A pocket guide to:

Financial Crime Management Information

To find out how FCR Compliance can help you with your Financial Crime Management Information please contact
Steve@FCRcompliance.com

FCR Compliance

What is Financial Crime Management Information?

Financial Crime Management Information **(MI)** should provide senior management with sufficient information to understand the financial crime risks exposure. This helps effectively manage risk and adherence to the firm's stated risk appetite.

Remember, as with all controls, just reporting MI is not enough. **If the MI is not used, it serves no purpose.**

What does the FCA expect to see?

The FCA expects that a firm will produce (and use) MI to help identify, measure, manage and control risks of regulatory concern. The three factors it refers to when considering what and how to report MI are:

- relevance;
- reliability; and
- timeliness of that information.

As is frequently the case with regulation, the requirements set out by the FCA are high-level. It states it is the **responsibility of the firm** to decide what information is required, when, and for whom in order comply with its regulatory obligations.

Remember:

FCA guidance given on the level of detail and extent of information required is high-level.

Stating that the **MI you choose to report** depends on the nature, scale and complexity of **your** business.

What does this mean in practice?

Your MI should be linked to:

- **your firm's risks** - as identified via your risk assessments and documented risk appetite; and
- **broader risks** - as identified by external sources such as:
    - FCA warning notices
    - Dear CEO letters
    - thematic reviews
    - NCA publications
    - RUSI papers.

Remember:

MI reporting must be **proportionate** to the size and complexity of your firm's business.

Effective Financial Crime MI Dashboards

The value in creating an effective Financial Crime MI dashboard goes beyond supporting good governance and oversight.

It speaks to key elements of your programme, for example:

1. Data Quality
2. Early warning systems
3. Demonstrating effectiveness

Effective MI Dashboards: 1. Data quality

Identifying what information you want to report is very different to identifying what information is available.

The process of creating a dashboard has an additional value of assessing your data quality, such as identifying data availability and accuracy.

Where the process identifies gaps in data quality you can assess how this needs addressing. For example, is the issue driven by system limitations or manual input errors?

Effective MI Dashboards: 2. Early warning systems

An effective dashboard should serve as an early warning system through tracking risk.

For example, if your customer risk distribution does not look as you would expect, i.e. you have far fewer high-risk customers than you thought, this could be an indication that your client risk assessment tool is not working effectively.

It is equally important to consider what the regulator will expect you to report, as well as what you want to report.

Effective MI Dashboards: 3. Demonstrating effectiveness

Effective MI reporting is a means to demonstrate the effectiveness of your financial crime compliance programme.

It details the risks that you have identified **and** how you monitor them.

This demonstrates to the regulator that you are effectively managing your risks whilst adhering to your firm's own risk appetite.

What should Financial Crime related MI look like?

Your dashboard can be in any format that works for your firm, but you **must** be able to identify key risks and themes, and be able to distil it into a meaningful report.

In our experience, an MI dashboard works best to fulfil this, and this might be as simple as an Excel spreadsheet. It should clearly list what the risk is, the type of risk (key risk indicator or key performance indicator), and what the risk measure and/or control is.

MI Dashboard example

Dashboard MI should include relevant information about individual business relationships, for example:

- the number and nature of business relationships, in particular those that are high risk
- the number and nature of business relationships that were terminated due to financial crime concerns
- the number of transaction monitoring alerts
- the number of manual CRA adjustments
- details of any true sanction hits
- information about suspicious activity reports considered or submitted
- customer due diligence information, such as the number of PEPs, changes in population risk distribution etc
- file quality assessment

MI Dashboard example

The above information should be defined in terms of risk, for example is it a key risk indicator (KRI) or a key performance indicator (KPI), and have a defined means by which these are measured.

For example, when reporting PEP MI, the measures could be:

- Total PEP population
- % of total population are PEPs
- Total PEPs at start of reporting period

Key Considerations when creating your dashboard

1. MI should help you effectively manage risk and adhere to your firm's own risk appetite
2. MI reporting should be proportionate, both in terms of what is reported and the frequency of reporting
3. If you can't get data, you need ask why
4. MI must be meaningful and used as part of your holistic control environment

Steve Lockwood

Steve is one of FCR Compliance's founders. He has been a financial crime specialist for over 20 years.

Steve started his career in law enforcement investigating organized crime money laundering, he moved to the UK Financial Conduct Authority (FCA) as an investigator in Enforcement and then as a specialist supervisor in the Financial Crime Supervision team. Here he conducted reviews of regulated firms' financial crime compliance programs.

Since 2017 Steve has been helping clients to assess, develop and remediate their Financial Crime compliance programs.

In 2023 Steve was appointed to the International Compliance Association (ICA) panel of external experts.

FCR Compliance