



CASS Oversight Arrangements

This document highlights the typical oversight arrangements required of regulated Firm who has appointed a third party transfer agent ('TA') and the typical services provided by a TA to help a Firm meet its ongoing CASS responsibilities:

Typical Firm CASS oversight responsibilities

- **Senior Managers and Certification Regime** - Requires a CASS medium or large firm to appoint a director or senior manager of sufficient skill and authority to oversee compliance with CASS, reporting on this to the firm's governing body and completion of the CMAR.
- **CASS governance** – Firm must have effective governance and oversight over the CASS processes outsourced to the TA. As best practice it is recommended that the Firm establish a specific CASS Oversight Committee and that the Firm has sufficient CASS representation on other management committees where business decisions are made which impact on the CASS control environment. Additionally, Firms should be able to demonstrate appropriate senior management engagement on CASS matters at Board level.
- **Communication** - Due to the CASS requirement to report material breaches promptly to the FCA it is important to have transparent, timely and effective communication/escalation between the Firm and the TA.
- **CASS Oversight Committee** – As best practice, where applicable, a Firm should establish a formal CASS Oversight Committee, which should be attended by the relevant individual responsible for ensuring a firm's compliance with CASS. The Committee should have a terms of reference and it is recommended this includes an assessment of key performance indicators ('KPI') on CASS functions outsourced to a TA. As a minimum the KPI data should include the number of CASS breaches, CASS rules breached, client money balances impacted, trends month on month and root cause analysis, together with actions taken to rectify breaches. Any significant CASS issues, including those identified at the TA, should be escalated up to the CASS Oversight Committee and discussed under a standing agenda item.
- **CASS documentation** – It is recommended that Firms have in place appropriate CASS policies. As a minimum these policies should explain: which CASS functions the Firm has outsourced, which TAs are utilised for different business areas and the governance and BAU oversight arrangements. This is to ensure a Firm is able to clearly explain a TA's operating model and procedures relevant to its outsourced CASS functions.

Additionally, it is recommended that Firms have CASS policies for client money diversification, frequency of reconciliations and prudent segregation. It is also important to ensure the TA understands these policies if it performs the relevant CASS function/ control.

- **CASS Resolution Pack ('CASS RP') testing** – As best practice Firms should carry out periodic tests to ensure that all the relevant documentation within the CASS RP is retrievable from its records within the 48 hour requirement under CASS 10. This periodic assessment should include obtaining documentation held by the TA for CASS functions outsourced and not internally retrievable.

Examples of CASS records held by a TA could include: individual client money records, client money reconciliations, agreements with third parties and CASS procedure documentation. It must be clear from the CASS RP which individual at the TA should be contacted by the insolvency practitioner in order to form a relationship and request relevant records.

- **Client money and asset return ('CMAR') review** – It is recommended when a TA provides the Firm with some or all of the information for the CMAR that a comprehensive independent review of the data provided is conducted to ensure it is accurate and complete before submitting to the FCA.
- **CASS control documentation** - Where a TA has produced a CASS control documentation it is recommended that a Firm performs an assessment as to whether it is relevant, accurate and complete. Firms must ensure they are able to explain the controls within the matrix to others (for example external auditors). Once the initial assessment has been completed it is also recommended that the TA's CASS



controls document (including any subsequent changes made by the TA) is recognised within the Firm's own CASS controls document and the TA's CASS controls document forms part of the ongoing CASS testing programme.

- **Training** – It is the Firm's responsibility to ensure, through ongoing oversight, that the TA has a sufficient level of knowledge and understanding of the Firm's business to be able to undertake the outsourced CASS functions effectively. Additionally, in order to be able to perform effective oversight of the TA, the Firm must train its own staff to ensure that it has and maintains sufficient knowledge and understanding of the TA's arrangements to identify breaches/ errors, review CASS documentation provided and robustly challenge when inconsistencies are identified.
- **TA services agreement** – It is recommended that a Firm has a formal agreement with the TA outlining the services provided, ensuring regular/ timely access to CASS books and records, the services to be provided, service level descriptions, and the CASS monitoring framework.
- **Appointment and ongoing/ annual TA due diligence** – A Firm is expected to undertake initial and ongoing due diligence over the TA. Initial due diligence is required when engaged in the selection process, to ensure the third party administrator offers a compatible and viable service. The firm should then undertake periodic assessments of the TA to ensure a high level of service is provided.

Typical TA Services Provided:

- **Regular client service review meetings** – Regular service review meetings are typically scheduled with a TA provider. The frequency of meetings should be considered in relation to the risks and complexities within the operating model, and participants should include those with influence over the decisions and actions carried out. Terms of reference, agendas, minutes and progressed actions evidence the operation of such meetings. Any aspects of change should be discussed at this meeting and supported via further business change meetings where deemed appropriate.
- **Scheduled Onsite Visits** – A Firm should be able to articulate working knowledge of the TA. Regular visits to operating locations are key to ensuring full understanding of CASS controls and processes, flows of client money and governance arrangements.
- **Process and Controls Documentation** – TA providers develop and share information (procedures, record keeping, cash flow diagrams etc.) to support and share knowledge of the outsourced services provided. These documents should cover key aspects of the CASS rules such as method of reconciliation, frequency of reconciliation, shortfall funding, resolution plans and risk/controls framework. TA's are typically willing to share risk and controls self-assessment information, and key audit reports such as the ISAE3402.
- **Management Information (MI)** - Meaningful MI regarding transaction volumes, investors, breaches, errors, complaints etc. can be provided to enable the identification of trends, themes, risks and controls. A Firm should ensure it analyses this information and demonstrates how the MI is influencing the way the business is run, oversight is applied and where any issues or breaches are deemed material report accordingly to the FCA.
- **Reconciliations** – A Firm should expect reconciliations to be completed at the agreed frequency, where applicable, and it is recommended thorough reviews of the reconciliations are performed to identify issues, themes, risks etc. As a result of reconciliation oversight, policy-based decisions can be monitored, for example, regarding prudent segregation or client money diversification, and potentially highlight the need for any re-consideration of such policies. A Firm should consider the ability to re-create reconciliations from source data and identify/distinguish clients holding client money to ensure effective recovery planning can be implemented in the event of an insolvency or business continuity issue at the TA.
- **Training** – A Firm should be able to review and assess the suitability of an outsourced provider's CASS Training material and the audience to whom the material is delivered to (operational staff and Management/Board members). This should be in addition to ensuring its own oversight staff and management/board members are equally trained to understand how CASS impacts their business and the risks mitigated.



- **Attestations** – The use of attestations within the industry is a method of ensuring adherence or accountability within an outsourced provider where shared evidence may not be an option.

Important Information

This document has been compiled for the use of TA Forum members only and is for guidance purposes. This document has 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.

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