

## Chapter 7A

# Client money distribution and transfer



7A.2

Primary pooling events

Failure of the authorised firm: primary pooling event

- 7A.2.1

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[deleted]
- 7A.2.2

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A primary pooling event occurs:

(1) on the *failure* of the *firm*;

(2) on the vesting of assets in a trustee in accordance with an '*assets requirement*' imposed under section 55P(1)(b) or (c) (as the case may be) of the *Act*;

(3) on the coming into force of a *requirement* or *requirements* which, either separately or in combination:

(a) is or are for all *client money* held by the *firm*; and

(b) require the *firm* to take steps to cease holding all *client money*;

or

(4) when the *firm* notifies the *FCA*, in accordance with ■ CASS 7.15.33 R (Notification requirements), that it is unable correctly to identify and allocate in its records all valid claims arising as a result of a *secondary pooling event*.

7A.2.3

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■ CASS 7A.2.2R (4) does not apply so long as:

(1) the *firm* is taking steps, in consultation with the *FCA*, to establish those records; and

(2) there are reasonable grounds to conclude that the records will be capable of rectification within a reasonable period.

7A.2.3A

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If a *primary pooling event* occurs in circumstances where the *firm* had, before the *primary pooling event*, reduced its *margin*ed *transaction requirement* by utilising *approved collateral* under ■ CASS 7.16.33 R , it must immediately liquidate this *approved collateral* and place the proceeds in a *client bank account* that relates to the relevant notional *pool* under ■ CASS 7A.2.4R(1) (Pooling and distribution or transfer)

7A.2.3B

R

■ CASS 7A.2.7-AR (Client money received after the failure of the firm) does not apply to the proceeds under ■ CASS 7A.2.3A R.
- CASS 7A/2

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**7A.2.3C** G The proceeds of the assets realised under ■ CASS 7A.2.3A R:

- (1) will form part of the relevant notional *pool of client money* (see ■ CASS 7A.2.4R(1A)(a)(i) (Pooling and distribution or transfer); and
- (2) must be distributed or transferred on behalf of *clients* in accordance with this chapter.

#### **Client money reconciliations after a primary pooling event**

**7A.2.3D** G

- (1) If a special administrator has been appointed to the *firm* under the *IBSA Regulations* then they will be required to carry out a reconciliation under regulation 10H of the *IBSA Regulations*.
- (2) Notwithstanding regulation 10H of the *IBSA Regulations*, ■ CASS 7.15 has application to a *firm* after a *primary pooling event*, meaning, for example, that ongoing compliant record-keeping is required (see ■ CASS 7.15.15R(4) (Internal client money reconciliations) and ■ CASS 7.15.26AR (Frequency of external reconciliations after a primary pooling event)).

#### **Pooling and distribution or transfer**

**7A.2.4** R If a *primary pooling event* occurs, then:

- (1) (a) in respect of a *sub-pool*, the following is treated as a single notional *pool of client money* for the beneficiaries of that *pool*:
    - (i) any *client money* held in a *client bank account* of the *firm* relating to that *sub-pool*; and
    - (ii) any *client money* held in a *client transaction account* of the *firm* relating to that *sub-pool*, except for *client money* held in a *client transaction account* at an *authorised central counterparty* or a *clearing member* which is, in either case, held as part of a *regulated clearing arrangement*;
  - (b) in respect of the *general pool*, the following is treated as a single notional *pool of client money* for the beneficiaries of the *general pool*:
    - (i) any *client money* held in any *client bank account* of the *firm*;
    - (ii) any *client money* held in a *client transaction account* of the *firm*, except for *client money* held in a *client transaction account* at an *authorised central counterparty*, or a *clearing member* which is, in either case, held as part of a *regulated clearing arrangement*; and
    - (iii) any *client money* identifiable in any other account held by the *firm* into which *client money* has been received;except, in each case, for *client money* relating to a *sub-pool* which falls under sub-paragraphs (1)(a)(i) or (ii); and
- (1A) (a) a notional *pool* under paragraph (1) shall also include any *client money* that is:

- (i) transferred by the *firm* under regulation 10H(3) of the *IBSA Regulations* to a *client bank account* that is included in that *pool* under paragraph (1);
  - (ii) paid under ■ CASS 7A.2.3AR into a *client bank account* that is included in that *pool* under paragraph (1);
  - (iii) paid under ■ CASS 7A.2.4R(3)(b) or ■ CASS 7A.2.4R(3)(d) into a *client bank account* or *client transaction account* that is included in that *pool* under paragraph (1);
  - (iv) (subject to sub-paragraph (b)) otherwise received after the *primary pooling event* into a *client transaction account* that is included in that *pool* under paragraph (1) where the receipt is in relation to a *marginied transaction* that the *firm* had entered into through the use of that *client transaction account* and which had not *closed out* before *primary pooling event*; and
  - (v) paid under ■ CASS 7.15.29R(1) (Reconciliation discrepancies) after the *primary pooling event* into a *client bank account* that is included in that *pool* under paragraph (1); and
- (b) the *firm* must not transfer any *client money* in a notional *pool* under sub-paragraphs (1)(a) or (b) to a *client transaction account* except where necessary to comply with sub-paragraph (2)(b);
- (c) a notional *pool* under paragraph (1) shall cease to include *client money* from the point at which it is:
  - (i) transferred by the *firm* under regulation 10H(4) of the *IBSA Regulations* from a *client bank account* that is included in that *pool* under paragraph (1); or
  - (ii) paid out after the *primary pooling event* from a *client transaction account* that is included in that *pool* under paragraph (1) where the payment is in relation to a *marginied transaction* that the *firm* had entered into through the use of that *client transaction account* and which had not *closed out* before *primary pooling event*.
- (2) the *firm* must, as soon as reasonably practicable:
  - (a) (subject to paragraph (4)) distribute *client money* comprising a notional *pool* in accordance with ■ CASS 7.17.2 R , so that each *client* who is a beneficiary of that *pool* receives a sum which is rateable to the *client money* entitlement calculated in accordance with ■ CASS 7A.2.5R (Client money entitlements); or
  - (b) (where applicable) transfer *client money* comprising a *sub-pool* to effect or facilitate *porting* of positions held for the *clients* who are beneficiaries of that *sub-pool*; and
- (3) if, in connection with a *regulated clearing arrangement*, *client money* is remitted directly to the *firm* either from an *authorised central counterparty* or from a *clearing member* as part of that person's default management procedures, then, as soon as reasonably practicable:
  - (a) any such remittance in respect of a *client transaction account* that is an *individual client account* does not form a part of any notional *pool* under ■ CASS 7A.2.4R(1) and must be distributed to the relevant *client* subject to ■ CASS 7.17.2R (4) ;

- (b) subject to sub-paragraphs (3)(c) and (d), any such remittance in respect of a *client transaction account* that is an *omnibus client account* must form part of the notional *pool* under ■ CASS 7A.2.4R(1)(b) and be subject to distribution in accordance with ■ CASS 7A.2.4R(2)(a);
  - (c) any such remittance in respect of a *client transaction account* that is an *omnibus client account* must be distributed to the relevant *clients* for whom that *omnibus client account* is held if:
    - (i) no *client money* in excess of the amount recorded in that *omnibus client account* is held by the *firm* as margin in relation to the positions recorded in that *omnibus client account*; and
    - (ii) the amount of such remittance attributable to each *client* of the *omnibus client account* is readily apparent from information provided to the *firm* by the *authorised central counterparty* or, in the case of *indirect clients*, the *clearing member*;

in which case the amount of such remittance does not form a part of any notional *pool* under ■ CASS 7A.2.4R(1) and must be distributed to each such *client* in accordance with the information provided by the *authorised central counterparty* or *clearing member* subject to ■ CASS 7.17.2R (4) ; and
  - (d) any such remittance in respect of a *client transaction account* that is a *net margined omnibus client account* in respect of which the *firm* maintains a *sub-pool* must form part of such *sub-pool* under ■ CASS 7A.2.4R(1)(a) to be distributed in accordance with ■ CASS 7A.2.4R (2)(a); and
- (4) as an alternative to distributing a *client's client money* in a notional *pool* to the relevant *client* under ■ CASS 7A.2.4R(2)(a) and in respect of *client money* that that is not required to be transferred under ■ CASS 7A.2.4R(2)(b), a *firm* (Firm A) may on its own initiative transfer some or all of that *client's client money* in the relevant notional *pool* to any other *person* (Firm B) for safekeeping on behalf of the *client* provided that:
- (a) as a consequence of any such transfer, Firm A does not distribute to any other *client* whose *client money* is in that notional *pool*, or transfer on behalf of any such other *client* to another *person*, an amount of *money* that would be less than that which such other *client* was entitled to have distributed or transferred under this *rule*;
  - (b) unless Firm A is able to rely on regulation 10B(3)(b) of the *IBSA Regulations* for the transfer to Firm B to have effect without the consent of the *client*, either:
    - (i) Firm A has the specific consent of the *client* to the transfer to Firm B; or
    - (ii) (A) there is a written agreement between Firm A and the *client* which provides that Firm A may transfer the *client's client money* to another *person*; and
    - (B) Firm A can lawfully rely on that provision to achieve the transfer under this *rule*;
  - (c) Firm A has, in advance of the transfer under this *rule*, either:

- (i) obtained a contractual undertaking from Firm B that the *money* transferred will be held by Firm B as *client money* in accordance with the *client money rules*; or
- (ii) where the *client money rules* do not apply to Firm B, or where they do apply but Firm B is able to hold the *money* transferred other than as *client money*, satisfied itself, having exercised all due skill care and diligence in its assessment, that Firm B will apply adequate measures to protect the *money* transferred;
- (d) where regulation 10C(3) of the *IBSA Regulations* does not apply, Firm A has, in advance of the transfer under this *rule*, obtained a contractual undertaking from Firm B that Firm B will return the money to the *client* at the *client's* request; and
- (e) Firm A has, in advance of the transfer under this *rule*, obtained a contractual undertaking from Firm B that Firm B will notify the *client*, within 14 days of the transfer of that *client's* balance having commenced:
  - (i) of the applicable regulatory regime under which the *money* will be held by Firm B;
  - (ii) either:
    - (A) of any relevant compensation scheme limits that may apply in respect of Firm B's handling of the transferred *money*; or
    - (B) of the fact that Firm B does not participate in a relevant compensation scheme, if that is the case; and
  - (iii) where regulation 10C(3) of the *IBSA Regulations* does not apply, that the *client* has the option of having its *money* returned to it by Firm B.

**7A.2.4A-2** G Where regulation 10C(3) of the *IBSA Regulations* does apply, Firm A should, in advance of the transfer under ■ CASS 7A.2.4R(4), obtain a contractual undertaking from Firm B that:

- (1) Firm B will comply with the *client's* request for a 'reverse transfer' as defined in regulation 10C of the *IBSA Regulations*; and
- (2) Firm B will notify the *client*, within 14 days of the transfer of that *client's safe custody asset* having commenced, that the *client* can demand a 'reverse transfer' as defined in regulation 10C of the *IBSA Regulations*.

**7A.2.4A-1** G Under ■ CASS 7A.2.4R(1)(b)(i) a *firm* should include the balances of *client money* referred to at ■ CASS 7.13.40AR(2), ■ CASS 7.13.53AR(2) and ■ CASS 7.13.72AR(2) in the relevant *pool*.

**7A.2.4A** G (1) Under *EMIR*, where a *firm* that is a *clearing member* of an *authorised central counterparty* defaults, the *authorised central counterparty* may:

- (a) *port client* positions where possible; and
- (b) after the completion of the default management process:

- (i) return any balance due directly to those *clients* for whom the positions are held, if they are known to the *authorised central counterparty*; or
- (ii) remit any balance to the *firm* for the account of its *clients* if the *clients* are not known to the *authorised central counterparty*.

(1A) Under the *EMIR L2 Regulation* or the *MiFIR indirect clearing RTS*, where a *firm* acting in connection with a *regulated clearing arrangement* for a *client* (who is also an *indirect client*) defaults, the *clearing member* with whom the *firm* has placed *client money* of the *indirect client*, may, in accordance with the *EMIR indirect clearing default management obligations* or *MiFIR indirect clearing default management obligations*:

- (a) transfer the positions and assets either to another *clearing member* of the relevant *authorised central counterparty* or to another *firm* willing to act for the *indirect client*; or
- (b) liquidate the assets and positions of the *indirect clients* and remit all monies due to the *indirect clients*.

(1B) For the avoidance of doubt, 'relevant *clients*' in the case of ■ CASS 7A.2.4R (3)(a) and ■ CASS 7A.2.4R (3)(c) includes a *client* who is also an *indirect client*.

(2) Where any balance remitted from an *authorised central counterparty* or, in the case of *indirect clients*, a *clearing member*, to a *firm* is *client money*, ■ CASS 7A.2.4R (3) provides for the distribution of remittances from either an *individual client account* or an *omnibus client account*.

(3) Remittances received by the *firm* falling within ■ CASS 7A.2.4R (3)(a) and ■ CASS 7A.2.4R (3)(c) should not be pooled with *client money* held in any *client bank account* operated by the *firm* at the time of the *primary pooling event*. Those remittances should be segregated and promptly distributed to each *client* on whose behalf the remittance was received.

(4) For the avoidance of doubt, in respect of a *regulated clearing arrangement*, any *client money* remitted by the *authorised central counterparty* or, in the case of *indirect clients*, the *clearing member*, to the *firm* pursuant to ■ CASS 7A.2.4R (3) should not be treated as *client money* received after the *failure* of the *firm* under ■ CASS 7A.2.7-AR (Client money received after a primary pooling event).

(5) The *firm's* obligation to its *client* in respect of *client money* held in a *sub-pool* is discharged to the extent that the *firm* transfers that *client money* to facilitate *porting* in accordance with ■ CASS 7.11.34R (8) .

**7A.2.4B** G

- (1) The restrictions on transfers of *client money* at ■ CASS 7A.2.4R(4) are each of the type referred to at regulation 10B(4) of the *IBSA Regulations* as "a restriction in client money rules".
- (2) Where Firm A has complied with the restrictions at ■ CASS 7A.2.4R(4) for any transfers to Firm B, any *money* transferred to Firm B ceases to



be *client money* held by Firm A (see ■ CASS 7.11.34R(2)(e) (Discharge of fiduciary duty)).

- (3) But any *money* returned by Firm B to Firm A in the event of a 'reverse transfer' will be subject to the *client money rules* and *client money distribution and transfer rules* as applied to Firm A, and should be treated by Firm A in accordance with ■ CASS 7A.2.7-AR (Client money received after the failure of the firm).

### Client money entitlements

7A.2.5

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- (-2) (a) Subject to paragraph (-2)(b), each *client's* entitlement to *client money* in a notional *pool* is calculated with reference to the *client money requirement* as shown by an *internal client money reconciliation* carried out in accordance with ■ CASS 7.15.15R(4)(a) (Internal client money reconciliations) as at the *primary pooling event*.
- (b) If, as at the *primary pooling event*, the *firm* had entered in to one or more cleared *margined transactions* through the use of a *client transaction account* at a *clearing house* that had not closed out as at the *primary pooling event*, the *client money requirement* under (-2)(a) must be calculated as follows:
- (i) ■ CASS 7.16.28R does not apply in respect of those cleared *margined transactions*; and
  - (ii) subject to ■ CASS 7.16.30R, in respect of those cleared *margined transactions* a *client's equity balance* is instead the amount which the *firm* is liable to pay to the *client* (or the *client* to the *firm*) under the *client money rules* for *margined transactions* following the *close out* of those *margined transactions*. This balance should include any cash margin the *firm* has received from the *client* in connection with those transactions.
- (-1) Each *client's client equity balance* following any adjustments under paragraph (-2) must be reduced by:
- (a) any amount paid by:
    - (i) an *authorised central counterparty* to a *clearing member* other than the *firm* in connection with a *porting* arrangement in accordance with ■ CASS 7.11.34R (6) in respect of that *client*; and
    - (ii) a *clearing member* to another *clearing member* or *firm* (other than the *firm*) in connection with a transfer in accordance with ■ CASS 7.11.34R (8);
  - (b) any amount paid by:
    - (i) an *authorised central counterparty* directly to that *client*, in accordance with ■ CASS 7.11.34R (7); and
    - (ii) a *clearing member* directly to an *indirect client* in accordance with ■ CASS 7.11.34R (9); and
  - (c) any amount that must be distributed to that *client* by the *firm* in accordance with ■ CASS 7A.2.4R (3)(a) or ■ (c).



**7A.2.5A**

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- (1) When, in respect of a *client* who is a beneficiary of a *pool* and following any adjustments under paragraph (-2) and reductions under paragraph (-1), there is a positive *individual client balance* and a negative *client equity balance* in relation to that *pool*, the credit for that *pool* must be offset against the debit for that *pool* reducing the *individual client balance* for that *client*.
- (2) When, in respect of a *client* who is a beneficiary of a *pool* and following any adjustments under paragraph (-2) and reductions under paragraph (-1), there is a negative *individual client balance* and a positive *client equity balance* in relation to that *pool*, the credit for that *pool* must be offset against the debit for that *pool* reducing the *client equity balance* for that *client*.

- (1) (a) The effect of ■ CASS 7A.2.5R(-2)(b) is that the *client equity balance* for the relevant cleared *marginised transaction* is with reference to the eventual *close out* or 'hindsight' value of the transaction, instead of being a notional balance as at the *primary pooling event* under ■ CASS 7.16.28R.  
(b) ■ CASS 7A.2.5R(-2)(b) applies in respect of cleared *marginised transactions* that a *firm* had entered into for any *client*, including for *indirect clients* where the *firm* is itself a *client* of a *clearing member*.
- (2) In cases where ■ CASS 7A.2.5R(-2)(b) does not apply, the *client equity balance* for a *marginised transaction* will be the notional balance as at the *primary pooling event* under ■ CASS 7.16.28R.

**7A.2.6**

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**Closing a client money pool**

**7A.2.6A**

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- (1) Before a *firm* ceases to treat a balance of *client money* in a notional *pool* as *client money* by transferring it to itself under ■ CASS 7.17.2R(5) it must:
  - (a) (subject to paragraph (2)) attempt to distribute the balance to the relevant *client* or transfer it to another *person* for safekeeping on behalf of the *client* in accordance with ■ CASS 7A.2.4R (Pooling and distribution or transfer);
  - (b) (subject to paragraph (3)) take reasonable steps to notify any *client* in respect of whom the *firm* has evidence that the *money* may belong, of the *firm's* proposed course of action;
  - (c) where the *firm* has *failed*, apply any of the following types of balances of *client money* in the notional *pool* towards any costs incurred in accordance with ■ CASS 7.17.2R(4), including any costs incurred under paragraph (1)(d):
    - (i) *client money* allocated to a *client* for which, following the steps taken by the *firm* to satisfy paragraph (1)(b), the *client* to whom the *client money* belongs has not provided the *firm* with instructions that would enable the *firm* to make a distribution or transfer under paragraph (1)(a); or

- (ii) *client money* belonging to a *client* who, in response to a notification made under paragraph (1)(b), has confirmed to the *firm* that it disclaims the benefit of the statutory trust under ■ CASS 7.17.2R in relation to the *client money*; or
- (iii) *client money* that, following the steps taken by the *firm* to satisfy paragraph (1)(b), is unallocated to any *client* in the *firm's* records and accounts; and
- (d) immediately before transferring the balances of *client money* under paragraph (1)(c) to the *firm* itself, apply them towards making good any outstanding *shortfall* in the notional *pool*, and subsequently distribute or transfer them in accordance with ■ CASS 7A.2.4R to or on behalf of *clients* for whom the *firm* is able to make such distributions or transfers.

(2) A *firm* is not required to attempt to return or transfer the balance of *client money* under paragraph (1)(a) where the *client* to whom the balance belongs has confirmed to the *firm* that it disclaims the benefit of the statutory trust under ■ CASS 7.17.2R in relation to the balance *client money*.

(3) A *firm* is not required to notify a *client* under paragraph (1)(b) where:

- (a) the *firm* is able to distribute the *client money* to the relevant *client* or transfer it to another *person* on behalf of the *client* in accordance with ■ CASS 7A.2.4R (Pooling and distribution or transfer);
- (b) the *client* to whom the balance of *client money* belongs has confirmed to the *firm* that it disclaims the benefit of the statutory trust under ■ CASS 7.17.2R in relation to the balance *client money*;
- (c) in respect of a *client* for whom the *firm* has evidence that they were a *retail client* for the purposes of the *client money rules* at the time of the *primary pooling event*, the entitlement of that *client* in the notional *pool* is £25 or less when calculated under ■ CASS 7A.2.5R (Client money entitlements); or
- (d) in respect of a *client* for whom the *firm* has evidence that they were a *professional client* for the purposes of the *client money rules* at the time of the *primary pooling event*, the entitlement of that *client* is £100 or less when calculated under ■ CASS 7A.2.5R (Client money entitlements).

#### 7A.2.6B

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- (1) A *firm* may propose to cease to treat a balance of *money* as *client money* under ■ CASS 7A.2.6AR(1) where the *firm* is using the procedure under regulation 12C of the *IBSA Regulations* to set a 'hard bar date' by giving a 'hard bar date notice', or another similar procedure in accordance with the legal procedure for the *firm's failure*.
- (2) In any case, a *firm* should consider the whether its obligations under law (including trust law) or any agreement permit it to cease to treat a balance of *money* as *client money* in the way in which it proposes to do so.
- (3) Balances of *client money* under ■ CASS 7A.2.6AR(1)(c)(iii) include any remaining amount of those that the *firm* is holding to comply with:

**7A.2.6C**

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- (a) ■ CASS 7.13.41R (Prudent segregation);
- (b) ■ CASS 7.13.65R(1) (The alternative approach to client money segregation); and
- (c) ■ CASS 7.13.73R(1) (Use of the normal approach in relation to certain regulated clearing arrangements).

(1) Reasonable steps in ■ CASS 7A.2.6AR(1)(b) include the following course of conduct:

- (a) determining, as far as reasonably possible, the correct contact details for the relevant *client*;
- (b) for a *client* for whom the *firm* has evidence that it was a *professional client* for the purposes of the *client money rules* at the time of the *primary pooling event*:
  - (i) writing to the *client* at the last known address either by post or by electronic mail:
    - (A) to inform it of the *firm's* intention to no longer treat the balance as *client money*;
    - (B) to inform it of the consequences of the *firm's* proposed course of action in relation to the *client's* ability to assert an ownership right to that *money*; and
    - (C) to invite the *client* to submit a claim for the *money*; and
  - (ii) where the *client* has not responded within 28 *days* of the communication under sub-paragraph (i), attempting to communicate the information in sub-paragraph (i) to the *client* on at least one further occasion by any means other than that used in (i) including by post, electronic mail, telephone or media advertisement; and
- (c) for any other *client*:
  - (i) the same steps as under sub-paragraphs (b)(i) and (b)(ii); and
  - (ii) where the *client* has not responded within 28 *days* of the second communication under sub-paragraph (b)(ii), attempting to communicate the information in sub-paragraph (b)(i) to the *client* on at least one further occasion by any means other than one in respect of which the *firm* has obtained positive confirmation that the *client* is not receiving such communications.

(2) Compliance with paragraph (1) may be relied on as tending to establish compliance with ■ CASS 7A.2.6AR(1)(b).

(3) Contravention of paragraph (1) may be relied on as tending to establish contravention of ■ CASS 7A.2.6AR(1)(b).

**7A.2.6D**

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For the purpose of ■ CASS 7A.2.6CE(1)(a), a *firm* may use any available means to determine the correct contact details for the relevant *client*, including:

- (1) telephoning the *client*;
- (2) searching internal and/or public records;

- (3) media advertising;
- (4) mortality screening; and
- (5) using credit reference agencies or tracing agents.

**7A.2.6E** **R** If the *firm* undertook a tracing exercise for the purposes of ■ CASS 7.11.50R(3) (Allocated but unclaimed client money) before the *primary pooling event* but had not made the charity payment under that *rule* by the time of the *primary pooling event* then the findings of that exercise may be relied on for the purposes of ■ CASS 7A.2.6CE(1)(a).

**7A.2.6F** **R**

- (1) A *firm* must make a record of any balance under ■ CASS 7A.2.6AR(1)(c)(i) or (ii) which is to be applied towards any costs or towards any *shortfall* in the relevant notional *pool* in accordance with ■ CASS 7A.2.6AR(1)(c) or (d) respectively, immediately before taking such steps.
- (2) The record under paragraph (1) must state:
  - (a) the amount of the balance of *client money*;
  - (b) the name and contact details of any *client* to whom that balance was allocated according to the *firm's* records at the time of making the record under this *rule*; and
  - (c) either:
    - (i) the efforts applied by the *firm* to determine the *client's* correct contact details under ■ CASS 7A.2.6CE(1)(a); or
    - (ii) if being relied on under ■ CASS 7A.2.6ER, the efforts applied by the *firm* to determine the *client's* correct contact details for the purposes of ■ CASS 7.11.50R(3) (Allocated but unclaimed client money).
- (3) A *firm* must keep the record under (1) indefinitely.

#### Client money received after a primary pooling event

**7A.2.7** **R** [deleted]

**7A.2.7-A** **R**

- (1) This *rule* applies in respect of *client money* received by a *firm* after a *primary pooling event* that does not form part of a notional *pool*.
- (2) Where the *firm* is using the normal approach under ■ CASS 7.13.6R (The normal approach), *client money* to which this *rule* applies must be received into a *client bank account* that does not contain any *client money* forming part of a notional *pool* under ■ CASS 7A.2.4R(1) (Pooling and distribution or transfer).
- (3) (a) This paragraph applies in respect of *client money* that is received by a *firm* into an account other than a *client bank account* as required under ■ CASS 7.13.62R (The alternative approach to client money segregation) or as permitted under ■ CASS 7.13.72R (Use of

the normal approach in relation to certain regulated clearing arrangements).

(b) To the extent the *firm* makes any transfers from its own account to a *client bank account* under ■ CASS 7.13.62R(3) (The alternative approach to client money segregation) or ■ CASS 7.13.72R(2)(b) (Use of the normal approach in relation to certain regulated clearing arrangements), such transfers must be made into a *client bank account* that does not contain any *client money* forming part of a notional *pool* under ■ CASS 7A.2.4R(1) (Pooling and distribution or transfer).

(4) Subject to paragraphs (5) and (6), a *firm* must promptly return to each relevant *client* all *client money* to which this *rule* applies.

(5) To the extent that *client money* relates to a transaction for a *client* that was concluded before the *primary pooling event* but had not yet settled at the time of the *primary pooling event*, the *firm* may use that *client money* to settle that transaction.

(6) (a) This paragraph applies where *client money* which is not received by the *firm* into a *client transaction account* relates to one or more cleared *marginised transactions* entered into by the *firm* through the use of a *client transaction account* at a *clearing house*.

(b) Where such transactions have not *closed out* as at the *primary pooling event*, then provided that the *firm* has not *failed*, it may transfer that *client money* to a *client transaction account* with the relevant *clearing house* in accordance with ■ CASS 7.14 (Client money held by a third party) for the purpose of collateralising those *marginised transactions*.

**7A.2.7A** G A *firm* may open a *client bank account* after a *primary pooling event* for the purposes of complying with ■ CASS 7A.2.7-AR(2) and ■ CASS 7A.2.10AR(2). If it does so it must comply with ■ CASS 7.18.15R regarding *acknowledgement letters*.

**7A.2.7B** G Following a *failure*, ■ CASS 7.17.2R(4) applies in respect of costs properly attributable to the return of a *client's client money* under ■ CASS 7A.2.7-AR(4).

**7A.2.8** G [deleted]

**7A.2.9** R If a *firm* receives a *mixed remittance* after a *primary pooling event* other than where using the alternative approach under ■ CASS 7.13.62R or under a *regulated clearing arrangement* to which ■ CASS 7.13.72R applies, it must:

(1) pay the full sum into a *client bank account* that meets the requirements of ■ CASS 7A.2.7-AR(2); and

(2) pay the *money* that is not *client money* out of that *client bank account* into a *firm's* own bank account within one *business day* of the *day* on which the *firm* would normally expect the remittance to be cleared.

7A.2.10 **G** Whenever possible the *firm* should seek to split a *mixed remittance* before the relevant accounts are credited.

**Money due to a client from a firm after a primary pooling event**

7A.2.10A **R** A *firm* that is operating the normal approach to segregation under ■ CASS 7.13 (Segregation of client money) which becomes liable to pay *money* to a *client* after a *primary pooling event* must promptly, and in any event no later than one *business day* after the *money* is due and payable, pay the *money*:

- (1) to, or to the order of, the *client*; or
- (2) into a *client bank account* that does not contain any *client money* forming part of a notional *pool* under ■ CASS 7A.2.4R(1).

7A.2.10B **G** Where the *firm* has payment instructions from the *client*, the *firm* should pay the money to the order of the *client*, rather than into a *client bank account*.

**Secondary pooling events**

7A.2.11 **R** If both a *primary pooling event* and a *secondary pooling event* occur, the provisions of this section relating to a *primary pooling event* apply.