

# Chapter 6

## Custody rules



6.1 Application

6.1.1	<div>R</div>	<p>This chapter (the <i>custody rules</i>) applies to a <i>firm</i>:</p> <ul style="list-style-type: none"><li>(1) [deleted]<ul style="list-style-type: none"><li>(a) [deleted]</li><li>(b) [deleted]</li></ul></li><li>(1A) when it holds <i>financial instruments</i> belonging to a <i>client</i> in the course of its <i>MiFID business</i>;</li><li>(1B) when it is <i>safeguarding and administering investments</i>, in the course of business that is not <i>MiFID business</i>;</li><li>(1C) when it is <i>acting as trustee or depositary of an AIF</i>;</li><li>(1D) when it is <i>acting as trustee or depositary of a UK UCITS</i>; and</li><li>(1E) in respect of any arrangement for a <i>client</i> to transfer full ownership of a <i>safe custody asset</i> (or an asset which would be a <i>safe custody asset</i> but for the arrangement) to the <i>firm</i> which is:<ul style="list-style-type: none"><li>(a) in the course of, or in connection with, the <i>firm's designated investment business</i>; and</li><li>(b) for the purpose of securing or otherwise covering present or future, actual or contingent or prospective obligations, and the application of the <i>custody rules</i> to a <i>firm</i> under this paragraph is set out in the <i>rules and guidance</i> in ■ CASS 6.1.6 R to ■ CASS 6.1.9 G; and</li></ul></li><li>(1F) when it is a <i>small AIFM</i> carrying on <i>excluded custody activities</i>.</li><li>(2) [deleted]</li></ul>
6.1.1-A	<div>R</div>	<p>In applying the <i>custody rules</i> to a <i>small AIFM's excluded custody activities</i>, any reference to a <i>firm</i> carrying on the <i>regulated activities</i> of <i>safeguarding and administering investments, safeguarding and administering assets (without arranging) or arranging safeguarding and administration of assets</i> includes those <i>excluded custody activities</i> that would, but for the exclusion in article 72AA of the <i>RAO</i>, amount to whichever of those <i>regulated activities</i> is referred to.</p>
6.1.1A	<div>G</div>	<p>The <i>regulated activity</i> of <i>safeguarding and administering investments</i> covers both the <i>safeguarding and administration of assets (without arranging)</i></p>

and arranging safeguarding and administration of assets, when those assets are either *safe custody investments* or *custody assets*. A *safe custody investment* is, in summary, a *designated investment* which a *firm* receives or holds on behalf of a *client*. *Custody assets* include *designated investments*, and any other assets that the *firm* holds or may hold in the same portfolio as a *designated investment* held for or on behalf of a *client*.

## 6.1.1B

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- (1) *Firms* to which the *custody rules* apply by virtue of ■ CASS 6.1.1R (1B) or (1E) must also apply the *custody rules* to those *custody assets* which are not *safe custody investments* in a manner appropriate to the nature and value of those *custody assets*.
- (2) *Firms* to which the *custody rules* apply by virtue of ■ CASS 6.1.1R (1C) must also apply the *custody rules*:
  - (a) to those *custody assets* which are not *AIF custodial assets* but are *safe custody investments*; and
  - (b) in a manner appropriate to the nature and value of those *custody assets*, to those *custody assets* which are neither *AIF custodial assets* nor *safe custody investments*.
- (3) *Firms* to which the *custody rules* apply by virtue of ■ CASS 6.1.1R(1D) must also apply them:
  - (a) to those *custody assets* which are not *UCITS custodial assets* but are *safe custody investments*; and
  - (b) in a manner appropriate to the nature and value of those *custody assets*, to those *custody assets* which are neither *UCITS custodial assets* nor *safe custody investments*.

## 6.1.1C

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In accordance with article 42 of the *Regulated Activities Order*, a *firm* ("I") will not be *arranging safeguarding and administration of assets* if it introduces a *client* to another *firm* whose *permitted activities* include the *safeguarding and administration of investments*, or to an *exempt person* acting as such, with a view to that other *firm* or *exempt person*:

- (1) providing a *safe custody service* in the *United Kingdom*; or
- (2) arranging for the provision of a *safe custody service* in the *United Kingdom* by another *person*;

and the other *firm*, *exempt person* or other *person* who is to provide the *safe custody service* is not in the same *group* as I, and does not remunerate I.

## 6.1.2

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*Firms* are reminded that dividends (actual or payments in lieu), *stock lending* fees and other payments received for the benefit of a *client*, and which are due to the *clients*, should be held in accordance with the *client money chapter* where appropriate.

## 6.1.3

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[deleted]

**Business in the name of the firm**

6.1.4

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The *custody rules* do not apply where a *firm* carries on business in its name but on behalf of the *client* where that is required by the very nature of the transaction and the *client* is in agreement.

[Note: recital 51 to *MiFID*]

6.1.5

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For example, this chapter does not apply where a *firm* borrows *safe custody assets* from a client as principal under a *stock lending* agreement.

**Title transfer collateral arrangements**

6.1.6

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(1) [deleted]

(2) [deleted]

A *firm* must not enter into a *TTCA* in respect of an asset belonging to a *retail client*.

Where a *firm* entered into a *TTCA* in respect of an asset belonging to a *retail client* (or one which would belong to a *retail client* but for the arrangement) before 3 January 2018, the *firm* must terminate that *TTCA*.

[Note: article 16(10) of *MiFID* and article 5(5) of the *MiFID Delegated Directive*]

Except for ■ CASS 6.1.6BR to ■ CASS 6.1.9G and provided that the *TTCA* is not with a *retail client*, the *custody rules* do not apply to a *firm* in respect of an asset which is subject to a *TTCA* and which would otherwise be a *safe custody asset*.

[Note: recital 52 to *MiFID*]

6.1.6A

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[deleted]

6.1.6B

**R**

(1) A *firm* must ensure that any *TTCA* is the subject of a written agreement made on a *durable medium* between the *firm* and the *client*.

(2) Regardless of the form of the agreement in (1) (which may have additional commercial purposes), it must cover the *client's* agreement to:

- (a) the terms for the arrangement relating to the transfer of the *client's* full ownership of the *safe custody asset* to the *firm*;
- (b) any terms under which the ownership of the *safe custody asset* is to transfer from the *firm* back to the *client*; and
- (c) (to the extent not covered by the terms under (b)), any terms for the termination of:
  - (i) the arrangement under (a); or
  - (ii) the overall agreement in (1).

		(3) A <i>firm</i> must retain a copy of the agreement under (1) from the date the agreement is entered into and until five years after the agreement is terminated.
6.1.6C	G	The terms referred to in ■ CASS 6.1.6BR (2)(b) may include, for example, terms under which the arrangement relating to the transfer of full ownership of the <i>safe custody asset</i> to the <i>firm</i> is not in effect from time to time, or is contingent on some other condition.
6.1.6D	R	<p>(1) A <i>firm</i> must properly consider and document the use of <i>TTCAs</i> in the context of:</p> <ul style="list-style-type: none"> <li>(a) the relationship between the <i>client's</i> obligation to the <i>firm</i>; and</li> <li>(b) the <i>safe custody assets</i> subjected to <i>TTCAs</i> by the <i>firm</i>.</li> </ul> <p>(2) A <i>firm</i> must be able to demonstrate that it has complied with the requirement under (1).</p> <p>(3) When considering, and documenting, the appropriateness of the use of <i>TTCAs</i>, a <i>firm</i> must take into account the following factors:</p> <ul style="list-style-type: none"> <li>(a) whether there is only a very weak connection between the <i>client's</i> obligation to the <i>firm</i> and the use of <i>TTCAs</i>, including whether the likelihood of a <i>client's</i> liability to the <i>firm</i> is low or negligible;</li> <li>(b) the extent by which the amount of <i>safe custody assets</i> subject to a <i>TTCA</i> is in excess of the <i>client's</i> obligations (including where the <i>TTCA</i> applies to all <i>safe custody assets</i> from the point of receipt by the <i>firm</i>) and whether the <i>client</i> might have no obligations at all to the <i>firm</i>; and</li> <li>(c) whether all the <i>client's safe custody assets</i> are made subject to <i>TTCAs</i>, without consideration of what obligation the <i>client</i> has to the <i>firm</i>.</li> </ul> <p>(4) Where a <i>firm</i> uses a <i>TTCA</i>, it must highlight to the <i>client</i> the risks involved and the effect of any <i>TTCA</i> on the <i>client's safe custody assets</i>.</p> <p>[Note: article 6 of the <i>MiFID Delegated Directive</i>]</p>
6.1.6E	G	A <i>firm</i> may choose to combine its <i>client</i> communication under ■ CASS 6.1.6DR(4) with any communication made in order to comply with article 15.1(a)(ii) of the <i>SFTR</i> or ■ CASS 9.3.1R(2)(d).
6.1.7	G	[deleted]
6.1.8	G	<i>Firms</i> are reminded of the <i>client's best interests rule</i> , which requires them to act honestly, fairly and professionally in accordance with the best interests of their <i>clients</i> when structuring their business particularly in respect of the effect of that structure on <i>firms'</i> obligations under this chapter.

### Termination of title transfer collateral arrangements

- 6.1.8A** R
- (1) If a *client* communicates to a *firm* that it wishes (whether pursuant to a contractual right or otherwise) to terminate a *TTCA* and the *client's* communication is not in writing, the *firm* must make a written record of the *client's* communication which also records the date the communication was received.
  - (2) A *firm* must keep a *client's* written communication, or a written record of the *client's* communication in (1), for five years, starting from the date the communication was received by the *firm*.
  - (3) (a) If a *firm* agrees to the termination of a *TTCA*, it must notify the *client* of its agreement in writing. The notification must state when the termination is to take effect and whether or not the *client's safe custody asset* will be held under the *custody rules* by the *firm* thereafter.  
(b) If a *firm* does not agree to terminate a *TTCA*, it must notify the *client* of its disagreement in writing.
  - (4) A *firm* must keep a written record of any notification it makes to a *client* under (3) for a period of five years, starting from the date the notification was made.
- 6.1.8B** G ■ CASS 6.1.8AR (3)(a) refers only to a *firm's* agreement to terminate an existing *TTCA*. Such agreement by a *firm* does not necessarily need to amount to the termination of its entire agreement with the *client*.
- 6.1.8C** G When a *firm* notifies a *client* under ■ CASS 6.1.8AR (3)(a) of when the termination of a *TTCA* is to take effect, it should take into account:
- (1) any relevant terms relating to such a termination that have been agreed with the *client*; and
  - (2) the period of time it reasonably requires to return the *safe custody asset* to the *client* or to update the registration under (Holding of client assets) ■ CASS 6.2 and update its records under ■ CASS 6.6 (Records, accounts and reconciliations).
- 6.1.8D** R If a *TTCA* is terminated, then the exemption at ■ CASS 6.1.6R(4) no longer applies.
- 6.1.8E** G
- (1) Following the termination of a *TTCA*, where a *firm* does not immediately return the *safe custody assets* to the *client* the *firm* should consider whether the *custody rules* apply in respect of the *safe custody assets* pursuant to ■ CASS 6.1.1R.
  - (2) Where the *custody rules* apply to a *firm* for *safe custody assets* in these circumstances then the *firm* is required to comply with those *rules* and should, for example, update the registration under ■ CASS 6.2 (Holding of client assets), update its records under ■ CASS 6.6 (Records, accounts and reconciliations) and treat any *shortfall* in accordance with ■ CASS 6.6.54 R (in each case as appropriate).

**6.1.9** **G** *Firms are reminded that, in certain cases, the collateral rules apply where a firm receives collateral from a client in order to secure the obligations of the client.*

### Prime brokerage agreements

**6.1.9A** **G** *A prime brokerage firm is reminded of the additional obligations in ■ CASS 9.3.1 R which apply to prime brokerage agreements.*

### Affiliated companies - MiFID business

**6.1.10** **G** *The fact that a client is an affiliated company in respect of MiFID business does not affect the operation of the custody rules in relation to that client.*

### Affiliated companies - non-MiFID business

**6.1.10A** **G** *[deleted]*

**6.1.10B** **R** *In respect of a firm's business falling under ■ CASS 6.1.1R (1B), the custody rules do not apply to the firm when it is safeguarding and administering investments on behalf of an affiliated company, unless:*

- (1) *the firm has been notified that the designated investment belongs to a client of the affiliated company; or*
- (2) *the affiliated company is a client dealt with at arm's length.*

**6.1.11** **G** *[deleted]*

### Delivery versus payment transaction exemption

**6.1.12** **R**

- (1) *Subject to (2) and ■ CASS 6.1.12B R and with the written agreement of the relevant client, a firm need not treat this chapter as applying in respect of a delivery versus payment transaction through a commercial settlement system if:*
  - (a) *in respect of a client's purchase, the firm intends for the asset in question to be due to the client within one business day following the client's fulfilment of its payment obligation to the firm; or*
  - (b) *in respect of a client's sale, the firm intends for the asset in question to be due to the firm within one business day following the firm's fulfilment of its payment obligation to the client.*
- (2) *If the payment or delivery by the firm to the client has not occurred by the close of business on the third business day following the date on which a firm makes use of the exemption under (1), the firm must stop using that exemption for the transaction.*
- (3) *If the period referred to in ■ CASS 6.1.12R (2) has expired before such a delivery versus payment transaction through a commercial settlement system has settled, a firm may, until settlement and provided that doing so is consistent with the firm's permissions and it complies with (4), segregate the firm's own money as client money (in accordance*

with the *client money rules*) of an amount equivalent to the value at which that *safe custody asset* is reasonably expected to settle instead of holding the *client's safe custody assets* (in accordance with the *custody rules*).

- (4) Where a *firm* intends to segregate *money* as *client money* instead of the *client's safe custody asset* under (3) it must, before doing so, ensure that this would result in *money* being held for the relevant *client* in respect of the *shortfall* under ■ CASS 7.17.2R (statutory trust).
- (5) Where a *firm* segregates an amount of *client money* instead of the *client's safe custody assets* under (3) it must also:
  - (a) ensure the *money* is segregated under ■ CASS 7.13 (Segregation of client money) and recorded as being held for the relevant *client(s)* under ■ CASS 7.15 (Records, accounts and reconciliations);
  - (b) keep a record of the actions the *firm* has taken under this *rule* which includes a description of the *safe custody asset* in question, identifies the relevant affected *client*, and specifies the amount of *money* that the *firm* has appropriated as *client money* to cover the value of the *safe custody asset*; and
  - (c) update the record made under (5)(b) when the transaction in question has settled and the *firm* has re-appropriated the *money*.

## 6.1.12A

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- (1) The amount of *client money* a *firm* segregates for the purposes of ■ CASS 6.1.12R (3) may be determined by the previous day's closing mark to market valuation of the relevant *safe custody asset* or, if in relation to a particular *safe custody asset* none is available, the most recent available valuation.
- (2) Where a *firm* is segregating *money* for the purposes of ■ CASS 6.1.12R (3) it should, as regularly as necessary, and having regard to *Principle 10*:
  - (a) review the value of the *safe custody asset* in question in line with (1); and
  - (b) where the *firm* has found that the value of the *safe custody asset* has changed, adjust the amount of *money* it has appropriated to ensure that these monies are sufficient to cover the latest value of the *safe custody asset*.

## 6.1.12B

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A *firm* cannot, in respect of a particular delivery versus payment transaction, make use of the exemption under ■ CASS 6.1.12 R in either or both of the following circumstances:

- (1) it is not a direct member or participant of the relevant *commercial settlement system*, nor is it sponsored by such a member or participant, in accordance with the terms and conditions of that *commercial settlement system*;
- (2) the transaction in question is being settled by another *person* on behalf of the *firm* through an account held at the relevant *commercial settlement system* by that other *person*.



**6.1.12C** **G** Where a *firm* does not meet the requirements in ■ CASS 6.1.12 R or ■ CASS 6.1.12B R for use of the exemption in ■ CASS 6.1.12 R, the *firm* is subject to the *custody rules* in respect of any *safe custody asset* it holds in connection with the delivery versus payment transaction in question.

**6.1.12D** **G** (1) In line with ■ CASS 6.1.12 R, where a *firm* receives a *safe custody asset* from a *client* in respect of a delivery versus payment transaction the *firm* is carrying out through a *commercial settlement system* in respect of a *client's* sale, and the *firm* has not fulfilled its payment obligation to the *client* by close of business on the third *business day* following the date of the *client's* fulfilment of its delivery obligation to the *firm*, the *firm* should consider whether the *custody rules* apply in respect of the *safe custody asset* pursuant to ■ CASS 6.1.1R (1A) to ■ CASS 6.1.1R (1D).

- (2) Upon settlement of a delivery versus payment transaction a *firm* is carrying out through a *commercial settlement system* (including when it is settled within the three business day period referred to in ■ CASS 6.1.12 R), in respect of:
- (a) a *client's* purchase, the *custody rules* apply to the relevant *safe custody asset* the *firm* receives upon settlement; and
  - (b) a *client's* sale, the *client money rules* will apply to the relevant *money* received on settlement.

**6.1.12E** **R** (1) If a *firm* makes use of the exemption under ■ CASS 6.1.12 R, it must obtain the *client's* written agreement to the *firm's* use of this exemption.

(2) In respect of each *client*, the written agreement in (1) must be retained during the time that the *firm* makes use, or intends to make use, of the exemption under ■ CASS 6.1.12 R in respect of that *client's* *safe custody assets*.

**6.1.13** **G** [deleted]

**6.1.14** **G** [deleted]

### Temporary handling of safe custody assets

**6.1.15** **G** The *custody rules* do not apply if a *firm* temporarily handles a *safe custody asset* belonging to a *client*. A *firm* should temporarily handle a *safe custody asset* for no longer than is reasonably necessary. In most transactions this would be no longer than one *business day*, but it may be longer or shorter depending upon the transaction in question. For example, when a *firm* executes an order to sell shares which have not been registered on a de-materialised exchange, handling documents for longer periods may be reasonably necessary. However, in the case of *safe custody assets* in *bearer form*, the *firm* is expected to handle them for less than one *business day*. When a *firm* temporarily handles *safe custody assets*, it is still obliged to comply with *Principle 10* (Clients' assets).

**6.1.16** **G** When a *firm* temporarily handles a *safe custody asset*, in order to comply with its obligation to act in accordance with *Principle 10* (Clients' assets), the following are guides to good practice:

- (1) a *firm* should keep the *safe custody asset* secure, record it as belonging to that *client*, and forward it to the *client* or in accordance with the *client's* instructions as soon as practicable after receiving it; and
- (2) a *firm* should make and retain a record of the fact that the *firm* has handled that *safe custody asset* and of the details of the *client* concerned and of any action the *firm* has taken.

#### Exemptions which do not apply to MiFID business

**6.1.16A** **R** The exemptions in **■ CASS 6.1.16B R** to **■ CASS 6.1.16D G** do not apply to a *MiFID investment firm* which holds *financial instruments* belonging to a client in the course of *MiFID business*.

**6.1.16B** **R** [deleted]

#### Managers of AIFs and UCITS

- 6.1.16BA** **G**
- (1) The *custody rules* do not apply to a *firm* that is *managing an AIF* or *managing a UK UCITS* in relation to *excluded custody activities*, except where the *firm* is a *small AIFM*.
  - (2) The *custody rules* can apply to a *firm* that is *managing an AIF* or *managing a UK UCITS* in relation to activities that are not *excluded custody activities*. For example, where the *firm*:
    - (a) holds *financial instruments* belonging to a *client* in the course of its *MiFID business* (see **■ CASS 6.1.1R (1A)**); or
    - (b) is *safeguarding and administering investments*, in the course of business that is not *MiFID business* (see **■ CASS 6.1.1R (1B)**).

#### Personal investment firms

- 6.1.16C** **R** The *custody rules* do not apply to a *personal investment firm* when it temporarily holds a *designated investment*, other than in *bearer form*, belonging to a *client*, if the *firm*:
- (1) keeps it secure, records it as belonging to that *client*, and forwards it to the *client* or in accordance with the *client's* instructions, as soon as practicable after receiving it;
  - (2) retains the *designated investment* for no longer than the *firm* has taken reasonable steps to determine is necessary to check for errors and to receive the final *document* in connection with any series of transactions to which the *documents* relate; and
  - (3) makes a record, which must then be retained for a period of 5 years after the record is made, of all the *designated investments* handled in accordance with (1) and (2) together with the details of the *clients* concerned and of any action the *firm* has taken.

**6.1.16D** **G** Administrative convenience alone should not lead a *personal investment firm* to rely on ■ CASS 6.1.16C R. *Personal investment firms* should consider what is in the *client's* interest and not rely on ■ CASS 6.1.16C R as a matter of course.

### Trustees and depositaries (except depositaries of AIFs and UCITS)

**6.1.16E** **R** The specialist regime in ■ CASS 6.1.16F R to ■ CASS 6.1.16I G does not apply to a *MiFID investment firm* which holds *financial instruments* belonging to a client in the course of *MiFID business*.

**6.1.16F** **R** When a *trustee firm* or *depositary* acts as a *custodian* for a trust or *collective investment scheme*, (except for a *firm acting as trustee or depositary of an AIF* and a *firm acting as trustee or depositary of a UK UCITS*), and:

- (1) the trust or *scheme* is established by written instrument; and
- (2) the *trustee firm* or *depositary* has taken reasonable steps to determine that the relevant law and provisions of the trust instrument or *scheme* constitution will provide protections at least equivalent to the *custody rules* for the trust property or *scheme* property;

the *trustee firm* or *depositary* need comply only with the *custody rules* listed in the table below.

Reference	Rule
CASS 6.1.1 R to CASS 6.1.9 G and CASS 6.1.15 G to CASS 6.1.16C R	Application
CASS 6.1.16E R to CASS 6.1.16I G	Trustees and depositaries
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.2.1 R and CASS 6.2.2 R	Protection of clients' safe custody assets
CASS 6.2.3 R and CASS 6.2.3B G	Registration and recording of legal title
CASS 6.2.7 R	Holding
CASS 6.3.1 R to CASS 6.3.4B G	Depositing safe custody assets with third parties
CASS 6.4.1 R and CASS 6.4.2 G	Use of safe custody assets
CASS 6.6	Records, accounts and reconciliations

**6.1.16G** **G** The reasonable steps referred in in ■ CASS 6.1.16FR (2) could include obtaining an appropriate legal opinion to that effect.

**6.1.16H** **R** [deleted]

**6.1.16I** **G** A *trustee firm* or *depositary* that just *arranges safeguarding and administration of assets* may also take advantage of the exemption in ■ CASS 6.1.16J R (Arrangers).

Depositories of AIFs

6.1.16IA R

(1) Subject to (2), when a *firm* is acting as trustee or depositary of an AIF the *firm* need comply only with the *custody rules* in the table below:

Reference	Rule
CASS 6.1.1 R, CASS 6.1.9 G, CASS 6.1.9A G and CASS 6.1.16IB G	Application
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.2.3 R and CASS 6.2.3B G to CASS 6.2.6 G	Registration and recording of legal title
CASS 6.2.7 R	Holding
CASS 6.6.2 R, CASS 6.6.4 R, CASS 6.6.6 R, CASS 6.6.7 R, CASS 6.6.57R (2) and CASS 6.6.58 G	Records, accounts and reconciliations

(2) When a *firm* is acting as trustee or depositary of an AIF that is an authorised AIF the *firm* must, in addition to the *custody rules* in (1), also comply with the *custody rules* in the table below:

Reference	Rule
CASS 6.1.1BR (2)	Application
CASS 6.6.8 R, CASS 6.6.11 R to CASS 6.6.32 G, CASS 6.6.41 G, CASS 6.6.43 G and CASS 6.6.47 G.	Records, accounts and reconciliations

6.1.16IB G

*Firms acting as trustee or depositary of an AIF* are reminded of the obligations in ■ FUND 3.11 (Depositories) and Chapter IV (Depositary) of the AIFMD level 2 regulation which apply in addition to those in ■ CASS 6.

6.1.16IC G

A *firm* (Firm A) to which another *firm acting as trustee or depositary of an AIF* (Firm B) has delegated safekeeping functions in accordance with ■ FUND 3.11.28 R (Delegation: safekeeping) will not itself be acting as trustee or depositary of an AIF for that AIF. ■ CASS 6.1.16IA R will not apply to Firm A in respect of that AIF. However, Firm A may be safeguarding and administering investments in respect of that AIF.

Depositories of UCITS

6.1.16ID R

When a *firm* is acting as trustee or depositary of a UK UCITS, the *firm* need comply only with the *custody rules* in the table below:

Reference	Rule
CASS 6.1.1R, CASS 6.1.1BR(3), CASS 6.1.9G, CASS 6.1.16IEG	Application
CASS 6.1.22G to CASS 6.1.24G	General purpose
CASS 6.2.3R, CASS 6.2.3AR, CASS 6.2.3BG, CASS 6.2.7R	Holding of client assets
CASS 6.6.2R, CASS 6.6.4R, CASS 6.6.7R, CASS 6.6.41AG, CASS 6.6.57R(2A), CASS 6.6.58G	Records, accounts and reconciliations

**6.1.16IE** **G** *Firms acting as trustee or depositary of a UK UCITS* are reminded of the obligations in **COLL 6.6B** (UCITS depositaries) which apply as well as those in **CASS 6**.

**6.1.16IF** **G**

- (1) *A firm (Firm A) to which another firm acting as trustee or depositary of a UK UCITS (Firm B) has delegated safekeeping functions under **COLL 6.6B.25R** (Delegation: safekeeping) will not itself be acting as trustee or depositary of a UK UCITS for that UCITS scheme.*
- (2) **CASS 6.1.16IDR** will not apply to Firm A for that *UCITS scheme*.
- (3) However, Firm A may be *safeguarding and administering investments* in respect of that *UCITS scheme*.

### Arrangers

**6.1.16J** **R** Only the *custody rules* in the table below apply to a *firm* when *arranging safeguarding and administration of assets*.

Reference	Rule
CASS 6.1.1 R to CASS 6.1.9 G and CASS 6.1.15 G to CASS 6.1.16B R	Application
CASS 6.1.16J R	Arrangers
CASS 6.1.16K R	Records
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.3.4A R and CASS 6.3.4B G	Third-party custody agreements

**6.1.16K** **R** When a *firm* *arranges safeguarding and administration of assets*, it must ensure that proper records of the arrangements are made and retained for a period of 5 years after they are made.

**6.1.17** **R**

- (1) [deleted]
- (1A) [deleted]
- (2) [deleted]
- (3) [deleted]

**6.1.18** **G** [deleted]

**6.1.19** **G** [deleted]

**6.1.20** **G** [deleted]

**6.1.20A** **G** [deleted]

**6.1.21** **R** [deleted]

General purpose.....

- 6.1.22

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*Principle 10* (Clients' assets) requires a *firm* to arrange adequate protection for *clients'* assets when it is responsible for them. As part of these protections, the *custody rules* require a *firm* to take appropriate steps to protect *safe custody assets* for which it is responsible.
- 6.1.23

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The *rules* in this chapter are designed primarily to restrict the commingling of *client* and the *firm's* assets and minimise the risk of the *client's safe custody assets* being used by the *firm* without the *client's* agreement or contrary to the *client's* wishes, or being treated as the *firm's* assets in the event of its insolvency.
- 6.1.24

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The *custody rules* also, where relevant, implemented the provisions of *MiFID* which regulated the obligations of a *firm* when it held *financial instruments* belonging to a *client* in the course of its *MiFID business*.