

CLIENT ASSETS SOURCEBOOK (AMENDMENT NO 6) INSTRUMENT 2014

Powers exercised

- A. The Financial Conduct 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 137A (The FCA’s general rules);
 - (2) section 137B (FCA general rules: clients’ money, right to rescind etc);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) Annex A and Part 1 of Annex B to this instrument come into force on 1 July 2014.
 - (2) Part 2 of Annex B to this instrument comes into force on 1 June 2015.

Amendments to the FCA Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Client Assets sourcebook (CASS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Client Assets Sourcebook (Amendment No 6) Instrument 2014.

By order of the Board of the Financial Conduct Authority
26 June 2014

Annex A

Amendments to the Glossary of definitions

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

Comes into force on 1 July 2014

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

stocks and shares ISA business a firm's activities, in its capacity as an *ISA manager*, in connection with an *ISA* which contains only a *stocks and shares component* and is not either or both *MiFID business* and *designated investment business*.

Amend the following definition as shown

client money ...

- (2A) (in *FEES*, *CASS 6*, *CASS 7*, *CASS 7A* and *CASS 10* and, in so far as it relates to matters covered by *CASS 6*, *CASS 7*, *COBS*, *GENPRU* or *IPRU(INV)*) subject to the *client money rules*, money of any currency:
- (a) that a *firm* receives or holds for, or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*; or
 - (b) ~~which that~~, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds for a *client*; or
 - (ba) that a *firm* receives or holds for, or on behalf of, a *client* in the course of, or in connection with, its *stocks and shares ISA business*; or
 - (c) ~~which that~~ a *firm* treats as *client money* in accordance with the *client money rules*.

Annex B

Amendments to the Client Assets sourcebook (CASS)

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

Part 1: Comes into force on 1 July 2014

7.1 Application and purpose

7.1.1A R This chapter applies to a *firm* that receives *money* from or holds *money* for, or on behalf of, a *client* in the course of, or in connection with, its:

- (1) *MiFID business*; and/or
- (2) *designated investment business*; and/or
- (3) *stocks and shares ISA business*;

unless otherwise specified in this section.

...

Opt-in to the client money rules

7.1.3 ...

(1B) ...

(1C) (a) A firm may elect to comply with all the provisions of this chapter for money that it receives or holds in respect of an ISA that only contains a cash deposit ISA.

(b) Where a firm makes an election under (a), this chapter applies to it in the same way that it applies to a firm that receives and holds money in the course of or in connection with its MIFID business.

...

...

7.1.3B R Where a firm opts into this chapter under CASS 7.1.3R(1C) it must notify clients for whom it holds the opted-in money that it is holding their money in accordance with the client money rules.

7.1.4 G The opt-in to the *client money rules* in this chapter does not apply in respect of *money* that a *firm* holds outside of either the:

- (1) scope of the *insurance client money chapter*; or
- (2) relevant cash deposit ISA wrapper;

as the case may be.

...

- 7.1.6 G (1) A *firm* that is only subject to the *insurance client money chapter* may not opt to comply with this chapter under either or both CASS 7.1.3R(1) and CASS 7.1.3R(1B).
- (2) Under CASS 7.1.3R(1C) a *firm* may opt to comply with this chapter regardless of whether it is otherwise subject to the *client money rules.*

Part 2: Comes into force on 1 June 2015

7.10 Application and purpose

- 7.10.1 R This chapter applies to a *firm* that receives *money* from or holds *money* for, or on behalf of, a *client* in the course of, or in connection with, its:

- (1) *MiFID business*; and/or
- (2) *designated investment business*; and/or
- (3) *stocks and shares ISA business*;

unless otherwise specified in this section.

...

Opt-in to the client money rules

7.10.3 ...

(2) ...

(2A) (a) A *firm* may elect to comply with all the provisions of this chapter for *money* that it receives or holds in respect of an *ISA* that only contains a *cash deposit ISA*.

(b) Where a *firm* makes an election under (a), this chapter applies to it in the same way that it applies to a *firm* who receives and holds *money* in the course of or in connection with its *MIFID business*.

...

- 7.10.3A R Where a *firm* opts into this chapter under CASS 7.10.3R(2A) it must notify *clients* for whom it holds the opted-in *money* that it is holding their *money* in accordance with the *client money rules*.

...

- 7.10.5 G The opt-in to the *client money rules* in this chapter does not apply in respect of *money* that a *firm* holds outside of either the:
- (1) scope of the *insurance client money chapter*; or
 - (2) relevant *cash deposit ISA* wrapper;
- as the case may be.

...

- 7.10.7 G (1) A *firm* that is only subject to the *insurance client money chapter* may not opt to comply with this chapter under either or both CASS 7.10.3R(1) and CASS 7.10.3R(2).
- (2) Under CASS 7.10.3R(2A), a *firm* may opt to comply with this chapter regardless of whether it is otherwise subject to the *client money rules*.

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