

## Chapter 1A

# CASS firm classification and operational oversight

## 1A.2 CASS firm classification

- 1A.2.1** **G** The application of certain *rules* in this chapter depends upon the 'CASS firm type' within which a *firm* falls. The 'CASS firm types' are defined in accordance with ■ CASS 1A.2.7 R. The 'CASS firm type' within which a *firm* falls is also used to determine whether it is required to have the *CASS operational oversight function* described in ■ CASS 1A.3.1A R and whether the reporting obligations in ■ SUP 16.14 (Client money and asset return) apply to it.
- 1A.2.2** **R**
- (1) A *firm* must once every year, and by the time it is required to make a notification in accordance with ■ CASS 1A.2.9R (4), determine whether it is a *CASS large firm*, *CASS medium firm* or a *CASS small firm* according to the amount of *client money* or *safe custody assets* which it holds, using the limits set out in the table in ■ CASS 1A.2.7 R.
  - (2) For the purpose of determining its 'CASS firm type' in accordance with ■ CASS 1A.2.7 R, a *firm* must:
    - (a) if it currently holds *client money* or *safe custody assets*, calculate the higher of the highest total amount of *client money* and the highest total value of *safe custody assets* held during the previous calendar year ending on 31 December and use that figure to determine its 'CASS firm type';
    - (b) if it did not hold *client money* or *safe custody assets* in the previous calendar year but projects that it will do so in the current calendar year, calculate the higher of the highest total amount of *client money* and the highest total value of *safe custody assets* that it projects that it will hold during that year and use that figure to determine its 'CASS firm type'; but
    - (c) in either case, exclude from its calculation any *client money* held in accordance with ■ CASS 5 (Client money: insurance distribution activity) or ■ CASS 13 (Claims management: client money).
- 1A.2.3** **R** For the purpose of calculating the value of the total amounts of *client money* and *safe custody assets* that it holds on any given *day* during a calendar year a *firm* must:
- (1) in complying with ■ CASS 1A.2.2R (2)(a), base its calculation upon internal reconciliations performed during the previous year;
  - (2) in relation to *client money* or *safe custody assets* denominated in a currency other than sterling, translate the value of that *money* or that *safe custody assets* into sterling at the previous *day's* closing spot exchange rate; and

- (3) in relation to *safe custody assets* only, calculate their total value using the previous *day's* closing mark to market valuation, or if in relation to a particular *safe custody asset* none is available, the most recent available valuation.

**1A.2.4** **G** One of the consequences of **■ CASS 1A.2.2 R** is that a *firm* that determines itself to be a *CASS small firm* or a *CASS medium firm* will, at least if it exceeds during the course of a calendar year either of the limits in **■ CASS 1A.2.7 R** that applies to it, become in the next calendar year:

- (1) in the case of a *CASS small firm*, a *CASS medium firm* or a *CASS large firm*; and
- (2) in the case of a *CASS medium firm*, a *CASS large firm*.

**1A.2.5** **R** (1) Notwithstanding **■ CASS 1A.2.2 R**, provided that the conditions in (2) are satisfied a *firm* may elect to be treated:

- (a) as a *CASS medium firm*, in the case of a *firm* that is classed by the application of the limits in **■ CASS 1A.2.7 R** as a *CASS small firm*; and
- (b) as a *CASS large firm*, in the case of a *firm* that is classed by the application of the limits in **■ CASS 1A.2.7 R** as a *CASS medium firm*.

- (2) The conditions to which (1) refers are that in either case:
  - (a) the election is notified to the *FCA* in writing;
  - (b) the notification in accordance with (a) is made at least one week before the election is intended to take effect; and
  - (c) the *FCA* has not objected.

**1A.2.6** **G** **■ CASS 1A.2.5 R** provides a *firm* with the ability to opt in to a higher category of 'CASS firm type'. This may be useful for a *firm* whose holding of *client money* and *safe custody assets* is near the upper categorisation limit for a *CASS small firm* or a *CASS medium firm*.

**1A.2.7** **R** CASS firm types

CASS firm type	Highest total amount of <i>client money</i> held during the <i>firm's</i> last calendar year or as the case may be that it projects that it will hold during the current calendar year	Highest total value of <i>safe custody assets</i> held by the <i>firm</i> during the <i>firm's</i> last calendar year or as the case may be that it projects that it will hold during the current calendar year
<i>CASS large firm</i>	more than £1 billion	more than £100 billion
<i>CASS medium firm</i>	an amount equal to or greater than £1 million and less than or equal to £1 billion	an amount equal to or greater than £10 million and less than or equal to £100 billion
<i>CASS small firm</i>	less than £1 million	less than £10 million

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1A.2.8	R	[deleted]
1A.2.8A	R	[deleted]
1A.2.9	R	<p>Once every calendar year a <i>firm</i> must notify to the <i>FCA</i> in writing the information specified in (1), (2) or (3) as applicable, and the information specified in (4), in each case no later than the <i>day</i> specified in (1) to (4):</p> <ol style="list-style-type: none"> <li>(1) if it held <i>client money</i> or <i>safe custody assets</i> in the previous calendar year, the highest total amount of <i>client money</i> and the highest total value of <i>safe custody assets</i> held during the previous calendar year, notification of which must be made no later than the fifteenth <i>business day</i> of January; or</li> <li>(2) if it did not hold <i>client money</i> or <i>safe custody assets</i> in the previous calendar year but at any point up to the fifteenth <i>business day</i> of January the <i>firm</i> projects that it will do so in the current calendar year, the highest total amount of <i>client money</i> and the highest total value of <i>safe custody assets</i> that the <i>firm</i> projects that it will hold during the current calendar year, notification of which must be made no later than the fifteenth <i>business day</i> of January; or</li> <li>(3) in any other case, the highest total amount of <i>client money</i> and the highest total value of <i>safe custody assets</i> that the <i>firm</i> projects that it will hold during the remainder of the current calendar year, notification of which must be made no later than the <i>business day</i> before the <i>firm</i> begins to hold <i>client money</i> or <i>safe custody assets</i>; and</li> <li>(4) in every case, of its 'CASS firm type' classification, notification of which must be made at the same time the <i>firm</i> makes the notification under (1), (2) or (3).</li> </ol>
1A.2.10	R	For the purpose of the annual notification to which ■ CASS 1A.2.9 R refers, a <i>firm</i> must apply the calculation rule in ■ CASS 1A.2.3 R.
1A.2.11	G	For the purpose of ■ CASS 1A.2.9R (1), the <i>FCA</i> will treat that obligation as satisfied if a <i>firm</i> submitted a <i>CMAR</i> for each period within the previous calendar year in compliance with ■ SUP 16.14.3 R.
1A.2.12	R	<p>A <i>firm's</i> 'CASS firm type' and any change to it takes effect:</p> <ol style="list-style-type: none"> <li>(1) if the <i>firm</i> notifies the <i>FCA</i> in accordance with ■ CASS 1A.2.9 R (1) or ■ CASS 1A.2.9 R (2), on 1 February following the notification; or</li> <li>(2) if the <i>firm</i> notifies the <i>FCA</i> in accordance with ■ CASS 1A.2.9 R (3), on the <i>day</i> it begins to hold <i>client money</i> or <i>safe custody assets</i>; or</li> <li>(3) if the <i>firm</i> makes an election under ■ CASS 1A.2.5 R (1), and provided the conditions in ■ CASS 1A.2.5 R (2) are satisfied, on the <i>day</i> the</li> </ol>

notification made under ■ CASS 1A.2.5 R (2)(a) states that the election is intended to take effect.

**1A.2.13** **G** Any written notification made to the *FCA* under this chapter should be marked for the attention of: "Client Assets Firm Classification".