Chapter 13

Claims management: client money

13.6 Segregation and the operation of client money accounts

Requirement to segregate

13.6.1 | R | A *firm* must take all reasonable steps to ensure that all *client money* it receives is paid directly into a *client bank account* at an *approved bank*, rather than being first received into the *firm's* own account and then segregated.

13.6.2 | G | A *firm* should arrange for clients and third parties to make transfers and payments of any *money* which will be *client money* directly into the *firm's* client bank accounts.

13.6.3 | R | A *firm* must ensure that *client money* is held in a *client bank account* at one or more *approved banks*.

13.6.4 | R | Cheques received by a *firm*, made out to the *firm*, representing *client money* or a *mixed remittance* must be treated as *client money* from receipt by the *firm*.

13.6.5 | R | Where a *firm* receives *client money* in the form of cash, a cheque or other payable order, it must:

(1) pay the *money* into a *client bank account* in accordance with ■ CASS 13.6.1R promptly and no later than the *business day* after the day on which it receives the *money*;

(2) if the *firm* holds the *money* overnight, hold it in a secure location in line with *Principle* 10; and

(3) record the receipt of the *money* in the *firm's* books and records under the applicable requirements of ■ CASS 13.10 (Records, accounts and reconciliations).

13.6.6 | R | If a *firm* receives *money* (either in a *client bank account* or an account of its own) which it is unable immediately to identify as *client money* or its own *money*, it must:

(1) take all necessary steps to identify the *money* as either *client money* or its own *money*; and

(2) if it considers it reasonably prudent to do so, given the risk that *client money* may not be adequately protected if it is not treated as such, treat the entire balance of *money* as *client money* and record the *money* in its books and records as "unidentified client money" while it performs the necessary steps under (1).

13.6.7   G   If a *firm* is unable to identify *money* that it has received as either *client money* or its own *money* under ■ CASS 13.6.6R(1), it should consider whether it would be appropriate to return the *money* to the person who sent it (or, if that is not possible, to the source from where it was received, for example, the bank). A *firm* should have regard to its fiduciary duties when considering such matters.

13.6.8   G   A *firm* must ensure that *client money* received by its agents is:

    (1) received directly into a *client bank account* of the *firm*; or

    (2) if it is received in the form of a cheque or other payable order:

        (a) paid into a *client bank account* of the *firm* promptly and, in any event, no later than the next *business day* after receipt; or

        (b) forwarded to the *firm* promptly and, in any event, so that it is received by the *firm* no later than the close of the third *business day* following the receipt of the *money* from the *customer*; or

    if it is received in the form of cash, paid into a *client bank account* of the *firm* promptly and, in any event, no later than the next *business day* after receipt.

Mixed remittance

13.6.9   R   If a *firm* receives a *mixed remittance* it must:

    (1) pay the full sum into a *client bank account* promptly and in accordance with ■ CASS 13.6.1R to ■ 13.6.5R; and

    (2) no later than one *business day* after the payment of the *mixed remittance* into the *client bank account* has cleared, pay the money that is not *client money* out of the *client bank account*.

Interest

13.6.10   R   A *firm* must pay a *client* any interest earned on *client money* held for that *client*.