

**CLIENT ASSETS SOURCEBOOK (AMENDMENT NO 2) INSTRUMENT 2004**

**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
  - (2) section 139(1) (Miscellaneous ancillary matters); and
  - (3) section 156 (General supplementary powers).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 14 January 2005.

**Amendments to the Handbook**

- D. The Client Assets sourcebook is amended in accordance with Annex A to this instrument.
- E. The Glossary of definitions is amended in accordance with Annex B to this instrument.

**Citation**

- F. This instrument may be cited as the Client Assets Sourcebook (Amendment No 2) Instrument 2004.

By order of the Board  
18 November 2004

Amended by Addendum  
25 November 2004

## Annex A

### Amendments to the Client Assets sourcebook

In this Annex underlining indicates new text and striking through indicates deleted text.

#### CASS Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision : dates in force	Handbook provision coming into force
<u>3</u>	<u>CASS 5.1 to 5.6</u>	<u>R</u>	<u>Apply in relation to <i>money</i> (and where appropriate <i>designated investments</i>) held by a <i>firm</i> on 14 January 2005 (being <i>money</i> or <i>designated investments</i> to which CASS 5.1 to 5.6 would not otherwise apply) to the extent that any such <i>money</i> (or <i>designated investments</i>) relate to business carried on before 14 January 2005 and which would, if conducted on or after 14 January 2005, be an <i>insurance mediation activity</i>.</u>	<u>Indefinitely</u>	<u>14 January 2005</u>
<u>4</u>	<u>CASS 5.1.5A</u>	<u>R</u>	<u>A <i>firm</i> will satisfy the requirements of this paragraph, and <i>money</i> is <i>client money</i>, notwithstanding that an <i>insurance undertaking</i> which is the <i>firm</i>'s counterparty to an agreement required by CASS 5.1.5AR has not given written consent to its interests under the trusts (or in Scotland agency) in CASS 5.3.2R or CASS 5.4.7R being subordinated to the interests of the <i>firm</i>'s other <i>clients</i>.</u>	<u>14 January 2005 for 6 months</u>	<u>14 January 2005</u>
<u>5</u>	<u>CASS 5.3.2</u>	<u>R</u>	<u>The interests of a <i>firm</i>'s <i>clients</i> which are <i>insurance undertakings</i> will rank equally with the interests of the <i>firm</i>'s</u>	<u>14 January 2005 for 6 months</u>	<u>14 January 2005</u>

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision : dates in force	Handbook provision coming into force
			<u>other clients.</u>		
<u>6</u>	<u>CASS 5.4.7</u>	<u>R</u>	<u>A firm will satisfy the requirements of this rule notwithstanding that the deed referred to in CASS 5.4.6R provides that money (and if appropriate designated investments) are held on terms which provide for the interests of the firm's clients which are insurance undertakings to rank equally with the interests of the firm's other clients.</u>	<u>14 January 2005 for 6 months</u>	<u>14 January 2005</u>
<u>7</u>	<u>CASS 5.5.65</u>	<u>R</u>	<u>A firm may for the purpose of calculating its client money resource disregard any money which the firm had before 14 January 2005 transferred to an intermediate broker in circumstances analogous to those described in CASS 5.5.34R.</u>	<u>14 January 2005 for 12 months</u>	<u>14 January 2005</u>

...

- 5.1.4A     R     (1)     A firm which, in relation to a service charge, receives or holds client money and is required to segregate and account for such money in accordance with section 42 of the Landlord and Tenant Act 1987 ("the 1987 Act") will, if it complies with that provision and with (3), be deemed to comply with CASS 5.3 to 5.6.
- (2)     Paragraph (1) also applies to a firm in Scotland or in Northern Ireland if in acting as a property manager the firm receives or holds a service charge and complies (so far is practicable) with section 42 of the 1987 Act as if the requirements of that provision applied to it.
- (3)     In addition to complying with (1), a firm must ensure that an account in which money held pursuant to the trust fund mentioned in section 42(3) of the 1987 Act satisfies the requirements in CASS 5.5.49R.

- 5.1.5 R Subject to CASS 5.1.5AR ~~M~~money is not *client money*:  
 ...
- 5.1.5 A R CASS 5.1.5R(1)(b) and (2) do not apply, and hence *money is client money*, in any case where:
- (1) in relation to an activity specified in CASS 5.2.3R(1)(a) to (c), the *insurance undertaking* has agreed that the *firm* may treat *money* which it receives and holds as agent of the *undertaking*, as *client money* and in accordance with the provisions of CASS 5.3 to 5.6; and
- (2) the agreement in (1) is in writing and adequate to show that the *insurance undertaking* consents to its interests under the trusts (or in Scotland agency) in CASS 5.3.2R or CASS 5.4.7R being subordinated to the interests of the *firm's* other *clients*.
- 5.1.6 R ~~It~~ Except where a *firm* and an *insurance undertaking* have (in accordance with CASS 5.1.5AR) agreed otherwise, for the purposes of CASS 5.1 to 5.6 an *insurance undertaking* (when acting as such) with whom a *firm* conducts *insurance mediation activity* is not to be treated as a *client* of the *firm*.
- Purpose
- 5.1.7 G ...
- (2) There are two particular approaches which a *firm* can adopt which reflect options given in article 4.4. The first is to provide by law or contract for a transfer of risk from the *insurance intermediary* to the *insurance undertaking* (CASS 5.2). The second is that *clients' money* is strictly segregated by being transferred to *client accounts* that cannot be used to reimburse other creditors in the event of the *firm's* insolvency (CASS 5.3 and 5.4 provide different means of segregation). CASS 5.1.5AR permits a *firm* subject to certain conditions to treat *money* which it collects as agent of an *insurance undertaking* as *client money*; the principle of strict segregation is, however, satisfied because such *undertakings* must agree to their interests being subordinated to the interests of the *firm's* other *clients*.
- ...
- 5.2.1 G If a *firm* holds *money* as agent of an *insurance undertaking* then the *firm's clients* (who are not *insurance undertakings*) will be adequately protected to the extent that the *premiums* which it receives are treated as being received by the *insurance undertaking* when they are received by the agent and claims *money* and *premium* refunds will only be treated as received by the *client* when they are actually paid over. The *rules* in CASS 5.2 make provision for

agency agreements between *firms* and *insurance undertakings* to contain terms which make clear when *money* should be held by a *firm* as agent of an undertaking. *Firms* should refer to CASS 5.1.5R to determine the circumstances in which they may treat *money* held on behalf of *insurance undertakings* as *client money*. *Money* is not *client money* when a *firm* holds *money* as agent for an *insurance undertaking* to which *premiums* are, or will become, payable or from whom claims *money* or *premium* refunds are received for onward payment to the *firm's client*. This is because for the purposes of CASS 5.1 to 5.6 an *insurance undertaking* with whom a *firm* transacts *insurance mediation activity* is not treated as a *client* of the *firm*. Where a *firm* acts as the agent of an *insurance undertaking* (for the purposes of receiving *premiums*, claims *money* and *premium* refunds) the *firm's clients* will be adequately protected because *premiums* will be treated as being received by the *insurance undertaking* when they are received by the agent and claims *money* and *premium* refunds will only be treated as received by the *client* when they are actually paid over.

- 5.2.2 G (1) Agency agreements between *insurance intermediaries* and *insurance undertakings* ... Accordingly such *money* is not, except where a *firm* and an *insurance undertaking* have in compliance with CASS 5.1.5AR agreed otherwise, *client money* for the purposes of CASS 5.
- (2) Other introductory agency agreements may also, depending on their precise terms, satisfy some or all of the requirements of the type of written agreement described in CASS 5.2.3R ~~which will result in a transfer of risk for the purpose of CASS 5.2.~~ It is desirable that an *intermediary* ...
- 5.2.3 R ...
- (3) Where a *firm* holds, or is to hold, *money* as agent for an *insurance undertaking* it must ensure that it informs those of its *clients* which are not *insurance undertakings* and whose transactions may be affected by the arrangement ...
- (4) A *firm* may (subject to the consent of the *insurance undertaking* concerned) include in an agreement in (1) provision for *client money* received by ~~an~~ its appointed representative, *field representatives* and other agents to be held ~~by the representative~~ as agent for the *insurance undertaking* (in which event the *firm* must ensure that the *representative* or agent provides the information to *clients* required by (3)).
- 5.2.4 G *Firms* are reminded that CASS 5.1.5AR ~~5.1.5R(1)(b)~~ provides that, if the *insurance undertaking* has agreed in writing, *money* held in accordance with an agreement made under CASS 5.2.3R ~~is not~~ may be treated as *client money* and ~~in accordance with the rules in CASS 5,~~ that *money* may (but not otherwise) ~~must not~~ be kept in a *client bank account*.
- 5.2.5 G A *firm* which provides for the protection of a *client* (which is not an

*insurance undertaking*) under CASS 5.2 is relieved of the obligation to provide protection for that *client* under CASS 5.3 or CASS 5.4 to the extent of the items of ~~the~~ *client money* protected by the agency agreement.

5.2.6 G A *firm* may, in accordance with CASS 5.2.3R(4), arrange for an *insurance undertaking* to accept responsibility for the *money* held by its *appointed representatives, field representatives, and other agents*, in which event CASS 5.5.18R to CASS 5.5.25G will not apply.

...

5.3.2 R A *firm* (other than a *firm* acting in accordance with CASS 5.4) receives and holds *client money* as trustee (or in Scotland as agent) on the following terms:

- (1) for the purposes of and on the term of CASS 5.3, CASS 5.5 and the *client money (insurance) distribution rules*;
- (2) subject to ~~(34)~~, for the *clients (other than clients which are insurance undertakings when acting as such)* for whom that *money* is held, according to their respective interests in it;
- (3) after all valid claims in (2) have been met, for clients which are insurance undertakings according to their respective interests in it;
- ~~(34)~~ on the failure of the *firm*, for the payment of the costs properly attributable to the distribution of the *client money* in accordance with (2) and (3); and
- ~~(45)~~ after all valid claims and costs under (2) ~~and (3)~~ to (4) have been met, for the *firm* itself.

...

5.4.4 R A *firm* may not handle *client money* in accordance with the *rules* in this section unless each of the following conditions is satisfied:

- (1) ...
- (5) in relation to each of the *clients* for whom the *firm* holds *money* in accordance with CASS 5.4, the *firm* must take reasonable steps to ensure that its *terms of business* or other *client agreements* adequately explain, and obtain the *client's* informed consent to, the *firm* holding the *client's money* in accordance with CASS 5.4 (and in the case of a client which is an insurance undertaking (when acting as such) there must be an agreement which satisfies CASS 5.1.5AR).

...

5.4.6 R Except to the extent that a firm acts in accordance with CASS 5.3, A firm

must not receive or hold any *client money* unless it does so as trustee (or, in Scotland, as agent) and has properly executed a deed (or equivalent formal document) to that effect.

#### Contents of trust deed

5.4.7 R The deed referred to in CASS 5.4.6R must provide that the *money* (and if appropriate the *designated investments*) are held:

...

(2) subject to ~~(34)~~, for the *clients* (other than *clients* which are *insurance undertakings* when acting as such) for whom that *money* is held, according to their respective interests in it;

(3) after all valid claims in (2) have been met for *clients* which are *insurance undertakings* according to their respective interests in it;

~~(34)~~ on the *failure* of the *firm*, for the payment of the costs properly attributable to the distribution of the *client money* in accordance with (2) and (3); and

~~(45)~~ after all valid claims and costs under (2) ~~and (3)~~ to (4) have been met, for the *firm* itself.

...

5.5.10 R If it is prudent to do so to ensure that *client money* is protected (and provided that doing so would otherwise be in accordance with CASS 5.5.63R~~(2)(b)(1)(b)(ii)~~) ...

...

5.5.11A G When a *firm* acts in accordance with CASS 5.3 (Statutory trust) it should not make a payment from the *client bank account* unless it is satisfied on reasonable grounds that the *client* has provided it with cleared funds. Accordingly, a *firm* should normally allow a reasonable period of time for cheques to clear. If a withdrawal is made and the *client's* cheque is subsequently dishonoured it will be the *firm's* responsibility to make good the *shortfall* in the account as quickly as possible (and without delay whilst a cheque is re-presented).

...

5.5.16 R (1) A *firm* may draw down *commission* from the *client bank account* if:

(a) it has received the *premium* from the *client* (or from a third party *premium* finance provider on the *client's* behalf); and

- (b) this is consistent with the firm's terms of business ~~terms of reference of~~ which it maintains with the relevant client and the insurance undertaking to whom the premium is ~~will~~ become payable;

and the *firm* may draw down *commission* before payment of the *premium* to the *insurance undertaking*, provided that the conditions in (a) and (b) are satisfied.

- (2) If a *firm* receives a *mixed remittance* (that is part *client money* and part other *money*), it must:
- (a) pay the full amount into a *client bank account* in accordance with CASS 5.5.5R ; and
- (b) pay the *money* that is not *client money* out of the *client bank account* as soon as reasonably practicable and in any event by not later than twenty five *business days* after the day on which the remittance is cleared (or, if earlier, when the firm performs the client money calculation in accordance with CASS 5.5.63R(1)).

- 5.5.17 G (1) As soon as commission becomes due to the firm (in accordance with CASS 5.5.16R(1)) it must be treated as a remittance which must be withdrawn in accordance with CASS 5.5.16R (2). The procedure required by CASS 5.5.16R will also apply where ~~money becomes is~~ due and payable to the firm in respect of fees due from *clients* (whether to the firm or other professionals) ~~and amounts in respect of commission which becomes due to the firm from an insurance undertaking.~~
- (2) *Firms* are reminded that *money* received in accordance with CASS 5.2 must not, except where a firm and an insurance undertaking have (in accordance with CASS 5.1.5AR) agreed otherwise, be kept in a *client bank account*. *Client money* received from a third party *premium* finance provider should, however, be segregated into a *client bank account*.
- (3) Where a *client* makes payments of *premium* to a *firm* in instalments, CASS 5.5.16R(1) applies in relation to each instalment.
- (4) If a firm is unable to match a remittance with a transaction it may be unable to immediately determine whether the payment comprises a mixed remittance or is client money. In such cases the remittance should be treated as client money while the firm takes steps to match the remittance to a transaction as soon as possible.



Appointed representatives, field representatives and other agents

- 5.5.18 R (1) Subject to (4), a firm must in relation to each of its appointed representatives, field representatives and other agents comply with CASS 5.5.19R to CASS 5.5.21R (Immediate segregation) or with CASS 5.5.23R (Periodic segregation and reconciliation).

...

- (4) (1) to (3) do not apply in relation to an appointed representative, field representative or other agent to which (if it were a firm) CASS 5.1.4AR(1) or (2) would apply, but subject to the representative or agent maintaining an account which satisfies the requirements of CASS 5.5.49R.

...

Client money calculation and reconciliation

- 5.5.62 G ~~The purpose of the client money calculation is to act as a check that the amount of client money (and where appropriate the value of segregated designated investments) that is segregated at banks (and where appropriate third parties) is sufficient to meet the firm's obligations to its clients. For this purpose two, alternative, calculation methods are permitted, but a firm must use the same calculation method in relation to both CASS 5.3 and CASS 5.4. The first requires a firm to calculate its client money requirement by reference to individual client money balances. The second permits a firm to carry out the calculation on the basis of information in its business ledgers. In either case, the firm must carry out the calculation at least every 25 business days.~~

- (1) In order that a firm may check that it has sufficient money segregated in its client bank account (and held by third parties) to meet its obligations to clients it is required periodically to calculate the amount which should be segregated (the client money requirement) and to compare this with the amount shown as its client money resource. This calculation is, in the first instance, based upon the firm's accounting records and is followed by a reconciliation with its banking records. A firm is required to make a payment into the client bank account if there is a shortfall or to remove any money which is not required to meet the firm's obligations.

- (2) For the purpose of calculating its client money requirement two alternative calculation methods are permitted, but a firm must use the same method in relation to CASS 5.3 and CASS 5.4. The first refers to individual client cash balances; the second to aggregate amounts of client money recorded on a firm's business ledgers.

- 5.5.63 R (1) A *firm* must, as often as is necessary to ensure the accuracy of its records and at least at intervals of not more than 25 *business days*:
- (1) (a) check whether its *client money* resource, as determined by CASS 5.5.65R on the previous *business day*, was at least equal to the *client money* requirement, as determined by CASS 5.5.66R or CASS 5.5.68R, as at the close of business on that day; and
  - (2) (b) ensure that:
    - (a) (i) any *shortfall* is paid into a *client money bank account* by the close of business on the day the calculation is performed; or
    - (b) (ii) any excess is withdrawn within the same time period unless CASS 5.5.9R or CASS 5.5.10R applies to the extent that the *firm* is satisfied on reasonable grounds that it is prudent to maintain a positive margin to ensure the ~~test~~-calculation in (a) is satisfied having regard to any unreconciled items in its business ledgers as at the date on which the calculations are performed; and
  - (3) (c) ~~ensure that it~~ includes in any calculation of its *client money* requirement (whether calculated in accordance with CASS 5.5.66R or CASS 5.5.68R) any amounts attributable to *client money* received by its *appointed representatives*, *field representatives* or other agents and which, as at the date of calculation, it is required to segregate in accordance with CASS 5.5.19R.
- (2) A *firm* must within ten *business days* of the calculation in (a) reconcile the balance on each *client bank account* as recorded by the *firm* with the balance on that account as set out in the statement or other form of confirmation used by the bank with which that account is held.
- (3) When any discrepancy arises as a result of the reconciliation carried out in (2), the *firm* must identify the reason for the discrepancy and correct it as soon as possible, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and those of the *firm*.

- (4) While a *firm* is unable to resolve a difference arising from a reconciliation, and one record or a set of records examined by the *firm* during its reconciliation indicates that there is a need to have a greater amount of *client money* than is in fact the case, the *firm* must assume, until the matter is finally resolved, that the record or set of records is accurate and either pay its own *money* into a relevant account or make a withdrawal of any excess.

...

- 5.5.65 R The *client money* resource, for the purposes of CASS 5.5.63R(1)(a), is
- (1) the aggregate of the balances on the *firm's client money bank accounts*, as at the close of business on the previous *business day* and, if held in accordance with CASS 5.4, *designated investments* (valued on a prudent and consistent basis) together with *client money* held by a third party in accordance with CASS 5.5.34 R; and
  - (2) (but only if the *firm* is comparing the *client money* resource with its *client's money* (accruals) requirement in accordance with CASS 5.5.68R) to the extent that *client money* is held in accordance with CASS 5.3 (statutory trust), insurance debtors (which in this case cannot include pre-funded items); and
  - (3) (but only if the *firm* is comparing the *client money* resource with its *client's money* (accruals) requirement in accordance with CASS 5.5.68R) to the extent that *client money* is held in accordance with CASS 5.4 (non-statutory trust):

...

But a *firm* may treat a transaction with an *insurance undertaking* which is not a *UK domestic firm* as complete, and accordingly may (but only for the purposes of the calculation in (1)) disregard any unreconciled items of *client money* transferred to an intermediate broker relating to such a transaction, if:

- (4) it has taken reasonable steps to ascertain whether the transaction is complete; and
- (5) it has no reason to consider the transaction has not been completed; and
- (6) a period of at least 12 months has elapsed since the *money* was transferred to the intermediate broker for the purpose of the transaction.

...

- 5.5.67 R The individual *client balance* for each *client* must be calculated as follows:

...

- (4) less the amount paid to *insurance undertakings* for the benefit of the *client* (to include all *premiums* and *commission* due to itself) (i.e. *commissions* that are due but have not yet been removed from the *client account*);

...

5.5.68 R A *firm's client money* (accruals) requirement is the sum of the following:

...

- (2) unearned ~~brokerage~~ *commission* being the amount of ~~brokerage~~ *commission* shown as accrued (but not shown as ~~earned~~ due and payable) as at the date of the calculation (a prudent estimate must be used if the *firm* is unable to produce an exact figure at the date of the calculation).

...

#### Reconciliation of client money: frequency of reconciliation

5.5.70 R ~~A *firm* must perform a reconciliation of the *client money* balances which it holds, or if appropriate perform the *client money* (accruals) calculation, as frequently as is necessary to ensure the accuracy of its record of *money* so held, and no less than once in every 25 *business days*. [deleted]~~

5.5.71 G ~~In determining whether the minimum acceptable frequency is sufficient, a *firm* should consider the risks to which the business is exposed, such as the volume of business, and where and with whom the *client money* is held. [deleted]~~

5.5.72 R ~~A *firm* must complete the reconciliation of *client money* within ten *business days* of the date on which the *client money* resource and *client money* requirements were determined. [deleted]~~

#### Verification of banking records

5.5.73 R ~~A *firm* must for the purpose of the reconciliation required by CASS 5.5.63R compare the balance on each *client bank account* as recorded by the *firm* with the balance on that account as set out in the statement or other form of confirmation used by the bank with which that account is held. [deleted]~~

#### Verification of discrepancies

5.5.74 R ~~When any discrepancy arises as a result of the verification carried out under CASS 5.5.73R, the *firm* must identify the reason for the discrepancy and correct it as soon as possible, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and those of the *firm*. [deleted]~~

5.5.75 R ~~While a *firm* is unable to resolve a difference arising from a reconciliation, and one record or a set of records examined by the *firm* during its reconciliation indicates that there is a need to have a greater amount of *client money* than is in fact the case, the *firm* must assume, until the matter is finally resolved, that the record or set of records is accurate and pay its own *money* into a relevant account. [deleted]~~

Failure to perform calculations or reconciliation

5.5.76 R A *firm's* must notify the *FSA* immediately if it is unable to, or does not, perform the calculation required by *CASS* 5.5.63R(1).

5.5.77 R A *firm* must notify the *FSA* immediately it becomes aware that it may not be able to make good any *shortfall* identified by *CASS* 5.5.63R(1) by the close of business on the day the calculation is performed and if applicable when the reconciliation is completed.

5.5.78 R ~~A *firm* must notify the *FSA* as soon as possible if it is unable to comply with any of the requirements of *CASS* 5.5.70R, *CASS* 5.5.72R, *CASS* 5.5.73R, *CASS* 5.5.74R and *CASS* 5.5.75R. [deleted]~~

...

5.5.80 R *Money* ceases to be *client money* if it is paid:

...

(5) to the *firm* itself, when it is an excess in the *client bank account* as set out in *CASS* 5.5.63R(2)(b)(1)(b)(ii).

...

5.6.5 R A *primary pooling event* occurs:

...

(4) when the *firm* notifies, or is in breach of its duty to notify, the *FSA*, in accordance with *CASS* 5.5.787R ...

...

5.6.22 R *Money* held in each *general client bank account* of the *firm* must be treated as pooled and:

...

(4) the *firm* must use the new *client* entitlements, calculated in accordance with (2), when performing the *client money* calculation in accordance with *CASS* 5.5.63R to *CASS* 5.5.7569R.

...

5.6.24 R For each *client* with a *designated client bank account* held at the *failed* bank:

...

(4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), when performing the periodic *client money* calculation, in accordance with *CASS 5.5.63R* to *CASS 5.5.7569R*.

...

5.6.30 R *Money* held in each *general client bank account* of the *firm* must be treated as pooled and:

...

(4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), when performing the periodic *client money* calculation, in accordance with *CASS 5.5.63R* to *CASS 5.5.7569R*.

## Annex B

### Amendments to the Glossary of definitions

In this Annex striking through indicates deleted text.

Amend the following definition as shown:

*approved bank* (except in *COLL* and *CIS*) (in relation to a *bank* account opened by a *firm*):

- (a) if the account is opened at a branch in the *United Kingdom*:
  - (i) the Bank of England; or
  - (ii) the central bank of a member state of the *OECD*; or
  - (iii) a *bank*; or
  - (iv) a *building society* ~~which offers unrestrictedly, banking services~~; or

...

## ADDENDUM

### CLIENT ASSETS SOURCEBOOK (AMENDMENT NO 2) INSTRUMENT 2004

Annex A to this instrument is amended by replacing the text shown for the transitional provisions CASS TP 3 and TP 4 with the following text:

#### CASS Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
3	CASS 5.1 to CASS 5.6	R	<del>In CASS 5.1 to CASS 5.6 an insurance undertaking (when acting as such) with whom a firm conducts insurance mediation activity may be treated by the firm as its client.</del> <u>Apply in relation to money (and where appropriate designated investments) held by a firm on 14 January 2005 (being money or designated investments to which CASS 5.1 to CASS 5.6 would not otherwise apply) to the extent that any such money (or designated investments) relate to business carried on before 14 January 2005 and which would, if conducted on or after 14 January 2005, be an insurance mediation activity.</u>	14 January 2005 for 12 months <u>Indefinitely</u>	14 January 2005
4	<del>CASS 5.1 to CASS 5.6</del> <u>CASS 5.1.5AR</u>	R	<del>Money held by a firm in accordance with an agreement made under CASS 5.2.3R may be kept in a client bank account. A firm will satisfy the requirements of this paragraph, and money is client money, notwithstanding that an insurance undertaking which is the firm's counterparty to an agreement required by CASS 5.1.5AR has not given written</del>	14 January 2005 for <del>12</del> <u>6</u> months	14 January 2005



(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
			<u>consent to its interests under the trusts (or in Scotland agency) in CASS 5.3.2R or CASS 5.4.7R being subordinated to the interests of the <i>firm's</i> other <i>clients</i>.</u>		