

Chapter 9

Financial resources requirements for an exempt CAD firm

9.6 NON-FINANCIAL RESOURCE REQUIREMENTS

Reconciliation of balances

9.6.1

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- (1) A *firm* must reconcile all balances and positions with:
- (j) *banks* and *building societies* (other than a client bank account subject to the *client money rules*), *exchanges*, *approved exchanges*, *clearing houses* and *intermediate brokers*; and
 - (j) *eligible counterparties* which are *members* of an exchange or approved exchange

as recorded by the *firm* to the balance or position on a statement or circularisation obtained by the *firm* from those entities and must correct any differences by agreement on a timely basis, unless:

- (i) the balances and positions due to and from the *eligible counterparties* have been agreed by other means; or
 - (j) it arises solely as a result of identified differences in timing between the records of the *firm* and the *bank* or *building society*.
- (2) A *firm* must perform reconciliations under (1) above as frequently as is appropriate for the volume of transactions on the accounts and in any event not less than once every five weeks or, in relation to positions with *eligible counterparties*, not less than once every year.
- (3) A *firm* must circularise or request statements from *banks*, *building societies*, *exchanges*, *approved exchanges*, *clearing houses*, *intermediate brokers* and *eligible counterparties* which are members of an *exchange* or an *approved exchange* in good time in order to be able to comply with (1) and (2) above.
- (4) A *firm* must use its best endeavours to respond within one month of receipt to any circularisation from another *firm* requesting confirmation of outstanding balances.

9.6.2

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For *guidance* notes on the reconciliation of a *firm's* balance with market counterparties see Appendix 20 to Chapter 3.

Financial notification

9.6.3

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A *firm* must notify the *FCA* in writing as soon as it has reason to believe that it is in breach of its *own funds requirement*.