

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