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 59 (Approved persons); (2) section 138 (General rule-making power); (3) section 139 (Miscellaneous ancillary matters); (4) section 156 (General supplementary powers); and (5) section 157(1) (Guidance).

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 as follows: (1) Annex A, Annex B, and Part 1 of Annex C of this instrument come into force on 1 January 2013; and (2) Part 2 of Annex C of this instrument comes into force on 28 February 2013.

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>Client Assets sourcebook (CASS)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Supervision manual (SUP)</td>
<td>Annex C</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Client Assets Sourcebook (Firm Classification, Operational Oversight, and Mandate Rules) Instrument 2012.
Annex A

Amendments to the Glossary of definitions

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

mandate  any means that give a firm the ability to control a client’s assets or liabilities, which meet the conditions in CASS 8.2.1R.
Annex B

Amendments to the Client Assets sourcebook (CASS)

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

1A CASS firm classification and operational oversight

1A.1 Application

1A.1.1 R (1) Subject to (2) and (3) and (4), this chapter applies to a firm to which either or both of CASS 6 (Custody rules) and CASS 7 (Client money rules) applies.

... (4) This chapter does not apply to a firm to which only CASS 6 applies, applied or is projected to apply, merely because it is, was, or is projected to be a firm which arranges safeguarding and administration of assets.

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.2.7R. 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.3.1AR and whether the reporting obligations that apply to it in SUP 16.14 (Client money and asset return) apply to it.

1A.2.2 R (1) A firm must once every year, and within the time limit provided for 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.2.7R.

... (2) The conditions to which (1) refers are that in either case:

(a) the election is made by including it in the notice notified to
the FSA provided under CASS 1A.2.8R or CASS 1A.2.9R in writing;
(b) it is given the notification in accordance with (a) is made at least one week before the election is intended to take effect; and
(c) the FSA has not objected.

...  

1A.2.8 R  
In relation to the calendar year ending on 31 December 2011, a firm must notify the FSA in writing:

(1) by 31 January 2011 of the highest total amount of client money and the highest total value of safe custody assets held during the previous calendar year, if it held client money or safe custody assets in that previous year; or

(2) by 31 January 2011 of the highest total amount of client money and the highest total value of safe custody assets that the firm projects that it will hold during 2011, if it did not hold client money or safe custody assets in the previous calendar year but at the date of its notification to the FSA projects that it will do so in 2011; or

(3) in any other case, before the date on which the firm begins to hold client money or safe custody assets, of the highest total amount of client money and the highest total value of safe custody assets that the firm projects that it will hold during the remainder of 2011; and

(4) in every case, of its 'CASS firm type' classification. [deleted]

1A.2.8A R  
In addition, in relation to the calendar year ending on 31 December 2011, a CASS small firm must by 31 July 2011 notify the FSA in writing of:

(1) the highest total amount of client money and the highest total value of safe custody assets held during the period between 1 January 2011 and 30 June 2011; or

(2) if it did not hold client money or safe custody assets in that period, the highest total amount of client money and the highest total value of safe custody assets that the firm projects, as at the date of its notification to the FSA under this rule, it will hold between 1 July 2011 and 31 December 2011. [deleted]

1A.2.9 R  
In relation to each calendar year beginning with that which ends on 31 December 2012, a firm must notify the FSA in writing: Once every calendar year a firm must notify to the FSA 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 day specified in (1) to (4):
(1) within 15 business days of 31 December of the previous calendar year, of the highest total amount of client money and the highest total value of safe custody assets held during the previous calendar year, if it held client money or safe custody assets in that previous calendar year; or if it held client money or safe custody assets in the previous calendar year, the highest total amount of client money and the highest total value of safe custody assets held during the previous calendar year, notification of which must be made no later than the fifteenth business day of January; or

(2) within 15 business days of 31 December of the previous year, of the highest total amount of client money and the highest total value of safe custody assets that the firm projects that it will hold during the then current calendar year, if it did not hold client money or safe custody assets in the previous calendar year but at the date of its notification to the FSA projects that it will do so in the then current calendar year if it did not hold client money or safe custody assets in the previous calendar year but at any point up to the fifteenth business day of January the firm projects that it will do so in the current calendar year, the highest total amount of client money and the highest total value of safe custody assets that the firm projects that it will hold during the current calendar year, notification of which must be made no later than the fifteenth business day of January; or

(3) in any other case, before the date on which the firm begins to hold client money or safe custody assets, of the highest total amount of client money and the highest total value of safe custody assets that the firm projects that it will hold during the remainder of the then current calendar year, notification of which must be made no later than the business day before the firm begins to hold client money or safe custody assets; and

(4) in every case, of its 'CASS firm type' classification, notification of which must be made at the same time the firm makes the notification under (1), (2) or (3).

1A.2.10 R For the purpose of the annual notification to which CASS 1A.2.8R and CASS 1A.2.9R refer, and for the purpose of the notification to which CASS 1A.2.8AR refers, a firm must apply the calculation rule in CASS 1A.2.3R.

1A.2.11 G For the purpose of CASS 1A.2.9R(1), the FSA will treat that obligation as satisfied if a firm submits a CMAR for each period within the previous calendar year the month ending 31 December in compliance with SUP 16.14.3R.

1A.2.12 R A firm’s 'CASS firm type' and any change to it takes effect:

(1) if the firm notifies the FSA in accordance with CASS 1A.2.9R(1) or
CASS 1A.2.9R(2), on 1 February following the notification; or

(2) if the firm notifies the FSA in accordance with CASS 1A.2.9R(3), on the day it begins to hold client money or safe custody assets; or

(3) if the firm makes an election under CASS 1A.2.5R(1), and provided the conditions in CASS 1A.2.5R(2) are satisfied, on the day the notification made under CASS 1A.2.5R(2)(a) states that the election is intended to take effect.

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

1A.3 Responsibility for CASS operational oversight

1A.3.1 R A CASS small firm must allocate to a director performing a significant influence function or a senior manager performing a significant influence function responsibility for:

(1) oversight of the firm’s operational compliance with CASS; and

(2) reporting to the firm’s governing body in respect of that oversight; and

(3) completing and submitting a CMAR to the FSA in accordance with SUP 16.14.

... 

1A.3.1C R If, at the time a firm becomes a CASS medium firm or a CASS large firm in accordance with CASS 1A.2.12R(1) or CASS 1A.2.12R(2), the firm is not able to comply with CASS 1A.3.1AR because it has no director or senior manager who is an approved person in respect of the CASS operational oversight function, the firm must:

(1) take the necessary steps to ensure that it complies with CASS 1A.3.1AR as soon as practicable, which must at least include submitting an application for a candidate in respect of the CASS operational oversight function within 30 business days of the firm becoming a CASS medium firm or a CASS large firm; and

(2) until such time as it is able to comply with CASS 1A.3.1AR, allocate to a director performing a significant influence function or a senior manager performing a significant influence function responsibility for:

(a) oversight of the firm’s operational compliance with CASS;

(b) reporting to the firm’s governing body in respect of that oversight; and
(c) completing and submitting the CMAR to the FSA in accordance with SUP 16.14.

...

1A.3.3 R (1) Subject to (2), a firm must make and retain an appropriate record of the person to whom responsibility is allocated in accordance with CASS 1A.3.1R or CASS 1A.3.1AR or CASS 1A.3.1CR(2).

...

8 Mandates

8.1 Application

8.1.1 R This chapter (the mandate rules) applies to a firm (including in its capacity as trustee under CASS 5.4) in respect of any written authority from a client under which the firm may control a client’s assets or liabilities when it has a mandate in the course of, or in connection with, the firm’s:

(1) designated investment business (including MiFID business); and or

(2) insurance mediation activity, except where it relates to a reinsurance contract.

8.1.2 G Mandates or similar authorities for the purpose of this chapter include a firm’s authority over a client’s safe custody account, for example for stock lending purposes, a firm’s authority over a client’s bank or building society account including direct debits in favour of the firm, and a firm holding a client’s credit card details. [deleted]

8.1.2A R The mandate rules do not apply to a firm:

(1) in relation to client money that the firm is holding in accordance with CASS 5 or CASS 7 (including client money that the firm has allowed another person to hold or control in accordance with CASS 7.5.2R); or

(2) in relation to safe custody assets that the firm is holding, or in respect of which the firm is carrying on safeguarding and administration of assets (without arranging) in accordance with CASS 6; or

(3) in relation to a client’s assets that the firm is holding or has received under an arrangement to which CASS 3 applies; or

(4) when it acts as the operator of a regulated collective investment scheme in relation to property held for or within the scheme.

8.1.2B G (1) CASS 8.1.2AR is not an absolute exemption, but it excludes the application of the mandate rules in relation to money or assets that a
firm has received, is holding, or is responsible for (as appropriate and in the circumstances described in CASS 8.1.2AR).

(2) This means that, for example in respect of CASS 8.1.2AR(1), a firm holding client money in accordance with CASS 5 or CASS 7 does not also need to comply with the mandate rules in relation to the client money which it actually holds, but the mandate rules would apply if the firm has a mandate under which it can receive a client's money from another person in the course of, or in connection with, the activities set out at CASS 8.1.1R(1) and (2).

(3) Similarly, in respect of CASS 8.1.2AR(4), the mandate rules apply to a firm that is the operator of a regulated collective investment scheme if, for example, it has a mandate under which it can receive a client's money from another person for the purposes of investing it in the scheme.

... Purpose

8.1.4 G The mandate rules apply to those firms that control, rather than hold, clients' assets or are able to create liabilities in the name of a client. These rules seek to ensure that require firms to establish and maintain records and internal controls to prevent the misuse of a mandate the authority granted by the client.

8.1.4A G The mandate rules only apply to a firm that has a mandate, and do not affect the duties of any other person to whom the firm is able to give the types of instructions referred to in CASS 8.2.1R(4). For example, if a person (A) has accepted a deposit from a client, and a firm (B) has a mandate in respect of that client's deposit held by A, the mandate rules only apply to B, and do not affect the duties of A in relation to the deposit.

General

8.1.5 R A firm that holds authorities of the sort referred to in this chapter, must establish and maintain adequate records and internal controls in respect of its use of the mandates, which must include:

(1) an up-to-date list of the authorities and any conditions placed by the client or the firm's management on the use of them;

(2) a record of all transactions entered into using the authority and internal controls to ensure that they are within the scope of authority of the person and the firm entering into the transaction;

(3) the details of the procedures and authorities for the giving and receiving of instructions under the authority; and

(4) where the firm holds a passbook or similar documents belonging to the client, internal controls for the safeguarding (including against
After CASS 8.1 insert the following new sections. The text is not underlined.

**8.2 Definition of mandate**

8.2.1 R A mandate is any means that give a firm the ability to control a client’s assets or liabilities, which meet the conditions in (1) to (5):

1. they are obtained by the firm from the client, and with the client’s consent;
2. they are in written form at the time they are obtained from the client;
3. they are retained by the firm;
4. they put the firm in a position where it is able to give any or all of the types of instructions described in (a) to (d):
   
   a. instructions to another person in relation to the client’s money that is credited to an account maintained by that other person for the client;
   
   b. instructions to another person in relation to any money to which the client has an entitlement, where that other person is responsible to the client for that entitlement (including where that other person is holding client money for the client in accordance with CASS 5 or CASS 7);
   
   c. instructions to another person in relation to an asset of the client, where that other person is responsible to the client for holding that asset (including where that other person is safeguarding and administering investments);
   
   d. instructions to another person such that the client incurs a debt or other liability to that other person or any other person (other than the firm); and

5. their circumstances are such that the client’s further involvement would not be necessary for the firm’s instructions described in 4(a) to 4(d) to be given effect.

Written form

8.2.2 G A mandate can take any written form and need not state that it is a mandate. For example it could take the form of a standalone document containing certain information or conferring a certain authority on the firm, a specific provision within a document or agreement that also relates to other matters, or a combination of provisions within a number of documents which
together meet the conditions in CASS 8.2.1R.

Retention by the firm

8.2.3 G (1) If a firm receives information that puts it in the position described in CASS 8.2.1R(4) in order to effect transactions immediately on receiving that information, then such information could only amount to a mandate if the firm retains it (for example by not destroying the relevant document):

(a) after it uses it to effect those immediate transactions; or
(b) because those transactions are not, for whatever reason, effected immediately.

(2) If a firm receives information that puts it in the position described in CASS 8.2.1R(4) and the firm retains that information (for example in accordance with its record-keeping procedures or in order to effect transactions in the future or over a period of time) then such information could amount to a mandate.

Ability to give instructions to another person

8.2.4 G The instructions referred to at CASS 8.2.1R(4) are all instructions given by a firm to another person who also has a relationship with the firm’s client. For example, the other person may be the client’s bank, intermediary, custodian or credit card provider. This means, for example, that any means by which a firm can control a client’s money or assets for which it is itself responsible to the client (rather than any other person) would not amount to a mandate. This includes where the firm is holding a client’s money or assets other than in accordance with CASS 5, CASS 6 or CASS 7 (for example, because of an exemption in those rules).

8.2.5 G A mandate in relation to the type of instructions referred to in CASS 8.2.1R(4)(a) could include a direct debit instruction over a client’s bank account in favour of the firm.

8.2.6 G A mandate in relation to the type of instructions referred to in CASS 8.2.1R(4)(d) could include written information that sets out the client’s credit card details.

Conditions on use of mandate and client’s further involvement

8.2.7 G (1) If a firm obtains the means by which it can give the types of instructions referred to in CASS 8.2.1R(4), but its use of those means is subject to any limits or conditions, then this does not necessarily prevent those means from being a mandate. For example, a client might require that a firm uses a mandate only in connection with transactions up to a certain value.

(2) However, if a firm obtains the means by which it can give the types of instructions referred to in CASS 8.2.1R(4), but the firm cannot, in
practice, use those means without the client’s further involvement, then the condition in CASS 8.2.1R(5) would not be met. For example, a firm might have the means by which it can give instructions of the type referred to in CASS 8.2.1R(4)(a) in relation to an account maintained by another person for a client, but that other person might require the client’s signature or other authorisation before it gives effect to those instructions.

8.3 Records and internal controls

8.3.1 R A firm that has mandates must establish and maintain adequate records and internal controls in respect of its use of the mandates.

8.3.2 R The records and internal controls required by CASS 8.3.1R must include:

1. an up-to-date list of each mandate that the firm has obtained, including a record of any conditions placed by the client or the firm’s management on the use of the mandate;

2. a record of each transaction entered into under each mandate that the firm has;

3. internal controls to ensure that each transaction entered into under each mandate that the firm has is in accordance with any conditions placed by the client or the firm’s management on the use of the mandate;

4. the details of the procedures and internal controls around the giving of instructions under the mandates that the firm has (such instructions being those referred to in CASS 8.2.1G(4)); and

5. where the firm holds a passbook or similar documents belonging to the client, internal controls for the safeguarding (including against loss, unauthorised destruction, theft, fraud or misuse) of any passbook or similar document belonging to the client held by the firm.

8.3.3 G A firm should distinguish between conditions placed by a client on the firm’s use of a mandate, and criteria to which transactions effected by a firm with or for a client may be subject.

(1) The requirements in CASS 8.3.2R(1) and CASS 8.3.2R(3) apply only in respect of conditions placed around the firm’s use of a mandate itself or around the instructions described in CASS 8.2.1G(4). Examples of these include conditions under which a mandate may only be used by the firm in connection with transactions up to a certain value, or under which instructions under a mandate may only be given by certain personnel within the firm.
(2) The requirements in CASS 8.3.2R(1) and CASS 8.3.2R(3) do not apply in respect of criteria which relate to the nature and circumstances of transactions effected by a firm with or for a client. Examples of those criteria include investment restrictions or exposure limits for a managed portfolio, and required or preferred execution prices or execution venues.

Amend the following as shown.

9  Prime brokerage

...  

9.3  Prime brokerage agreement disclosure annex

...  

9.3.2 G ...  

(2) A prime brokerage firm should not enter into a “right to use arrangements” for a client’s safe custody assets unless:

(a) in the case of a CASS small firm or a firm to which CASS 1A.3.1CR applies, the person in that firm to whom the responsibilities set out in CASS 1A.3.1R or in CASS 1A.3.1CR(2) respectively have been allocated; or

...  

are each satisfied that the firm has adequate systems and controls to discharge its obligations under Principle 10…

10  CASS resolution pack  

10.1  Application, purpose and general provisions

...  

10.1.14 R The individual to whom responsibility for CASS operational oversight has been allocated under CASS 1A.3.1R, CASS 1A.3.1AR or, as the case may be, CASS 1A.3.1AR 1A.3.1CR(2), must report at least annually to the firm’s governing body in respect of compliance with the rules in this chapter.

10.1.15 G Individuals allocated functions relating to CASS operational oversight pursuant to CASS 1A.3.1R, CASS 1A.3.1AR or, as the case may be, CASS 1A.3.1AR 1A.3.1CR(2), are reminded that their responsibilities include compliance with the provisions in this chapter.
### Sch 1 Record keeping requirements

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Subject of record</th>
<th>Contents of record</th>
<th>When record must be made</th>
<th>Retention period</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASS 1A.3.3R</td>
<td>Allocation of the CASS oversight responsibilities in CASS 1A.3.1 R or of the CASS operational oversight function, or of the responsibilities in CASS 1A.3.1CR(2) as relevant</td>
<td>The person to whom the CASS oversight responsibilities have been allocated, subject to the provisions of CASS 1A.3.3R, or to whom the CASS operational oversight function has been allocated in accordance with CASS 1A.3.1AR, or to whom the responsibilities in CASS 1A.3.1CR(2) have been allocated</td>
<td>Upon allocation</td>
<td>5 years (from the date the record was made)</td>
</tr>
</tbody>
</table>

| CASS 8.1.5R 8.3.1R | Adequate records and internal controls in respect of the firm’s use of mandates (see CASS 8.1.5R 8.3.2R(1) to CASS 8.1.5R 8.3.2R(5)) | Up to date list of firm’s authorities mandates and any conditions regarding the use of authorities mandates, all transactions entered into, details of procedures and authorities internal controls for giving and receiving of instructions under authorities | Maintain current full details | Not specified |

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...
mandates, and important client documents held by the firm

...
<table>
<thead>
<tr>
<th><strong>CASS 1A.2.9R(1) - (3)</strong></th>
<th>The highest total amount of <em>client money</em> and the highest total value of <em>safe custody assets</em> held by a <em>firm</em>, as more fully described in <strong>CASS 1A.2.9R</strong>.</th>
<th>The need to comply with <strong>CASS 1A.2.9R(1) - (3)</strong></th>
<th><strong>Within 15 business days from the end of December of the previous calendar year</strong> By the fifteenth <em>business day</em> of January unless contrary provision is made in <strong>CASS 1A.2.9R</strong>.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASS 1A.2.9R(4)</strong></td>
<td>A <em>firm's 'CASS firm type' classification</em></td>
<td>The need to comply with <strong>CASS 1A.2.9R(4)</strong></td>
<td><strong>Within 15 business days from the end of December of the previous calendar year</strong> unless contrary provision is made in <strong>CASS 1A.2.9R</strong>. At the same time the <em>firm</em> makes the notification under <strong>CASS 1A.2.9R(1), (2) or (3)</strong>.</td>
</tr>
<tr>
<td><strong>CASS 1A.3.2R</strong></td>
<td>The <em>person to whom the responsibilities in CASS 1A.3.1R have been allocated</em></td>
<td>The <em>name of the person</em></td>
<td><strong>Upon allocation</strong></td>
</tr>
</tbody>
</table>

...
Annex C

Amendments to the Supervision manual (SUP)

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

Part 1: Comes into force on 1 January 2013

16 Reporting requirements

16.14 Client money and asset return

Report

16.14.3 R (1) A Subject to (3), a firm must submit a completed CMAR to the FSA within 15 business days of the end of each month.

(2) In this rule month means a calendar month and SUP 16.3.13R(4) does not apply.

(3) A firm which changes its ‘CASS firm type’ and notifies the FSA that it is a CASS medium firm or a CASS large firm in accordance with CASS 1A.2.9R is not required to submit a CMAR in respect of the month in which the change to its ‘CASS firm type’ takes effect in accordance with CASS 1A.2.12R, unless it was a firm to which the requirement in (1) applied immediately prior to that change taking effect.

16.14.4 R For the purposes of the CMAR:

(1) client money is that to which the client money rules in CASS 7 apply; and

(2) safe custody assets are those to which the custody rules in CASS 6 apply but only in relation to the holding of financial instruments (in the course of MiFID business) and the safeguarding and administration of assets (without arranging) (in the course of business that is not MiFID business).

16.14.5 G For the avoidance of doubt, the effect of SUP 16.14.4R(4) is that the following are any client money held in accordance with CASS 5 is to be excluded from any calculations which the CMAR requires:

(1) any client money held by the firm in accordance with CASS 5;

(2) any safe custody assets in respect of which the firm is merely
arranging safeguarding and administration of assets in accordance with CASS 6; and

(3) any client money or safe custody assets in respect of which the firm merely has a mandate in accordance with CASS 8.

Part 2: Comes into force on 28 February 2013

Delete 16 Annex 29R and insert the following new annex in its place. The text is not underlined.

16 Annex 29R Client Money and Asset Return (CMAR)

This annex consists only of one or more forms. Forms are to be found through the following address:

Client Money and Asset Return - SUP 16 Annex 29R

see next page
Client Money & Asset Return

Section 1 - Firm Information

This section should be completed by all firms

1 Name of CASS audit firm
2 Name of CASS audit firm (if other was selected above)
3 Did the firm hold client money during the reporting period?
4 Did the firm safeguard and administer safe custody assets during the reporting period?
5 Was the firm subject to the CFTC Part 30 Exemption Order during the reporting period?

Alternative Approach

6 Did the firm operate the alternative approach during the reporting period? (CASS 7.4.14G - 7.4.16G)
7 Has the alternative approach been signed off by the firm's auditors (as detailed in CASS 7.4.14G - 7.4.16G)?

Overview of firm's activities subject to CASS

Please complete the table below with all business types undertaken for segregated clients

<table>
<thead>
<tr>
<th>Type of business activity</th>
<th>Number of clients</th>
<th>Balance of client money</th>
<th>Value of safe custody assets as at reporting period end date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Total

Section 2 - Balances

This section should be completed by all firms

9 Highest client money balance held during the reporting period
10 Lowest client money balance held during the reporting period
11 Highest value of safe custody assets held during the reporting period
12 Lowest value of safe custody assets held during the reporting period
**Section 3 - Segregation of client money**

*This section should only be completed if the answer to question 3A is “Yes”*

<table>
<thead>
<tr>
<th>A</th>
<th>Type</th>
<th>B</th>
<th>Institution where client money held</th>
<th>C</th>
<th>Client money balances</th>
<th>D</th>
<th>Country of incorporation of the institution</th>
<th>E</th>
<th>Is this a group entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td></td>
<td></td>
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**Section 4 - Client money requirement and resources**

*This section should only be completed if the answer to question 3A is “Yes”*

14 Client money requirement

of which:

15 Unallocated to individual clients but identified as client money
16 Unidentified client money in client bank accounts
17 Uncleared payments e.g. unpresented cheques sent to clients
18 Excess cash in segregated accounts

19 Client money resource

20 Surplus (+)/deficit (-) of client money resource against client money requirement.

21 Adjustments made to withdraw an excess or rectify a deficit identified as a result of an internal reconciliation

**Section 5 - Client money reconciliations**

*This section should only be completed if the answer to question 3A is “Yes”*

22 Client money internal reconciliation

23 Client money external reconciliation

24 Client money unreconciled items
### Section 6 - Segregation of safe custody assets

*This section should only be completed if the answer to question 4A is “Yes”*

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<tr>
<td>25</td>
<td></td>
<td>How registered?</td>
<td></td>
<td>Where held?</td>
<td>Name of institution where custody assets held</td>
<td>Number of lines of stock</td>
<td>Value of safe custody assets as at reporting period end date</td>
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**Total**

### Section 7 - Safe custody assets reconciliations

*This section should only be completed if the answer to question 4A is “Yes”*

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**Safe custody assets unreconciled items**

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<th>A</th>
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<tbody>
<tr>
<td>27</td>
<td>Method</td>
<td>Frequency</td>
<td>Type of safe custody asset</td>
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### Section 8 - Record Keeping & Breaches

**Record Keeping**

*This section should only be completed if the answer to question 3A is “Yes”*

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## Notifiable CASS Breaches

*This section should be completed by all firms*

<table>
<thead>
<tr>
<th>31</th>
<th>Did the firm fail to comply with the requirements in any of CASS 6.5.1R, 6.5.2R, 6.5.6R and 6.5.10R?</th>
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<tbody>
<tr>
<td>32</td>
<td>If yes, was a notification made to the FSA?</td>
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<tr>
<td>33</td>
<td>Did the firm fail to comply with the requirements in any of CASS 7.6.1R, 7.6.2R, 7.6.9R, 7.6.13R to 7.6.15?</td>
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<tr>
<td>34</td>
<td>If yes, was a notification made to the FSA?</td>
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</tbody>
</table>

## Section 9 - Outsourcing & Offshoring

*This section should be completed by all firms*

<table>
<thead>
<tr>
<th>35</th>
<th>Who do you outsource and/or offshore your client money and/or custody asset operations to? (name of entity)</th>
<th>What function of your CASS operations do you outsource and/or offshore?</th>
<th>Location of service provider</th>
<th>Significant changes being made or planned to existing arrangements</th>
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Amend the following as shown.

16 Annex 29AG  Guidance notes for the data item in SUP 16 Annex 29R

Client Money and Asset Return (CMAR)

This annex contains guidance on the CMAR and is therefore addressed only to a firm which is subject to SUP 16.14.

General

Terms used in the CMAR bear the meaning ascribed to those terms in the Glossary, even though they do not appear in italicised form on the face of the data item, unless a contrary indication is given in this guidance.

A firm is reminded that the effect of SUP 16.14.4R is that in relation to a firm to which CASS 5 (Client money: insurance mediation activity) and CASS 7 (Client money rules) apply, that firm should not report in the data item shown in SUP 16 Annex 29R any client money that it holds in accordance with CASS 5.

SUP 16.14.4R also has the effect that the data reported by a firm on the CMAR should only relate to client money and/or safe custody assets held by the firm, and should not relate to client money and/or safe custody assets in respect of which the firm merely has a mandate or any safe custody assets in respect of which the firm merely arranges safeguarding and administration of assets.

Firms are reminded of their obligation to determine their ‘CASS firm type’ categorisation in accordance with CASS 1A.2.2R.

A firm should include in any amount of client money that it reports any client money which it has allowed another person to hold or control in accordance with CASS 7.5.2R (for example, an exchange, clearing house or intermediate broker).

Reporting Period

The reporting period for the CMAR is the calendar month for which a CMAR is required to be completed in accordance with SUP 16.14.3R, including the first day and the last day of that month. For example, the January reporting period will be January 1 to January 31, regardless of whether or not any day in January is a business day.

Valuation

Where this data item asks for a firm to report or calculate the value of safe custody assets that it holds on any given day, that firm should
(a) if it has the previous day’s mark-to-market value of the safe custody asset in question, use that value; or

(b) if it does not have the previous day’s mark-to-market value, calculate the value of that asset using the most recent mark-to-market value that it does have; and

in either case, apply a consistent mark-to-market methodology that reflects its normal accounting practice.

For the purposes of the CMAR, the FSA does not prescribe any particular methodology or frequency for valuing safe custody assets.

Reporting Client Money Balances using internal reconciliations

The guidance in this annex assumes that a firm uses the standard method of internal client money reconciliation. Firms that use a different method of internal reconciliation in accordance with CASS 7.6.7R should read the guidance in this annex in so far as it is consistent with that different method.

Where this data item requires a firm to report any client money balances, unless otherwise specified the firm should report on the basis of balances used for its internal reconciliation carried out on the first business day following the reporting period in question. This means using the values contained in the firm’s accounting records, for example its cash book, rather than values contained in statements received from its banks and other third parties.

Currency

The reporting currency for this data item should be GBP (sterling). 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 reporting period, a firm should, 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 asset into sterling at the previous day’s closing spot exchange rate.

Section 1 Firm information

1 Name of CASS audit firm

A firm should report the name of the auditor that provides its client assets report (see SUP 3.10). It is not possible for the CMAR to list all auditors in this data field. However, certain auditors are named for convenience, and the FSA does not in any way recommend or endorse the auditors that are named. If the auditor is not listed on the menu, where available, a firm should choose select ‘Other’ and complete data field 2 if its auditor is not named.

2 Name of CASS audit firm (if ‘Other’ was selected above)

If a firm selects ‘Other’ in (1), it should enter the name of the auditor that provides its client assets report (see SUP 3.10).

3 Does Did the firm hold client money during the reporting period?
A firm should state “Yes” or “No”.

A firm should not take into account client money in respect of which it merely had a mandate in accordance with CASS 8 during the reporting period, or client money that it held in accordance with CASS 5 during the reporting period.

4 Does Did the firm safeguard and administer safe custody assets during the reporting period?

A firm should state “Yes” or “No”.

A firm should not take into account safe custody assets in respect of which it was merely arranging safeguarding and administration of assets in accordance with CASS 6 during the reporting period.

5 Is Was the firm subject to a CFTC Part 30 exemption order during the reporting period?

A firm should state “Yes” or “No”. Handbook provisions dealing with the CFTC Part 30 exemption order are set out CASS 7.4.32G to CASS 7.4.35R.

6 Does Did the firm operate the alternative approach during the reporting period (see CASS 7.4.14G to CASS 7.4.19G)?

A firm should state “Yes” or “No”. Handbook provisions dealing with the alternative approach are set out in CASS 7.4.14G to CASS 7.4.19G.

7 Has the alternative approach been signed off by the firm’s auditor?

A firm should state “Yes” or “No”. CASS 7.4.15R provides that a firm that does not operate the normal approach must first send a written confirmation to the FSA from the firm’s auditor that the firm has in place systems and controls which are adequate to enable it to operate another approach effectively.

8A Type of business activity

A firm should identify in this data field the investment activities or services in the course of which it holds client money or safe custody assets belonging to a client and may do so using its own description of the activity or service in question.

In completing this data field a firm should use a separate row to distinguish between each type of business activity or service to which CASS 6 or CASS 7 applies, in a way that the firm considers reasonably appropriate.

The rows do not necessarily need to distinguish between regulated activities or client categories, and could for example reflect the distinctions between business lines that a firm makes in its internal management reporting or published accounts, or the different business units within the firm.
Where possible a firm should also identify, as a separate single business activity, any allocated but unclaimed client money or safe custody assets held by the firm which the firm continues to treat as such. This would include, for example, client money balances or safe custody assets held in respect of clients whom the firm is no longer able to contact. The firm should only use one row in this data field for this purpose (so the amounts stated in that row would reflect the aggregate of allocated but unclaimed client money or safe custody assets across all its relevant business activities or services).

8B Number of clients

In relation to each of the investment activities or services identified, a firm should report in this data field the number of clients for whom it holds client money or safe custody assets in respect of the activity or service in question.

If a firm holds client money or safe custody assets in respect of more than one activity or service for the same client, the firm should include this client in the number reported for each activity or service as appropriate. This means that the same client may be reported for more than one activity or service in this data field.

8C Balance of client money as at reporting period end date

In relation to each of the investment activities or services identified, a firm should report in this data field the total amount of client money that it holds belonging to clients in respect of the activity or service in question.

A firm should report client money balances on the basis of balances used in the internal reconciliation that the firm carried out on the first business day following the reporting period in question.

Paragraph 8A describes how allocated but unclaimed client money should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed safe custody assets). The balance shown in that row may also include any balance that is included in data field 17.

8D Value of safe custody assets as at reporting period end date

In relation to each of the investment activities or services identified, a firm should report in this data field the total value of safe custody assets that it holds belonging to clients in respect of the activity or service in question, as at the last business day of the reporting period.

Paragraph 8A describes how allocated but unclaimed safe custody assets should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed client money).

Section 2 Balances

9 Highest client money balance held during the reporting period
A firm should report the highest total amount of client money that it held at any point during the reporting period.

10 Lowest client money balance held during the reporting period

A firm should report the lowest total amount of client money that it held at any point during the reporting period.

11 Highest value of safe custody assets held during the reporting period

A firm should report the highest total value of safe custody assets that it held at any point during the reporting period.

12 Lowest value of safe custody assets held during the reporting period

A firm should report the lowest total value of safe custody assets that it held at any point during the reporting period.

In relation to data fields 9 to 12, a firm should ensure that it includes in the amount or value reported any client money or safe custody assets that it is holding or in respect of which it is safeguarding and administering investments, which has or have been placed with a sub-custodian, third party custodian, either by a custodian custodian with which that firm has deposited that money or those assets, or by that firm if it is a custodian custodian.

In relation to data fields 9 to 12, a firm should determine the lowest and highest figures by reference to the data that it has recorded from internal reconciliations over that relate to the reporting period in question.

Other than in relation to a CMAR submitted in January and in circumstances in which a CMAR has been submitted on time in each of the preceding eleven months, submission of a CMAR will not have an effect on a firm’s categorisation as either a CASS large firm or as a CASS medium firm. As CASS 1A.2.2R indicates, a firm’s obligation to determine its categorisation arises once each year in January of the year in question.

Section 3 Segregation of client money

13A Type

A firm should identify the types of institution with which it has placed client money. CASS 7.4.1R identifies the type of institution with which a firm must promptly place into one or more accounts client money that it receives. CASS 7.5.2R identifies a limited number of circumstances in which a firm may allow another person, such as an exchange, a clearing house or an intermediate broker, to hold or control client money.

13B Institution where client money held

A firm should report the full name and FSA firm reference number (if applicable) of the individual legal entity with which it has placed client money.
13C  Client money balances

A firm should report the total amount of client money which it has placed with each institution identified in 13B.

A firm should report client money balances on the basis of balances used in the internal reconciliation that the firm carried out on the first business day following the reporting period in question.

A firm should include in the client money balance the aggregate balance of any allocated but unclaimed money which a firm continues to treat as client money. For example, client money balances held in respect of clients whom the firm is no longer able to contact.

The balance shown in that row may also include any balance that is included in data field 17.

13D  Country of incorporation of the institution

A firm should report the name of the country in which each institution with which it places client money is incorporated using the appropriate two letter ISO code.

13E  Group entity

A firm should indicate in this data field whether each institution with which it has placed client money is or is not a relevant group entity within the meaning of CASS 7.4.9BR. A firm should note that the definition in CASS 7.4.9BR is specific to CASS and the entities which comprise it may not be the same as those which comprise the firm’s group.

Section 4  Client money requirement and resource

14  Client money requirement

In relation to a firm that follows the standard method of internal client money reconciliation, that firm should report its client money requirement, calculated in accordance with CASS 7 Annex 1G paragraph 6.

A firm should report its client money requirement on the basis of the internal reconciliation that the firm carried out on the first business day following the reporting period in question.

Included A firm should include in the client money requirement is the aggregate balance of any allocated but unclaimed money which a firm continues to treat as client money. For example, client money balances held in respect of clients whom the firm is no longer able to contact.

The balance reported for the client money requirement should be inclusive of the balances that a firm is also reporting for data fields 15-18.
15 Unallocated to individual clients but identified as client money

A firm should report the amount of unallocated client money that it holds. Examples of this might include a client entitlement as described in CASS 7.4.27G or money received into a client bank account that has not yet been allocated to an individual client. A firm may be unable to allocate client money to an individual client on initial receipt of that money because of differences in trading hours, late journal adjustments or a failure by a third party to mark money (such as a dividend payment) that it sends to the firm as being for the account of the client in question.

16 Unidentified client money in client money bank accounts

A firm should report the amount of money other than client money that is held in that firm’s client bank accounts and client transaction accounts which is the subject of enquiry by that firm to determine whether that money is client money.

17 Uncleared payments e.g. unpresented cheques sent to clients

A firm should report the amount of client money it holds in respect of accounted for by as yet uncleared payments to that firm’s clients drawn on a client bank account of the firm. In this data field a firm should therefore include any uncleared cheques and other payable orders of any age, including electronic bank payments, in favour of a client but which have not been paid by the bank.

18 Excess cash in segregated accounts

In relation to a firm that follows the standard method of internal client money reconciliation, that firm should report the amount of client money that it holds in client bank accounts and client transaction accounts which exceeds the amount reported in data field 14 the firm included in its client money requirement as a result of the firm’s application of CASS 7.4.21R. CASS 7.4.21R explains when such an excess might arise. A firm should not include balances for this data field that it is reporting in data fields 15-17.

19 Client money resource

In relation to a firm that follows the standard method of internal client money reconciliation, that firm should report the amount of its client money resource, as defined in CASS 7 Annex 1G paragraph 1 in respect of a firm that adopts the normal approach and as defined in paragraph 2 of that annex in respect of a firm that adopts the alternative approach.

A firm should report its client money resource on the basis of the client money resource used in the internal reconciliation that the firm carried out on the first business day following the reporting period in question (which should be the same
The internal reconciliation used by the firm to report its client money requirement in data field 14.

A firm should include in the client money resource the aggregate balance of any allocated but unclaimed money which a firm continues to treat as client money. For example, client money balances held in respect of clients whom the firm is no longer able to contact.

20  Surplus (+)/ deficit (-) of client money resource against client money requirement

A firm should report in this data field the amount by which its client money resource exceeds its client money requirement (to be reported in the data item as a positive amount), or as the case may be, the amount by which its client money requirement exceeds its client money resource (to be reported in the data item as a negative amount).

Where a surplus or deficit does not exist following a firm’s internal client money reconciliation, the firm should report ‘0’ for this data field.

21  Adjustments made to withdraw an excess or rectify a deficit identified as a result of an internal reconciliation.

In relation to a firm whose client money resource and client money requirement were shown in the penultimate internal reconciliation carried out in the reporting period to be unequal, a firm should report the amount of money that it added to correct a shortfall or, as the case may be, that it withdrew reflecting an excess or surplus.

In relation to data fields 14 to 20 21, a firm should report by reference to the results of its internal reconciliation carried out on the reporting period end date, or if that date is not a business day, by reference to those carried out on the business day nearest to the reporting period end date the first business day following the reporting period in question.

Data fields 15-18 relate to client money balances identified in a firm’s accounting records, for example its cash book, that form part of the client money requirement reported in data field 14. Data fields 15-18 will not equal the client money requirement reported in data field 14 unless the balances reported for data fields 15-18 include all balances that are allocated to individual clients.

Section 5  Client money reconciliations

22  Client money internal reconciliation

A firm should identify in this data field the frequency with which it performs internal reconciliations.

23  Client money external reconciliation
A firm should identify in this data field the frequency with which it performs external reconciliations.

24 Client money unreconciled items

A firm should identify in this data field the number of unreconciled client money items and allocate each item to one of the specified time bands according to the length of time for which it has remained unreconciled.

For the purposes of this data field, the number of unreconciled client money items refers to the number of individual discrepancies/breaks identified as part of a firm’s internal and external reconciliations which have remained unresolved for period of 6 calendar days or more. For the purposes of this data field unreconciled items should include any unresolved differences that have not yet been allocated to individual clients and any unidentified client money balances, but should not include items that were in fact reconciled by taking into account timing differences between a firm’s own accounting records (e.g. cash book entries) and client bank account statements.

For the purpose of this data field, a firm should calculate the number of calendar days between the date on which an internal reconciliation in respect of that item should have been carried out, but was not, and the reporting date.

A firm should also report the balances of these individual unreconciled items as appropriate in data fields 15 and 16.

Section 6 Segregation of safe custody assets

In order to complete this section a firm will need to group the safe custody assets it held at the reporting period end date by the method of registration used (25A), the means by which the assets were held (25G) and the name of the institution with which the assets were deposited (25B). Each group of safe custody assets so identified should be reported as a separate row.

25A Where and how held How registered

A firm should identify in this data field at least those:

(a) safe custody assets which it holds in its physical possession;

(b) safe custody assets the legal title to which is registered and recorded in the name of a nominee company;

(c) safe custody assets which it has deposited with a third party custodian;

(d) safe custody assets which, if the firm is a custodian, it has deposited with a sub-custodian;

(e) safe custody assets which it has deposited with any other third party.
In relation to any asset which falls into more than one of the available categories in 25A, a firm should report its holding of that asset in each of the available categories. However, for validation purposes, a firm should enter the 25D positive value of that asset in one only of those categories and enter a value of zero in each of the other available categories. A firm may choose in which of the available categories it reports the 25D positive value of that asset.

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should identify the method of registration it used in accordance with CASS 6.2.3R, by specifying one of the following categories of person in whose name legal title to the safe custody assets were registered during the reporting period:

(a) the client;
(b) the firm;
(c) a third party;
(d) a nominee company which is controlled by the firm;
(e) a nominee company which is controlled by an affiliated company;
(f) a nominee company which is controlled by an investment exchange;
(g) a nominee company which is controlled by a third party with whom financial instruments are deposited under CASS 6.3 (Depositing assets and arranging for assets to be deposited with third parties).

Firms that registered the legal title to safe custody assets in joint names should select option (a) if one of those names is the client’s name. If none of those names are the client’s name then the firm should select an option that corresponds to any one of those named persons.

In relation to safe custody assets that a firm held in its physical possession and for which the firm did not register legal title (for example bearer notes), the firm should select option (b).

25B Name of institution where held

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should report, as relevant, the identity of the nominee company to which is registered and recorded the legal title to the safe custody assets in question, or the identity of the third party institution with which it has deposited the safe custody assets. In relation to any non-dematerialised safe custody assets which it holds held in its physical possession, a firm should enter its own name in the data field.

In identifying any nominee company or third party institution in this data field, a firm should ensure that it specifies the full name or the FSA firm reference number (if applicable) of the individual legal entity with which the safe custody assets have been deposited.

In relation to any dematerialised safe custody assets which a firm held as the sole custodian the firm should report the name of the central securities depositary where
the safe custody assets were deposited, for example CREST, Euroclear, etc. and should select ‘deposited with any other third party’ when completing data field 25G.

25C Number of lines of stock

In relation to each nominee company or third party institution identified in 25B combination of registration and holding method identified in 25A and 25G, a firm should report the total number of lines of stock being safe custody assets that the firm held at the reporting period end date to which in the case of a nominee company legal title has been registered and recorded in its name and in any other case which it has deposited with a third party institution. As a firm is only being asked to enter the total number of lines of stock in relation to each identified institution, it is not expected to identify separately safe custody assets belonging to an individual client.

For the purpose of this data field, a firm should treat each stock which bears its own CUSIP or ISIN number as a separate line of stock.

25D Value of safe custody assets as at reporting period end date

As at the reporting period end date, a firm should calculate the total value of the safe custody assets held by each institution identified in 25B reported on each row and enter that value in the data field. In completing 25D a firm should have regard to the guidance given in relation to 25A.

25E Country of incorporation of the institution

In relation to each institution identified in 25B, a firm should report the name of the country in which that institution is incorporated using the appropriate two letter ISO code.

25F Group entity

A firm should indicate in this data field whether each institution with which it has placed safe custody assets is or is not a member of that firm’s group.

25G Where held

For each group of safe custody assets that a firm (in carrying on the regulated activity of safeguarding and administering investments) held at the reporting period end date, the firm should identify in this data field whether the safe custody assets were:

(a) held in the firm’s physical possession (for example any non-dematerialised assets such as bearer notes);
(b) deposited with a third party custodian (this may include any third party that has responsibility to the firm for the safe custody assets, such as a sub-custodian or a fund manager);
(c) deposited with a third party exchange;
(d) deposited with a third party clearing house;
(e) deposited with a third party intermediary; or
(f) deposited with any other third party (where none of the above options adequately describe how the safe custody assets are held).

In relation to any dematerialised safe custody assets which a firm held as the sole custodian the firm should select option (f) and report the name of the central securities depositary where the safe custody assets were deposited, for example CREST, Euroclear, etc. when completing data field 25B.
Section 7 Safe Custody Assets Reconciliations

26 Safe custody assets unreconciled items

A firm should identify in this data field the number of unreconciled safe custody assets items and allocate each item to one of the specified time bands according to the length of time for which it has remained unreconciled.

For the purpose of this data field, a firm should calculate the number of calendar days between the date on which an internal reconciliation in respect of that item should have been carried out, but was not, and the reporting date.

For the purposes of this data field, the number of unreconciled safe custody assets items refers to the number of individual discrepancies/custody breaks identified as part of a firm’s external reconciliation which have remained unresolved for a specific period of time.

In relation to the 30-day field, a firm should report items which have remained unreconciled for no more than 30 days but no more than 59 days.

In relation to the 60-day field, a firm should report items which have remained unreconciled for at least 31 days, but no more than 60 days.

In relation to the 90-day field, a firm should report:

(a) items which have remained unreconciled for at least 61 days, but no more than 90 days; and

(b) items which have remained unreconciled for 91 days or more.

In relation to the 90-day field, a firm should report items which have remained unreconciled for at least 90 days.

27A Method

In relation to each type of safe custody asset identified in 27C, a firm should report the method of internal reconciliation that it applied to that type of asset. CASS 6.5.2R to CASS 6.5.5R set out rules and guidance in relation to internal reconciliation methods.

27B Frequency

In relation to each method identified in 27A, a firm should report the frequency with which it conducted internal reconciliations using that method.

27C Type of safe custody asset

A firm should report the different types of safe custody asset that it holds and may do so using its own description of an asset type.
Section 8 Record keeping and breaches

28 Client bank account

Client bank account has the same meaning as in the Glossary in the context of CASS 7 and CASS 7A.

28F Explanation of discrepancies

A firm should provide a brief explanation for any difference between the number of client bank accounts reported for 28D and the number of trust/acknowledgement letters to cover these accounts reported for 28E (see CASS 7.8.1R).

29 Client transaction account

Client transaction account has the same meaning as in the Glossary.

29F Explanation of discrepancies

A firm should provide a brief explanation where there is a difference between the number of client transaction accounts reported for 29D and the number of trust/acknowledgement letters to cover these accounts reported for 29E (see CASS 7.8.2R).

31 Has the firm complied with the requirements in Did the firm fail to comply with any of the requirements set out in CASS 6.5.1R, CASS 6.5.2R, and CASS 6.5.6R and CASS 6.5.10R?

A firm should indicate whether, at any point during the reporting period, it has failed to comply with any of the requirements set out in CASS 6.5.1R, CASS 6.5.2R and CASS 6.5.6R.

If a firm, having carried out a reconciliation during the reporting period, failed to comply with CASS 6.5.10R, it should also record that fact in this data field.

CASS 6.5.10R provides that a firm must promptly correct any discrepancies which are revealed in the reconciliations envisaged by CASS 6.5 and make good, or provide the equivalent of, any unreconciled shortfall for which there are reasonable grounds for concluding that the firm is responsible.

32 Following reconciliation, is the firm unable, in any material respect, to comply with CASS 6.5.10R? If yes, was a notification made to the FSA?

If a firm, having carried out a reconciliation, has not complied with or is unable in any material respect to comply with CASS 6.5.10R, it should record that fact in this data field.
field. CASS 6.5.10R provides that a firm must promptly correct any discrepancies which are revealed in the reconciliations envisaged by CASS 6.5, and make good, or provide the equivalent of, any unreconciled shortfall for which there are reasonable grounds for concluding that the firm is responsible.

If in data field 31 the firm has acknowledged a failure to comply with any of the specified rules, it should confirm in this data field whether a notification was made to the FSA in accordance with CASS 6.5.13R.

Where the firm’s response to data field 31 relates to multiple instances of non-compliance, it should only answer “Yes” in this data field if all instances were notified.

33 Has the firm complied with the requirements in CASS 7.6.1R, CASS 7.6.2R, CASS 7.6.9R and CASS 7.6.13R to CASS 7.6.15R?

A firm should indicate whether, at any point during the reporting period it has complied in all material respects failed to comply with any of the requirements set out in CASS 7.6.1R, CASS 7.6.2R and CASS 7.6.9R.

If a firm, having carried out a reconciliation during the reporting period, failed to comply with one or more of the obligations found in CASS 7.6.13R to CASS 7.6.15R, it should also record that fact in this data field.

CASS 7.6.13R to CASS 7.6.15R set out requirements which apply to a firm in relation to internal and external reconciliation discrepancies.

34 Following reconciliation, is the firm unable, in any material respect, to comply with CASS 7.6.13R to CASS 7.6.15R? If yes, was a notification made to the FSA?

If a firm, having carried out a reconciliation, has not complied with or is unable to comply with one or more of the obligations found in CASS 7.6.13R to CASS 7.6.15R, it should record that fact in this data field. CASS 7.6.13R to CASS 7.6.15R set out requirements which apply to a firm in relation to internal and external reconciliation discrepancies.

If in data field 33 the firm has acknowledged a failure to comply with any of the specified rules, it should confirm in this data field whether a notification was made to the FSA in accordance with CASS 7.6.16R.

Where the firm’s response to data field 33 covers multiple instances of non-compliance, it should only answer “Yes” in this data field if all instances were notified.
In relation to data fields 31 and 33, a firm should only report in the affirmative answer “Yes” if it has been in compliance with any of the rules specified in those data fields at all times throughout any point during the reporting period in question, whether or not it is in compliance at the end of the reporting period.

A firm’s responses to data fields 31 and 33 should only relate to breaches that occurred within the particular reporting period in question and not to any breach that may have occurred in a previous reporting period, even if the breach remains unresolved.

A firm should answer “N/A” as appropriate to data fields 31 and 33 if it did not hold client money or safe custody assets during the reporting period.

In relation to data fields 32 and 34, a firm should report the fact of its non-compliance if it has any time during the reporting period failed to comply with the specified rules in the way envisaged by CASS 6.5.13R(2) and CASS 7.6.16R(2), whether or not it is in compliance at the period end date only answer “Yes” if the firm has acknowledged any breaches in data fields 31 or 33, and all such breaches were notified as required within the reporting period in question.

CASS 6.5.13R and CASS 7.6.16R require that the FSA be informed without delay of any of the matters in respect of which notification is required by those rules. Submission of the CMAR within the time limit specified in SUP 16.14.3R does not discharge the obligations in those rules and a firm remains obliged to notify the FSA as soon as it becomes aware that any of the circumstances described in those rules has arisen.

A firm should answer ‘N/A’ for data fields 32 and 34 if the firm has answered either ‘No’ or ‘N/A’ for data fields 31 and 33 respectively.

Section 9 Outsourcing and offshoring

In relation to its business that is subject to CASS, a firm should report in data field 35 outsourcing and offshoring arrangements that it has established which it judges to be material to that business, either by reason of their scale or their importance.

For the purposes of data fields 35A to 35D, ‘outsourcing’ refers to where a firm outsources part of its client money and/or custody asset operations to a third party and ‘offshoring’ refers to where a firm’s client money and/or custody asset operations are managed through a branch established by it outside the United Kingdom.
35A Who do you outsource or offshore your client money and/or custody asset operations to?

A firm should state either:

(a) the full name of the legal entity that business has been outsourced to; or
(b) if the business is offshored, the name of the firm itself.

An FSA firm reference number should also be provided for any firm which is authorised by or registered with the FSA.

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