

## 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 <i>client money</i> may not be adequately protected if it is not treated as such, treat the entire balance of <i>money</i> as <i>client money</i> and record the <i>money</i> in its books and records as “unidentified client money” while it performs the necessary steps under (1).
13.6.7	G	If a <i>firm</i> is unable to identify <i>money</i> that it has received as either <i>client money</i> or its own <i>money</i> under ■ CASS 13.6.6R(1), it should consider whether it would be appropriate to return the <i>money</i> 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 <i>firm</i> should have regard to its fiduciary duties when considering such matters.
13.6.8	G	<p>A <i>firm</i> must ensure that <i>client money</i> received by its agents is:</p> <p>(1) received directly into a <i>client bank account</i> of the <i>firm</i>; or</p> <p>(2) if it is received in the form of a cheque or other payable order:</p> <p>(a) paid into a <i>client bank account</i> of the <i>firm</i> promptly and, in any event, no later than the next <i>business day</i> after receipt; or</p> <p>(b) forwarded to the <i>firm</i> promptly and, in any event, so that it is received by the <i>firm</i> no later than the close of the third <i>business day</i> following the receipt of the <i>money</i> from the <i>customer</i>; or</p> <p>if it is received in the form of cash, paid into a <i>client bank account</i> of the <i>firm</i> promptly and, in any event, no later than the next <i>business day</i> after receipt.</p>
		<b>Mixed remittance</b> .....
13.6.9	R	<p>If a <i>firm</i> receives a <i>mixed remittance</i> it must:</p> <p>(1) pay the full sum into a <i>client bank account</i> promptly and in accordance with ■ CASS 13.6.1R to ■ 13.6.5R; and</p> <p>(2) no later than one <i>business day</i> after the payment of the <i>mixed remittance</i> into the <i>client bank account</i> has cleared, pay the money that is not <i>client money</i> out of the <i>client bank account</i>.</p>
		<b>Interest</b> .....
13.6.10	R	A <i>firm</i> must pay a <i>client</i> any interest earned on <i>client money</i> held for that <i>client</i> .