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Annual Financial Crime Report

Of particular interest to: all firms

In brief

The FCA has issued a consultation paper proposing changes to the financial crime reporting regime. One consequence of the changes will be an **extension of the scope** of the reporting obligation, capturing firms that are currently exempt from reporting.

Summary

SUP 16.23 places a requirement on certain firms to submit an annual financial crime report (**REP-CRIM**).

Some firms are subject to this reporting based upon firm type e.g. a UK bank or a building society. Other firms fall within the scope of reporting based upon (a) its activities **and** (b) the firm reporting total revenue of £5m or more at its last accounting reference date. By way of example, a firm that is 'managing investments' is subject to REP-CRIM reporting – **but** only if it reaches or exceeds the £5m threshold.

Consultation paper **CP20/17** proposes an **extension** to the scope of firms subject to such reporting, the rationale being that this will capture firms that undertake regulated activities that the FCA considers potentially pose a higher money laundering risk.

According to the consultation paper "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”.

Note that whilst most of the activities that give rise to the reporting obligation e.g. ‘managing an AIF’, ‘managing investments’ etc. **no longer have any minimum revenue threshold** associated with them, there are some **exceptions** e.g.:

- advising on investments
- arranging (bringing about deals) in investments

There is no minimum revenue threshold associated with either of these two activities **if** the firm is **also** subject to client money/asset provisions in the Handbook (specifically CASS 5, CASS 6 or CASS 7).

On the other hand, if a firm is **not** subject to the above CASS provisions then the **£5m threshold** for these activities **remains**.

In contrast, the following two activities are **removed** from the REP-CRIM obligation (but bearing in mind that other activities by a firm may still mean that it is subject to REP-CRIM reporting):

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

Annex IV of CP20/17 provides a useful summary of the REP-CRIM reporting obligation that will arise as a result of implementation of the changes, both by type of firm and by regulated activity (including those activities where the £5m threshold remains).

The proposed changes to SUP 16 can be found in Appendix I of CP20/17.

For the avoidance of doubt, firms that are currently subject to REP-CRIM reporting will remain unaffected by the proposed changes and should continue to make such reports.

The FCA invites comments of the proposals by **23 November 2020** with a view to issuing the final rules by Q1 2021.

Useful Links

[CP20/17](#)

[REP-CRIM specimen](#)

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