 as being a “higher risk” PEP, family member, known close associate or PEP-connected relationship. They should not report the total number of PEPs associated with a particular corporate customer or client.
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		<p>UK 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&amp;B.</p> <p>Firms should not reclassify customers or clients for the purposes of completing this return. If firms do not classify or identify PEP-connected corporate entities as PEP customers or clients within their current policies, there is similarly no requirement to report.</p> <p>The figure provided should include existing customer or client relationships that became PEPs in the reporting period.</p> <p>Where a PEP has multiple relationships with the firm, 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 credit institution has a correspondent banking relationship with a respondent institution from a non-EEA state. These terms are intended as set out in Regulation 34(4)(a)(i) of the Money Laundering Regulations. Non-credit institutions who do not hold these types of relationships should simply record zero in their response. In addition, for the purposes of reporting, a firm is not required to include any relationship that falls within Regulation 34(4)(a)(ii).</p> <p>Firms carrying on cryptoasset businesses only, will not have correspondent banking relationships.</p> <p>If the firm has no correspondent banking relationships it should record '0'."</p>
6A&B	All other high-risk customers	<p>This refers to a customer or client categorised as being high-risk for the purposes of compliance with Regulation 33(1)(a) of the Money Laundering Regulations, and therefore subject to Enhanced Customer Due Diligence measures, but not otherwise captured in response to question 4 or 5.</p> <p>Existing customers who become high-risk during the relevant period should be included in the response to 6B.</p>
For the firm's business subject to the Money Laundering Regulations:		

7-16	Please provide the number of the firm's customer relationships located in the following geographical areas:	<p>The location for customer or client relationships should be determined by the location in which the customer or client is based. Where a customer or client has multiple addresses, the location reported should be the primary correspondence address as determined by the firm.</p> <p>Where the relationship is with a trust, the firm should report the location as the location of the trust.</p> <p>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.</p> <p>Except for the United Kingdom and EEA, for the purposes of this question geographical areas should be determined with reference to</p> <p>Guidance Notes: Geographical breakdown for section 2 of the Annual Financial Crime.</p>
17	Please provide the number of the firm's customers linked to those jurisdictions considered by the firm to be high-risk:	<p>The firm should provide the number of customers judged by the firm to have links to jurisdictions identified by it as high-risk in question 3B. Therefore firms who provide customer numbers in response to question 17 should also provide a response to question 3B. Links to a high-risk jurisdiction, for the purposes of this question, means customers or clients that are resident/domiciled/incorporated in a jurisdiction identified as high-risk by the firm.</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 customers or clients that the firm did not take on, where financial crime was the principal driver behind the decision. This could be at any stage of customer or client take-on.</p> <p>It would not include customers or clients whose application did not proceed because, for example, they lacked appropriate documentary evidence of identity. It would include customers or clients 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 customers or clients with whom the firm ceased to do business where financial crime was the</p>

		<p>principal driver behind the decision. This would only include customers or clients exited from all lines of business.</p> <p>'Relationships exited' also covers criminal behaviour by the customer or client where such behaviour has a financial element, e.g. benefits fraud.</p>
<p><b>Section 3: Compliance information</b>  Firms should ensure they record an entry in each field. Where a firm has no data to report it should record '0'.</p>		
<p>Please provide the number of suspicious activity reports (SARs) under Part 7 of the Proceeds of Crime Act 2002 (POCA):</p>		
19A	Submitted internally to the nominated officer/MLRO, within the firm, as at the end of the reporting period.	<p>This includes reports filed internally from staff to the nominated officer/MLRO that relate to the staff member's concerns, suspicions or knowledge of money laundering. The reported figure should include SARs generated by the AML/compliance function and system-generated SARs. These reports will be considered by the nominated officer/MLRO in order to decide whether a formal submission to the authorities is justified.</p> <p>The figure should not include (either for staff-generated or system-generated SARs) any reports filtered out at an earlier stage.</p>
19B	Disclosed to the National Crime Agency as at the end of the reporting period.	The number of SARs disclosed to the National Crime Agency within the reporting period, as at the end of the reporting period.
19C	The number of those SARs which were consent requests under s. 335 POCA.	The number of disclosed SARs which sought consent from the National Crime Agency within the reporting period, as at the end of the reporting period.
20	Please provide the number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 during the reporting period:	The number of SARs disclosed to the National Crime Agency under the Terrorism Act 2000 (including consent SARs) within the reporting period, as at the end of the reporting period.
21	Please provide the number of investigative court orders received as at the end of the reporting period:	This refers to production orders, disclosure orders, account monitoring orders and customer information orders as defined by the POCA, and/or the Terrorism Act 2000, received by the firm from law enforcement agencies or accredited financial investigators

		<p>from other bodies as set out in an Order under section 453 of the POCA.</p> <p>This would include, for example, investigative court orders relating to suspected benefits fraud.</p> <p>The figure reported for this field should be the number of court orders received, regardless of the number of relationships to which these relate.</p>
22A&B	<p>Please provide the number of restraint orders being serviced/in effect as at the end of the reporting period and the number of new restraint orders received during the reporting period:</p>	<p>A ‘restraint order’ here refers to either a restraint order under section 42 of the POCA or a property freezing order under section 245A of the POCA.</p> <p>The number of restraint orders being serviced should include all restraint orders which are still in effect as at the end of the reporting period.</p> <p>The number of new restraint orders received should include all new restraint orders received by the firm during the reporting period, as at the end of the reporting period.</p> <p>The figure reported for this field should be the number of restraint orders received, regardless of the number of relationships to which these relate.</p>
23A&B	<p>Please provide the number of relationships maintained with natural or corporate persons (excluding group members) which introduce business to the firm. Please also provide the number of these relationships which have been exited for financial crime reasons during the reporting period.</p>	<p>This question refers to individuals who, or corporate entities which, directly introduce customers or clients to the firm under a formal agency/broker agreement in return for a direct or indirect fee, commission or other monetary benefit.</p> <p>If the firm makes no payment to the introducer (e.g. commission) it is not necessary to report these relationships.</p> <p>Legacy commission payments do not need to be included where these arrangements were made prior to the relevant reporting period.</p> <p>This question does not concern reliance as defined under Regulation 39 of the Money Laundering Regulations.</p>
<p>If the firm has appointed representatives (ARs):</p>		
24	<p>Please provide the number of appointed representative (AR) relationships exited due to financial crime reasons:</p>	<p>Firms should report the number of existing AR relationships terminated for financial crime reasons during the reporting period. Firms carrying on cryptoasset business only, will not have ‘appointed representatives’.</p>

		If the firm has no appointed representatives it should record '0'.
For all firms:		
25	As at the end of the reporting period, please provide the total full time equivalent (FTE) of UK staff with financial crime roles:	<p>Firms should provide an FTE figure on a reasonable endeavours basis. For example, if the firm has 20 part time staff that work 50% of normal hours in a financial crime role, the figure would be 10 FTE.</p> <p>This figure should cover staff in roles relating to anti-money laundering (including those relating to anti-bribery and corruption, and fraud) and counter-terrorist financing. This field facilitates the entry of numbers to two decimal places. Integers should therefore be provided in the format [n].00. If this report is being completed on a group basis this figure should be the FTE for the specified group.</p> <p>Where this report is being completed on a single regulated entity basis and services are shared across multiple firms, firms may provide an estimate of the FTE spent on each reported entity on a best endeavours basis. In firms 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 deal with, or take decisions on 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. Outsourced financial crime activities should not be included in this figure.</p>
Of which:		
26	Please provide the percentage of the FTE stated	Firms should provide a percentage figure on a reasonable endeavours basis. This field facilitates the entry of numbers to two decimal

	above dedicated to fraud responsibilities	<p>places. Integers should therefore be provided in the format [n].00.</p> <p>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).</p> <p>If this report is being completed on a group basis this figure should be the percentage for the specified group.</p> <p>Where this report is being completed on a single regulated entity basis and services are shared across multiple firms, firms may provide an estimate of the percentage spent on each reported entity on a best endeavours basis.</p>
<b>Section 4: Sanctions-specific information</b>		
27	Does the firm use an automated system (or systems) to conduct screening against relevant sanctions lists?	<p>Firms should answer ‘Yes’ or ‘No’. Note there is no explicit regulatory or legal requirement for the use of automated screening tools. This question relates to automated systems for screening customers and clients only. Relevant sanctions lists are the lists against which the firm screens its customers and clients.</p>
28A&B	How many TRUE sanctions matches were detected during the reporting period?	<p>The number of confirmed true sanctions alerts which matched against the firm’s customer, client or payment.</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. Relevant sanctions lists are the lists against which the firm screens its customers or clients. Where no true sanctions matches were detected, firms should record ‘0’.</p>
29	Does the firm conduct repeat customer sanctions screening?	<p>Firms should answer ‘Yes’ or ‘No’.</p> <p>This question relates to repeat customer or client sanctions screening only.</p>
<b>Section 5: Fraud</b>		

<p>30-35A-D</p>	<p>Please indicate the firm's view of the top three most prevalent frauds which the FCA should be aware of and whether they are increasing, decreasing or unchanged.</p>	<p>NB. This question is not mandatory. This question is designed to obtain the firm's view on the most prevalent frauds relevant to the firm's business and will be used by the FCA 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. The identified fraud typologies may or may not be those by which the firm has been specifically impacted, but should be those that the firm considers most prevalent as at the end of the reporting period.</p> <p>Fraud typologies</p> <ul style="list-style-type: none"> <li>419 emails and letters</li> <li>Abuse of position of trust</li> <li>Account takeover</li> <li>Advance fee fraud</li> <li>Application fraud</li> <li>Asset misappropriation fraud</li> <li>Bond fraud</li> <li>Carbon credits fraud</li> <li>Cashpoint fraud</li> <li>Cheque fraud</li> <li>Companies – fraudulent</li> <li>Computer hacking</li> <li>Credit card fraud</li> <li>Debit card fraud</li> <li>Expenses fraud</li> <li>Exploiting assets and information</li> <li>Fraud recovery fraud</li> <li>Hedge fund fraud</li> <li>Identity fraud and identity theft</li> <li>Insurance fraud</li> <li>Landbanking fraud</li> <li>Loan repayment fraud</li> <li>Short and long firm fraud</li> <li>Malware-enabled fraud</li> <li>Mandate fraud</li> <li>Mortgage fraud</li> <li>Other (to be used where the specified typologies are not applicable). Please provide the fraud type in the free text box.</li> <li>Other investment fraud</li> <li>Pension liberation fraud</li> </ul>
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		Phishing Ponzi schemes Procurement fraud Pyramid schemes Share sale fraud Smishing Vishing Suspected perpetrators Customer Internal employee Organised crime group Other (to be used where the suspected perpetrator typologies are not applicable). Please provide the perpetrator type in the free text box. Third party contractor Third party professional Third party supplier Unknown third party Primary Victim Customer Other (to be used where the suspected perpetrator is neither a customer nor a regulated firm/electronic money institution). Please provide the primary victim type in the free text box. Regulated firm/electronic money institution (all jurisdictions). Incidence Decreasing Emerging risk Increasing Stable
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**Guidance Notes: Geographical breakdown for section 2 of the Annual Financial Crime Report**

**General Notes**

Questions 7 – 16 of the form require a breakdown of a firm’s customers by geographical area. This annex specifies, for the avoidance of doubt, how countries are categorised in this breakdown.

References to the “European Economic Area” (EEA) should be read as the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the EEA States, and the “United Kingdom” (UK) as England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man. Firms should use these definitions when completing relevant questions in the form.

Note: Question 3 requires jurisdictions to be reported under ISO 3166-1 3-digit codes. These may be more granular than the classification below but this does not affect the categories in questions 7 – 16. For example, Jersey and Guernsey should be reported under their respective 3-digit codes in question 7, but for brevity have been included under ‘Channel Islands’ below.

This classification will be reviewed every two years. If a firm does business in a jurisdiction not listed, the firm should include that business under the region it considers most appropriate.

**Classification of jurisdictions by geographical area for the purposes of the Annual Financial Crime Report**

<b>Europe</b>	
Åland Islands	Lithuania
Albania	Luxembourg
Andorra	Malta
Austria	Moldova
Belarus	Monaco
Belgium	Montenegro
Bosnia and Herzegovina	Netherlands
Bulgaria	Norway
Channel Islands	Poland
Croatia	Portugal
Cyprus	Romania
Czech Republic	Russia
Denmark	San Marino
Estonia	Serbia
Faroe Islands	Slovakia
Finland	Slovenia
France	Spain
FYR Macedonia	Svalbard and Jan Mayen islands
Germany	Sweden
Gibraltar	Switzerland
Greece	Turkey
Greenland	Ukraine
Hungary	United Kingdom

<b>Europe</b>	
Iceland	Holy See (Vatican)
Ireland	
Isle of Man	
Italy	
Latvia	
Liechtenstein	
<b>Middle East &amp; Africa</b>	
Algeria	Morocco
Angola	Mozambique
Bahrain	Namibia
Benin	Niger
Botswana	Nigeria
Burkina Faso	Oman
Burundi	Palestine
Cameroon	Qatar
Cape Verde	Reunion
Central African Republic	Rwanda
Chad	Saint Helena, Ascension and Tristan da Cunha
Comoros	Sao Tome and Principe
Congo	Kingdom of Saudi Arabia
Democratic Republic of Congo	Senegal
Cote d'Ivoire	Seychelles
Djibouti	Sierra Leone
Egypt	Somalia
Equatorial Guinea	South Africa
Eritrea	South Sudan
Ethiopia	Sudan
Gabon	Swaziland
The Gambia	Syria

<b>Middle East &amp; Africa</b>	
Ghana	Tanzania
Guinea	Togo
Guinea-Bissau	Tunisia
Iran	Uganda
Iraq	United Arab Emirates
Israel	Western Sahara
Jordan	Yemen
Kenya	Zambia
Kuwait	Zimbabwe
Lebanon	
Lesotho	
Liberia	
Libya	
Madagascar	
Malawi	
Mali	
Mauritania	
Mauritius	
Mayotte	
<b>North America</b>	
Bermuda	Saint Pierre and Miquelon
Canada	United States
Mexico	
<b>Central America &amp; Caribbean</b>	
Anguilla	Honduras
Antigua and Barbuda	Jamaica
Aruba	Martinique
Bahamas	Montserrat
Barbados	Nicaragua
Bonaire, Sint Eustatius and Saba	Panama

<b>Central America &amp; Caribbean</b>	
Belize	Puerto Rico
British Virgin Islands	Saint Barthelemy
Cayman Islands	Saint Kitts and Nevis
Costa Rica	Saint Lucia
Cuba	Saint Martin (French)
Curacao	Saint Vincent and the Grenadines
Dominica	Sint Maarten (Dutch)
Dominican Republic	Trinidad and Tobago
El Salvador	Turks and Caicos Islands
Grenada	US Virgin Islands
Guadeloupe	
Guatemala	
Haiti	
<b>South America</b>	
Argentina	Guyana
Bolivia	Paraguay
Brazil	Peru
Chile	Suriname
Colombia	Uruguay
Ecuador	Venezuela
Falkland Islands	
French Guiana	
<b>Asia</b>	
Afghanistan	Philippines
Armenia	Singapore
Azerbaijan	Sri Lanka
Bangladesh	Taiwan
Bhutan	Tajikistan
Brunei Darussalam	Thailand
Cambodia	Timor-Leste

<b>Asia</b>	
PR China	Turkmenistan
Democratic People's Republic of Korea	Uzbekistan
Georgia	Vietnam
Hong Kong	
India	
Indonesia	
Japan	
Kazakhstan	
Republic of Korea	
Kyrgyzstan	
Laos	
Macao	
Malaysia	
Maldives	
Mongolia	
Myanmar	
Nepal	
Pakistan	
<b>Oceania</b>	
American Samoa	Northern Mariana Islands
Australia	Palau
Cook Islands	Papua New Guinea
Fiji	Pitcairn
French Polynesia	Samoa
Guam	Solomon Islands
Kiribati	Tokelau
Marshall Islands	Tonga
Federated States of Micronesia	Tuvalu
Nauru	Vanuatu
New Caledonia	Wallis and Futuna Islands

<b>Oceania</b>	
New Zealand	
Niue	
Norfolk Island	

