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## CMAR Best Practice October 2015

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### SUP 16 Annex 29AG Guidance notes for the data item in SUP 16 Annex 29R – Client Money and Asset Return (CMAR)

This annex contains *guidance* on the *CMAR* and is therefore addressed only to a *firm* which is subject to SUP 16.14.

#### General

Terms used in the *CMAR* bear the meaning ascribed to those terms in the *Glossary*, even though they do not appear in italicised form on the face of the *data item*, unless a contrary indication is given in this *guidance*.

In applying the *CMAR* and this *guidance* to a *small AIFM's excluded custody activities* falling under SUP 16.14.4R(2)(e), any reference to a *firm* carrying on the *regulated activity of safeguarding and administering investments* includes *excluded custody activities*.

A *firm* is reminded that the effect of SUP 16.14.4R is that in relation to a *firm* to which CASS 5 (Client money: insurance mediation activity) and CASS 7 (Client money rules) apply, that *firm* should not report in the *data item* shown in SUP 16 Annex 29R any *client money* that it holds in accordance with CASS 5.

SUP 16.14.4R also has the effect that the data reported by a *firm* on the *CMAR* should only relate to *client money* and/or *safe custody assets* held by the *firm*, and should not relate to *client money* and/or *safe custody assets* in respect of which the *firm* merely has a *mandate* or any *safe custody assets* in respect of which the *firm* merely *arranges safeguarding and administration of assets*. The meaning of *safe custody assets* for the purposes of the *CMAR* and this *guidance* is set out in SUP 16.14.4R(2).

*Firms* are reminded of their obligation to determine their 'CASS firm type' categorisation in accordance with CASS 1A.2.2R.

A *firm* should include in any amount of *client money* that it reports any *client money* which it has allowed another *person* to hold or control in accordance with CASS 7.14.2R (for example, an exchange, *clearing house*, *intermediate broker* or *OTC counterparty*).

#### Reporting Period

The reporting period for the *CMAR* is the calendar month for which a *CMAR* is required to be completed in accordance with SUP 16.14.3R, including the first *day* and the last *day* of that month. For example, the January reporting period will be January 1 to January 31, regardless of whether or not any *day* in January is a *business day*.

#### Valuation

For the purposes of the *CMAR*, the *FCA* does not prescribe any particular methodology or frequency for valuing *safe custody assets*.

#### Reporting Client Money Balances using internal reconciliations

The *guidance* in this annex assumes that a *firm* uses one of the *standard methods of internal client money reconciliation*. *Firms* that use a *non-standard method of internal client money reconciliation* in accordance with CASS 7.15.17R should read the *guidance* in this annex in so far as it is consistent with that non-standard method.

Where this *data item* requires a *firm* to report any *client money* balances, unless otherwise specified the *firm* should report on the basis of balances used for its *internal client money reconciliation* carried out on the first *business day* following the reporting period in question. This means using the values contained in the *firm's* internal records and ledgers, for example its cash book or other internal accounting records, rather than the values contained in the records it has obtained from banks and other third parties with whom it has placed *client money* (for example, bank statements)..

#### Currency

The reporting currency for this *data item* should be GBP (sterling). For the purpose of calculating the value of the total amounts of *client money* and *safe custody assets* that it holds on any given *day* during a reporting period, a *firm* should, in relation to *client money* or *safe custody assets* denominated in a currency other than sterling, translate the value of that *money* or that *safe custody asset* into sterling at the previous *day's* closing spot exchange rate.

Section 1 Firm information	
1 - Name of CASS audit firm	
<p><b>FCA Guidance</b> 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><b>Comments / Best Practise</b> No issue - fact</p>	
2 - Name of CASS audit firm (if 'Other' was selected above)	
<p><b>FCA Guidance</b> 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><b>Comments / Best Practise</b> No Issue - fact</p>	
3 - Did the firm hold client money during the reporting period?	
<p><b>FCA Guidance</b> 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><b>Comments / Best Practise</b> No issue - fact</p>	
4 - Did the firm hold safe custody assets during the reporting period?	
<p><b>FCA Guidance</b> 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><b>Comments / Best Practise</b> No Issue - Fact</p>	
5 - Was the firm subject to the CFTC's Part 30 exemption order during the reporting period?	
<p><b>FCA Guidance</b> A firm should state "Yes" or "No". Handbook provisions dealing with the CFTC Part 30 exemption order are set out in CASS 12.</p>	
<p><b>Comments / Best Practise</b> No Issue - Fact</p>	
6 - Did the firm operate the alternative approach during the reporting period (see CASS 7.13.54G to CASS 7.13.69G)?	
<p><b>FCA Guidance</b> 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><b>Comments / Best Practise</b> This question can raise issues for firms who have some business under the Alternative Approach, and some not under Alternative Approach. The</p>	

<p>opinion was that if any business at all is under Alternative Approach, then the answer to this question should be 'Yes'.</p>		
<p><b>7 - Has the firm received the auditor assurances required for its use of the alternative approach and provided these to the FCA?</b></p>		
<p><b>FCA Guidance</b>  A firm should state "Yes" or "No".  Pursuant to CASS 7.13.58R before adopting the alternative approach, a firm must 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><b>Comments / Best Practise</b>  No Issue - Fact</p>		
<p><b>8A - Type of business activity</b></p>		
<p><b>FCA Guidance</b>  A firm should identify in this data field the investment activities or services in the course of which it holds <i>client money</i> or <i>safe custody assets</i> belonging to a <i>client</i> and may do so using its own description of the activity or service in question.</p> <p>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.</p> <p>The rows do not necessarily need to distinguish between <i>regulated activities</i> or <i>client</i> 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.</p> <p>Where possible a firm should also identify, as a separate single business activity, any allocated but unclaimed <i>client money</i> or <i>safe custody assets</i> held by the firm which the firm continues to treat as such. This would include, for example, <i>client money</i> balances or <i>safe custody assets</i> held in respect of <i>clients</i> 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 <i>client money</i> or <i>safe custody assets</i> across all its relevant business activities or services).</p>		
<p><b>Minutes from Committee Discussion</b></p> <ul style="list-style-type: none"> <li>○ It is usually the firms choice as to how they separate their types of business.</li> <li>○ Clarity is required as to how unclaimed money is defined and how this information is extracted from your system.</li> <li>▪ The rules state that if it is costly to extract this information, then it can be left out.</li> <li>▪ It can be problematic separating what is 'gone away' and what is un-cashed cheques.</li> <li>▪ Best Practice needs to be established for defining 'Gone Away' – a consistent approach will be more useful to the FCA.</li> <li>○ Question 8 does not refer directly to Gone Away's.</li> <li>○ JM has raised the question of what to do with low value unclaimed cheques. He is awaiting a response. However, even if the FCA is sympathetic, there is still a T&amp;C issue.</li> <li>○ It was noted that it is very difficult to put a marker on the system for Gone Away's for Safe Custody Assets.</li> <li>○ Some questions were raised: <ul style="list-style-type: none"> <li>▪ Can we come up with a definition of an unclaimed asset?</li> <li>▪ Can we see when a client last looked at their account to try to establish if they have gone away, or there has just been no activity?</li> <li>▪ Where an account holder is Deceased and no one has yet come forwards, is this unclaimed?</li> <li>▪ Does there have to be a positive response to establish if an investor has Gone Away? E.g. notification from the Post Office. Or can it be assumed under certain circumstances?</li> </ul> </li> </ul>	<p><b>Best Practise Guidelines</b></p> <p>From the meeting with the FCA it is clear that the FCA expect a firm to have a documented policy in relation to how they define and treat allocated but unclaimed client money (Gone Aways).</p> <p>Below are a few examples of when a balance should be defined in the CMAR as allocated but unclaimed client money. The last one is extracted directly from the FCA rules.</p> <ul style="list-style-type: none"> <li>• Where post to the client's last known address has been returned 'gone away'</li> <li>• Where electronic payments have been returned by the payee's bank <i>and</i> follow-up has not been successful in paying the client or obtaining valid payment details within 28 days</li> <li>• Where a series of cheque payments above a reasonable de minimis figure have remained un-presented for a substantial period of time</li> <li>• Where there has been no movement on the client's balance for a period of at least six years (notwithstanding any payments or receipts of charges, interest or similar items)</li> </ul> <p>The policy statement expected in June 2014 will include some new guidance in relation to how unclaimed client money and assets are treated and when these can be paid away to charity.</p>	<p><b>FCA Meeting Minutes</b></p> <p>Could we also get a view whether the FCA has any additional guidance in terms of unclaimed money or assets re the following observations: Firms are reporting in many different ways here. E.g. un-presented cheques – how long should they have been un-presented for before they are 'unclaimed' for the purposes of the CMAR?</p> <ul style="list-style-type: none"> <li>• FCA advised that clients that firms have lost touch with should be kept separate.</li> <li>• There will be differences from firm to firm in how they establish if a client has Gone Away</li> <li>• An un-presented cheque does not necessarily mean the client has Gone Away.</li> <li>• There is not a direct link between un-presented cheques and Gone Aways.</li> <li>• Some firms count un-presented cheques over 6 months old as Gone Away</li> <li>• If a firm considers un-presented cheques over 6 months old to be Gone Away, then they should report them as such.</li> <li>• CMAR does not prescribe when a firm should consider a client as Gone Away – this is down to the firm's policy.</li> <li>• The Best Practice group is looking for guidance on what should happen.</li> </ul> <p>1.FCA response is that it is down to individual firms' approach  2.JM advised that firms would prefer a rule basis for filling in forms, rather than as a judgement call. This will then allow firms to complete forms with consistency.  3.FCA advised that a firm should document their approach to Gone Away's. If the firm then is visited by the FCA and there is a big fluctuation in figures, or the firm's policy is way out of line with their peers, then this would raise concern.  4.In CASS 7.2.20 it states that if firms have recorded that a client is not contactable then there is an argument to move to unclaimed.  5.At what point does the money become un-claimable? – FCA advised that it is up to the firm to determine when it becomes 'gone away' and at this point it would move from un-presented to unclaimed.  6.JM highlighted that some underlying information is being reported differently by different firms, and that they are struggling to have a consistent industry-wide approach.</p>

<ul style="list-style-type: none"> <li>○ Most firms do not have the ability to identify Unclaimed Safe Custody Assets without significant system development.</li> <li>○ A Gone Away marker is required on the Asset side.</li> <li>○ Some firms already have a marker for Deceased and Gone Away. However, there are lots of legacy positions and so there may be accounts that have not been captured accordingly. Also, accounts held across different systems can cause an issue.</li> <li>○ It is felt that firms who do not report anything in this category are more likely to be challenged by the FCA.</li> <li>○ Members felt it would be helpful if firms could give examples of how they establish Gone Away clients. KB offered to do this. <ul style="list-style-type: none"> <li>▪ Some firms use a positive response (e.g. notification from the Post office and others set clients to Gone Away if, for example, there have been a series of un-presented distribution cheques)</li> <li>▪ As an aside, it was mentioned that there is a new rule, allowing a fund choice to be changed from income payaway to reinvestment if 3 distribution cheques in a row are uncashed.</li> </ul> </li> <li>○ Some members suggested that on the CMAR return, Unclaimed monies should be entered into one box, and Gone Away in another. However, the guidance states that only one row should be used for these 2 bits of information, suggesting that the figures should be merged.</li> <li>○ The long discussions required for the completion of Question 8 serve to prove that there is not a straightforward answer.</li> </ul>		<p>7.PM pointed out that the Consultation Paper will have an effect on CMAR and that we will need to ensure our Best Practice guidance takes into account future changes.</p> <p>8.FCA advised that unclaimed money is low down on the Client Money priority.</p> <p>FCA advised of 2 direct email in-boxes that members should use for individual queries.</p> <ul style="list-style-type: none"> <li>▪ General and policy queries: <ol style="list-style-type: none"> <li>1. <a href="mailto:cassgeneral@fca.org.uk">cassgeneral@fca.org.uk</a></li> </ol> </li> <li>▪ Operational queries <ol style="list-style-type: none"> <li>1. <a href="mailto:Cass.queries@fca.org.uk">Cass.queries@fca.org.uk</a></li> </ol> </li> </ul>
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**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.

**Comments / Best Practise**

<ul style="list-style-type: none"> <li>• this should be reported as one total for both client money and custody. <ul style="list-style-type: none"> <li>○ Clients may be double counted if firms hold accounts across multiple systems or in different business lines.</li> <li>○ Members felt that the FCA use this figure to show a trend, and so this figure may not need to be accurate, as long as the method for arriving at the figure is consistent.</li> <li>○ Many firms de-duplicate to give a more accurate figure, but there is inconsistency around how firms do this.</li> </ul> </li> </ul>	<p>FCA meeting</p> <ul style="list-style-type: none"> <li>• <i>Would you expect this figure to reflect unique clients only, for example - If a client holds both cash and assets they should only count as 1 client.</i> <ul style="list-style-type: none"> <li>▪ FCA expect if a client holds both cash and assets, they should only count as 1 client</li> </ul> </li> </ul> <p>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.</p> <p>If a client has multiple entries in a client money account, they should only be included once, therefore some deduplication within a business activity level is expected. De-duplicating can be a manual process, and the FCA has recognised this. They are more concerned with a consistent approach than manually de-duplicating every record. Accurate de-duplicating may not be possible (for example if there is no policy number or a client's name has been recorded slightly differently) If a client is held on more than one system (e.g. for different products) it may be counted twice. The FCA is comfortable with this as long as the firm is being consistent.</p>
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<ul style="list-style-type: none"> <li>○ Some firms count the number of clients on the register, rather than the number of clients with balances in the Client Money accounts. For example under a DVP model, there may only be 20 clients with money in the Client Money Account, but there may be 20,000 clients in total. Some firms would report 20, and some 20,000.</li> <li>○ De-duplication requires manual effort, and can be inaccurate.             <ul style="list-style-type: none"> <li>● Some firms who use TPAs have to re-work information provided from the TPA to complete the form.</li> </ul> </li> <li>○ JM to raise the question of de-duplication with the FCA. Firms would prefer if de-duplication was not required, due to the manual effort and possible inaccuracy of the task.</li> </ul>	
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**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.

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><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ These should be based on a firm's internal reconciliations and either the resource or requirement can be used as long as consistent throughout the return.             <ul style="list-style-type: none"> <li>▪ It was pointed out that not all firms have internal reconciliations. In these instances then Client Entitlement should be used.               <ul style="list-style-type: none"> <li>● The rules specify that firms must do an internal reconciliation. However this is for the Standard Method. Many firms do not operate to the Standard Method.</li> </ul> </li> </ul> </li> </ul> <p>Unclaimed Assets should be stripped out of the Internal Rec figures.</p>	<p>PS12.20 November 2012 addressed the issue of whether a firm should use the resource or the requirement, either is acceptable, see below for the relevant extract.</p> <p>Standardisation for data fields that require client money balances</p> <p>Our response        Based on this feedback we have now modified the CMAR guidance to specify that 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>
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**8D - Value of *safe custody assets* as at reporting period end date**

**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.

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><b>Comments / Best Practise</b>        Except assets that are not normally subject to a valuation. In this instance, FCA have advised that they should be valued against any reasonable valuation method.</p>	<p>This relates to the value at the point of reconciliation. Therefore if assets are reconciled monthly, this value will be the same as the highest and lowest values in Q11 &amp; 12. 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. Best practise would be to use the same valuation basis as is reported to the clients.</p>
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**Section 2 Balances**

**9 - Highest *client money* balance held during the reporting period**

**FCA Guidance**

<p>A <i>firm</i> should report the highest total amount of <i>client money</i> that it held at any point during the reporting period.</p>	
<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ Based on internal reconciliation value</li> <li>○ Manual procedure to aggregate funds.</li> <li>○ JM asked the question as to what this figure is used for. <ul style="list-style-type: none"> <li>▪ To determine if you are a small, medium or large firm.</li> <li>▪ To establish trends</li> <li>▪ Firms should use a consistent approach for arriving at this figure.</li> </ul> </li> </ul>	<p>This is at entity level not individual client level.</p>
<p><b>10 - Lowest <i>client money</i> balance held during the reporting period</b></p>	
<p><b>FCA Guidance</b> A <i>firm</i> should report the lowest total amount of <i>client money</i> that it held at any point during the reporting period.</p>	
<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ Based on internal reconciliation value</li> <li>○ Manual procedure to aggregate funds.</li> <li>○ JM asked the question as to what this figure is used for. <ul style="list-style-type: none"> <li>▪ To determine if you are a small, medium or large firm.</li> <li>▪ To establish trends</li> </ul> </li> </ul> <p>Firms should use a consistent approach for arriving at this figure.</p>	<p>This is at entity level not individual client level</p>
<p><b>11 - Highest value of <i>safe custody assets</i> held during the reporting period</b></p>	
<p><b>FCA Guidance</b> A <i>firm</i> should report the highest total value of <i>safe custody assets</i> that it held at any point during the reporting period.</p>	
<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ Many firms only perform monthly recs for Safe Custody, and so the highest and the lowest figures are the same (as they are taken from the month end rec)</li> </ul>	
<p><b>12 - Lowest value of <i>safe custody assets</i> held during the reporting period</b></p>	
<p><b>FCA Guidance</b> A <i>firm</i> should report the lowest total value of <i>safe custody assets</i> that it held at any point during the reporting period.</p>	
<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ Many firms only perform monthly recs for Safe Custody, and so the highest and the lowest figures are the same (as they are taken from the month end rec)</li> </ul>	
<p>In relation to data fields 9 to 12, a <i>firm</i> should ensure that it includes in the amount or value reported any <i>client money</i> or <i>safe custody assets</i> that it is holding or in respect of which it is <i>safeguarding and administering investments</i>, which has or have been placed with a third party <i>custodian</i>, either by a <i>custodian</i> with which that <i>firm</i> has deposited that <i>money</i> or those assets, or by that <i>firm</i> if it is a <i>custodian</i>.</p> <p>In relation to data fields 9 to 12, a <i>firm</i> 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>	
<p><b>Section 3 Segregation of client money</b></p>	
<p><b>13A - Type</b></p>	
<p><b>FCA Guidance</b> A <i>firm</i> should identify the types of institution with which it has placed <i>client money</i>. CASS 7.13.3R identifies the type of institution with which a <i>firm</i> must promptly place into one or more accounts <i>client money</i> that it receives. CASS 7.14.2R identifies the circumstances in which a <i>firm</i> may allow another <i>person</i>, such as an exchange, a <i>clearing house</i>, an <i>intermediate broker</i> or an <i>OTC counterparty</i>, to hold or control <i>client money</i>.</p>	

For each institution with which it has placed client money, the firm should identify in this data field whether the client money was:

- (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.

In relation to any client money a firm has placed with an OTC counterparty and/or any other person, the firm should select option (d).

<b>Comments / Best Practise</b> o For the majority of firms this is the Banks.	Normally "CRD Credit Institution" will be selected if relates to a Bank.
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**13B - Institution where *client money* held**

**FCA Guidance**  
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*.

<b>Comments / Best Practise</b>	Include the name of the bank and its FCA firms reference number (FRN)
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**13C - *Client money* balances**

**FCA Guidance**  
A *firm* should report the total amount of *client money* which it has placed with each institution identified in 13B.

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.

A *firm* should include in the *client money* balance the aggregate balance of any allocated but unclaimed *money* which a *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 shown in that row may also include any balance that is included in data field 17.

<b>Comments / Best Practise</b> o Use the Internal client money reconciliation (either resource or requirement) and include unallocated and unclaimed figures. o The total in this field should equal what is reported in Question 8.	PS12.20 November 2012 addressed the issue of whether a firm should use the resource or the requirement, either is acceptable, see below for the relevant extract. Standardisation for data fields that require client money balances Our response Based on this feedback we have now modified the CMAR guidance to specify that 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.
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**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.

<b>Comments / Best Practise</b>	See FCA guidance above
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**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*.

<b>Comments / Best Practise</b>	No for most firms unless they have placed funds with a group bank.
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**Section 4 Client money requirement and resource**

**14 - *Client money* requirement**

**FCA Guidance**  
In relation to a *firm* that follows one of the *standard method 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.

<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ This should be based on the reconciliation completed on the 1<sup>st</sup> working day of the month in relation to the last working day of the month.</li> <li>○ Internal rec figure and it should equal what has been given in Questions 8 ad 13.</li> </ul>	<p>If a firm has multiple internal reconciliations then this is the aggregated figure of all these reconciliations.</p>
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**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.

<p><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ What do firms report here, examples below <ul style="list-style-type: none"> <li>▪ Dividends received but not yet paid to clients</li> <li>▪ Open Credits</li> <li>▪ Money received from the Custodian, but not yet received the breakdown.</li> <li>▪ Corporate Actions</li> <li>▪ Cash coming in for clients to the Platform, but is as yet unmatched.</li> </ul> </li> </ul>	<p>Again the key is consistency in approach from month to month so documented approach of what to include may be worth having in place.</p>
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**16 - Unidentified receipts segregated as *client money* in *client bank accounts***

**FCA Guidance**  
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><b>Comments / Best Practise</b> Information from the External Reconciliation</p>	<p>This is money in the client accounts which has not been identified to a client at the point of the reconciliation date. If a client has been identified then it should be included in Q15 above.</p>
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**17 - Uncleared payments**

**FCA Guidance**  
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><b>Comments / Best Practise</b> This is the Un-presented cheques figure. This has to be added back into the Internal Reconciliation figure. This could also include BACs payments depending how they are treated within a firms reconciliations.</p>	
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**18 – Prudent segregation of client money and the alternative approach mandatory prudent segregation.**

**FCA Guidance**  
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><b>Comments / Best Practise</b></p> <ul style="list-style-type: none"> <li>○ For most firms this is a zero return.</li> </ul>	<p>If a firm had a buffer in the client money account then this may be included here if not covered off in points 15-17 above.</p>
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**19 - *Client money* resource**

**FCA Guidance**



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 reconciliation used by the *firm* to report its *client money* requirement in data field 14).

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><b>Comments / Best Practise</b> From the Internal Reconciliation</p>	<p>FCA Question</p> <ul style="list-style-type: none"> <li>If there was a funding requirement the previous day should this funding be included in the resource figure in the current internal reconciliation? Some firms do not recognise the previous days funding requirement within the resource they effectively reverse it the following day and calculate a new funding figure for the current day. Other firms post the funding amount to the GL and include as part of the current days resource. Does the FCA have a view on the differing treatments above?</li> </ul> <p>For example, if a firm had a funding requirement of £1,000,000 on day one, and on day 2 a funding requirement of £1,000,001:</p> <ol style="list-style-type: none"> <li>In the first example, the firm would fund £1,000,000 and on day 2 reverse this and then fund £1,000,001</li> <li>In the second example the firm would fund £1,000,000 and on day 2 would fund a further £1.             <ol style="list-style-type: none"> <li>PM raised a concern that this may not be a CMAR issue, but a bigger issue on how the Reconciliation is completed.</li> <li>PM will raise this with colleagues within the FCA</li> </ol> </li> </ol> <p>FCA email response. When performing an internal client money reconciliation in accordance with the standard methods (on Day 2, using numbers from cob on Day 1), we would expect a single top-up/withdrawal representing the difference between the client money resource and the client money requirement, ie your Option 2.</p> <p>When completing the CMAR, where Day 1 is the last day of the month, we would expect the client money resource to be the figure in the firm’s accounting records as at cob on Day 1, which should reflect any transfers made on Day 1 under CASS 7.6.13.</p> <p>To confirm the context of our earlier discussions, the comments I make above are on a generalised basis. The facts in any particular case could lead to a different outcome and nothing in this email should be construed to be individual guidance. We normally only provide individual guidance to a person in relation to its own particular circumstances or plans. If any of your members who follow Option 1 would like to discuss further, please ask them to submit a question to <a href="mailto:cass.general@fca.org.uk">cass.general@fca.org.uk</a></p>
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**20 - Excess (+)/ shortfall (-) of *client money* resource against *client money* requirement**

**FCA Guidance**  
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).

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><b>Comments / Best Practise</b> This is the difference between Question 14 and 19. No issues. Answer should match Q21 – clarified for the avoidance of doubt with FCA.</p>	
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**21 - Adjustments made to withdraw an excess or rectify a shortfall identified as a result of an internal client money reconciliation.**

**FCA Guidance**  
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.

<p><b>Comments / Best Practise</b> Answer should match Q20 – clarified for the avoidance of doubt with FCA.</p> <ul style="list-style-type: none"> <li>This will be the same as the figure reported in Question 20, unless a breach has occurred on that day.</li> </ul> <p>A question was raised as to whether it would be helpful if it asked on the return whether the non-standard method was being used. Members felt that it would.</p>	
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In relation to data fields 14 to 21, a *firm* should report by reference to the results 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.

**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.

<p><b>Comments / Best Practise</b></p>	
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<ul style="list-style-type: none"> <li>This is daily for most firms – no issues.</li> </ul> <p>If more than one frequency is used, it was suggested that a comment should be added to account for less frequently reconciled accounts.</p>		
<b>23 - External <i>client money</i> reconciliation</b>		
<b>FCA Guidance</b> A <i>firm</i> should identify in this data field the frequency with which it performs external client money reconciliation.		
<b>Comments / Best Practise</b> <ul style="list-style-type: none"> <li>This is daily for most firms – no issues.</li> </ul> <p>If more than one frequency is used, it was suggested that a comment should be added to account for less frequently reconciled accounts.</p>		
<b>24 - <i>Client money</i> unresolved items</b>		
<b>FCA Guidance</b> A <i>firm</i> should identify in this data field the number of unresolved <i>client money</i> 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 <i>client money</i> items includes: (a) the number of individual unresolved discrepancies identified as part of a <i>firm's</i> internal client money reconciliations (see CASS 7.15.12R); and (b) the number of individual unresolved discrepancies identified as part of a <i>firm's</i> 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 a 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 <i>firm's</i> 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 <i>firm</i> should also report the balances of these individual unreconciled items as appropriate in data fields 15 and 16.		
<b>Comments / Best Practise</b> <ul style="list-style-type: none"> <li>This is the number of individual discrepancy breaks.</li> <li>Un-reconciled includes unresolved monies that have not yet been allocated. The rules specify that firms have 10 days to allocate.</li> <li>This could include items where you are awaiting further information.</li> </ul> <p>Most firms are comfortable with this section.</p>	Also worth noting that the ageing categories are based on calendar days not working days.	
<b>Section 6 Segregation of safe custody assets</b>		
<b>FCA Guidance</b> In order to complete this section a <i>firm</i> will need to group the <i>safe custody assets</i> 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 <i>safe custody assets</i> 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: <ol style="list-style-type: none"> <li>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</li> <li>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 the client, and also from an asset held in another country in the name of the same nominee company.</li> </ol> Annex 1 to this guidance sets out an example of reporting under either of these options.		
<b>25A - How registered</b>		
<b>FCA Guidance</b> For each group of <i>safe custody assets</i> that a <i>firm</i> (in carrying on the <i>regulated activity</i> of <i>safeguarding and administering investments</i> ) held at the reporting period end date, the <i>firm</i> should identify the method of registration it used in accordance with CASS 6.2.3R, by specifying one of the following categories of <i>person</i> in whose name legal title to the <i>safe custody assets</i> were registered during the reporting period: <ol style="list-style-type: none"> <li>the <i>client</i>;</li> <li>the <i>firm</i>;</li> <li>a third party;</li> <li>a <i>nominee company</i> which is controlled by the <i>firm</i>;</li> <li>a <i>nominee company</i> which is controlled by an <i>affiliated company</i>;</li> <li>a <i>nominee company</i> which is controlled by an investment exchange;</li> </ol>		

(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).

**Comments / Best Practise**

No issues

**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.

**Comments / Best Practise**

Name of institution were Held - A question was raised as to whether this should be the custodian, or sub custodian.

- o There were differing opinions around the room – some firms report to custodian level and some to sub-custodian.
- o There is a discrepancy between the CMAR form and the guidance. One refers to 'where held' and the other to 'where deposited'
- o CREST is referred to in the guidance as a custodian. This is confusing as CREST is purely for record holding. The Guidance suggests that CREST is holding assets

**FCA Question**

- *at what level should firms be reporting here, custodian or sub-custodian level. Clarification required why CREST referred to in guidance as views from the group were that CREST was a clearing system not a place where safe custody assets were deposited? Also how should commercial property held within a SIPP be reported – will be registered in the name of the trustee, but deeds may be with solicitors (where there are any) and the property should be registered with the Land Registry...?*
  - FCA is looking for the 1<sup>st</sup> level. If firms are using a custodian who is then using a sub custodian, firms should report at 1<sup>st</sup> custodian level.

FCA accepted that CREST was not a place where safe custody assets are deposited, but advised that CREST is a reporting 3<sup>rd</sup> party that firms are reconciling with. It is more a question of who firms are reconciling to.

**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.

**Comments / Best Practise**

Question raised with FCA on commercial properties within a SIPP.

- *how many lines of stock commercial properties within a SIPP should be reported, 1? Or does 5 properties = 5 lines of stock?*
  - If the real property within the portfolio is treated under CASS rules, then the FCA would expect it to come under Reported numbers on CMAR
  - There is an issue as property is not covered by Mifid.
  - It could be part of CASS6
  - If a firm has SIPPs just containing real estate, it will not be caught by CASS rules and so will not be necessary to report on CMAR.
  - It should be included if property only forms part of the assets within the SIPP.
  - It should not be included if it is the only asset in the SIPP.
  - FCA advised that only custody assets need to be reported. If it is not a custody asset, then it is out of scope.
  - FCA advised that multiple properties can be reported as a single line.
    - 1. Where held? Lawyer/bank/where ever it is physically deposited.

	<ol style="list-style-type: none"> <li>2. JM raised a concern that if the lawyers name should be on the form. FCA stated that this was not a scenario where they can give guidance.</li> <li>3. JM highlighted that firms would like guidance. PM advised that he would take the issue forwards</li> <li>4. For now, if large values are held and are part of custody assets then the form should be completed as accurately as possible. Suggested reporting under 'another 3<sup>rd</sup> party' and use free text option to say 'physical assets held with solicitor' <ul style="list-style-type: none"> <li>▪ If multiple properties are held, only one line should be completed on CMAR.</li> </ul> </li> </ol>	
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**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.

<b>Comments / Best Practise</b> No issues – total should tie back to value of Custody Assets		
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**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.

<b>Comments / Best Practise</b> No issues		
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**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.

<b>Comments / Best Practise</b> A question was raised as to how you complete this question if the firm completing the form is the firm holding the assets (i.e. they are the custodian). Some firms answer Y and some answer N.  o JM to ask the FCA for clarity around this question. o MS to circulate definition for CASS Group Entity to	<ul style="list-style-type: none"> <li>• Clarity required where the firm completing the form is also the custodian should the answer be Yes or No? Again there was inconsistency in how firms answered this question. <ul style="list-style-type: none"> <li>▪ FCA would prefer firms to answer 'Yes'</li> </ul> </li> </ul>	
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**25G - How held?**

**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 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);	3 <sup>rd</sup> 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 with any other third party (where none of the above options adequately describe 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".

<b>Comments / Best Practise</b> As per 25b		
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**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 any associated shortfall is made good.

In relation to the 30-day field, a firm should report items which have remained unreconciled 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 unreconciled 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 unreconciled for at least 90 days.

**Comments / Best Practise**

A question was raised as to whether people include fractional roundings in this section. When fractional roundings are included, this throws numbers from single figures into the 100’s.

- o Some firms report Fractional Roundings, and some do not.
- o JM to raise this with FCA. General feeling is that firms would prefer NOT to report Fractional Roundings.

- Should firms include fractional roundings (the mathematical consequence of aggregating deals on platforms, for example) in this figure again inconsistencies between member firms in that some do and some don’t.
  - FCA asked if this was on the internal or external reconciliation. What the FCA are looking for is the aging of differences on external reconciliations. Fractional roundings fall outside of this.
  - FCA recommended that firms review CP13/5 regarding discrepancies.

A firm could define a policy as to how they treat fractional roundings in relation to the CMAR. E.g. A fractional unit is not a stock break, but is the mathematical consequence of aggregation. These fractional amounts couldn’t be distributed to customers anyway (e.g. on an insolvency).

**27A – Method of custody record check/reconciliation**

**FCA Guidance**

In relation to each type of *safe custody asset* identified in 27C, a firm should report: (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:

- (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*.

CASS 6.6.10G to 6.6.20G sets out *rules and guidance* in relation to *internal custody records checks*, and the available methods;

(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:

- (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*.

CASS 6.6.21G to 6.6.32G set out *rules and guidance* in relation to *physical asset reconciliations*, and the available methods; and

(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:

- (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.

CASS 6.6.33G to 6.6.43G set out *rules and guidance* in relation to *external custody checks*, and the available methods.

**Comments / Best Practise**

Members raised the issue of Internal Stock Reconciliations.

- o For the External Stock Reconciliation the system calculates each position and firms feel that there is therefore no value in performing an internal stock reconciliation. However, Auditors say that an internal Stock Rec must be done.
- o The question is how much merit is there in an internal stock rec if a firm can prove their system aggregates efficiently.

The comments raised will be addressed in the policy statement with the internal evaluation method which offers an alternative option for firms who do not perform a separate internal and external asset reconciliation.

**27B - Frequency**

<b>FCA Guidance</b> In relation to each custody record check/reconciliation type identified in 27A, a <i>firm</i> should report the frequency with which it conducted the custody record check/reconciliation for its <i>safe custody assets</i> during the reporting period using that record check/reconciliation.	
<b>Comments / Best Practise</b> No Issues	
<b>27C - Type of safe custody asset</b>	
<b>FCA Guidance</b> A <i>firm</i> should report the different types of <i>safe custody asset</i> (e.g. shares) that it held and may do so using its own description of an asset type.	
<b>Comments / Best Practise</b> No Issues	
<b>Section 8 Record keeping and breaches</b>	
<b>28 - Client bank account</b>	
<b>FCA Guidance</b> <i>Client bank account</i> has the same meaning as in the <i>Glossary</i> in the context of CASS 7 and CASS 7A.	
<b>28F Explanation of discrepancies</b>	
<b>FCA Guidance</b> A <i>firm</i> should provide a brief explanation for any difference between the number of <i>client bank accounts</i> reported for 28D and the number of <i>client bank accounts</i> reported in 28E which were covered by a <i>client bank account acknowledgement letter</i> in accordance with CASS 7.18.2R.	
<b>Comments / Best Practise</b> <ul style="list-style-type: none"> <li>o Acknowledgement Letters – there will be :             <ul style="list-style-type: none"> <li><input type="checkbox"/> Opening no of acknowledgement letters</li> <li><input type="checkbox"/> No of open and closed accounts</li> <li><input type="checkbox"/> Closing no of acknowledgement letters</li> </ul> </li> <li>o A question was raised as to how this should be reported, for example, if 4 accounts were specified on one letter:             <ul style="list-style-type: none"> <li><input type="checkbox"/> Report as 4 letters</li> <li><input type="checkbox"/> Report as 1 letter with a discrepancy</li> <li><input type="checkbox"/> Actually obtain 4 letters from the Bank</li> </ul> </li> <li>o What is the FCA using this information for?             <ul style="list-style-type: none"> <li>o SIPP Provider – where a bank account is held in each individual clients name, is one letter required for each?</li> </ul> </li> <li>o JM to ask for clarity on Bank Letters</li> </ul>	<ul style="list-style-type: none"> <li>• Where a firm has 1 letter from a bank which refers to say 3 client money bank accounts should the firm respond it has 3 accounts and 1 trust letter and comment in the explanation of discrepancies that 1 letter represents 3 accounts?</li> <li>• If a firm has 1000 accounts that are covered by 100 letters, firms should report that there are 1000 accounts and 100 letters and in the explanation state that the 100 letters cover the 1000 accounts.</li> </ul> <p>Q28E – whilst not highlighted as part of the PS, the wording has changed to “Total number of accounts at the end of the reporting period covered by an acknowledgement letter”</p>
<b>29 - Client transaction account</b>	
<b>FCA Guidance</b> <i>Client transaction account</i> has the same meaning as in the <i>Glossary</i> .	
<b>29F Explanation of discrepancies</b> A <i>firm</i> should provide a brief explanation where there is a difference between the number of <i>client transaction accounts</i> reported for 29D and the number of <i>client transaction accounts</i> reported in 29E which were covered by a <i>client transaction account acknowledgement letter</i> and/or <i>authorised central counterparty acknowledgment letter</i> in accordance with CASS 7.18.3R and/or CASS 7.18.4R.	
<b>Comments / Best Practise</b>	
<b>30 - Total</b>	
<b>FCA Guidance</b> None	
<b>Comments / Best Practise</b>	
<b>31 - Did any of the circumstances referred to in CASS 6.6.57R arise?</b>	

<p><b>FCA Guidance</b> A <i>firm</i> 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 <i>firm</i> was obligated to notify the FCA. Some of the notification requirements in CASS 6.6.57R only apply where a <i>firm</i> materially fails to comply with a <i>rule</i> (ie, a breach of the <i>rule</i> having occurred), while others apply where the <i>firm</i> was unable to comply with a <i>rule</i> (ie, a <i>firm</i> had not yet breached the relevant <i>rule</i> but became aware that it would, in the future, either continuously or for a specified period, be unable to comply with the specified <i>rule</i>). Therefore, a <i>firm</i> should therefore base its response only on those breaches that would be notifiable.</p>	
<p><b>Comments / Best Practise</b></p>	
<p><b>32 - If yes, did the <i>firm</i> comply with the notification requirements?</b></p>	
<p><b>FCA Guidance</b> If in data field 31 the <i>firm</i> 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><b>Comments / Best Practise</b> Any breach of that rule which occurred in the reporting period needs to be included when answering Y or N.</p> <ul style="list-style-type: none"> <li>☐ The Guidance for this question is clear</li> <li>☐ If a Breach occurred in April, but was reported in June, FCA guidance says that the APRIL return should be resubmitted.</li> </ul>	
<p><b>33 - Did any of the circumstances referred to in CASS 7.15.33R arise?</b></p>	
<p>A <i>firm</i> 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 <i>firm</i> was required to notify the FCA. Some of the notification requirements in CASS 7.15.33R only apply where a <i>firm</i> materially fails to comply with a <i>rule</i> (ie, a breach of the <i>rule</i> having occurred), while others apply where the <i>firm</i> was unable to comply with a <i>rule</i> (ie, a <i>firm</i> had not yet breached the relevant <i>rule</i> but became aware that it would, in the future, either continuously or for a specified period, be unable to comply with the specified <i>rule</i>). Therefore, a <i>firm</i> should therefore base its response only on those breaches that would be notifiable.</p>	
<p><b>Comments / Best Practise</b></p>	<ul style="list-style-type: none"> <li>• If a <i>firm</i> discovers a breach for example in May which relates to March should this breach: <ul style="list-style-type: none"> <li>• not be reflected in the May return; and the March return resubmitted if the question was originally answered no,</li> <li>• What are the FCA expecting here? <ul style="list-style-type: none"> <li>▪ FCA advised that firms should not report the breach in May, and should resubmit the March return.</li> <li>▪ The breach will be picked up on the firms own breach register.</li> </ul> </li> </ul> </li> <li>• Where a firm has a breach, for example, an annual fee was taken twice in error, the FCA felt that this was not actually a breach of record keeping, but a processing error, and should be recorded under 7.4.11.</li> <li>• A question was raised as to whether a single event can result in the breach of more than one rule. The FCA answered yes, the FCA view on 7.6.1 and 7.6.2 are that they are not as black and white as other rules.</li> </ul>
<p><b>34 - If yes, did the <i>firm</i> comply with the notification requirements?</b></p>	
<p><b>FCA Guidance</b> If in data field 33 the <i>firm</i> 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><b>Comments / Best Practise</b> Only answer Y to these questions if you have reported ALL breaches referred to in the answer to Q33 to FCA.</p>	
<p><b>FCA Guidance</b> In relation to data fields 31 and 33, a <i>firm</i> should answer “Yes” if it failed to comply with any of the <i>rules</i> 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 <i>firm</i>’s responses to data fields 31 and 33 should only relate to breaches that occurred within the particular reporting period in question and not to any breach that may have occurred in a previous reporting period, even if the breach remains unresolved.</p> <p>A <i>firm</i> should answer “N/A” as appropriate to data fields 31 and 33 if it did not hold <i>client money</i> or <i>safe custody assets</i> during the reporting period.</p> <p>In relation to data fields 32 and 34, a <i>firm</i> should only answer “Yes” if the <i>firm</i> has acknowledged any breaches in data fields 31 or 33, and all such breaches were notified as required within the reporting period in question.</p> <p>CASS 6.5.13R and CASS 7.6.16R require that the FCA be informed without delay of any of the matters in respect of which notification is required by those <i>rules</i>. Submission of the CMAR within the time limit specified in SUP 16.14.3R does not discharge the obligations in those <i>rules</i> and a <i>firm</i> remains obliged to notify the FCA as soon as it becomes aware that any of the circumstances described in those <i>rules</i> has arisen.</p> <p>A <i>firm</i> should answer ‘N/A’ for data fields 32 and 34 if the <i>firm</i> has answered either ‘No’ or ‘N/A’ for data fields 31 and 33 respectively.</p>	

FCA have confirmed that it is their expectation that ongoing breaches only need to be reported in the month in which they occurred (i.e. that if they occurred in the previous month, but not discovered until the current month, they do not need to be reported), and that even if the breach continues and prevents the firm complying in the following month, this does *not* need to be included in the return. However the CMAR return for the month in which the breach did occur should be resubmitted if it doesn't appropriately acknowledge that breach.

We don't believe that the new CMAR guidance suggests we should notify all breaches to FCA as they are discovered.

### 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

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.

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

##### Comments / Best Practise

A question was raised as to whether this refers back to the Sub Custodian question. – it was felt that this should just be the out-source company, and not anyone who they then outsource to.

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

##### FCA Guidance

None

##### Comments / Best Practise

#### 35C - Location of service provider

##### FCA Guidance

None

##### Comments / Best Practise

- Clarity on the definition of 'offshore' is required. For example, if the reconciliation is carried out by a team in India, but within the same firm.

Members agreed that they would answer 'yes' here.

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

##### FCA Guidance

None

##### Comments / Best Practise



**Validation**

1  $8B > 0$  (NIL)

2  $8C(\text{total}) = 8CT = \Sigma 8C$

3  $8C(\text{total}) = 8CT = 13CT$

4  $8D(\text{total}) = 8DT = \Sigma 8D$

5  $8D(\text{total}) = 8DT = 25DT$

6  $10A \leq 9A$

7  $12A \leq 11A$

8  $13C(\text{total}) = 13CT = \Sigma 13C$

9  $20A = 19A - 14A$

10  $25D(\text{total}) = 25DT = \Sigma 25D$

11  $28D = 28A + 28B - 28C$

12  $29D = 29A + 29B - 29C$

13  $30D(\text{total}) = 30DT = 28D + 29D$