

Introducing clarity



to client money management

The new **money reporting** regulations

A series of consultations and new regulations are prompting the Financial Conduct Authority (FCA) to take a closer look at how insurance intermediaries, like brokers, manage their client money. Here you can take a look at the most important changes and what they might mean for you.

Useful updates to your money management

In August 2012 a consultation was published that proposed multiple wide-ranging changes to the way insurance intermediaries manage client money – consultation paper CP12/20. While the implementation of CP12/20 has been delayed there are some useful proposals that could really benefit how you handle your clients' money.

Control	Why?
Reconciliation on a client-by-client basis	Client-by-client is a powerful overarching control. It can identify funding, systems issues or process failures that are not picked up by the existing process.
Validate client money transfer	By running a system report that shows the commission received in cash in the period between two client money calculations, you can help validate the surplus calculated in your client money calculation.
Funding	Running and investigating regular system reports to show funded items will help manage and control your funding levels and identify potential processing errors.

Changes that **impact** on **client money**

Important changes to the audit process

It's not just how brokers handle money that's changing. In November 2015, auditors were issued with new guidelines for auditing client money, which require them to have a detailed knowledge of the business and the CASS rules.

What's more, the guidance specifically requires the auditors to confirm that they are "satisfied that those who are to perform the engagement, including the CASS engagement leader, have had appropriate training and will have the appropriate competence and capabilities."

Collecting your client money data

The revised Retail Mediation Activities Return (RMAR C) is an extension of an FCA initiative that launched in summer 2015, which sees the FCA collecting client money audit letters from brokers. From 31 March 2016, as part of the Gabriel reporting process under RMAR C, you will be asked for more information on client money. This will include:

- whether money is held in statutory or non-statutory trust
- the highest client money requirement and account balance
- summary of your last client money calculation
- the opinion given by the auditor
- whether the audit report had notifiable client money issues that have not already been reported.

What's more the new RMAR C forms also ask you who your client money auditors are. It's important that you, as the regulated firm, are satisfied that your auditor has demonstrated they can do the audit effectively. Who you choose remains your responsibility.

What does this mean for me?

With the FCA increasing their supervision of client money, it's a good idea to re-review CP12/20 and adopt what you can to improve your client money controls. The new data collection means that the FCA will have more visibility on what you are doing and the new auditor rules raise the bar of what's expected from a client money audit – so it's important that you make sure your client money management is up to the new standards.



Talk to your client money auditor or visit pkf-littlejohn.com for further information from our partner consultant PKF Littlejohn.

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