

CLIENT ASSETS SOURCEBOOK INSTRUMENT 2003

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of:
- (1) the powers and related provisions in the following sections of the Financial Services and Markets Act 2000 ("the Act"):
 - (a) section 138 (General rule-making power);
 - (b) section 139(1) (Miscellaneous ancillary matters);
 - (c) section 145 (Financial promotion rules);
 - (d) section 147 (Control of information rules);
 - (e) section 149 (Evidential provisions);
 - (f) section 156 (General supplementary powers);
 - (g) section 157(1) (Guidance); and
 - (2) the other rule-making powers referred to in Schedule 4 to the General provisions.
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force as set out below.
- (1) The following provisions come into force on 14 January 2005:
 - (a) CASS 1.2.5R, 1.2.7G(4) and 1.2.8G(3), as set out in Annex A; and
 - (b) part 2 of Annex R.
 - (2) The remainder of this instrument comes into force on 1 January 2004.

Client Assets sourcebook and consequential amendments

- D. The FSA makes the rules and gives the guidance set out in Annexes A to W to this instrument.
- E. The provisions of COB 9 are moved to the new Client Assets sourcebook (CASS) and are:

- (1) included in CASS after the provisions in Annex A, renumbered as shown in the table in Annex D; and
 - (2) amended as specified in Annex E.
- F. Other provisions in the FSA's Handbook of rules and guidance are amended in accordance with Annex F to this instrument, and the modules of the Handbook listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2):

(1)	(2)
Reader's Guide and Reader's Short Guide	Annex G
SYSC	Annex H
COB	Annex I
MAR	Annex J
AUTH	Annex K
SUP	Annex L
ENF	Annex M
CIS	Annex N
CRED	Annex O
ELM	Annex P
LLD	Annex Q
PROF	Annex R
EMPS	Annex S
FREN	Annex T
OMPS	Annex U
SERV	Annex V
Glossary	Annex W

Citation

- G. This instrument may be cited as the Client Assets Sourcebook Instrument 2003.
- H. Annexes A to C to this instrument together with the provisions referred to in paragraph E may be cited as the Client Assets sourcebook.

By Order of the Board
18 December 2003

Annex A
The Client Assets sourcebook

All the text in this Annex is new.

1. Application and general provisions

1.1 Application and purpose

Application

- 1.1.1 G *CASS* applies to a *firm* as specified in the remainder of this chapter.

Purpose

- 1.1.2 G The purpose of this chapter is to set out to whom, for what activities, and within what territorial limits the *rules*, *evidential provisions* and *guidance* in *CASS* apply.

1.2 General application: who? what?

General application: who?

- 1.2.1 G The *rules* in *CASS* 1.2 set out the maximum scope of this sourcebook. The application of *CASS* is modified for certain activities by *CASS* 1.4. Also particular chapters or sections of *CASS* may have provisions which limit their application.
- 1.2.2 R *CASS* applies to every *firm*, except as provided for in *CASS* 1.2.3 R, with respect to the carrying on of:
- (1) all *regulated activities* except to the extent that a provision of *CASS* provides for a narrower application; and
 - (2) *unregulated activities* to the extent specified in any provision of *CASS*.
- 1.2.3 R *CASS* does not apply to:
- (1) an *ICVC*; or
 - (2) an *incoming EEA firm* other than an *insurer*, with respect to its *passport activities*; or
 - (3) a *UCITS qualifier*.
- 1.2.4 R *CASS* 2 (Custody rules), *CASS* 3 (Collateral rules) and *CASS* 4 (Client money and mandates: designated investment business) do not apply to:
- (1) an *authorised professional firm* with respect to its *non-mainstream regulated activities*; or
 - (2) the *Society*.
- 1.2.5 R *CASS* 5 (Client money and mandates: insurance mediation activity) does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, which are *insurance mediation activities*, if:

- (1) the *firm's designated professional body* has made rules which implement article 4 of the *IMD*;
 - (2) those rules have been approved by the *FSA* under section 332(5) of the *Act*; and
 - (3) the *firm* is subject to the rules in the form in which they were approved.
- 1.2.6 G Authorised professional firms should be aware of *PROF* 5.2 (Nature of non-mainstream regulated activities).

General application: what?

- 1.2.7 G
- (1) The approach in *CASS* is to ensure that the *rules* in a chapter are applied to *firms* in respect of particular *regulated activities* or *unregulated activities*.
 - (2) The scope of the *regulated activities* to which *CASS* applies is determined by the description of the activity as it is set out in the *Regulated Activities Order*. Accordingly, a *firm* will not generally be subject to *CASS* in relation to any aspect of its business activities which fall within an exclusion found in the *Regulated Activities Order*. The definition of *designated investment business* includes, however, activities within the exclusion from *dealing in investments as principal* in article 15 of the *Regulated Activities Order* (Absence of holding out etc).
 - (3) *CASS* 2 (Custody rules), *CASS* 3 (Collateral rules) and *CASS* 4 (Client money and mandates: designated investment business) apply in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *designated investment business*.
 - (4) *CASS* 5 (Client money and mandates: insurance mediation activity) applies in relation to *regulated activities*, conducted by *firms*, which fall within the definition of *insurance mediation activities*.

Application for private customers, intermediate customers and market counterparties

- 1.2.8 G
- (1) *CASS* applies directly in respect of activities conducted with or for *market counterparties* as well as with or for *customers*. The term *client* refers both to *market counterparties* and to *customers*.
 - (2) In *CASS* 2 (Custody rules), *CASS* 3 (Collateral rules) and *CASS* 4 (Client money and mandates: designated investment business), the term *customer* refers to *private customers* and *intermediate customers*, but not *market counterparties*. Where relevant, each of the provisions of *CASS* makes clear whether it applies to activities carried on with or for *private customers*, *intermediate customers* or both.
 - (3) *CASS* 5 (Client money and mandates: insurance mediation activity) does not generally distinguish between different categories of *client*. However, the term *retail customer* is used for those to whom additional obligations are owed, rather than the term *private customer*. This is to be consistent with the *client* categories used in relation to the obligations in *ICOB* in relation to *insurance mediation activities*.

- 1.2.9 G *Firms* are reminded that the definition of *inter-professional business* does not include *safekeeping and administration of assets* or *agreeing to carry on that activity*: *CASS* will apply in this context (and will apply to the holding of *money* for *clients* in connection with *inter-professional business*).

1.3 General application: where?

- 1.3.1 G The *rules* in *CASS* 1.3 set out the maximum territorial scope of this sourcebook. Particular *rules* may have express territorial limitations.

UK establishments: general

- 1.3.2 R Except as provided for in *CASS* 1.2.3R(2), *CASS* applies to every *firm*, in relation to *regulated activities* carried on by it from an *establishment* in the *United Kingdom*.

UK firms: passported activities from EEA branches

- 1.3.3 R *CASS* applies to every *UK firm*, other than an *insurer*, in relation to *passported activities* carried on by it from a *branch* in another *EEA State*.

1.4 Application: particular activities

Occupational pension scheme firms (OPS firms)

- 1.4.1 R In the case of *OPS activity* undertaken by an *OPS firm*, *CASS* applies with the following general modifications:
- (1) references to *customer* are to the *OPS* or *welfare trust*, whichever fits the case, in respect of which the *OPS firm* is acting or intends to act, and with or for the benefit of which the relevant activity is to be carried on; and
 - (2) if an *OPS firm* is required by any *rule* in *CASS* to provide information to, or obtain consent from, a *customer*, that *firm* must ensure that the information is provided to, or consent obtained from, each of the trustees of the *OPS* or *welfare trust* in respect of which that *firm* is acting, unless the context requires otherwise.

Stock lending activity with or for customers

- 1.4.2 G *CASS* 2 (Custody rules) to *CASS* 4 (Client money and mandates: designated investment business) apply in respect of any *stock lending activity* undertaken with or for a *customer* by a *firm*.

Corporate finance business

- 1.4.3 G *CASS* 2 (Custody rules) to *CASS* 4 (Client money and mandates: designated investment business) apply in respect of *corporate finance business* undertaken by a *firm*.

Oil market activity and energy market activity

- 1.4.4 G *CASS* 2 (Custody rules) to *CASS* 4 (Client money and mandates: designated investment business) apply in respect of *oil market activity* and other *energy market activity* undertaken by a *firm*.

Appointed representatives

- 1.4.5 G (1) Although *CASS* does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the *Act*). In determining whether a *firm* has complied with any provision of *CASS*, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the *Act*).
- (2) *Firms* should also refer to *SUP* 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives*.

Depositaries

- 1.4.6 R *CASS* 4.1 to 4.4 do not apply to a *depositary* when acting as such.
- 1.4.7 R The remainder of *CASS* applies to a *depositary*, when acting as such, with the following general modifications:
- (1) except in *CASS* 4.5 (Mandates), '*client*' means '*trustee*', '*trust*' or '*collective investment scheme*' as appropriate; and
 - (2) in *CASS* 4.5, '*client*' means '*trustee*', '*collective investment scheme*' or '*collective investment scheme instrument*' as appropriate.
- 1.4.8 R In relation to a *trustee firm* which is not a *depositary*, when acting as such, and which falls within *COB* 11.5.1R(1):
- (1) *CASS* does not apply, except *CASS* 4.5 (Mandates); and
 - (2) in *CASS* 4.5, '*Client*' means '*trustee*', '*trust*' or '*trust instrument*' as appropriate.

1.5 Application: electronic media and e-commerce

Application to electronic media

- 1.5.1 G *GEN* 2.2.14 R (References to writing) has the effect that electronic media may be used to make communications that are required by the *Handbook* to be "in writing" unless a contrary intention appears.
- 1.5.2 G For any electronic communication with a *customer*, a *firm* should:

- (1) have in place appropriate arrangements, including contingency plans, to ensure the secure transmission and receipt of the communication; it should also be able to verify the authenticity and integrity of the communication; the arrangements should be proportionate and take into account the different levels of risk in a *firm's* business;
- (2) be able to demonstrate that the *customer* wishes to communicate using this form of media; and
- (3) if entering into an agreement, make it clear to the *customer* that a contractual relationship is created that has legal consequences.

- 1.5.3 G *Firms* should note that *GEN 2.2.14R* does not affect any other legal requirement that may apply in relation to the form or manner of executing a *document* or agreement.

Modification of CASS resulting from the E-Commerce Directive

- 1.5.4 G The application of *CASS* may be modified by *ECO* (as a result of the *E-Commerce Directive* implementation). These modifications will only apply to a *firm* which carries on *electronic commerce activity*. *Firms* should consult *ECO* for details.

Annex B
Schedules to CASS

All the text in this Annex is new and is to be inserted as the schedules to CASS.

Client Assets

Schedule 1

Record keeping requirements

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1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>CASS</i> 2.1.9R	A personal investment firm that temporarily holds a client's designated investments	Client details and any actions taken by the firm		3 years (from the making of the record)
<i>CASS</i> 2.3.6R(1)(c)	Safe custody: arrangements for clients ordinarily outside the United Kingdom	The steps taken and result under <i>CASS</i> 2.3.6R(1)(c)	On determination that client does not wish to execute agreement	3 years
<i>CASS</i> 2.6.15R	Client custody assets held or received by or on behalf of a client or which the firm has arranged for another to hold or receive	Full details	On receipt	3 years
<i>CASS</i> 2.6.16R	Safe custody investments used for stock lending activities	The identity of safe custody investments available to be lent, and those	On receipt	3 years

		which have been lent		
CASS 4.3.111R	Client money	Sufficient records to show and explain firm's transactions and commitments	Maintain current full details	3 years (after records made)
CASS 4.4.24R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed bank	Maintain up to date records	Until client repaid
CASS 4.4.25R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed intermediate broker, settlement agent or OTC counterparty	Maintain up to date records	Until client repaid
CASS 4.4.31R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed intermediate broker, settlement agent or OTC counterparty	Maintain up to date records	Until client repaid
CASS 4.5.5R	Adequate records and internal controls in respect of the firm's use of mandates (see CASS 4.5.5R(1) to (4))	Up to date list of firm's authorities, all transactions entered into, important client documents held by the firm	Maintain current full details	

Client Assets
Schedule 2
Notification requirements

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1 Table

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
<i>CASS</i> 2.6.14R(1)	Non-compliance with reconciliation requirements in <i>CASS</i> 2.6.2R, 2.6.4R, 2.6.6R, 2.6.8R, 2.6.10R	Reason for non-compliance	Non-compliance	Immediately
<i>CASS</i> 2.6.14R(2)	Non-compliance of reconciliation requirements in <i>CASS</i> 2.6.11R	Reason for non-compliance once reconciliation carried out	Non-compliance	Immediately
<i>CASS</i> 4.3.64R	Failure of a third party with which money is held (ie. bank, intermediate broker, settlement agent or OTC counterparty or other entity with which it has placed or to which it has passed client money)	Full details	When firm becomes aware of the failure of the entity	Immediately
<i>CASS</i> 4.3.64R	Failure of a third party with which money is held (ie. bank, intermediate broker, settlement agent or OTC counterparty or other entity with which it has placed or to which it has passed client money)	Intentions regarding making good any shortfall that has arisen or may arise, and of the amounts involved	Failure of third party with which money is held	As soon as reasonably practical
<i>CASS</i> 4.3.87R	Daily calculation required by <i>CASS</i> 4.3.66R or <i>CASS</i>	Inability to perform daily calculation	Inability to perform daily calculation	Immediately

	4.3.67R			
<i>CASS 4.3.88R</i>	Daily calculation required by <i>CASS 4.3.66R</i> or <i>CASS 4.3.67R</i>	Inability to make good any shortfall identified by daily calculation	Inability to make good any shortfall identified by close of business on the day of calculation	Immediately
<i>CASS 4.3.97R</i>	Requirements detailed in <i>CASS 4.3.89R</i> , <i>CASS 4.3.91R</i> , <i>CASS 4.3.92R</i> , <i>CASS 4.3.94R</i> and <i>CASS 4.3.95R</i> .	Inability to comply with any of the requirements	Inability to comply with any of the requirements	As soon as possible
<i>CASS 4.3.110R</i>	LME bond arrangements	Issue of an individual letter of credit issued by the firm	Upon issue of an individual letter of credit under an LME bond arrangement	Immediately
<i>CASS 4.4.33R</i> (see <i>CASS 4.3.64R</i>)	Failure of a third party with which money is held (ie. bank, intermediate broker, settlement agent or OTC counterparty or other entity with which it has placed or to which it has passed client money)	Full details	When the firm becomes aware of the failure of the entity	Immediately
<i>CASS 4.4.33R</i> (see <i>CASS 4.3.64R</i>)	Failure of a third party with which money is held (ie. bank, intermediate broker, settlement agent or OTC counterparty)	Intentions regarding making good any shortfall that has arisen or may arise, and of the amounts involved	Upon first delegation of regulated activity	As soon as reasonably practicable

Client Assets

Schedule 3

Fees and other required payments

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- 1 There are no requirements for fees or other payments in *CASS*.

Client Assets
Schedule 4
Powers exercised

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The following powers and related provisions in or under the *Act* have been exercised by the *FSA* to make the *rules* in *CASS*:

- 1 Section 138 (General rule-making power)
- 2 Section 139(1) (Miscellaneous ancillary matters)
- 3 Section 149 (Evidential provisions)
- 4 Section 156 (General supplementary powers)

The following powers in the *Act* have been exercised by the *FSA* to give the *guidance* in *CASS*:

- 5 Section 157(1) (Guidance)

Client Assets
Schedule 5
Rights of actions for damages

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1. The table below sets out the *rules* in *CASS* contravention of which by an *authorised person* may be actionable under section 150 of the *Act* (Actions for damages) by a *person* who suffers loss as a result of the contravention.
2. If a 'Yes' appears in the column headed 'For private person?', the *rule* may be actionable by a 'private person' under section 150 (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001 No 2256)). A 'Yes' in the column headed 'Removed' indicates that the *FSA* has removed the right of action under section 150(2) of the *Act*. If so, a reference to the *rule* in which it is removed is also given.
3. The column headed 'For other person?' indicates whether the *rule* may be actionable by a *person* other than a *private person* (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of *person* by whom the *rule* may be actionable is given.

Table

Chapter/ Appendix	Section / Annex	Paragraph	Right of action under section 150			
			For private person?	Removed?	For other person?	
All <i>rules</i> in <i>CASS</i> with the status letter “E”			No	No	No	
All other <i>rules</i> in <i>CASS</i> .			Yes	No	No	

Client Assets
Schedule 6
Rules that can be waived

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1. The rules in *CASS* can be waived by the FSA under section 148 of the *Act* (Modification or waiver of rules).

Annex C
CASS Transitional Provisions

All the text in this Annex is new.

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	<i>CASS 2 to CASS 4</i>	R	<i>COB TR 1 to COB TR 4</i> apply to provisions in <i>CASS</i> in the same way as they did to the equivalent provisions included in <i>COB 9</i> before 1 January 2004.	Indefinite	1 January 2004
2	Every rule in the <i>Handbook</i>	R	If a <i>firm</i> or its auditors make reference to a provision in <i>COB 9</i> in a document, record, report or return, the <i>FSA</i> will take this as a reference to the equivalent provision in <i>CASS 2 to CASS 4</i> .	1 January 2004 for 12 months	1 January 2004
		G	As a result of 2, <i>firms</i> will not have to replace their <i>terms of business</i> or <i>client agreements</i> immediately on the introduction of <i>CASS</i> .		
		G	If a <i>waiver</i> granted before 1 January 2004 refers to a provision in <i>COB 9</i> it will continue to be effective in relation to the equivalent provision in <i>CASS</i> .		

Annex D

(Destination of COB 9 provisions)

Provision in COB	Description	Corresponding provision in CASS
9.1	Custody rules	2
9.1.1 R	Application	2.1.1 R
9.1.2 G	Application	2.1.2 G
9.1.3 R	Application	2.1.3 R
9.1.4 G	Application	2.1.4 G
9.1.5 G	Application	2.1.5 G
9.1.6 G	Application	2.1.6 G
9.1.7 G	Application	2.1.7 G
9.1.8 G	Application	2.1.8 G
9.1.9 R	Application	2.1.9 R
9.1.10 G	Application	2.1.10 G
9.1.11 R	Application	2.1.11 R
9.1.12 G	General Purpose	2.1.12 G
9.1.13 R	Delivery versus payment transactions	2.1.13 R
9.1.14 R	Delivery versus payment transactions	2.1.14 R
9.1.15 G	Modification of scope	2.1.15 G
9.1.16 R	Trustees and depositaries	2.1.16 R
9.1.17 G	Trustees and depositaries	2.1.17 G
9.1.18 R	Trustees and depositaries	2.1.18 R
9.1.19 R	Trustees and depositaries	2.1.19 R
9.1.20 G	Trustees and depositaries	2.1.20 G
9.1.21 R	Arrangers	2.1.21 R
9.1.22 R	Arrangers	2.1.22 R
9.1.23 G	Depository receipt business	2.1.23 G
9.1.24 R	Depository receipt business	2.1.24 R
9.1.25 R	Depository receipt business	2.1.25 R
9.1.26 R	Depository receipt business	2.1.26 R
9.1.27 G	Segregation: purpose	2.2.2 G

9.1.28	R	General	2.2.3	R
9.1.29	G	General	2.2.4	G
9.1.30	R	General	2.2.5	R
9.1.31	G	General	2.2.6	G
9.1.32	R	General	2.2.7	R
9.1.33	R	Affiliated companies	2.2.8	R
9.1.34	G	Registration and recording: purpose	2.2.9	G
9.1.35	R	Registration and recording: purpose	2.2.10	R
9.1.36	G	Registration and recording: purpose	2.2.11	G
9.1.37	G	Registration and recording: purpose	2.2.12	G
9.1.38	R	Registration and recording: purpose	2.2.13	R
9.1.39	G	Holding: purpose	2.2.14	G
9.1.40	R	Holding: purpose	2.2.15	R
9.1.41	G	Holding: purpose	2.2.16	G
9.1.42	R	Holding: purpose	2.2.17	R
9.1.43	R	Assessment of a custodian	2.2.18	R
9.1.44	R	Assessment of a custodian	2.2.19	R
9.1.45	G	Assessment of a custodian	2.2.20	G
9.1.46	G	Assessment of a custodian	2.2.21	G
9.1.47	G	Assessment of a custodian	2.2.22	G
9.1.48	R	Assessment of a custodian	2.2.23	R
9.1.49	R	Client agreement	2.3.2	R
9.1.50	G	Client agreement	2.3.3	G
9.1.51	R	Client agreement	2.3.4	R
9.1.52	R	Client agreement	2.3.5	R
9.1.53	R	Client agreement	2.3.6	R
9.1.54	R	Risk disclosures	2.3.7	R
9.1.55	G	Risk disclosures	2.3.8	G
9.1.56	G	Risk disclosures	2.3.9	G
9.1.57	R	Risk disclosures	2.3.10	R
9.1.58	R	Risk disclosures	2.3.11	R
9.1.59	R	Production and despatch of client statements	2.3.12	R
9.1.60	R	Production and despatch of client statements	2.3.13	R

9.1.61	R	Production and despatch of client statements	2.3.14	R
9.1.62	G	Production and despatch of client statements	2.3.15	G
9.1.63	R	Production and despatch of client statements	2.3.16	R
9.1.64	R	Content of client statements	2.3.17	R
9.1.65	R	Content of client statements	2.3.18	R
9.1.66	R	Content of client statements	2.3.19	R
9.1.67	G	Content of client statements	2.3.20	G
9.1.68	R	Content of client statements	2.3.21	R
9.1.69	R	Custodian agreement	2.4.2	R
9.1.70	G	Custodian agreement	2.4.3	G
9.1.71	G	Custodian agreement	2.4.4	G
9.1.72	R	Use of a safe custody investment: by the firm	2.5.2	R
9.1.73	R	Use of a safe custody investment: by another client	2.5.3	R
9.1.74	R	Stock lending	2.5.4	R
9.1.75	E	Stock lending	2.5.5	E
9.1.76	G	Stock lending	2.5.6	G
9.1.77	G	Stock lending	2.5.7	G
9.1.78	R	Stock lending	2.5.8	R
9.1.79	R	Stock lending	2.5.9	R
9.1.80	R	Stock lending	2.5.10	R
9.1.81	G	Stock lending	2.5.11	G
9.1.82	G	Stock lending	2.5.12	G
9.1.83	G	Stock lending	2.5.13	G
9.1.84	G	Stock lending	2.5.14	G
9.1.85	R	Reconciliation: frequency of reconciliation	2.6.2	R
9.1.86	G	Reconciliation: frequency of reconciliation	2.6.3	G
9.1.87	R	Reconciliation: frequency of reconciliation	2.6.4	R
9.1.88	G	Reconciliation: frequency of reconciliation	2.6.5	G
9.1.89	R	Reconciliation: frequency of reconciliation	2.6.6	R
9.1.90	G	Reconciliation: frequency of reconciliation	2.6.7	G
9.1.91	R	Reconciliation: frequency of reconciliation	2.6.8	R
9.1.92	G	Reconciliation: frequency of reconciliation	2.6.9	G
9.1.93	R	Reconciliation methods	2.6.10	R

9.1.94	R	Reconciliation discrepancies	2.6.11	R
9.1.95	G	Reconciliation discrepancies	2.6.12	G
9.1.96	G	Reconciliation discrepancies	2.6.13	G
9.1.97	R	Notification requirement	2.6.14	R
9.1.98	R	Records	2.6.15	R
9.1.99	R	Records	2.6.16	R
9.2		Mandate rules	4.5	
9.2.1	R	Application	4.5.1	R
9.2.2	G	Application	4.5.2	G
9.2.3	G	Application	4.5.3	G
9.2.4	G	Purpose	4.5.4	G
9.2.5	R	General	4.5.5	R
9.3		Client money rules	4.1 to 4.3	
9.3.1	R	Application	4.1.1	R
9.3.2	R	Application	4.1.2	R
9.3.3	G	Application	4.1.3	G
9.3.4	G	Application	4.1.4	G
9.3.5	G	Application	4.1.5	G
9.3.6	G	Application	4.1.6	G
9.3.7	G	General purpose	4.1.7	G
9.3.8	G	Money that is not client money: 'opt outs' for any business (including ISD business)	4.1.8	G
9.3.9	R	Money that is not client money: 'opt outs' for any business (including ISD business)	4.1.9	R
9.3.10	G	Opt outs' for non ISD business	4.1.10	G
9.3.11	R	Opt outs' for non ISD business	4.1.11	R
9.3.12	G	Opt outs' for non ISD business	4.1.12	G
9.3.13	R	Opt outs' for non ISD business	4.1.13	R
9.3.14	G	Opt outs' for non ISD business	4.1.14	G
9.3.15	R	Money in connection with a 'delivery versus payment' transaction	4.1.15	R
9.3.16	R	Money in connection with a 'delivery versus payment' transaction	4.1.16	R
9.3.17	G	Affiliated companies	4.1.17	G
9.3.18	R	Affiliated companies	4.1.18	R

9.3.19	R	Money due and payable to the firm	4.1.19	R
9.3.20	E	Money due and payable to the firm	4.1.20	E
9.3.21	G	Money due and payable to the firm	4.1.21	G
9.3.22	G	Money due and payable to the firm	4.1.22	G
9.3.23	G	Money due and payable to the firm	4.1.23	G
9.3.24	G	Money due and payable to the firm	4.1.24	G
9.3.25	R	Solicitors	4.1.25	R
9.3.26	R	Solicitors	4.1.26	R
9.3.27	R	Trustee firms (other than trustees of unit trust schemes)	4.1.27	R
9.3.28	R	Trustee firms (other than trustees of unit trust schemes)	4.1.28	R
9.3.29	R	Trustee firms (other than trustees of unit trust schemes)	4.1.29	R
9.3.30	G	Statutory trust	4.2.2	G
9.3.31	R	Requirement	4.2.3	R
9.3.32	G	Requirement	4.2.4	G
9.3.33	G	Requirement	4.2.5	G
9.3.34	R	Requirement	4.2.6	R
9.3.35	G	Requirement	4.2.7	G
9.3.36	G	Segregation	4.3.2	G
9.3.37	R	Segregation	4.3.3	R
9.3.38	R	Segregation	4.3.4	R
9.3.39	R	Segregation	4.3.5	R
9.3.40	R	Segregation	4.3.6	R
9.3.41	G	Segregation	4.3.7	G
9.3.42	R	Payment of client money into a client bank account	4.3.8	R
9.3.43	G	Payment of client money into a client bank account	4.3.9	G
9.3.44	R	Payment of client money into a client bank account	4.3.10	R
9.3.45	R	Payment of client money into a client bank account	4.3.11	R
9.3.46	R	Payment of client money into a client bank account	4.3.12	R

9.3.47	R	Mixed remittance	4.3.13	R
9.3.48	G	Mixed remittance	4.3.14	G
9.3.49	R	Appointed representatives, field representatives and other agents	4.3.15	R
9.3.50	G	Appointed representatives, field representatives and other agents	4.3.16	G
9.3.51	R	Appointed representatives, field representatives and other agents	4.3.17	R
9.3.52	G	Appointed representatives, field representatives and other agents	4.3.18	G
9.3.53	R	Client entitlements	4.3.19	R
9.3.54	G	Client entitlements	4.3.20	G
9.3.55	R	Client entitlements	4.3.21	R
9.3.56	R	Client entitlements	4.3.22	R
9.3.57	E	Client entitlements	4.3.23	E
9.3.58	R	Money due to a client from a firm	4.3.24	R
9.3.59	G	Money due to a client from a firm	4.3.25	G
9.3.60	R	Interest	4.3.26	R
9.3.61	G	Interest	4.3.27	G
9.3.62	G	Interest	4.3.28	G
9.3.63	G	Transfer of client money to a third party	4.3.29	G
9.3.64	R	Transfer of client money to a third party	4.3.30	R
9.3.65	G	Transfer of client money to a third party	4.3.31	G
9.3.66	G	Transfer of client money to a third party	4.3.32	G
9.3.67	G	Client bank accounts	4.3.33	G
9.3.68	R	Client bank accounts	4.3.34	R
9.3.69	R	Client bank accounts	4.3.35	R
9.3.70	R	Client bank accounts	4.3.36	R
9.3.71	G	Client bank accounts	4.3.37	G
9.3.72	G	Client bank accounts	4.3.38	G
9.3.73	G	Client bank accounts	4.3.39	G
9.3.74	R	Client bank accounts	4.3.40	R
9.3.75	G	A firm's selection of a bank	4.3.41	G
9.3.76	R	A firm's selection of a bank	4.3.42	R
9.3.77	G	A firm's selection of a bank	4.3.43	G

9.3.78	G	A firm's selection of a bank	4.3.44	G
9.3.79	G	A firm's selection of a bank	4.3.45	G
9.3.80	R	Group banks	4.3.46	R
9.3.81	R	Group banks	4.3.47	R
9.3.82	R	Notification and acknowledgement of trust (banks)	4.3.48	R
9.3.83	R	Notification and acknowledgement of trust (banks)	4.3.49	R
9.3.84	R	Notification and acknowledgement of trust (banks)	4.3.50	R
9.3.85	G	Notification and acknowledgement of trust (banks)	4.3.51	G
9.3.86	R	Notification and acknowledgement of trust (exchange, clearing house, intermediate broker or OTC counterparty)	4.3.52	R
9.3.87	R	Notification and acknowledgement of trust (exchange, clearing house, intermediate broker or OTC counterparty)	4.3.53	R
9.3.88	G	Notification and acknowledgement of trust (exchange, clearing house, intermediate broker or OTC counterparty)	4.3.54	G
9.3.89	R	Notification and acknowledgement of trust (exchange, clearing house, intermediate broker or OTC counterparty)	4.3.55	R
9.3.90	R	Notification to clients: use of an approved bank outside the United Kingdom	4.3.56	R
9.3.91	G	Notification to clients: use of an approved bank outside the United Kingdom	4.3.57	G
9.3.92	G	Notification to clients: use of an approved bank outside the United Kingdom	4.3.58	G
9.3.93	R	Notification to clients: use of an approved bank outside the United Kingdom	4.3.59	R
9.3.94	G	Notification to clients: use of an approved bank outside the United Kingdom	4.3.60	G
9.3.95	R	Notification to clients: use of an intermediate broker, settlement agent or OTC counterparty outside the United Kingdom	4.3.61	R
9.3.96	G	Notification to clients: use of an intermediate broker, settlement agent or OTC counterparty outside the United Kingdom	4.3.62	G

9.3.97	R	Notification to clients: use of an intermediate broker, settlement agent or OTC counterparty outside the United Kingdom	4.3.63	R
9.3.98	R	Notification to the FSA: failure of a bank, intermediate broker, settlement agent or OTC counterparty outside the United Kingdom	4.3.64	R
9.3.99	G	Client money calculation	4.3.65	G
9.3.100	R	Client money calculation	4.3.66	R
9.3.101	R	Client money calculation	4.3.67	R
9.3.102	G	Client money calculation	4.3.68	G
9.3.103	G	Client money calculation	4.3.69	G
9.3.104	G	Client money calculation	4.3.70	G
9.3.105	R	Client money requirement	4.3.71	R
9.3.106	R	General transactions	4.3.72	R
9.3.107	R	General transactions	4.3.73	R
9.3.108	R	General transactions	4.3.74	R
9.3.109	R	General transactions	4.3.75	R
9.3.110	G	General transactions	4.3.76	G
9.3.111	G	General transactions	4.3.77	G
9.3.112	G	General transactions	4.3.78	G
9.3.113	R	Equity balance	4.3.79	R
9.3.114	R	Equity balance	4.3.80	R
9.3.115	R	Margined transaction requirement	4.3.81	R
9.3.116	G	Margined transaction requirement	4.3.82	G
9.3.117	G	Margined transaction requirement	4.3.83	G
9.3.118	G	Margined transaction requirement	4.3.84	G
9.3.119	R	Reduced client money requirement option	4.3.85	R
9.3.120	G	Reduced client money requirement option	4.3.86	G
9.3.121	R	Failure to perform calculations	4.3.87	R
9.3.122	R	Failure to perform calculations	4.3.88	R
9.3.123	R	Reconciliation of client money balances: frequency of reconciliation	4.3.89	R
9.3.124	G	Reconciliation of client money balances: frequency of reconciliation	4.3.90	G
9.3.125	R	Reconciliation of client money balances: frequency of reconciliation	4.3.91	R

9.3.126	R	Reconciliation method	4.3.92	R
9.3.127	R	Reconciliation method	4.3.93	R
9.3.128	R	Reconciliation discrepancies	4.3.94	R
9.3.129	R	Reconciliation discrepancies	4.3.95	R
9.3.130	G	Reconciliation discrepancies	4.3.96	G
9.3.131	R	Reconciliation discrepancies	4.3.97	R
9.3.132	G	Discharge of fiduciary duty	4.3.98	G
9.3.133	R	Discharge of fiduciary duty	4.3.99	R
9.3.134	G	Discharge of fiduciary duty	4.3.100	G
9.3.135	R	Discharge of fiduciary duty	4.3.101	R
9.3.136	R	Discharge of fiduciary duty	4.3.102	R
9.3.137	G	Allocated but unclaimed client money	4.3.103	G
9.3.138	R	Allocated but unclaimed client money	4.3.104	R
9.3.139	E	Allocated but unclaimed client money	4.3.105	E
9.3.140	G	Allocated but unclaimed client money	4.3.106	G
9.3.141	R	CFTC part 30 exemption order	4.3.107	R
9.3.142	R	CFTC part 30 exemption order	4.3.108	R
9.3.143	R	CFTC part 30 exemption order	4.3.109	R
9.3.144	R	CFTC part 30 exemption order	4.3.110	R
9.3.145	R	Records	4.3.111	R
9.4		Collateral rules	3	
9.4.1	R	Application	3.1.1	R
9.4.2	G	Application	3.1.2	G
9.4.3	R	Application	3.1.3	R
9.4.4	G	Application	3.1.4	G
9.4.5	G	Purpose	3.1.5	G
9.4.6	G	Purpose	3.1.6	G
9.4.7	G	Purpose	3.1.7	G
9.4.8	R	Requirements	3.2.2	R
9.4.9	G	Requirements	3.2.3	G
9.4.10	G	Requirements	3.2.4	G
9.5		Client money distribution rules	4.4	
9.5.1	R	Application	4.4.1	R

9.5.2	G	Application	4.4.2	G
9.5.3	G	Purpose	4.4.3	G
9.5.4	G	Failure of the authorised firm: primary pooling event	4.4.4	G
9.5.5	R	Failure of the authorised firm: primary pooling event	4.4.5	R
9.5.6	R	Failure of the authorised firm: primary pooling event	4.4.6	R
9.5.7	R	Pooling and distribution	4.4.7	R
9.5.8	G	Pooling and distribution	4.4.8	G
9.5.9	R	Client money received after the failure of the firm	4.4.9	R
9.5.10	G	Client money received after the failure of the firm	4.4.10	G
9.5.11	R	Client money received after the failure of the firm	4.4.11	R
9.5.12	G	Client money received after the failure of the firm	4.4.12	G
9.5.13	R	Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events	4.4.13	R
9.5.14	R	Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events	4.4.14	R
9.5.15	R	Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events	4.4.15	R
9.5.16	G	Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events	4.4.16	G
9.5.17	G	Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events	4.4.17	G
9.5.18	G	Failure of a bank	4.4.18	G
9.5.19	G	Failure of a bank	4.4.19	G
9.5.20	R	Failure of a bank: pooling	4.4.20	R
9.5.21	R	Failure of a bank: pooling	4.4.21	R
9.5.22	R	Failure of a bank: pooling	4.4.22	R
9.5.23	G	Failure of a bank: pooling	4.4.23	G

9.5.24	R	Failure of a bank: pooling	4.4.24	R
9.5.25	R	Failure of a bank: pooling	4.4.25	R
9.5.26	R	Failure of a bank: pooling	4.4.26	R
9.5.27	R	Client money received after the failure of a bank	4.4.27	R
9.5.28	R	Client money received after the failure of a bank	4.4.28	R
9.5.29	G	Client money received after the failure of a bank	4.4.29	G
9.5.30	R	Failure of an intermediate broker, settlement agent or OTC counterparty: pooling	4.4.30	R
9.5.31	R	Failure of an intermediate broker, settlement agent or OTC counterparty: pooling	4.4.31	R
9.5.32	R	Client money received after the failure of an intermediate broker, settlement agent or OTC counterparty	4.4.32	R
9.5.33	R	Notification on the failure of a bank, intermediate broker, settlement agent or OTC counterparty	4.4.33	R

Annex E

Amendments to Client Assets sourcebook as created by paragraphs D and E(1) of this instrument

All text in this Annex is new and the place where it goes is indicated and it is not underlined.

In *CASS 2* to *CASS 4*, references to provisions in the left hand column of the table in Annex D are replaced with references to the corresponding provisions in the right hand column of that table.

Before *CASS 2.1.1* insert

2.1 Application and purpose

Before *CASS 2.2.2* insert

2.2 Segregation, registration and recording, and holding Application

2.2.1 R *CASS 2.2* applies in accordance with *CASS 2.1*

Before *CASS 2.3.2* insert

2.3 Client agreement and client statements Application

2.3.1 R *CASS 2.3* applies in accordance with *CASS 2.1*

Before *CASS 2.4.2* insert

2.4 Custodian agreement Application

2.4.1 R *CASS 2.4* applies in accordance with *CASS 2.1*

Before *CASS 2.5.2* insert

2.5 Use of a safe custody investment and stock lending Application

2.5.1 R *CASS 2.5* applies in accordance with *CASS 2.1*

Before *CASS 2.6.2* insert

2.6 Operation

 Application

2.6.1 R *CASS 2.6* applies in accordance with *CASS 2.1*

Before *CASS 3.2.2* insert

3.2 Requirements

 Application

3.2.1 R *CASS 3.2* applies in accordance with *CASS 3.1*

At the beginning of *CASS 4* insert

4 Client money and mandates: designated investment business

Before *CASS 4.2.2* insert

4.2 Statutory trust

 Application

4.2.1 R *CASS 4.2* applies in accordance with *CASS 4.1*

Before *CASS 4.3.2* insert

4.3 Segregation and operation of client money accounts

 Application

4.3.1 R *CASS 4.3* applies in accordance with *CASS 4.1*

Annex F

General amendments to the Handbook consequential on the creation of *CASS*

1. References in the *Handbook* (other than those mentioned specifically elsewhere in this instrument) to provisions in the left hand column of the table in Annex D are replaced with references to the corresponding provisions in the right hand column of that table.
2. References in the *Handbook* (other than those mentioned specifically elsewhere in this instrument) to "*COB 9*" are replaced with references to "*CASS*".

Annex G

In this Annex, underlining indicates new text. Text in square brackets indicates text made¹ but not yet in force.

Amendments to the Reader's Guide

Contents of the Handbook

	Sourcebook or manual	Reference code
...	...	...
Business standards	...	...
	Conduct of Business	COB
	[Mortgages: Conduct of Business]	[MCOB]
	<u>Client Assets</u>	<u>CASS</u>
	...	...

Amendments to the Reader's Short Guide

Contents of the Handbook

	Sourcebook or manual	Reference code
...	...	...
Business standards	...	...
	Conduct of Business	COB
	[Mortgages: Conduct of Business]	[MCOB]
	<u>Client Assets</u>	<u>CASS</u>
	...	...

¹ The text was made in the Mortgages: Conduct of Business (Consequential Amendments to the Handbook) Instrument 2003

Annex H

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook

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

- 3.2.8 R (1) ...
- (2) In SYSC 3.2.8R(1) “compliance” means compliance with the *rules* in:
- (a) *COB* (Conduct of Business); ~~and~~
 - (b) *CIS* (*Collective Investment Schemes*); ~~and~~ and
 - (c) *CASS* (Client Assets).

...

Appendix 1.1

Matters reserved to a Home State regulator (see SYSC 1.1.1R(1)(b) and SYSC 1.1.1R(1)(c))

...

- 1.1.8 G Examples of how the *FSA* considers that SYSC 3 will apply in practice to an *incoming EEA firm* (see SYSC 1.1.4G) are as follows:
- (1) ...
- (2) The Conduct of Business sourcebook applies to an *incoming EEA firm*; ~~except that COB 9 (Client asset rules) does not apply with respect to passported activities.~~ Similarly, SYSC 3 require such a *firm*:
- (a) ...

...

Annex I

Amendments to the Conduct of Business sourcebook

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

- 1.2.1 R *COB* applies to every *firm*, except that:
- (1) ~~*COB 9* (Client assets) does not apply to an *incoming EEA firm* other than an *insurer*, with respect to its *passport*ed activities;~~[deleted]
 - (2) ...
- ...
- 1.3.3 G (1) ...
- (2) ~~*COB 9* (Client assets) also applies directly in respect of activities conducted with or for *market counterparties* as well as with or for *customers*. The term *client* is used in that chapter to refer both to *market counterparties* and to *customers*.~~[deleted]
- ...
- 1.3.5 G *Firms* are reminded that the definition of *inter-professional business* does not include:
- (1) ...
 - (2) ~~*Safekeeping and administration of assets and agreeing to carry on that activity*~~ *COB 9* (Clients assets) will apply in this context (and will apply to the holding of *money* for *clients* in connection with *inter-professional business*);[deleted]
 - (3) ...
- ...
- ~~UK firms: custody services from EEA branches~~
- 1.4.9 R ~~In addition to the situations in *COB 1.4.2R* and *COB 1.4.4R*, *COB 9* (Client assets) applies to all *UK firms*, other than *insurers*, in relation to *passport*ed activities carried on by it from a *branch* in another *EEA State*.~~[deleted]
- ...
- 1.6.2 R Table: Stock lending activity.
- This table belongs to *COB 1.6.1 R*.

COB	Subject
...	...
Chapter 9	Client assets

...

- 1.6.4 R Table: Corporate finance business.
This table belongs to *COB* 1.6.3 R.

COB	Subject
...	...
Chapter 9	Client assets

...

- 1.6.7 R Table: Provisions applied to oil market activity and energy market activity.
This table belongs to *COB* 1.6.6 R.

COB	Subject
...	...
Chapter 9	Client assets

...

- 1.6.9 R Table: Oil market activity and energy market activity: provisions applied to certain dealings with or through authorised persons etc.
This table belongs to *COB* 1.6.8 R.

COB	Subject
...	...
Chapter 9	Client assets

...

- 2.3.6 R (1) Any information which a *rule* in *COB* or in CASS requires to be sent to a *customer* may be sent to another *person* on the instruction of the *customer*, so long as the recipient is not connected with the *firm*.
(2) ...

...

- 2.4.6 R When any of the *COB rules* or any of the *CASS rules* apply to a *firm* that acts with knowledge, the *firm* will not be taken to act with knowledge for the purposes of that *rule* if none of the relevant individuals involved on behalf of the *firm* acts with that knowledge as a result of arrangements established under *COB* 2.4.4 R.

...

- 11.4.3 R Table: *Rules applicable to depositaries*
This table belongs to *COB* 11.4.1 R.

Chapter	Description	Modifications
...		
9	Client assets	<i>COB</i> 9.3 and <i>COB</i> 9.5 do not apply. Except for <i>COB</i> 9.2, 'client' means 'trustee', 'trust' or 'collective investment scheme' as appropriate. In <i>COB</i> 9.2, 'client' means 'trustee', 'collective investment scheme' or 'collective investment scheme instrument' as appropriate.
...		

...

- 11.5.2 R Table: *Rules applicable to trustee firms* which are not *depositaries* and to which *COB* 11.5.1 R (1) applies
This table belongs to *COB* 11.5.1 R (1).

Chapter	Description	Modifications
...		
9.2	Mandates	'Client' means 'trustee', 'trust' or 'trust instrument' as appropriate.
...		

...

- 11.5.3 R Table: *Rules* applicable to *trustee firms* which are not *depositories* and to which *COB* 11.5.1 R (2) applies
This table belongs to *COB* 11.5.1 R (2).

Chapter	Description	Modifications
...		
9	Client assets	' <i>Client</i> ' means 'trustee', 'trust' or 'trust instrument' as appropriate.
...		

...

- 12.1.14 R Table: This table disapplies parts of *COB* to a *firm* when carrying on the activities to which *COB* 12.1.7 R (1) relates.

Chapter	Description	Disapplication
...		
9	Client assets	<i>COB</i> 9 is disappplied to the <i>Society</i> .
...		

...

Schedule 1

Record keeping requirements

G

1 The aim of the guidance in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				

COB 9.1.9R	A personal investment firm that temporarily holds a client's designated investments	Client details and any action taken by firm		3 years (from the making of the record)
COB 9.1.53R(3)	Safe custody: arrangements for clients ordinarily resident outside the United Kingdom	The steps taken and result under COB 9.1.53R(2)	On determination that client does not wish to execute agreement	
COB 9.1.98R	Client custody assets held or received by or on behalf of a client or which the firm has arranged for another to hold or receive	Full details	On receipt	3 years
COB 9.1.99R	Safe custody investments used for stock lending activities	The identity of safe custody investments available to be lent, and those which have been lent	On receipt	3 years
COB 9.2.5R	Adequate records and internal controls in respect of the firm's use of mandates (see COB 9.2.5R(1) to (4))	Up to date list of firm's authorities; all transactions entered into; important client documents held by firm	Maintain current full details	
COB 9.3.145R	Client money	Sufficient records to show and explain firm's transactions and commitments	Maintain current full details	3 years (after records made)

COB 9.5.24R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed bank	Maintain up to date records	Until client repaid
COB 9.2.25R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed bank	Maintain up to date records	Until client repaid
COB 9.5.31R(3)	Client money shortfall	Each client's entitlement to client money shortfall at the failed intermediate broker, settlement agent or OTC counterparty	Maintain up to date records	Until client repaid
...				

...

Schedule 2

Notification requirements

G

1 Table:

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
COB 9.1.97R(1)	non-compliance with reconciliation requirements in COB 9.1.85R, 9.1.87R, 9.1.89R, 9.1.91R, 9.1.93R	reason for non- compliance	non-compliance	immediately

COB 9.1.97R(2)	non-compliance with reconciliation requirements in COB 9.1.94R	reason for non- compliance once reconciliation is carried out	non-compliance	immediately
COB 9.3.98R	failure of a third party with which money is held – ie; bank, intermediate broker, settlement agent or OTC counter-party or other entity with which it has placed or to which it has passed client money	full details	when firm becomes aware of the failure of the entity	immediately
COB 9.3.98R	failure of a third party with which money is held – ie; bank, intermediate broker, settlement agent or OTC counter-party or other entity with which it has placed or to which it has passed client money	intentions regarding making good any shortfall that has arisen or may arise, and of the amounts involved	failure of third party with which money is held	as soon as reasonably practical
COB 9.3.121R	daily calculation required by COB 9.3.100R or COB 9.3.101R	inability to per- form daily calculation	inability to per- form daily calculation	immediately
COB 9.3.122R	daily calculation required by COB 9.3.100R or COB 9.3.101R	inability to make good any shortfall identified by daily calculation	inability to make good any shortfall identified by close of business on the day of calculation	immediately

COB 9.3.131R	requirements detailed in COB 9.3.123R, COB 9.3.125R, COB 9.3.126R, COB 9.3.128R and COB 9.3.129R	inability to comply with any of the requirements	inability to comply with any of the requirements	as soon as possible
COB 9.3.144R	LME bond arrangement	issue of an individual letter of credit issued by the firm	upon issue of an individual letter of credit under an LME bond arrangement	immediately
COB 9.5.33R	failure of a third party with which money is held — ie; bank, inter- mediate broker, settlement agent or OTC counter-party or other entity with which it has placed or to which it has passed client money	full details	when firm becomes aware of the failure of the entity	immediately
COB 9.5.33R	failure of a third party with which money is held — ie; bank, inter- mediate broker, settlement agent or OTC counterparty	intentions regarding making good any shortfall that has arisen or may arise, and of the amounts involved	failure of third party with which money is held	as soon as reasonably practicable
...				

...

Schedule 4

Powers exercised

1 Table: G

The following powers and related provisions in or under the *Act* have been exercised by the *FSA* to make the *rules* in *COB*:

...

Section 138 (General rule-making power)

Section 139~~(1)~~ and (4) (Miscellaneous ancillary matters)

...

Annex J

Amendments to the Market conduct sourcebook

In this Annex, underlining indicates new text.

- 3.3.2 G *MAR 3 is not the only chapter of the Handbook that applies to firms doing inter-professional business. Firms should always consider what other parts of the Handbook may apply to them. A table listing the applicable Principles is set out in MAR 3Ann2G. The table also sets out the key provisions of COB and CASS that may also apply to firms doing inter-professional business, but it should not be read as an exhaustive list. Firms should also consider the other provisions of the Handbook, especially but not exclusively ML and IPRU.*

Annex K

Amendments to the Authorisation manual

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

1.5.3 G As a general guide, all applicants for *Part IV permission* should be familiar with the *threshold conditions (COND)* and the *Principles for Businesses (PRIN)* in the High Level Standards part of the *Handbook*. To complete an application for *Part IV permission*, an applicant will also need to have regard to the following matters:

(1) ...

...

(4) Other regulatory obligations:

(a) the detailed regulatory obligations that apply to certain types of *firm* or *regulated activity* in *COB*, *CASS*, the Market Conduct Sourcebook (*MAR*) and *SUP*;

(b) ...

...

AUTH 5

Annex 3 Application of the Handbook to Incoming EEA Firms G
2 Table: G

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
...		
<i>COB</i>	<i>COB</i> applies, except that <i>COB</i> 9 (Client assets) does not apply with respect to the firm's passported activities (<i>COB</i> 1.2.1R(1)).	...
<u><i>CASS</i></u>	<u><i>CASS</i> does not apply with respect to the firm's passported activities unless the firm is an insurer (<i>CASS</i> 1.2.3R(2)).</u>	<u>As column (2).</u>
<i>MAR</i>	...	
...		

Annex L

Amendments to the Supervision manual

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

- 10.7.10 G Compliance in *SYSC* 3.2.8R means compliance with the *rules* in COB, ~~and~~ CIS and CASS. The *FSA* anticipates that some *firms* will include oversight of compliance with *PRIN*, *MAR*, and other requirements and standards, within its compliance function. These other responsibilities would not, however, be brought within the *compliance oversight function* (see also *SUP* 10.4.3G).

Annex M

Amendments to the Enforcement manual

In this Annex, striking through indicates deleted text.

- 4.5.6 G Examples of relevant requirements are the requirements contained in *COB*. All of the chapters of *COB* apply to *incoming EEA firms* ; except ~~*COB 9* (Client asset rules)~~.

Annex N

Amendments to the Collective Investment Schemes sourcebook

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

- 1.2.19 G There are a number of other parts of the *FSA's Handbook* that are relevant to those having a responsibility in relation to *authorised funds*. These include:
- (1) *PRIN* (The Principles for Businesses);
 - (2) *SYSC* (Senior management arrangements, systems and controls);
 - (3) *APER* (The Statements of principle and Code of Practice for approved persons);
 - (4) *COB* (The Conduct of Business sourcebook);
 - (5) *SUP* (The Supervision manual); ~~and~~
 - (6) *DEC* (The Decision making manual); ; and
 - (7) *CASS* (The Client Assets sourcebook).

Annex O

Amendments to the Credit unions sourcebook

In this Annex, underlining indicates new text.

Appendix 1.1

This is the table referred to in *CRED 2.2.2G*

1.1.1 P Table:

	Sourcebook or manual	Reference code
...	...	...
Business standards	...	...
	Conduct of business	COB
	<u>Client assets</u>	<u>CASS</u>
	...	...

Annex P

Amendments to the Electronic money sourcebook

In this Annex, underlining indicates new text.

1.5.2 G Table: Application of other parts of the *Handbook* to ELMIs

Block	Module	Application
...	...	...
Block 2 (Business standards)	...	...
	Conduct of Business sourcebook (<i>COB</i>)	...
	<u>Client Assets sourcebook (<i>CASS</i>)</u>	<u>Does not apply to an <i>ELMI</i> when issuing e- money.</u>
	...	...

Annex Q

Amendments to the Lloyd's sourcebook

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

- 9.2.3 R The *Society* must adopt the standards of due care and diligence set out in the custody rules at ~~COB 9~~ CASS 2 in relation to the custody of assets that constitute *members'* funds.

Annex R

Amendments to the Professional firms sourcebook

In this Annex, underlining indicates new text.

Part 1 – amendments with effect from 1 January 2004

5.3.9 G CASS 1.2.4R(1) provides that CASS 2, CASS 3 and CASS 4 do not apply to authorised professional firms when carrying on non-mainstream regulated activities.

Part 2 –with effect from 14 January 2005, the new provision 5.3.10G, set out in Part 1 above, will be amended as follows.

5.3.9 G CASS 1.2.4R(1) provides that CASS 2, CASS 3 and CASS 4 do not apply to authorised professional firms when carrying on non-mainstream regulated activities. CASS 1.2.5 further provides that if the non-mainstream regulated activities are insurance mediation activity, CASS 5 does not apply to an authorised professional firm, if the firm's designated professional body has rules applicable to the firm which implement the IMD and which are in the form approved by the FSA under section 332(5) of the Act.

Annex S

Amendments to the Special guide for Energy Market Participants

In this Annex, underlining indicates new text.

1.2.3 G Table: Applicability of parts of Handbook to energy market participants. This table belongs to *EMPS* 1.2.1G

	Part of Handbook	Applicability to energy market participants
...	...	...
Business standards	... Conduct of Business sourcebook (<i>COB</i>) <u>Client Assets sourcebook (<i>CASS</i>)</u> ...	 <u>This applies.</u> ...

Annex T

Amendments to the Special guide for Small Friendly Societies

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

1.2.2 G Table Parts of the Handbook applicable to small friendly societies

	Part of Handbook	Applicability to small friendly societies
...	...	...
Business standards	... Conduct of Business sourcebook (<i>COB</i>) ... <u>Client Assets sourcebook (<i>CASS</i>)</u> ...	The following parts of <i>COB</i> are relevant to small friendly societies: (a) (h) ... (i) <i>COB</i> 9 (Client assets) in this part sections 9.1, 9.2 and 9.4 are relevant. <u><i>CASS</i> 2, 3 and 4.5 are relevant to small friendly societies.</u> ...

Annex U

Amendments to the Special guide for Oil Market Participants

In this Annex, underlining indicates new text.

1.2.2 G Table Parts of the Handbook applicable to oil market participants
This table belongs to *OMPS* 1.2.1G

	Part of Handbook	Applicability to oil market participants
...	...	...
Business standards	...	
	Conduct of Business sourcebook (<i>COB</i>)	...
	<u>Client Assets sourcebook (<i>CASS</i>)</u>	<u>This applies.</u>
	...	...

Annex V

Amendments to the Special guide for Service companies

In this Annex, underlining indicates new text.

1.2.2 G Table: Parts of the Handbook applicable to service companies
This table belongs to *SERV* 1.2.1G

	Part of Handbook	Applicability to service companies
...	...	...
Business standards	... Conduct of Business sourcebook (<i>COB</i>) <u>Client Assets sourcebook (<i>CASS</i>)</u> ...	... This applies. However, <u>service companies should not, ordinarily, hold client assets.</u> ...

Annex W

Amendments to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical position:

CASS the Client Assets sourcebook.

Amend the following definitions as shown (underlining indicates new text and striking through indicates deleted text):

client asset rules ~~*COB 9, comprising the custody rules, mandate rules, client money rules, collateral rules and client money distribution rules*~~
CASS.

collateral (1) ...

(2) (in *COB* and *CASS*) any of the following:

(a) ...

...

scheme (1) (except in *COB*, *CASS* and *SUP*) a
collective investment scheme

(2) (in *COB*, *CASS* and *SUP*)

(a) ...

...