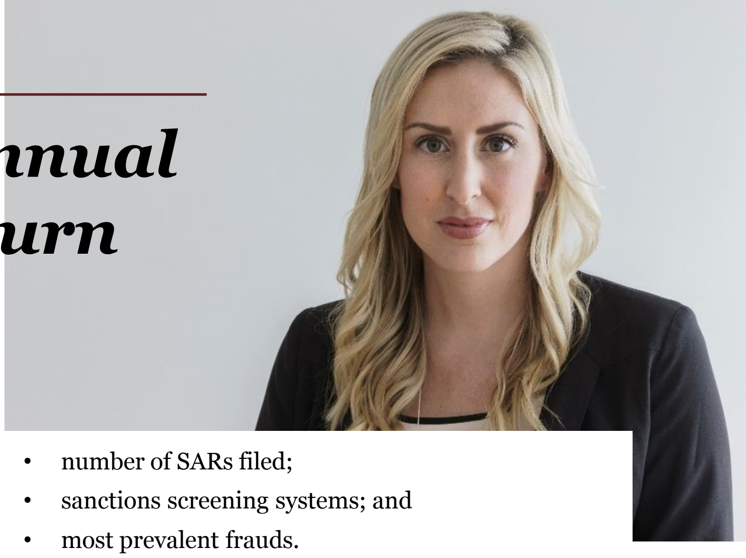
# *REP-CRIM: New annual financial crime return*



## New annual financial crime return (At a glance)

In July 2016, FCA published the rules and guidance for its proposed introduction of an annual financial crime return (REP-CRIM), intended to replace ad-hoc data collection of financial crime risks with risk-sensitive, targeted supervision.

## When does a REP-CRIM need to be submitted?

The reporting obligations takes effect from **31 December 2016**, and will require affected firms to submit a REP-CRIM annually within a submission period of 60 business days from its **Accounting Reference Date ('ARD').**

## What will have to be reported on the REP-CRIM?

The return consists of 35 questions designed to compile data on potential risk areas of financial crime such as:

- PEPs;
- high risk jurisdictions and customers;
- number of SARs filed;
- sanctions screening systems; and
- most prevalent frauds.

## Who will have to submit a REP-CRIM?

All firms that are subject to the Money Laundering Regulations 2007 will be required to submit except credit unions, P2P platform operators, authorised professional firms, firms with limited permissions and other firms with reported total revenue of less than £5 million as at its last ARD. Banks, building societies, mortgage lenders or mortgage administrators, or firms offering life and annuity insurance products are not exempt.

## How will the REP-CRIM be submitted?

The return must be submitted online using the FCA's Gabriel system.

## What is its impact on firms?

- **Increased focus on information management:** Firms will need to ensure accurate and complete capture and collation of the required data quickly in the format requested in the REP-CRIM. This will be a test for firms on their information readiness level.
- **Comparison of the data with peers and risk rating:** FCA intends to compare the data gathered through the return to accurately risk rate the firms and target specialist resources on firms which pose a higher financial crime risk.
- **Supervisory and enforcement consequences:** There may be supervisory and enforcement consequences based on the answers provided in the return.
- **Overhaul of systems and controls:** The return includes questions which provide an indication of the firms internal systems and controls in place to address financial crime issues. The negative response to them may invite regulator's attention.
- **Risk profiling:** The return contains questions which provide an indication on the financial crime risks that the firm is exposed to and steps taken to tackle such risks.
- **Gap remediation:** Firms will need to quickly identify gaps in their data collection system and remedy them in time prior to its first reporting date.

## Key challenges for firms

- **Data readiness** is one of the prime concerns for firms as the data sought in the return requires a lot of information around firm's customers, compliance and sanctions related efforts.
- This data needs to be collated within 2016 to meet the first reporting deadline. Firms will need to be confident that their data is accurate and complete.
- Firms need to have comfort on the **accuracy** of the data collated for the return purposes and any data gaps identified, shall have to be remediated. Firms are **reliant** upon many sources for the accurate aggregation, analysis and interpretation of the data. Often they are dependent upon external providers or utilities for the due diligence, SARs and anti-money laundering related data.
- Firms need to have comfort on the **systems** they use to produce, aggregate and analyse the data required for the return (this will include systems used for risk assessment, sanctions screening, transaction monitoring and fraud).
- **Uncertainty** on the purpose, use and impact of the information sought in the return by the regulator.

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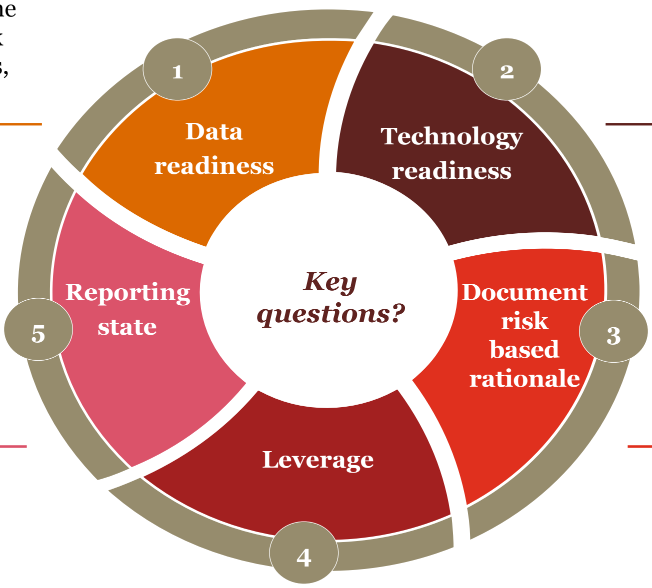
# Are you prepared?

1. Do you have the **information readily available** on key aspects of the return such as PEPs, High risk jurisdictions/customers, SARs, restraint orders etc.?

2. Are you comfortable with the **data** and **systems** you use for production, collation and analysis?




5. How will you respond if the information asked is **not available or not in reporting state?**

3. Have you a **documented risk based rationale** for your approach?

4. How will you **leverage** the existing internal or external **reporting obligations**?

# How can PwC help?

PwC is able to offer a multi-disciplinary team that draws on subject matter experts on financial crime issues, regulatory compliance, data analytics and financial technologies.

## Impact assessment

- Analyse how your business might be impacted due to financial crime reporting regulations on account of:
  - possible comparison of the data with peers and risk rating;
  - supervisory and enforcement consequences of the information/data sought in the return; and
  - increased focus of the regulator on information management.

## Technology readiness assessment

- Gather understanding on the firm's key financial crime data, systems and controls.
- Independently assess the readiness level of critical systems (such as sanctions screening systems) by conducting testing of their operating effectiveness.
- Leverage from the variety of tools, models and systems available to support the requirement from a technology perspective.

## Data gap analysis

- Evaluate the data available in light of the data requirements of the return and perform Data Analytics on data collected to:
  - check the accuracy and relevance of the data available; and
  - validate the data and assess its completeness.
- Identify the data gaps and conduct gap analysis in light of existing controls and discuss with you such discrepancies.

## Ongoing assistance

- Assist in preparing and submitting the return to the regulator per the timeline.
- Identifying gaps or opportunities for improvement in anti-financial crime policies, procedures and processes specifically in relation to the information sought in the return.
- Assist in implementing the remediation action plan for gaps or deficiencies in the control environment.

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