Interim Prudential Sourcebook for Investment Businesses

Chapter 2

Authorised professional firms

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2.4 BONDING REQUIREMENT FOR ACCOUNTANTS

2.4.1 R This section applies to a *firm* of accountants practising as such in the UK.

2.4.2 R

(1) If the aggregate value of *client money* and *bonded investments* a *firm* holds for a *client* is over £50,000 then the *firm* must ensure that it holds a bond for the excess over £50,000.

(2) A *firm* must:

(a) ensure that the bond is in the form prescribed by the *FCA*;

(b) ensure that the *person* specified to act as trustee in the bond is a *designated professional body* or a solicitor practising as such in the UK;

(c) ensure that the bond is lodged with the trustee; and

(d) be able at all times to show that the amount of the bond is sufficient to meet the requirements of (1).

2.4.3 R A *firm* must notify the *FCA* immediately:

(1) of any bond taken out specifying the amount and where it is lodged; and

(2) of the arrangements it has made to comply with IPRU-INV 2.4.2R if a bond is not renewed or is cancelled.

2.4.4 G

(1) *Firms* which hold *client money* or bonded investments for more than one *client*, may hold one bond to cover all of the *clients* concerned. The bonding requirements may be complied with by taking out a global bond. In firms with numerous offices compliance may be achieved in practice by calculating the requirement based on figures supplied by offices which is likely to be at least quarterly. These figures would need to be supplied and assessed soon after the end of each quarter.

(2) To ensure the global cover is sufficient, this approach would require an estimated safety margin to be incorporated, to allow for changes in the amounts of *client money*, *investments* or assets held. An additional prudent measure would be to ensure that exceptional amounts of these assets are notified by branch offices so that the *firm* can check whether the safety margin can absorb them and reconsider whether the total global bond cover remains sufficient.

2.4.5 G *Firms* which do not expect to hold *bonded investments* or *client money* in excess of the value limit need not hold a bond. However, *firms* may wish to make contingency arrangements with a surety whereby a bond facility is available and can be executed and delivered at short notice.