

**SUPERVISION MANUAL (AUDITOR'S CLIENT ASSETS REPORT)
(AMENDMENT) INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers);
 - (3) section 157(1) (Guidance); and
 - (4) section 340 (Appointment).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 June 2011.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Supervision Manual (Auditor's Client Assets Report) (Amendment) Instrument 2011.

By order of the Board
24 March 2011

Annex A**Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

limited assurance engagement a 'limited assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.

reasonable assurance engagement a 'reasonable assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.

Annex B

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

3.1.2 R Applicable sections (see SUP 3.1.1R)

	(1) Category of firm	(2) Sections applicable to the firm	(3) Sections applicable to its auditor
(1)	<i>Authorised professional firm</i> which is required by <i>IPRU(INV)</i> 2.1.2R to comply with chapters 3, 5, 10 or 13 of <i>IPRU(INV)</i> and which has an auditor appointed under or as a result of a statutory provision other than in the Act (Note <u>Notes 1 and 6</u>)	<i>SUP</i> 3.1 - <i>SUP</i> 3.7 ₂ <u><i>SUP</i> 3.11</u>	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
(2)	<i>Authorised professional firm</i> not within (1) to which the <i>custody chapter</i> or <i>client money chapter</i> applies, unless the firm is regulated by The Law Society (England and Wales), The Law Society of Scotland or The Law Society of Northern Ireland (Note 2)	<i>SUP</i> 3.1 - <i>SUP</i> 3.7 ₂ <u><i>SUP</i> 3.11</u>	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
...			
(4)	<i>Bank, building society</i> or <i>dormant account fund operator</i> which in each case carries on <i>designated investment business</i> (Note <u>Notes 2A and 6</u>)	<i>SUP</i> 3.1- <i>SUP</i> 3.7 ₂ <u><i>SUP</i> 3.11</u>	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
...			
(7)	<i>Investment management firm</i> , (other than an <i>exempt CAD firm</i>), <i>personal investment firm</i> (other than a <i>small personal investment firm</i> or <i>exempt CAD firm</i>); or <i>securities and futures firm</i> (other than an <i>exempt CAD firm</i> or an <i>exempt BIPRU commodities firm</i>) which, in each case, has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3 and <u>3A 6</u>)	<i>SUP</i> 3.1 - <i>SUP</i> 3.7 ₂ <u><i>SUP</i> 3.11</u>	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
(7A)	<i>Investment management firm</i> (other than an	<i>SUP</i> 3.1 -	<i>SUP</i> 3.1,

	<i>exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm); or securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) not within (7) to which the custody chapter or client money chapter applies</i>	<i>SUP 3.7, <u>SUP 3.11</u></i>	<i>SUP 3.2, SUP 3.8, SUP 3.10</i>
(7B)	<i>UCITS firm (Note 6)</i>	<i>SUP 3.1 - SUP 3.7, <u>SUP 3.11</u></i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>
(7C)	<i>UK MiFID investment firm, which has an auditor appointed under or as a result of a statutory provision other than in the Act (Note Notes 3B and 6)</i>	<i>SUP 3.1 - 3.7, <u>SUP 3.11</u></i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>
(7D)	<i>Sole trader or partnership that is a UK MiFID investment firm (other than an exempt CAD firm) (Note Notes 3C and 6)</i>	<i>SUP 3.1 - SUP 3.7, <u>SUP 3.11</u></i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>
...			
(10)	<i>Insurance intermediary (other than an exempt insurance intermediary) to which the insurance client money chapter (except for CASS 5.2 (Holding money as agent)) applies (see Note 4)</i>	<i>SUP 3.1 - SUP 3.7, <u>SUP 3.11</u></i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>
...			
...	<p>Note 2 = In row (2):</p> <p>(a) The non-directive custody chapter is treated as applying only if (i) the firm safeguards and administers investments in connection with managing investments (other than when acting as trustee) or (ii) it safeguards and administers investments in relation to bonded investments (and, in either case, it has not opted to conduct all business that would fall within the non-directive custody chapter under the MiFID custody chapter).</p> <p>(b) The non-directive client money chapter is treated as applying only if the firm receives or holds client money other than under an arrangement where commission is rebated to the client (and assuming that it has not opted to conduct all business that would fall within the non-directive client money chapter under the MiFID client money chapter);</p> <p>but, if the custody rules or the client money rules above are treated as applying, then SUP 3.10 (Duties of auditors: notification and report on client assets) applies to the whole of the business within the scope of the custody rules or the client</p>		

~~money rules above. [deleted]~~

Note 2A = For this purpose, *designated investment business* does not include either or both:

- (a) *dealing* which falls within the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc) (or agreeing to do so); and
 - (b) *dealing in investments as principal* (or agreeing to do so):
 - (i) by a *firm* whose *permission to deal in investments as principal* is subject to a *limitation* to the effect that the *firm*, in carrying on this *regulated activity*, is limited to entering into transactions in a manner which, if the *firm* was an *unauthorised person*, would come within article 16 of the *Regulated Activities Order* (Dealing in contractually based investments); and
 - (ii) in a manner which comes within that *limitation*;
- having regard to article 4(4) of the *Regulated Activities Order* (Specified activities: general).

...

Note 3A = ~~If the *firm* has elected to comply with the *MiFID custody chapter* or the *MiFID client money chapter* also in respect of its *non MiFID business* then *SUP 3.10* will apply to the whole of the business within the scope of the *MiFID custody chapter* or the *MiFID client money chapter*. [deleted]~~

...

Note 6 = Where *SUP 3.11* applies to a *firm*, and *SUP 3.10* applies to the auditor of that *firm*, those sections apply whether or not that *firm's permission* prevents it from holding *client money* or *custody assets* and whether or not it holds *client money* or *custody assets*.

...

~~Authorised professional firms~~

3.1.8 G This chapter applies to an ~~authorised professional firm~~ as set out in rows (1) to (3) of *SUP 3.1.2R*:

- (1) a *firm* in row (1) is treated in the same way as its equivalent in row (7);
- (2) large parts of this chapter apply to a *firm* in row (2) and its auditor; the report on client assets under *SUP 3.10* (Duties of auditors: notification and report on client assets) must cover compliance for the whole of the business within the scope of whichever of the *custody rules* and the *client money rules* are treated as applying; but there is no requirement for the auditor to prepare a report to the *FSA* on the *firm's* financial statements;
- (3) this chapter has limited application to a *firm* in row (3) and its auditor. [deleted]

...

3.10 Duties of auditors: notification and report on client assets

Application

3.10.1 R ~~Where this section requires an auditor of a *firm* to report on a *firm's* compliance with *rules*, this section applies to the auditor only to the extent that the *firm* is required to comply with the relevant *rules*. [deleted]~~

...

Client assets report: content

3.10.4 R An auditor of a *firm* must submit a client assets report addressed to the *FSA*, ~~signed in his capacity as auditor~~, which:

- (1) (a) states the matters set out in *SUP* 3.10.5R; ~~or~~ and
- (b) specifies the matters to which *SUP* 3.10.9R and *SUP* 3.10.9AR refer; or
- (2) if the *firm* claims not to hold *client money* or *custody assets*, states whether anything has come to the auditor's attention that causes him to believe that the *firm* held *client money* or *custody assets* during the period covered by the report.

3.10.4A R (1) For the purpose of *SUP* 3.10.4R(1), an auditor must ensure that the report is prepared in accordance with the terms of a *reasonable assurance engagement*.

(2) For the purpose of *SUP* 3.10.4R(2), an auditor must ensure that the report is prepared in accordance with the terms of a *limited assurance engagement*.

3.10.5 R Client assets report

Whether in the auditor's opinion	
(1)	the <i>firm</i> has maintained systems adequate to enable it to comply with the <i>custody rules</i> , the <i>collateral rules</i> and , the <i>client money rules</i> (except <i>CASS</i> 5.2) <u>and the <i>mandate rules</i> throughout the period since the last date as at which a report was made;</u>
(2)	the <i>firm</i> was in compliance with the <i>custody rules</i> , the <i>collateral rules</i> and , the <i>client money rules</i> (except <i>CASS</i> 5.2) <u>and the <i>mandate rules</i>, at the date as at which the report has been made;</u>
(3)	in the case of an <i>investment management firm</i> , <i>personal investment firm</i> , a <i>UCITS firm</i> , <i>securities and futures firm</i> or <i>BIPRU investment</i>

	<i>firm</i> , when a <i>subsidiary</i> of the <i>firm</i> is <u>during the period</u> a <i>nominee company</i> in whose name <i>custody assets</i> of the <i>firm</i> are registered <u>during the period</u> , that <i>nominee company</i> has maintained throughout the year <u>period</u> systems for the custody, identification and control of <i>custody assets</i> which:
(a)	are <u>were</u> adequate; and
(b)	include <u>included</u> reconciliations at appropriate intervals between the records maintained (whether by the <i>firm</i> or the <i>nominee company</i>) and statements or confirmations from <i>custodians</i> or from the <i>person</i> who maintains <u>maintained</u> the record of legal entitlement; and
(4)	if there has been a <i>secondary pooling event</i> during the period, the <i>firm</i> has complied with the <i>rules</i> in CASS 5.6 and CASS 7A (Client money distribution) in relation to that pooling event.

- 3.10.5A R In relation to a client assets report provided in accordance with SUP 3.10.4R, an auditor must ensure that it:
- (1) is submitted in the form prescribed by SUP 3 Annex 1R; and
 - (2) is signed on behalf of the audit firm by the individual with primary responsibility for a firm's client assets report and in that individual's own name.
- 3.10.5B G SUP 3.10.4R provides that an auditor must ensure that a client assets report is prepared in accordance with the terms of, as the case may be, a reasonable assurance engagement or a limited assurance engagement. However, the FSA also expects an auditor to have regard, where relevant, to material published by the Auditing Practices Board that deals specifically with the client assets report which the auditor is required to submit to the FSA. In the FSA's view, a client assets report that is prepared in accordance with that material is likely to comply with SUP 3.10.4R and SUP 3.10.5R where that report is prepared for a firm within the scope of the material in question.
- 3.10.5C R (1) An auditor must ensure that the information provided to it by a firm in accordance with SUP 3.11.1G is included in the client assets report.
- (2) If by the date at which the report is due for submission in accordance with SUP 3.10.7R or SUP 3.10.8AR an auditor has not received the information prescribed in SUP 3.11.1G it must submit the report without that information, together with an explanation for its absence.

Client assets report: period covered

- 3.10.6 R The period covered by a report under SUP 3.10.4R must end not more than

53 weeks after the period covered by the previous report on such matters, or, if none, after the *firm* is *authorised* or becomes a *firm* to which ~~SUP 3.10 applies~~ subject to SUP 3.11 and its auditor becomes subject to SUP 3.10.

Client assets report: timing of submission

- 3.10.7 R An auditor must deliver a client assets report under SUP 3.10.4R to the FSA within ~~a reasonable time from~~ four months of the end of each period covered, unless it is the auditor of a *firm* falling within category (10) of SUP 3.1.2R.
- 3.10.7A G ~~A period of four months, in ordinary circumstances, would be considered by the FSA as a reasonable time for the auditor to deliver the client assets report to the FSA. [deleted]~~
- 3.10.8 R (1) ~~If an auditor is unable to report to the FSA within a reasonable time, the auditor must notify the FSA and advise the FSA of the reasons why it has been unable to meet the requirements of SUP 3.10.7R~~ expects that it will fail to comply with SUP 3.10.7R, it must no later than the end of the four month period in question:
- (a) notify the FSA that it expects that it will be unable to deliver a client assets report by the end of that period; and
- (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its expected failure to comply with SUP 3.10.7R.
- (2) If an auditor fails to comply with SUP 3.10.7R, it must promptly:
- (a) notify the FSA of that failure; and
- (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its failure to comply with SUP 3.10.7R.

...

- 3.10.8D R An auditor must:
- (1) deliver to a *firm* a draft of its client assets report such that the *firm* has an adequate period of time to consider the auditor's findings and to provide the auditor with comments of the kind to which SUP 3.11.1G refers; and
- (2) unless it is the auditor of a *firm* falling within category (10) of SUP 3.1.2R, deliver to the *firm* a copy of the final report at the same time as it delivers that report to the FSA in accordance with SUP 3.10.7R.

...

Client assets report: requirements not met or inability to form opinion

- 3.10.9 R If the client assets report under *SUP* 3.10.4R states that one or more of the applicable requirements described in *SUP* 3.10.5R(1) to (4) has or have not been met, the auditor must specify in the report each of those requirements, and the respects in which it has or they have not been met.
- 3.10.9A R (1) Whether or not an auditor concludes that one or more of the requirements specified in *SUP* 3.10.5R(1) to (4) has or have been met, the auditor must ensure that the client assets report identifies each individual *rule* in respect of which a breach has been identified.
- (2) If an auditor does not identify a breach of any individual *rule*, it must include a statement to that effect in the client assets report.
- 3.10.9B R For the purpose of *SUP* 3.10.9R and *SUP* 3.10.9AR, an auditor must ensure that the information prescribed under those *rules* is submitted using, respectively, Part 1 (Auditor's Opinion) and Part 2 (Breaches Schedule) of *SUP* 3 Annex 1R.
- 3.10.9C G (1) The *FSA* expects that the list of breaches will include every breach of a *rule* in *CASS* insofar as that *rule* is within the scope of the client assets report and is identified in the course of the auditor's review of the period covered by the report, whether identified by the auditor or disclosed to it by the *firm*, or by any third party.
- (2) For the purpose of determining whether to qualify its opinion or express an adverse opinion, the *FSA* would expect an auditor to exercise its professional judgment as to the significance of a *rule* breach, as well as to its context, duration and incidence of repetition. The *FSA* would expect an auditor to consider the aggregate effect of any breaches when judging whether a *firm* had failed to comply with the requirements described in *SUP* 3.10.5R(1) to (4).
- ...
- 3.10.11 G ~~An auditor may at the *firm's* request include the matters required under this section in a separate report to that required under section *SUP* 3.9. [deleted]~~
- ...

After *SUP* 3.10 insert the following new section. The text is not underlined.

3.11 Review of auditor's client assets report

- 3.11.1 G A *firm* should ensure that:
- (1) it considers the draft client assets report provided to the *firm* by its auditor in accordance with *SUP* 3.10.8DR(1) in order to provide an explanation of:

- (a) the circumstances that gave rise to each of the breaches identified in the draft report; and
 - (b) any remedial actions that it has undertaken or plans to undertake to correct those breaches; and
 - (2) the explanation provided in accordance with (1):
 - (a) is submitted to its auditor in a timely fashion and in any event before the auditor is required to deliver a report to the *FSA* in accordance with *SUP* 3.10.7R or to the *firm* in accordance with *SUP* 3.10.8AR as the case may be; and
 - (b) is recorded in the relevant field in the draft report submitted to it by its auditor.
- 3.11.2 R A *firm* must ensure that the final client assets report delivered to it in accordance with *SUP* 3.10.8AR or *SUP* 3.10.8DR(2) is reported to that *firm's governing body*.
- 3.11.3 G The *FSA* expects a *firm* to use the client assets report as a tool to evaluate the effectiveness of the systems that it has in place for the purpose of complying with requirements to which *SUP* 3.10.5R refers. Accordingly, a *firm* should ensure that the report is integrated into its risk management framework and decision-making.
- 3.11.4 G *SUP* 3.4.2R provides that a *firm* must take reasonable steps to ensure that its auditor has the required skill, resources and experience to perform its functions. The *FSA* expects a *firm* to keep under review the adequacy of the skill, resources and experience of its auditor and should critically assess the content of the client assets report as part of that ongoing review.

...

continued

After SUP 3.11 insert the following new annex. The text is not underlined.

SUP 3 Annex 1R

Auditor's client assets report Part 1 – Auditor's Opinion

Independent auditor's report on client assets to the Financial Services Authority in respect of [*Firm name*], FSA reference number [*number*], for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*]

Part 1: Auditor's Opinion on Client Assets

We report in respect of [*Firm name*] ('the firm') on the matters set out below for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*] ('the period').

Our report has been prepared as required by SUP 3.10.4R and is addressed to the Financial Services Authority ('the FSA') in its capacity as regulator of financial services firms under the Financial Services and Markets Act 2000.

Basis of opinion

We have carried out such procedure as we considered necessary for the purposes of this report in accordance with [*specify Standard/Guidance used*] issued by the [*specify organisation name*].

This opinion relates only to the period and should not be seen as providing assurance as to any future position, as changes to systems or control procedures may alter the validity of our opinion.

Opinion

In our opinion:

[The firm has maintained] [Except for...the firm has maintained] [Because of...the firm did not maintain] systems adequate to enable it to comply with [the custody rules,] [the collateral rules,] [the mandate rules] [and] [the client money rules] throughout the period since [the last date at which a report was made] [the firm was authorised] [the firm became subject to SUP 3.11 and we, its auditor, became subject to SUP 3.10].*

[The firm was] [Except for...the firm was] [Because of...the firm was not] in compliance with the [the custody rules,] [the collateral rules,] [the mandate rules] [and] [the client money rules] as at the period end date.*

~ / ~

The scope of the firm's permissions did not allow it to hold [client money] [or] [custody assets].

The directors (or equivalent corporate officers) of the firm have stated that the firm did not hold [client money] [or] [custody assets] during the period. Based on review procedures

performed, nothing has come to our attention that causes us to believe that the firm held [client money] [or] [custody assets] during the period.

~ / ~

In our opinion, [*name of nominee companies*], subsidiaries of the firm which are nominee companies during the period in whose name custody assets are registered, those nominee companies have maintained throughout the period systems for the custody, identification and control of custody assets which:

- a) were adequate; and
- b) included reconciliations at appropriate intervals between the records maintained (whether by the firm or the nominee company) and statements or confirmations from custodians or from the person who maintained the record of legal entitlement. **

~ / ~

In relation to the secondary pooling event during the period, the firm has complied with the rules in [CASS 5.6] [and] [CASS 7A (client money distribution)] in relation to that pooling event.

~ / ~

Other matters

The report should be read in conjunction with the Breaches Schedule that we have prepared and which is appended to it. [Our opinion expressed above does not extend to the Breaches Schedule.]

[*Signature of the partner/individual with primary responsibility within the audit firm*]
[*Typed name of signing individual*]

for and on behalf of [*Name of the audit firm*]

[*registered office*]
[*Date report*]

Instructions for Part 1:

* If the auditor expresses an adverse opinion (i.e. states the firm ‘did not maintain...’ or ‘was not in compliance...’) he must set out the reasons why. This can be done by reference to items in columns A to D in Part 2 of the auditor’s report on client assets.

If the auditor expresses a qualified opinion (i.e. states ‘that except for, the firm did maintain’ or ‘that except for, the firm was in compliance’) he must do so by reference to items in columns A to D in Part 2 of the auditor’s report on client assets.

** In accordance with SUP 3.10.5R(3), the opinion relating to the nominee company is only required to be included in the case of a nominee company in whose name custody assets are registered where that company is a subsidiary of an investment management firm, personal investment firm, a UCITS firm, securities and futures firm or BIRPU investment firm.

Auditor's client assets report Part 2 – Breaches Schedule**Part 2: Identified CASS Breaches that have occurred during the period**

[*Firm name*], FSA reference number [*number*], for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*]

In accordance with SUP 3.10.9AR, Columns A to D are to be completed by and are the responsibility of the auditor. In accordance with SUP 3.11.1G, Column E should be completed by the firm. The auditor has no responsibility for the content of Column E.

Column A	Column B	Column C	Column D	Column E
Item No.	Rule Reference(s)	Identifying party	Breach Identified	Firm's Comment
1				
...				

Instructions for Part 2:

In Columns A to D of the above schedule the auditor is to set out all the breaches of CASS by the firm occurring during the period subject to the auditor's report. These must include the breaches the auditor has identified through its work (such as in the sample testing of reconciliations) and breaches identified by the firm or any other party (such as those included in the firm's breaches register). In relation to any breach identified, the auditor must provide in Column D any information that it has as respects the severity and duration of the breach identified and, where relevant, the frequency with which that breach has occurred.

The auditor must provide a 'nil' return for this part of the report where no CASS rule breach has been identified.

In Column E the firm should set out any remedial actions taken (if any) associated with the breaches cited, together with an explanation of the circumstances that gave rise to the breach in question.

TP 1 Transitional Provisions

...

After TP 1.6 insert the following new transitional provisions. The text is not underlined.

TP 1.7 Client assets report

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook provision: coming into force
1	The <i>rules and guidance</i> in SUP 3.10	R	In relation to an auditor of a <i>firm</i> whose client assets report period ends on or before 29 September 2011, that auditor may comply with SUP 3.10 as it was in force on 31 May 2011.	From 1 June 2011	1 June 2011
2	The <i>rules and guidance</i> in SUP 3.11	R	In relation to a <i>firm</i> whose client assets report period ends on or before 29 September 2011, the <i>rules and guidance</i> to which column (2) refers do not apply.	From 1 June 2011	1 June 2011

...

Sch 2 Notification requirements

...

Sch 2.2G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
SUP 3.10.4R	Auditor: client assets <u>client assets</u>	Either:	Report period must end no	A reasonable time <u>Other</u>

	<p><u>report.</u></p>	<p>(1) Whether <i>firm</i> has: maintained systems to comply with CASS (<i>client assets</i>), is in compliance with the <i>client asset rules</i> at the report date, and <i>nominee company</i> records are adequate a report which states the matters set out in <u>SUP 3.10.5R</u> and which specifies the matters to which <u>SUP 3.10.9R</u> and <u>SUP 3.10.9AR</u> refer; or</p> <p>(2) if the <i>firm</i> claims not to hold <i>client money</i> or <i>custody assets</i>, a report which states whether anything has come to the auditor's attention that causes him to believe that they were held <u>during the period covered by the report.</u></p>	<p>more than 53 weeks after previous report The obligation in <u>SUP 3.10.7R</u> to submit a report within a specified period of time.</p>	<p>than in the case of the auditor of a <u>firm</u> falling within category (10) of <u>SUP 3.1.2R</u>, four months from the end of the period covered by the report.</p>
<p><u>SUP 3.10.8R(1)</u></p>	<p>Failure <u>Expectation</u> by auditor to report under <u>SUP 3.10.4R</u> that it will fail to comply with <u>SUP 3.10.7R</u>.</p>	<p>Auditor to report the failure and the reasons why it has been unable to meet the requirements of SUP 3.10.7R fact of its expected failure to comply and a full account of the reasons for its expected failure.</p>	<p>Failure <u>The expected failure</u> by the auditor to comply with <u>SUP 3.10.7R</u> deliver a report under SUP 3.10.4R to the FSA so as to be received within four months of the end of each the period covered by the report.</p>	<p>Not specified <u>No later than the end of the four month period in question.</u></p>

<u>SUP</u> <u>3.10.8R(2)</u>	<u>Failure by auditor</u> <u>to comply with</u> <u>SUP 3.10.7R.</u>	<u>Auditor to report the</u> <u>fact of its failure and</u> <u>a full account of the</u> <u>reasons for its failure.</u>	<u>Failure to</u> <u>comply with</u> <u>SUP 3.10.7R.</u>	<u>Promptly.</u>
---------------------------------	---	---	--	------------------