



Client Money and Asset Return (CMAR) Best Practice Guide

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About TISA

The Investing and Saving Alliance (TISA) is a unique, rapidly growing membership organisation for UK financial services.

Our ambition is to improve the financial wellbeing of all UK consumers. We do this by focusing the convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry**. We have **over 200-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings, Investment & Pensions**. This reflects TISA's commitment to open standards and independent governance.



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Introduction

This Best Practice Guidance documentation was originally provided following the implementation of the CMAR. This updated guide supersedes the previous version and provides additional guidance and best practice notes where the FCA guidance provided in SUP 16 Annex 29A is not prescriptive.

The TISA CMAR Best Practice Group, consisting of representatives from a wide range of firm types, has produced this updated Guide. Each section was written by one or more members of the group and reviewed by all members of the group, to provide a balanced view of each key area of the CMAR requirements. TISA representatives and members of the CMAR Best Practice Group have also discussed certain matters with the FCA and clarifications and outcomes of these discussions have informed some of the best practice included in this guide. It is indicated within the guide where the FCA have given clear clarification on any points raised.

Please remember that the information contained within these statements is for informational purposes only and is not intended as a substitute for the need of each firm to understand its own CMAR requirements and determine its own procedures that are relevant to its business. The information contained is for general guidance only, is not exhaustive and may change from time to time.



Best Practice Guide

Section 1 Firm information
1 - Name of CASS audit firm
<p>FCA Guidance A firm should report the name of the auditor that provides its client assets report (see SUP 3.10). It is not possible for the CMAR to list all auditors in this data field. However, certain auditors are named for convenience, and the FCA does not in any way recommend or endorse the auditors that are named. A firm should select 'Other' and complete data field 2 if its auditor is not named.</p>
<p>Best Practice No further guidance required.</p>
2 - Name of CASS audit firm (if 'Other' was selected above)
<p>FCA Guidance If a firm selects 'Other' in (1), it should enter the name of the auditor that provides its client assets report (see SUP 3.10).</p>
<p>Best Practice No further guidance required.</p>
3 - Did the <i>firm</i> hold <i>client money</i> during the reporting period?
<p>FCA Guidance A firm should state "Yes" or "No". A firm should not take into account client money in respect of which it merely had a mandate in accordance with CASS 8 during the reporting period, or client money that it held in accordance with CASS 5 during the reporting period.</p>
<p>Best Practice No further guidance required.</p>
4 - Did the <i>firm</i> hold <i>safe custody assets</i> during the reporting period?
<p>FCA Guidance A firm should state "Yes" or "No". A firm should state "Yes" if, during the reporting period: (a) it held financial instruments belonging to a client in the course of its MiFID business; or (b) it was safeguarding and administering investments in the course of its business that is not MiFID business. A firm should not take into account safe custody assets in respect of which it was merely arranging safeguarding and administration of assets in accordance with CASS 6 during the reporting period.</p>
<p>Best Practice No further guidance required.</p>
5 - Was the <i>firm</i> subject to the <i>CFTC's Part 30 exemption order</i> during the reporting period?
<p>FCA Guidance A firm should state "Yes" or "No". Handbook provisions dealing with the CFTC's Part 30 exemption order are set out in CASS 12.</p>



<p>Best Practice No further guidance required.</p>
<p>6 - Did the <i>firm</i> operate the alternative approach during the reporting period (see CASS 7.13.54G to CASS 7.13.69G)?</p>
<p>FCA Guidance A firm should state “Yes” or “No”. Handbook provisions dealing with the alternative approach to client money segregation are set out in CASS 7.14.54G to CASS 7.14.69G.</p>
<p>Best Practice This question can raise issues for firms who operate both the Alternative Approach and Normal Approach. If any business at all is under Alternative Approach, then the answer to this question should be ‘Yes’.</p>
<p>7 - Has the firm received the auditor assurances required for its use of the alternative approach and provided these to the FCA?</p>
<p>FCA Guidance A firm should state “Yes” or “No”. Pursuant to CASS 7.13.58R before adopting the alternative approach, a firm must first send a written report to the FCA prepared by an independent auditor of the firm in line with a reasonable assurance engagement, stating the matters set out in CASS 7.13.58R(2).</p>
<p>Best Practice No further guidance required.</p>
<p>8A - Type of business activity</p>
<p>FCA Guidance A firm should identify in this data field the investment activities or services in the course of which it holds client money or safe custody assets belonging to a client and may do so using its own description of the activity or service in question. In completing this data field a firm should use a separate row to distinguish between each type of business activity or service to which CASS 6 or CASS 7 applies, in a way that the firm considers reasonably appropriate. The rows do not necessarily need to distinguish between regulated activities or client categories, and could for example reflect the distinctions between business lines that a firm makes in its internal management reporting or published accounts, or the different business units within the firm. Where possible a firm should also identify, as a separate single business activity, any allocated but unclaimed client money or safe custody assets held by the firm which the firm continues to treat as such. This would include, for example, client money balances or safe custody assets held in respect of clients whom the firm is no longer able to contact. The firm should only use one row in this data field for this purpose (so the amounts stated in that row would reflect the aggregate of allocated but unclaimed client money or safe custody assets across all its relevant business activities or services).</p>



Best Practice

It is the firm's decision as to how it separates and categorises the different types of business it undertakes but it should document the approach within its policy and procedures.

The FCA expect a firm to have a documented policy defining the treatment of allocated but unclaimed client money and custody assets. There will be differences from firm to firm in how they establish if a balance should be treated as such. Firms may for example consider a client money balance to be unclaimed if an unpresented cheque is over 6 months old.

Below are a few examples of when a balance should be defined in the CMAR as allocated but unclaimed client money.

- Where post to the client's last known address has been returned 'Gone Away';
- Where electronic payments have been returned by the payee's bank *and* follow-up has not been successful in paying the client or obtaining valid payment details within 28 days;
- Where a series of cheque payments above a reasonable de minimis figure have remained unpresented for a substantial period of time;

8B - Number of *clients*

FCA Guidance

In relation to each of the investment activities or services identified, a firm should report in this data field the number of clients for whom it holds client money or safe custody assets in respect of the activity or service in question.

If a firm holds client money or safe custody assets in respect of more than one activity or service for the same client, the firm should include this client in the number reported for each activity or service as appropriate. This means that the same client may be reported for more than one activity or service in this data field.

Best Practice

If a client holds both cash and assets, they should only be counted as 1 client. This would be at the type of business activity level. It is possible to have a client across two or more type of business activity level, when this happens the expectation is the client would be counted in each different activity level.

If a client has multiple entries in a client money account, they should only be included once, therefore reasonable efforts should be made to deduplicate within a business activity level. Deduplicating can be a manual process, and the FCA has recognised this. What is key is ensuring that the method for calculating the client count is consistently followed month-on-month. Therefore, a firm should have a clearly documented methodology for preparing the client count with explanations of when this is not possible

8C - Balance of *client money*

FCA Guidance

In relation to each of the investment activities or services identified, a firm should report in this data field the total amount of client money that it held belonging to clients in respect of the activity or service in question.

A firm should report client money balances on the basis of balances used in the internal client money reconciliation that the firm carried out on the first business day following the reporting period in question.



<p>Paragraph 8A describes how allocated but unclaimed client money should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed safe custody assets). The balance shown in that row may also include any balance that is included in data field 17.</p>
<p>Best Practice Client money balances should be taken from internal records (i.e. internal reconciliations). This therefore means that (other than where specified), a firm is free to report client money balances on the basis of either its client money resource or requirement.</p> <p>A firm should document its approach and be consistent in its method of reporting month on month.</p>
<p>8D - Value of <i>safe custody assets</i> as at reporting period end date</p>
<p>FCA Guidance In relation to each of the investment activities or services identified, a firm should report in this data field the total value of safe custody assets that it holds belonging to clients in respect of the activity or service in question, as at the last business day of the reporting period.</p> <p>Paragraph 8A describes how allocated but unclaimed safe custody assets should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed client money).</p>
<p>Best Practice Although Client Money balances are sourced from the reconciliation, custody asset valuation is not required as part of custody asset reconciliation.</p> <p>The FCA does not specify a methodology for valuing safe custody assets. Where assets are in listed or publicly traded investments then it is recommended that it be the market price of the assets as at period end. Where assets are not readily tradeable, or difficult to value, then the firm should consider an appropriate measure reflecting the asset in question.</p> <p>Firms should document their policy for valuing assets, e.g., is the asset included on traded date or settlement date. The key purpose of the CMAR is to have consistent data reported month on month, therefore key to define policy.</p> <p>It is key that whatever method is decided upon that it be documented and consistently applied. The CMAR is one of the methods used by the FCA to oversee firms on an ongoing basis and a large movement in safe custody assets reported as being held by the firm may rightly result in proactive engagement from the regulator to query.</p> <p>Best practice would be to use the same valuation basis as is reported to the clients.</p>
<p>Section 2 Balances</p>
<p>9 - Highest <i>client money</i> balance held during the reporting period</p>
<p>A firm should report the highest total amount of client money that it held at any point during the reporting period.</p> <p>Best Practice The highest daily balance should be reported using the same approach as for the answer in Q8.</p> <p>The balance should be based on internal reconciliation value, and firms should use a consistent approach for arriving at this figure.</p>



10 - Lowest <i>client money</i> balance held during the reporting period
<p>FCA Guidance A firm should report the lowest total amount of client money that it held at any point during the reporting period.</p> <p>Best Practice The lowest daily balance should be reported using the same approach as for the answer in Q8.</p> <p>The balance should be based on internal reconciliation value, and firms should use a consistent approach for arriving at this figure.</p>
11 - Highest value of <i>safe custody assets</i> held during the reporting period
<p>FCA Guidance A firm should report the highest total value of safe custody assets that it held at any point during the reporting period.</p> <p>Best Practice It is anticipated that method used for Q8D will be applied on a daily basis and the highest value recorded during the month input here. This is to help the FCA assess any fluctuations.</p>
12 - Lowest value of <i>safe custody assets</i> held during the reporting period
<p>FCA Guidance A firm should report the lowest total value of safe custody assets that it held at any point during the reporting period.</p> <p>Best Practice It is anticipated that method used for Q8D will be applied on a daily basis and the highest value recorded during the month input here. This is to help the FCA assess any fluctuations.</p> <p>Additional FCA Guidance In relation to data fields 9 to 12, a firm should ensure that it includes in the amount or value reported any client money or safe custody assets that it is holding or in respect of which it is safeguarding and administering investments, which has or have been placed with a third party custodian, either by a custodian with which that firm has deposited that money or those assets, or by that firm if it is a custodian.</p> <p>In relation to data fields 9 to 12, a firm should determine the lowest and highest figures by reference to the data that it has recorded in the internal records and accounts the firm holds that relate to the reporting period in question.</p>
Section 3 Segregation of client money
13A - Type



<p>FCA Guidance</p> <p>A firm should identify the types of institution with which it has placed client money. CASS 7.13.3R identifies the type of institution with which a firm must promptly place into one or more accounts client money that it receives. CASS 7.14.2R identifies the circumstances in which a firm may allow another person, such as an exchange, a clearing house, an intermediate broker or an OTC counterparty, to hold or control client money.</p> <p>For each institution with which it has placed client money, the firm should identify in this data field whether the client money was:</p> <p>(a) deposited with a CRD credit institution; (b) placed with a clearing house; (c) placed with an exchange; (d) placed with an intermediate broker; (e) placed in a qualifying money market fund; (f) deposited with a bank authorised in a third country; and (g) deposited with a central bank.</p> <p>In relation to any client money a firm has placed with an OTC counterparty and/or any other person, the firm should selection option (d).</p>
<p>Best Practice</p> <p>For the majority of firms this is the Banks.</p> <p>Normally “CRD Credit Institution” will be selected if relates to a UK regulated Bank.</p>
<p>13B - Institution where <i>client money</i> held</p>
<p>FCA Guidance</p> <p>A firm should report the full name and firm reference number (if applicable) of the individual legal entity with which it has placed client money.</p>
<p>Best Practice</p> <p>The name of the bank and its FCA firms reference number (FRN) should be included. A link to the FCA register is noted below. Care should be taken to ensure that the bank which the firm has the contractual relationship with is recorded e.g. where there is more than one bank in a Group, ensure that the correct entity is recorded.</p> <p>https://register.fca.org.uk/s/</p>
<p>13C - <i>Client money</i> balances</p>
<p>FCA Guidance</p> <p>A firm should report the total amount of client money which it has placed with each institution identified in 13B.</p> <p>A firm should report client money balances on the basis of balances used in the internal client money reconciliation that the firm carried out on the first business day following the reporting period in question.</p> <p>A firm should include in the client money balance the aggregate balance of any allocated but unclaimed client money which the firm continues to treat as such. For example, client money balances held in respect of clients whom the firm is no longer able to contact.</p> <p>The balance shown in that row may also include any balance that is included in data field 17.</p>



If SUP 16.14.7R applies to a firm: it should use a separate row to report:

- the total balance of client money held at that institution which the firm is able to withdraw within a period of up to 30 days;
- the total balance of client money held at that institution which the firm is unable to withdraw for a period of 31 to 60 days (using the marker “[Bank Name] unbreakable 31-60” in data field 13B); and
- the total balance of client money held at that institution which the firm is unable to withdraw for a period of 61 to 95 days (using the marker “[Bank Name] unbreakable 61-95” in data field 13B);

the firm does not need to report a nil balance row if there is no client money held at that institution that falls within a particular category above; and if the firm has given notice for a withdrawal from a client bank account under CASS 7.13.13R(3A), it should take account of the amount and date of that withdrawal when completing this data field.

Table 13C shows an example of how a firm that was using client bank accounts under CASS 7.13.13R(3A)(b) at the end of the reporting period should complete data field 13. In this example:

- the first row shows the firm to hold £230,000 of client money at Bank A Ltd that, at the end of the reporting period, the firm is able to withdraw within a period of up to 30 days;
- the second row shows the firm to hold £60,000 of client money at Bank A Ltd that, at the end of the reporting period, the firm is unable to withdraw for a period of 31 to 60 days;
- the third row shows the firm to hold £11,000 of client money at Bank A Ltd that, at the end of the reporting period, the firm is unable to withdraw for a period of 61 to 95 days; and
- the fourth row shows the firm to hold £50,000 of client money at Bank B Ltd that, at the end of the reporting period, the firm is unable to withdraw for a period of 61 to 95 days.

Depending on circumstances at the end of the reporting period, the total client money balance reported in each row could reflect the individual balances held in a range of client bank accounts and the periods for withdrawal for all or part of those individual balances.

For example, the reported £230,000 in the first row of Table 13C could be made up of £200,000 in an instant access account, £20,000 in a fixed term deposit of 95 days (for which 10 days remain before client money can be withdrawn) and £10,000 in a notice account (for which 20 days remain before client money can be withdrawn).

There may also be additional amounts in the notice account for which mandatory notice of over 30 days has not yet been given; these would be included in the balance reported in the second or third row, depending on the mandatory period of notice.

Table 13C

A	B	C	D	E
Type	Institution	Client money balances (£k)	Country of incorporation of the institution	Is this a group entity?
CRD Credit Institution	Bank A Ltd	230	GB	No
CRD Credit Institution	Bank A Ltd unbreakable 31- 60	60	GB	No



CRD Credit Institution	Bank A Ltd unbreakable 61- 95	11	GB	No
CRD Credit Institution	Bank B Ltd unbreakable 61- 95	50	GB	No

Best Practice

The Internal client money reconciliation (either resource or requirement) should be used and include unallocated and unclaimed figures. The total in this field should equal what is reported in Question 8.

Client money balances should be taken from internal records (i.e. internal reconciliations). This therefore means that (other than where specified), a firm is free to report client money balances on the basis of either its client money resource or requirement.

A firm should document its approach and be consistent in its method of reporting month on month.

Where money is held in fixed term deposits or unbreakable term deposits firms should ensure they assess these balances at the end of each month to ensure they are shown in the correct time period categorisation. i.e. how many days exist at the CMAR reporting date before the money becomes available to the firm.

13D - Country of incorporation of the institution

FCA Guidance

A firm should report the name of the country in which each institution with which it places client money is incorporated using the appropriate two letter ISO code.

Best Practice

Pay specific attention to foreign banks with permissions to operate within the UK to ensure correct country of incorporation is identified.

13E - Group entity

FCA Guidance

A firm should indicate in this data field whether each institution with which it has placed client money is or is not a relevant group entity within the meaning of CASS 7.13.21R. A firm should note that the definition in CASS 7.13.21R is specific to CASS and the entities which comprise it may not be the same as those which comprise the firm's group.

Best Practice

The purpose of this is to enable the FCA to monitor the amount held with a group entity to ensure no breach of the 20% rule highlighted in the rules below.

CASS 7.13.20R

Notwithstanding the requirement at CASS 7.13.22 R a firm must limit the funds that it deposits or holds with a relevant group entity or combination of such entities so that the value of those funds do not at any point in time exceed 20 per cent of the total of all the client money held by the firm under CASS 7.13.3R.

CASS 7.13.21R

For the purpose of CASS 7.13.20 R an entity is a relevant group entity if it is:

(1)

(a) a CRD credit institution; or

(b) a bank authorised in a third country; or



- (c) a qualifying money market fund; or
 (d) the entity operating or managing the qualifying money market fund; and
 (2) a member of the same group as that firm.

Section 4 Client money requirement and resource

14 - Client money requirement

FCA Guidance

In relation to a firm that follows one of the standard methods of internal client money reconciliation, that firm should report its client money requirement, calculated in accordance with CASS 7.16.10R. A firm should report its client money requirement on the basis of the internal client money reconciliation that the firm carried out on the first business day following the reporting period in question. A firm should include in the client money requirement the aggregate balance of any allocated but unclaimed client money which the firm continues to treat as such. For example, client money balances held in respect of clients whom the firm is no longer able to contact. The balance reported for the client money requirement should be inclusive of the balances that a firm is also reporting for data fields 15-18.

Best Practice

Ensure that the Answer to question 3 is Yes before populating this section.

The reported Client Money Requirement should be taken from the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported. If a firm has multiple internal reconciliations, then this is the aggregated figure of all these reconciliations.

15 - Unallocated to individual *clients* but identified as *client money*

FCA Guidance

A firm should report the amount of client money that it holds that it has recorded in its internal records and accounts as “unallocated client money” in accordance with CASS 7.13.36R(2). A firm should not include balances for this data field that it is reporting in data field 16.

Best Practice

The value recorded should be based on the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.

Examples of what may be included:

- Dividends/distributions received but not yet allocated to clients.
- Money received from a Custodian without an instruction/breakdown to allow for allocation.
- Corporate Actions.
- Cash deposited into account but is as yet unmatched.
- Residual amounts, such as ‘Roundings’, which cannot be allocated to individual clients.

16 - Unidentified receipts segregated as *client money* in *client bank accounts*



<p>FCA Guidance</p> <p>A firm should report the amount of client money that it has recorded in its internal records and accounts as “unallocated client money” in accordance with CASS 7.13.36R (2). A firm should not include balances for this data field that it is reporting in data field 15.</p>
<p>Best Practice</p> <p>The value recorded should be based on the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.</p> <p>Unidentified receipts are money received into a client bank account that the firm is unable to immediately identify as client money, or as its own money in line with CASS 7.13.37R. This is money which has not been allocated to a client. If a client has been identified then it should be included in Q15 above.</p>
<p>17 - Uncleared payments</p>
<p>FCA Guidance</p> <p>A firm should report the amount of client money it holds in respect of uncleared payments to the firm’s clients drawn on a client bank account of the firm. In this data field a firm should therefore include any uncleared cheques and other payable orders of any age, including electronic bank payments, in favour of a client but which have not been paid by the bank.</p>
<p>Best Practice</p> <p>The value recorded should be based on the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.</p> <p>CASS 7.15.11R notes the requirement for firms to maintain internal records of their continued client money obligation, until such time as it paid from the client money account. This is most commonly associated with cheques and BACS payments. Until such time as client money cheques are banked by clients/are presented to the bank, or in respect of BACS payments, are processed out of the account, the client money remains in the client money account and should form part of the firm’s client money resource and requirement. It is the firm’s internal records of these payments that should be used for this section.</p>
<p>18 – Prudent segregation of client money and the alternative approach mandatory prudent segregation.</p>
<p>FCA Guidance</p> <p>In this data field, a firm should report: (i) the amount of client money that it holds in client bank accounts as a result of the firm’s application of CASS 7.13.41R (Prudent segregation), and (ii) if applicable, the amount of client money that it holds in client bank accounts as a result of the requirement set out in CASS 7.13.65R (mandatory prudent segregation). A firm should not include balances for this data field that it is reporting in data fields 15-17.</p>
<p>Best Practice</p> <p>The value recorded should be based on the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.</p> <p>Any value held in the client money account as Prudent Segregation should form part of the calculated client money requirement and it is this same figure that should be included in this section.</p> <p>TISA’s CASS Best Practice guide provides additional guidance on how to comply with the CASS requirements that apply to the use of Prudent Segregation.</p>



19 - Client money resource
<p>FCA Guidance</p> <p>The value recorded should be based on the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.</p> <p>A firm should report its client money resource on the basis of the client money resource used in the internal client money reconciliation that the firm carried out on the first business day following the reporting period in question (which should be the same internal client money reconciliation used by the firm to report its client money requirement in data field 14).</p> <p>A firm should include in the client money resource the aggregate balance of any allocated but unclaimed money which a firm continues to treat as client money. For example, client money balances held in respect of clients whom the firm is no longer able to contact.</p>
<p>Best Practice</p> <p>The reported Client Money Resource should be taken from the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported.</p> <p>If a firm has multiple internal reconciliations, then this is the aggregated figure of all these reconciliations.</p>
20 - Excess (+)/ shortfall (-) of client money resource against client money requirement
<p>A firm should report in this data field the amount by which its client money resource is greater than its client money requirement (to be reported in the data item as a positive amount), or as the case may be, the amount by which its client money requirement is greater than its client money resource (to be reported in the data item as a negative amount).</p> <p>Where an excess or shortfall does not exist following a firm’s internal client money reconciliation, the firm should report ‘0’ for this data field.</p>
<p>Best Practice</p> <p>The reported excess/shortfall should be taken from the internal reconciliation/s completed on the 1st working day of the month in relation to the last working day of the preceding month being reported. If a firm has multiple internal reconciliations, then this is the aggregated figure of all these reconciliations.</p> <p>This figure should be the difference between Question 14 and 19, and the answer should correspond with the value for Q21. If it doesn’t then further investigation should be undertaken as it suggests:</p> <ul style="list-style-type: none"> • Errors in the underlying reconciliations. • Transcription error when collating from the client money reconciliations into the CMAR. • Known breach where adjustments weren’t undertaken for some reason e.g. banking error.
21 - Adjustments made to withdraw an excess or rectify a shortfall identified as a result of an internal client money reconciliation.
<p>FCA Guidance</p> <p>A firm should report the amount of money that it added to correct a shortfall or, as the case may be, that it withdrew reflecting an excess. In relation to data fields 14 to 21, a firm should report by reference to the results</p>



of its internal client money reconciliation carried out on the first business day following the reporting period in question.

Data fields 15-18 relate to client money balances identified in a firm's internal records and ledgers, for example its cash book or other internal accounting records, that form part of the client money requirement reported in data field 14.

Best Practice

This figure should generally be the same as the figure reported in Question 20. In the event that it does not the firm should consider whether a breach has occurred and whether proactive engagement with the regulator is required prior to submission of the CMAR.

Section 5 Client money reconciliations

22 - Internal client money reconciliation

FCA Guidance

A firm should identify in this data field the frequency with which it performs internal client money reconciliation.

Best Practice

Firms are required to carry out internal client money reconciliations daily (CASS 7.15.15R).

23 - External client money reconciliation

FCA Guidance

A firm should identify in this data field the frequency with which it performs external client money reconciliation.

Best Practice

Firms are generally expected to perform external client money reconciliations daily (CASS 7.15.25G), though they can be performed less frequently where the firm does not undertake transactions on a daily basis.

24 - Client money unresolved items

FCA Guidance

A firm should identify in this data field the number of unresolved client money items and allocate each item to one of the specified time bands according to the length of time for which it has remained unresolved.

For the purposes of this data field, the number of unresolved client money items includes: (a) the number of individual unresolved discrepancies identified as part of a firm's internal client money reconciliations (see CASS 7.15.12R); and (b) the number of individual unresolved discrepancies identified as part of a firm's external client money reconciliations (see CASS 7.15.29R), but not those unresolved discrepancies that have arisen solely as a result of timing differences between the accounting systems of third party providing the statement or confirmation and that of the firm. In both cases, only include those items which have remained unresolved for period of six calendar days or more.

For the purposes of this data field, the number of unresolved items should also include any individual items recorded in a firm's internal records and accounts as "unallocated client money" in accordance with CASS 7.13.36R(2) which have remained unresolved for period of six calendar days or more.

A firm should also report the balances of these individual unreconciled items as appropriate in data fields 15 and 16.



Best Practice

The number of individual discrepancy breaks should be reported.

Un-reconciled items should include unresolved monies that have not yet been allocated. The rules specify that firms have 10 days to allocate and could include items awaiting further information.

When calculating the age of unresolved items, it should also be noted that by 'days' the FCA means 'a period of 24 hours beginning at midnight.', not business/working days.

Section 6 Segregation of safe custody assets

FCA Guidance

In order to complete this section a firm will need to group the safe custody assets it held at the reporting period end date by the method of registration used (25A), the means by which the assets were held (25G) and the name of the institution with which the assets were deposited or registered (25B). Each group of safe custody assets so identified should be reported as a separate row.

When reporting dematerialised safe custody assets a firm holds in a collective investment scheme, a firm has the option to report the holdings in either one of the following ways:

- (1) per fund manager (ie, for every fund manager with whom the firm has holdings registered) it should use a new row to report the relevant holdings; or
- (2) on an aggregate basis by reference to each variance of data fields 25A, 25E and 25F (where relevant, ie for each variance, such as holdings based in different countries and/or different methods of legal title registration) the firm should use a new row. For example, an asset held in one country in the name of a nominee company should be in a different row from an asset held in the same country in the name of a client, and also from an asset held in another country in the name of the same nominee company.

Annex 1 to this guidance sets out an example of reporting under either of these options.

Best Practice

In order to accurately report the information required in this section, a firm must ensure that it fully understands its Custody Rules (CASS 6) arrangements and how they interact with the FCA's CMAR reporting guidance.

It is this section where errors most frequently occur, particularly for firm's that hold a significant value/variety of client assets, requiring a large number of rows to be reported. Reliance should not be placed on the limited data validation built into the report and additional quality checking measures should be introduced, including comparison with previous submissions to identify manual input errors. Any disclosures made that are not independently verified with each submission should also be subject to periodic review. Where the risk of manual error is deemed high, the firm should consider using an XML/XBRL solution.

Firms should note the different presentational requirements that apply to investments in collective investment schemes and those held for other investment types. Where reporting is completed on an aggregate basis it is still recommended that a break-down of all investments (and fund managers) be produced to provide assurance that the total reported value can be accounted for.



25A - How registered

FCA Guidance

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should identify the method of registration it used in accordance with CASS 6.2.3R, by specifying one of the following categories of person in whose name legal title to the safe custody assets were registered during the reporting period:

- (a) the client;
- (b) the firm;
- (c) a third party;
- (d) a nominee company which is controlled by the firm;
- (e) a nominee company which is controlled by an affiliated company;
- (f) a nominee company which is controlled by an investment exchange;
- (g) a nominee company which is controlled by a third party with whom financial instruments are deposited under CASS 6.3 (Depositing assets and arranging for assets to be deposited with third parties).

Firms that registered the legal title to safe custody assets in joint names should select option (a) if one of those names is the client's name. If none of those names are the client's name then the firm should select an option that corresponds to any one of those named persons. In relation to safe custody assets that a firm held in its physical possession and for which the firm did not register legal title (for example bearer notes), the firm should select option (b).

Best Practice

It is recommended that the guidance for this question be read alongside CASS 6.2.3R, which sets out the compliant options for the registration and recording of legal title for assets held under the Custody rules and the conditions that must be met for each.

Registration and recording of legal title

CASS 6.2.3R

Subject to CASS 6.2.3A-1R, a firm must effect appropriate registration or recording of legal title to a safe custody asset belonging to a client in the name of:

- (1) the client, unless the client is an authorised person acting on behalf of its client, in which case it may be registered in the name of the client of that authorised person;
- (2) a nominee company which is controlled by:
 - a. the firm;
 - b. an affiliated company;
 - c. a recognised investment exchange; or
 - d. a third party with whom financial instruments are deposited under CASS 6.3 (Depositing assets and arranging for assets to be deposited with third parties);
- (3) any other third party, if the firm is not a trustee firm but is prevented from registering or recording legal title in the way set out in (1) or (2) and provided that:
 - a. the safe custody asset is subject to the law or market practice of a jurisdiction outside the United Kingdom and the firm has taken reasonable steps to determine that it is in the client's best interests to register or record it in that way, or that it is not feasible to do otherwise, because of the nature of the applicable law or market practice; and
 - b. the firm has notified the client in writing;
- (4) the firm if either:



- a. it is not a trustee firm but is prevented from registering or recording legal title in the way set out in (1), (2) or (3) and provided that:
 - I. the safe custody asset is subject to the law or market practice of a jurisdiction outside the United Kingdom and the firm has taken reasonable steps to determine that it is in the client's best interests to register or record it in that way, or that it is not feasible to do otherwise, because of the nature of the applicable law or market practice; and
 - II. the firm has notified the client if a professional client, or obtained prior written consent if a retail client.
- b. it is a trustee firm and is prevented from registering or recording legal title in the way set out in (1) or (2).

In order to verify the accuracy of reporting, the firm should refer to legal agreements (e.g. custodial and fund management), evidence of registration (e.g. custodial statements) and the assets themselves when held in their physical possession.

25B - Name of institution where safe custody assets held/registered

FCA Guidance

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should report, as relevant, the identity of the third party institution with which it deposited the safe custody assets. In relation to any non-dematerialised safe custody assets which it held in its physical possession, a firm should enter its own name in the data field.

In identifying any third party institution in this data field, a firm should ensure that it specifies the full name or the firm reference number (if applicable) of the individual legal entity with which the safe custody assets were deposited.

In relation to any dematerialised safe custody assets which a firm held as the sole custodian the firm should report the name of the central securities depository with which the safe custody assets were registered, for example Euroclear UK & Ireland, and should select 'other' when completing data field 25G.

In relation to any dematerialised safe custody assets a firm holds in a collective investment scheme, a firm should report, either:

- (a) the name of the fund manager who retains the regulatory responsibility for maintaining the legal register for those safe custody assets, if the firm is reporting by fund manager (for example, in respect of a [UK OEIC, the ACD]); or
- (b) the term "collective investment scheme" if the firm is reporting on an aggregate basis

Best Practice

The institution reported should be the full name of the legal entity which holds the assets and where a third party institution holds the assets, reflect the name of the contractual counterparty recorded in each relevant custody agreement. For third parties, the full name or Firm Reference Number (FRN) should be inputted. The FRN can be found on the [FCA register](#). Where an FRN does not exist, the firm should assure itself that the third party has the required permissions/arrangements to hold these assets on behalf of the firm.



For clarity, the firm is required to report the institution it has deposited the assets with and is not required to report any sub-custodians appointed by that institution. This was confirmed with the FCA by TISA.

25C - Number of lines of stock

FCA Guidance

In relation to each combination of registration and holding method identified in 25A and 25G, a firm should report the total number of lines of stock being safe custody assets that the firm held at the reporting period end date. As a firm is only being asked to enter the total number of lines of stock in relation to each identified institution, it is not expected to identify separately safe custody assets belonging to an individual client.

For the purpose of this data field, a firm should treat each stock which bears its own CUSIP or ISIN number, or any individual collective investment scheme as a separate line of stock.

Best Practice

Where the investment in question does not have an individual CUSIP, ISIN or equivalent reference number, then the firm must define what constitutes a line of stock. For example, properties within a SIPP that fall within the scope of CASS 6 due to the structure of a firm's CASS arrangements can include this as one line of stock. This was previously confirmed with the FCA by TISA.

25D - Value of *safe custody assets* as at reporting period end date

FCA Guidance

As at the reporting period end date, a firm should calculate the total value of the safe custody assets reported on each row and enter that value in the data field.

Best Practice

The FCA does not specify a methodology for valuing safe custody assets. Where assets are in listed or publicly traded investments then it is recommended that it be the market price of the assets as at period end. Where assets are not readily tradeable, or difficult to value, then the firm should consider an appropriate measure reflecting the asset in question. General guidance is to consider what value is attributed to the asset by the firm, considering how this would be reported to the client if requested to do so.

It is key that whatever method is decided upon that it be documented and consistently applied. The CMAR is one of the methods used by the FCA to oversee firm's on an ongoing basis and a large movement in safe custody assets reported as being held by the firm may rightly result in proactive engagement from the regulator to query.

It should be noted that there is validation in this section to confirm that the aggregate value of assets reported in this section equals the value reported in section 2. As with all parts of the CMAR, all values should be reported in thousands (000's).

25E - Country of incorporation of the institution

FCA Guidance

In relation to each institution identified in 25B, a firm should report the name of the country in which that institution is incorporated using the appropriate two letter ISO code.



In relation to dematerialised safe custody assets a firm holds in a collective investment scheme, the firm should report the country of incorporation of the relevant fund manager who has retained regulatory responsibility for registering units in the collective investment scheme. This means that a firm will need to have at least one row per country of incorporation of relevant fund managers regardless of whether the firm is reporting per fund manager or on an aggregate basis.

Best Practice

Reference should be made to question 25B and the requirement to ensure that the contractual counterparty for any custodial or fund management agreements are considered when answering this question. Members have reported errors where they believed they were contracting with a UK entity, when on investigation it was identified that they had actually contracted with an entity incorporated in another jurisdiction.

25F - Group entity

FCA Guidance

A firm should indicate in this data field whether each institution with which it placed safe custody assets is or is not a member of that firm's group. In relation to any dematerialised safe custody assets a firm holds in a collective investment scheme, the firm should treat the [fund manager] of that scheme as the relevant institution.

Best Practice

Where the firm completing the form is also the custodian, the FCA have confirmed that this question should be answered 'Yes'.

25G - How held?

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should identify in this data field how the safe custody assets were held.

	If the safe custody assets were:	Choose the following option from the drop down box in the form:
(a)	held in the firm's physical possession (for example any non-dematerialised assets such as bearer notes);	Firm physical;
(b)	deposited with a third party custodian (this may include any third party that has responsibility to the firm for the safe custody assets, such as a sub-custodian);	3rd party custodian
(c)	deposited with a third party exchange and/or clearing house;	Exchange/Clearing House
(d)	deposited with a third party intermediary; or	Intermediary
(e)	deposited/registered with any other third party (where none of the above options adequately describes how the safe custody assets are held).	Other



In relation to any dematerialised safe custody assets which a firm held as the sole custodian the firm should select “Other” and report the name of the central securities depository with which the safe custody assets were registered, for example Euroclear UK & Ireland, when completing data field 25B. In relation to any dematerialised safe custody assets a firm holds in a collective investment scheme, the firm should select “Other”.

Best Practice

Reference should be made to the disclosures made against 25B to inform the answers in this section.

Section 7 Safe Custody Assets records checks and Reconciliations

26 - Safe custody assets unresolved items

FCA Guidance

A firm should identify in this data field the number of unresolved safe custody assets items and allocate each item to one of the specified time bands according to the length of time for which it has remained unresolved.

For the purposes of this data field, the number of unresolved safe custody assets items refers to the number of individual discrepancies (“eg, custody breaks”) identified as part of a firm’s external custody reconciliation which have remained unresolved for a specific period of time. CASS 6.6.48G provides that a discrepancy should not be considered to be resolved until it is fully investigated and corrected, and any associated shortfall is made good.

In relation to the 30-day field, a firm should report items which have remained unresolved for at least 30 days but no more than 59 days.

In relation to the 60-day field, a firm should report items which have remained unresolved for at least 60 days, but no more than 89 days.

In relation to the 90-day field, a firm should report items which have remained unresolved for at least 90 days.

Best Practice

The number of individual discrepancy breaks should be reported.

TISA previously raised member’s concerns around how reconciliation discrepancies caused by fractional rounding differences should be reported. The FCA confirmed that the firm should document how they treat fractional rounding’s in relation to the CMAR e.g. a fractional unit is not a stock break but is the consequence of aggregation so does not need to be reported as an unresolved item.

When calculating the age of unresolved items, it should also be noted that by ‘days’ the FCA means ‘a period of 24 hours beginning at midnight.’, not business/working days.

27A – Method of custody record check/reconciliation



<p>FCA Guidance</p> <p>In relation to each type of safe custody asset identified in 27C, a firm should report:</p> <p>(a) the method of internal custody records checks that it utilised in respect of that type of asset during the reporting period, by selecting either:</p> <ul style="list-style-type: none"> (i) “internal reconciliation” where it performed its internal custody record checks using the internal custody reconciliation method; or (ii) “internal system evaluation” where it performed its internal custody record checks using the internal system evaluation method. <p>CASS 6.6.10G to 6.6.20G sets out rules and guidance in relation to internal custody records checks, and the available methods;</p> <p>(b) (if applicable) the method of physical asset reconciliation that it utilised in respect of all physical safe custody assets it held during the reporting period, by selecting either:</p> <ul style="list-style-type: none"> (i) “physical reconciliation - total count” where it performed its physical asset reconciliations using the total count method; or (ii) “physical reconciliation - rolling stock” where it performed its physical asset reconciliations under the rolling stock method. <p>CASS 6.6.21G to 6.6.32G set out rules and guidance in relation to physical asset reconciliations, and the available methods; and</p> <p>(c) (if applicable) the method of external custody reconciliation that it utilised in respect of that type of asset during the reporting period, by selecting either:</p> <ul style="list-style-type: none"> (i) “External reconciliation to CREST” where it performed an external custody reconciliation with Euroclear UK & Ireland for safe custody assets held in the CREST system; or (ii) “external reconciliation”, where it performed an external custody reconciliation with any other third party. <p>CASS 6.6.33G to 6.6.43G set out rules and guidance in relation to external custody checks, and the available methods.</p>
<p>Best Practice</p> <p>No additional guidance required.</p>
<p>27B - Frequency</p>
<p>FCA Guidance</p> <p>In relation to each custody record check/reconciliation type identified in 27A, a firm should report the frequency with which it conducted the custody record check/reconciliation for its safe custody assets during the reporting period using that record check/reconciliation.</p>
<p>Best Practice</p> <p>No additional guidance required.</p>
<p>27C - Type of safe custody asset</p>
<p>FCA Guidance</p>



A firm should report the different types of safe custody asset (e.g. shares) that it held and may do so using its own description of an asset type.

Best Practice

No additional guidance required.

8 Record keeping and breaches

28 - Client bank account

FCA Guidance

Client bank account has the same meaning as in the Glossary in the context of CASS 7 and CASS 7A.

28F Explanation of discrepancies

A firm should provide a brief explanation for any difference between the number of client bank accounts reported for 28D and the number of client bank accounts reported in 28E which were covered by a client bank account acknowledgement letter in accordance with CASS 7.18.2R.

Best Practice

Firms can have multiple client money bank accounts covered by a single acknowledgement letter, firms should report that the exact number of accounts and letters and provide an explanation for the difference. (i.e. Client bank account does not yet hold client money and we are still awaiting the acknowledgement letter from the banking counterparty)

For any timing discrepancies identified in the preceding reporting month, the CMAR does not need to be resubmitted, instead explanation of the difference to be provided (i.e. confirmation of acknowledgment letter from banking counterparty was signed during the previous reporting month but only received in the current reporting month)

The individuals completing this section should have direct involvement in the opening and closure of bank accounts.

29 - Client transaction account

FCA Guidance

Client transaction account has the same meaning as in the Glossary.

29F Explanation of discrepancies

A firm should provide a brief explanation where there is a difference between the number of *client transaction accounts* reported for 29D and the number of *client transaction accounts* reported in 29E which were covered by a *client transaction account acknowledgement letter* and/or *authorised central counterparty acknowledgment letter* in accordance with CASS 7.18.3R and/or CASS 7.18.4R.

Best Practice

Same as 28 and 28F.

30 - Total

FCA Guidance

None



31 - Did any of the circumstances referred to in CASS 6.6.57R arise?
<p>FCA Guidance</p> <p>A firm should indicate whether at any point during the reporting period one of the situations referred to in CASS 6.6.57R arose, in which the firm was obligated to notify the FCA. Some of the notification requirements in CASS 6.6.57R only apply where a firm materially fails to comply with a rule (ie, a breach of the rule having occurred), while others apply where the firm was unable to comply with a rule (ie, a firm had not yet breached the relevant rule but became aware that it would, in the future, either continuously or for a specified period, be unable to comply with the specified rule). Therefore, a firm should therefore base its response only on those breaches that would be notifiable.</p>
<p>Best Practice</p> <p>‘Yes’ to be entered if a material breach has occurred during the reporting period in accordance with CASS 6.6.57R notification requirements and the firms CASS Materiality Policy which enables a firm to distinguish what is ‘Material’.</p> <p>Any CASS breaches should be reported through internal reporting channels (e.g. Compliance team). All breaches should be recorded and maintained in a timely fashion, on a central breach log with reportable breaches highlighted, this will then form the basis of data input 31 on the CMAR return.</p>
32 - If yes, did the <i>firm</i> comply with the notification requirements?
<p>FCA Guidance</p> <p>If in data field 31 the firm has answered “Yes”, it should confirm in this data field whether all notifications were made to the FCA in accordance with CASS 6.6.57R.</p>
<p>Best Practice</p> <p>‘Yes’ to be populated for all breaches which form part of data field 31. The reportable breach needs to be reviewed as per the individual firm’s governance. This could be the Senior compliance officer or the CASS oversight officer before the breach is made notifiable to the FCA with an agreed action plan.</p> <p>Any reportable breaches made at the end of the reporting period, should be reported in the CMAR for the month that breach arose. Sufficient time to acknowledge the breach is available as the CMAR does not need to be submitted until working day 15.</p>
33 - Did any of the circumstances referred to in CASS 7.15.33R arise?
<p>FCA Guidance</p> <p>A firm should indicate whether at any point during the reporting period one of the situations referred to in CASS 7.15.33R arose, in which the firm was required to notify the FCA. Some of the notification requirements in CASS 7.15.33R only apply where a firm materially fails to comply with a rule (ie, a breach of the rule having occurred), while others apply where the firm was unable to comply with a rule (ie, a firm had not yet breached the relevant rule but became aware that it would, in the future, either continuously or for a specified period, be unable to comply with the specified rule). Therefore, a firm should therefore base its response only on those breaches that would be notifiable.</p>



<p>Best Practice</p> <p>Same as data input 31 but for CASS 7.15.33R</p>
<p>34 - If yes, did the <i>firm</i> comply with the notification requirements?</p>
<p>FCA Guidance</p> <p>If in data field 33 the firm has answered “Yes”, it should confirm in this data field whether all notifications were made to the FCA in accordance with CASS 7.15.33R.</p>
<p>Best Practice</p> <p>Same as data input 32 but for CASS 7.15.33R</p>
<p>Additional FCA Guidance</p> <p>In relation to data fields 31 and 33, a firm should answer “Yes” if it failed to comply with any of the rules specified in those data fields at any point during the reporting period in question, whether or not it is in compliance at the end of the reporting period.</p> <p>A firm’s responses to data fields 31 and 33 should only include unresolved breaches that occurred within a previous CMAR reporting period if those breaches would have required further notification under CASS 6.6.57R. A firm should answer “N/A” as appropriate to data fields 31 and 33 if it did not hold client money or safe custody assets during the reporting period.</p> <p>A firm should answer ‘N/A’ for data fields 32 and 34 if the firm has answered either ‘No’ or ‘N/A’ for data fields 31 and 33 respectively. CASS 6.6.57R and CASS 7.15.33R require that the FCA be informed without delay of any of the matters in respect of which notification is required by those rules.</p> <p>Submission of the CMAR within the time limit specified in SUP 16.14.3R does not discharge the obligations in those rules and a firm remains obliged to notify the FCA as soon as it becomes aware that any of the circumstances described in those rules has arisen.</p>
<p>Best Practice</p> <p>Ongoing breaches only need to be reported in the month in which they first occurred. If the breach continues and prevents the firm complying in the following month, this does <i>not</i> need to be included in the return. We should, however, consider resubmission and raise the potential need for resubmission as part of FCA notification and engagement on breach.</p> <p>It is worth noting Section 8 ultimately acts as a prompt to report but also as an attestation that no such event occurred. If they then find an event fitting this description did occur then you could be accused from misleading the regulatory, or not being transparent.</p>

Section 9 Outsourcing and offshoring

FCA Guidance

In relation to its business that is subject to CASS, a firm should report in data field 35 outsourcing and offshoring arrangements that it has established which it judges to be material to that business, either by reason of their scale or their importance.



For the purposes of data fields 35A to 35D, 'outsourcing' refers to where a firm outsources part of its client money and/or custody asset operations to a third party and 'offshoring' refers to where a firm's client money and/or custody asset operations are managed through a branch established by it outside the United Kingdom.

35A - Who do you outsource or offshore your *client money* and/or *custody asset* operations to?

FCA Guidance

Who do you outsource or offshore your client money and/or custody asset operations to? A firm should state either:

- (a) the full name of the legal entity that business has been outsourced to; or
- (b) if the business is offshored, the name of the firm itself.

A firm reference number should also be provided for any firm which is authorised by or registered with the FCA.

Best Practice

A firm should state the name of the company that they have entered into the outsourcing contract with, and not the name of any companies that the outsourced service provider further outsources to.

In the case of custodians, the primary custodian and not sub-custodian should be entered in this field.

35B - What function of your CASS operations do you outsource and/or offshore?

FCA Guidance

None

Best Practice

A firm should confirm if it outsources either its client money and/or custody asset operations in this field.

35C - Location of service provider

FCA Guidance

None

Best Practice

If the CASS related function described in 35B is carried out in another jurisdiction, regardless of whether it is offshored within the same firm, the location should be stated here.

35D - Significant changes being made or planned to existing arrangements

FCA Guidance

None

Best Practice

Any significant changes such as change of service provider, or significant offshoring activity within the same service provider/firm should result in this field being completed as 'Yes'.

The field should continue to report as yes as soon as any plans or contracts have been finalised, and until any migration activity has been completed.