

Best Practice Statement Update – Policy Documentation

It is the responsibility of regulated firms to ensure they have documented policies and procedures in place to address the requirements contained within the CASS rules. Listed below are the key policies that we recommend firms should consider having in place, which is by no means exhaustive and firms may have more policies than those listed:-

- **Treatment of unclaimed client money and custody assets** – Firms should articulate their policy for the treatment of allocated but unclaimed client money and custody asset balances and whether they would ultimately pay them away or retain them indefinitely; ensuring that each of the relevant requirements under CASS 7.11 are addressed.
- **Prudent segregation** – Firms should document their approach to prudent segregation, detailing how they are satisfying each of the requirements within the relevant rules under CASS 7.13. Even if firms opt not to prudently segregate monies they should still document the rationale behind their decision.
- **Transfer of business** – Firms should document their policy around transferring client monies to a third party as part of a full or partial transfer of business; addressing each of the relevant rules under CASS 7.11, including de minimis sums and investor notifications.
- **Frequency and method of client money and custody asset reconciliations** – The policy document should detail the method of reconciliation adopted by the firm and also the rationale behind how frequently the reconciliations are performed.
- **Breach reporting and materiality** – Firms should set out their breach reporting and escalation policy, not just in terms of how breaches are reported but also what constitutes a breach especially for some of the more contentious CASS rules. In addition, the policy should also detail what firms consider to be material breaches to assist in determining whether to report breaches immediately to the FCA.
- **Counterparty risk assessment and diversification** – Firms should document their diversification policy and approach to ensuring compliance with the relevant requirements within CASS 7.13.
- **Treatment of client money and custody asset shortfalls (resolution of reconciliation discrepancies)** – Firms should document their approach to resolving reconciliation discrepancies e.g. in the event of a custody asset shortfall the firm will protect a sum of money within the client account rather than appropriating its own assets to cover the shortfall.
- **Information to clients concerning custody assets and client money** – The document should detail the firm's policy for sending custody assets and client money statements to investors in line with both COBS 16.4 and CASS 9. The statement format, frequency of submission and transaction types should also be documented.
- **Payment of interest on client money** – Firms should document whether it is their policy to pay interest on client money balances, whether in whole or in part, and if so how the firm ensures compliance with the relevant rules in CASS 7.11.

These policies should be reviewed and updated as often as is deemed necessary, but at a minimum on an annual basis.

Important Information

This document has been compiled for the use of TA Forum members only and is for guidance purposes. The best practice statements have been written from the view point of TA's and the administration activities that they perform for regulated firms. Where any firms require further clarification of the rules, guidance should be sought from the FCA. It is the regulated firm's responsibility to comply with the client money rules and ensure that they receive all required information in order that they can perform adequate oversight regularly. Firms are responsible for ensuring they have the relevant permissions to undertake such activity as they may outsource to TA Forum members. It is assumed that firms will have all relevant CASS permissions. This document must not be copied or distributed without written consent from the TA Forum. For any queries regarding this document, please contact enquiries@thetaforum.co.uk