

CLIENT MONEY AND ASSETS

The continuing challenges of complying with CASS



IN THE SHADOW OF THE LEHMAN BROTHERS COLLAPSE, COMPLIANCE WITH THE FSA'S CLIENT ASSET RULES HAVE BEEN IN THE HEADLINES ON NUMEROUS OCCASIONS OVER THE LAST THREE YEARS, AND UNFORTUNATELY NOT FOR POSITIVE REASONS.

FSA has issued over £35m of CASS related breaches and has produced pages of consultation papers and policy statements on the subject in an attempt to increase the protection customers receive when they place their money and assets with investments firms. Legislation and regulator oversight is getting more stringent therefore firms need to be ready for the changing client asset regulations.

THE IMPACT ON REGULATORY SUPERVISION

Following all of that activity, we now find ourselves in a new era of supervision over CASS compliance. This includes:

- New CF10A controlled function needed for medium and large firms
- New reporting requirements via the Client Money and Assets Return
- Thematic FSA reviews over CASS compliance
- A significant increase in s166 Skilled Person reviews being required by the FSA
- A level of scrutiny into the adequacy of Client Asset controls and procedures by the regulator and auditors alike.



ACTION FOR MANAGEMENT

Firms should be considering all key areas of Client Assets protection and how they demonstrate to both the regulator and their clients that sufficient and suitable controls are in place to mitigate any perceived risks.

Firms must ensure the adequacy of their arrangements, including the documentation of all relevant procedures and considerations over Client Assets including the following areas:

- CMAR reporting
- Roles and responsibilities
- Client Asset and reporting lines
- Controlled function authority
- Board reporting and MI
- Policies and Procedures
- Training and Competence
- CASS Monitoring
- Regulator Liaison.

This assessment should include:

CMAR Reporting

Firms should be testing the production of their Client Money and Asset Report in preparation of the new reporting requirements commencing on the **1 October 2011**.

Board Reporting and MI

The level of reporting to Boards as the scale of Client Assets and the compliance over the CASS rules was historically low. Firms should be considering what level of information is required out of the CF10A and Board level to ensure this delivers appropriate oversight.

Training and compliance

Firms should be taking this opportunity to revise and refresh teams knowledge of Client Assets procedures and rules to ensure all are fully up to speed with all areas of CASS compliance.

Rules and responsibilities

As firms have grown and teams have changed, historic procedures and manuals may not have been updated. Firms should be taking the time to ensure their procedures including specific rules and responsibilities are fully up to date and a process is in place to ensure these remain current.

HOW BDO CAN HELP?

WE CAN OFFER A FULLY MANAGED SERVICE SOLUTION TO HELP YOU ADDRESS THE CHANGES TO CASS RULES, OR CAN HELP TO IDENTIFY SPECIFIC AREAS THAT NEED ATTENTION AND PROVIDE EXPERT ASSISTANCE WHERE THIS IS NEEDED.

Policies and procedures:

To meet your needs our team will work with you to review and tailor existing policies and procedures or develop new ones where needed.

Training:

Whether it is for a few senior Board members or all your back office staff, we can provide relevant bespoke training on the complexities of Client Money and Client Asset handling. The FSA has made clear its increased expectations that Boards provide adequate oversight of and robust challenge to their Client Money and Asset auditors; we can work with Boards to enhance their knowledge and understanding of CASS requirements and processes.

CASS audits:

There has been some discussion regarding the benefits to firms that hold significant amounts of Client Money and Assets having separate audit arrangements for CASS purposes. BDO can deliver on complex audits whilst maintaining independence.

Effectiveness testing:

We can provide robust effectiveness testing of your Client Money and Asset procedures, including relevant IT feeds that may be relied upon to meet FSA rules and regulations.

Reporting:

Working with the relevant staff members, we can support your firm in developing the appropriate procedures to meet its Client Money and Asset Return reporting requirements.

Approved persons (CF10A):

We can work with the individual taking on the Client Asset Oversight Controlled Function (CF10A) or equivalent job to guide them in their roles and responsibilities and ensure they have appropriate oversight of these areas.

Multi disciplinary team:

BDO's financial services practice brings together experts in all areas needed to assess CASS compliance, including risk, system and controls, technology and regulatory compliance.

Proportionate and pragmatic approach:

We have strong experience working with FSA and we can support firms of all sizes and from all areas of financial services sector. This maybe assessing an insurance intermediary with developing CASS procedures, or delivering relevant training to all staff of a large discretionary investment manager. Each firm will be facing different challenges and we can provide assistance that addresses your specific needs.

Not sure where to start?

BDO's Client Asset Diagnostic tool will review your policies and procedures against relevant rules, guidance and industry best practice.

Using our diagnostic tool we can highlight areas where further attention may be needed.

Our clear and concise report provides a Client Asset score, which is further broken down by key areas. We also document the principal gaps prioritised by importance.

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 - We provide services to clients in 119 countries and have teams in all the major financial services centres.
 - Our clients range from domestic financial services firms to complex global financial services groups.

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