

Chapter 7

Client money rules



7.12 Organisational requirements:
client money

Requirement to protect client money

7.12.1

R

A *firm* must, when holding *client money*, make adequate arrangements to safeguard the *client's* rights and prevent the use of *client money* for its own account.

[Note: article 16(9) of *MiFID*]

Requirement to have adequate organisational arrangements

7.12.2

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A *firm* must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of *client money*, or of rights in connection with *client money*, as a result of misuse of *client money*, fraud, poor administration, inadequate record-keeping or negligence.

[Note: article 2(1)(f) of the *MiFID Delegated Directive*]

7.12.3

G

The risk of loss or diminution of rights in connection with *client money* can arise where a *firm's* organisational arrangements give rise to the possibility that *client money* held by the *firm* may be paid for the account of a *client* whose *money* is yet to be received by the *firm*. Consistent with the requirement to hold *client money* as trustee (see ■ CASS 7.17.5 G), a *firm* should ensure its organisational arrangements are adequate to minimise such a risk. This may include, for example, allowing for sufficient periods of time for payments of *client money* to the *firm* to become available for use (including automated payments, credit card payments and payments by cheque), and setting up safeguards to ensure that payments out of *client bank accounts* do not take effect before the relevant amount of *client money* has become available for use by the *firm*.