

Client Money and Asset Return (CMAR)

This annex contains *guidance* on the *CMAR* and is therefore addressed only to a *firm* which is subject to *SUP* 16.14.

General

Terms used in the *CMAR* bear the meaning ascribed to those terms in the *Glossary*, even though they do not appear in italicised form on the face of the *data item*, unless a contrary indication is given in this *guidance*.

In applying the *CMAR* and this *guidance* to a *small AIFM's excluded custody activities* falling under *SUP* 16.14.4R(2)(e), any reference to a *firm* carrying on the *regulated activity* of *safeguarding and administering investments* includes *excluded custody activities*.

A *firm* is reminded that the effect of *SUP* 16.14.4R is that in relation to a *firm* to which *CASS* 5 (Client money: insurance mediation activity) and *CASS* 7 (Client money rules) apply, that *firm* should not report in the *data item* shown in *SUP* 16 Annex 29R any *client money* that it holds in accordance with *CASS* 5.

SUP 16.14.4R also has the effect that the data reported by a *firm* on the *CMAR* should only relate to *client money* and/or *safe custody assets* held by the *firm*, and should not relate to *client money* and/or *safe custody assets* in respect of which the *firm* merely has a *mandate* or any *safe custody assets* in respect of which the *firm* merely *arranges safeguarding and administration of assets*. The meaning of *safe custody assets* for the purposes of the *CMAR* and this *guidance* is set out in *SUP* 16.14.4R(2).

Firms are reminded of their obligation to determine their 'CASS firm type' categorisation in accordance with *CASS* 1A.2.2R.

A *firm* should include in any amount of *client money* that it reports any *client money* which it has allowed another *person* to hold or control in accordance with *CASS* 7.14.2R (for example, an exchange, *clearing house*, *intermediate broker* or *OTC* counterparty).

Reporting period

The reporting period for the *CMAR* is the calendar month for which a *CMAR* is required to be completed in accordance with *SUP* 16.14.3R, including the first *day* and the last *day* of that month. For example, the January reporting period will be 1 January to 31 January, regardless of whether or not any *day* in January is a *business day*.

Valuation

For the purposes of the *CMAR*, the *FCA* does not prescribe any particular methodology or frequency for valuing *safe custody assets*.

Reporting client money balances using internal client money reconciliations

The *guidance* in this annex assumes that a *firm* uses one of the *standard methods of internal client money reconciliation*. *Firms* that use a *non-standard method of internal client money reconciliation* in accordance with *CASS* 7.15.17R should read the *guidance* in this annex in so far as it is consistent with that non-standard method.

Where this *data item* requires a *firm* to report any *client money* balances, unless otherwise specified the *firm* should report on the basis of balances used for its *internal client money reconciliation* carried out on the first *business day* following the reporting period in question. This means using the values contained in the *firm's* internal records and ledgers, for example its cash book or other internal accounting records, rather than the values contained in the records it has obtained from banks and other third parties with whom it has placed *client money* (for example, bank statements).

Currency

The reporting currency for this *data item* should be GBP (sterling). For the purpose of calculating the value of the total amounts of *client money* and *safe custody assets* that it holds on any given *day* during a reporting period, a *firm* should, in relation to *client money* or *safe custody assets* denominated in a currency other than sterling, translate the value of that *money* or that *safe custody asset* into sterling at the previous *day's* closing spot exchange rate.

Section 1 Firm information

1 Name of CASS audit firm

A *firm* should report the name of the auditor that provides its client assets report (see SUP 3.10). It is not possible for the CMAR to list all auditors in this data field. However, certain auditors are named for convenience, and the FCA does not in any way recommend or endorse the auditors that are named. A *firm* should select 'Other' and complete data field 2 if its auditor is not named.

2 Name of CASS audit firm (if 'Other' was selected above)

If a *firm* selects 'Other' in (1), it should enter the name of the auditor that provides its client assets report (see SUP 3.10).

3 Did the *firm* hold *client money* during the reporting period?

A *firm* should state "Yes" or "No".

A *firm* should not take into account *client money* in respect of which it merely had a *mandate* in accordance with CASS 8 during the reporting period, or *client money* that it held in accordance with CASS 5 during the reporting period.

4 Did the *firm* hold *safe custody assets* during the reporting period?

A *firm* should state "Yes" or "No".

A *firm* should state "Yes" if, during the reporting period:

- (a) it held *financial instruments* belonging to a *client* in the course of its *MiFID business*; or
- (b) it was *safeguarding and administering investments* in the course of its business that is not *MiFID business*.

A *firm* should not take into account *safe custody assets* in respect of which it was

merely *arranging safeguarding and administration of assets* in accordance with CASS 6 during the reporting period.

- 5 Was the *firm* subject to the *CFTC's Part 30 exemption order* during the reporting period?

A *firm* should state "Yes" or "No". *Handbook* provisions dealing with the *CFTC's Part 30 exemption order* are set out in CASS 12.

- 6 Did the *firm* operate the alternative approach during the reporting period (see CASS 7.13.54G to CASS 7.13.69G)?

A *firm* should state "Yes" or "No". *Handbook* provisions dealing with the alternative approach to *client money* segregation are set out in CASS 7.14.54G to CASS 7.14.69G.

- 7 Has the *firm* received the auditor assurances required for its use of the alternative approach and provided these to the FCA?

A *firm* should state "Yes" or "No".

Pursuant to CASS 7.13.58R before adopting the *alternative approach*, a *firm* must first send a written report to the FCA prepared by an independent auditor of the *firm* in line with a *reasonable assurance engagement*, stating the matters set out in CASS 7.13.58R(2).

- 8A Type of business activity

A *firm* should identify in this data field the investment activities or services in the course of which it holds *client money* or *safe custody assets* belonging to a *client* and may do so using its own description of the activity or service in question.

In completing this data field a *firm* should use a separate row to distinguish between each type of business activity or service to which CASS 6 or CASS 7 applies, in a way that the *firm* considers reasonably appropriate.

The rows do not necessarily need to distinguish between *regulated activities* or *client* categories, and could for example reflect the distinctions between business lines that a *firm* makes in its internal management reporting or published accounts, or the different business units within the *firm*.

Where possible a *firm* should also identify, as a separate single business activity, any allocated but unclaimed *client money* or *safe custody assets* held by the *firm* which the *firm* continues to treat as such. This would include, for example, *client money* balances or *safe custody assets* held in respect of *clients* whom the *firm* is no longer able to contact. The *firm* should only use one row in this data field for this purpose (so the amounts stated in that row would reflect the aggregate of allocated but unclaimed *client money* or *safe custody assets* across all its relevant business activities or services).

- 8B Number of *clients*

In relation to each of the investment activities or services identified, a *firm* should

report in this data field the number of *clients* for whom it holds *client money* or *safe custody assets* in respect of the activity or service in question.

If a *firm* holds *client money* or *safe custody assets* in respect of more than one activity or service for the same *client*, the *firm* should include this *client* in the number reported for each activity or service as appropriate. This means that the same *client* may be reported for more than one activity or service in this data field.

8C Balance of *client money*

In relation to each of the investment activities or services identified, a *firm* should report in this data field the total amount of *client money* that it held belonging to *clients* in respect of the activity or service in question.

A *firm* should report *client money* balances on the basis of balances used in the *internal client money reconciliation* that the *firm* carried out on the first *business day* following the reporting period in question.

Paragraph 8A describes how allocated but unclaimed *client money* should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed *safe custody assets*). The balance shown in that row may also include any balance that is included in data field 17.

8D Value of *safe custody assets* as at reporting period end date

In relation to each of the investment activities or services identified, a *firm* should report in this data field the total value of *safe custody assets* that it holds belonging to *clients* in respect of the activity or service in question, as at the last *business day* of the reporting period.

Paragraph 8A describes how allocated but unclaimed *safe custody assets* should, where possible, be identified as a separate business activity in its own row (together with allocated but unclaimed *client money*).

Section 2 Balances

9 Highest *client money* balance held during the reporting period

A *firm* should report the highest total amount of *client money* that it held at any point during the reporting period.

10 Lowest *client money* balance held during the reporting period

A *firm* should report the lowest total amount of *client money* that it held at any point during the reporting period.

11 Highest value of *safe custody assets* held during the reporting period

A *firm* should report the highest total value of *safe custody assets* that it held at any point during the reporting period.

12 Lowest value of *safe custody assets* held during the reporting period

A *firm* should report the lowest total value of *safe custody assets* that it held at any point during the reporting period.

In relation to data fields 9 to 12, a *firm* should ensure that it includes in the amount or value reported any *client money* or *safe custody assets* that it is holding or in respect of which it is *safeguarding and administering investments*, which has or have been placed with a third party *custodian*, either by a *custodian* with which that *firm* has deposited that *money* or those assets, or by that *firm* if it is a *custodian*.

In relation to data fields 9 to 12, a *firm* should determine the lowest and highest figures by reference to the data that it has recorded in the internal records and accounts the *firm* holds that relate to the reporting period in question.

Section 3 Segregation of client money

13A Type

A *firm* should identify the types of institution with which it has placed *client money*. CASS 7.13.3R identifies the type of institution with which a *firm* must promptly place into one or more accounts *client money* that it receives. CASS 7.14.2R identifies the circumstances in which a *firm* may allow another *person*, such as an exchange, a *clearing house*, an *intermediate broker* or an *OTC* counterparty, to hold or control *client money*.

For each institution with which it has placed *client money*, the *firm* should identify in this data field whether the *client money* was:

- (a) deposited with a *CRD credit institution*;
- (b) placed with a *clearing house*;
- (c) placed with an exchange;
- (d) placed with an *intermediate broker*;
- (e) placed in a *qualifying money market fund*;
- (f) deposited with a bank authorised in a third country; and
- (g) deposited with a central bank.

In relation to any *client money* a *firm* has placed with an *OTC* counterparty and/or any other *person*, the *firm* should selection option (d).

13B Institution where *client money* held

A *firm* should report the full name and firm reference number (if applicable) of the individual legal entity with which it has placed *client money*.

13C *Client money* balances

A *firm* should report the total amount of *client money* which it has placed with each institution identified in 13B.

A *firm* should report *client money* balances on the basis of balances used in the *internal client money reconciliation* that the *firm* carried out on the first *business day* following the reporting period in question.

A *firm* should include in the *client money* balance the aggregate balance of any

allocated but unclaimed *client money* which the *firm* continues to treat as such. For example, *client money* balances held in respect of *clients* whom the *firm* is no longer able to contact.

The balance shown in that row may also include any balance that is included in data field 17.

13D Country of incorporation of the institution

A *firm* should report the name of the country in which each institution with which it places *client money* is incorporated using the appropriate two letter ISO code.

13E Group entity

A *firm* should indicate in this data field whether each institution with which it has placed *client money* is or is not a relevant group entity within the meaning of CASS 7.13.21R. A *firm* should note that the definition in CASS 7.13.21R is specific to CASS and the entities which comprise it may not be the same as those which comprise the *firm's group*.

Section 4 Client money requirement and resource

14 *Client money* requirement

In relation to a *firm* that follows one of the *standard methods of internal client money reconciliation*, that *firm* should report its *client money* requirement, calculated in accordance with CASS 7.16.10R.

A *firm* should report its *client money* requirement on the basis of the *internal client money reconciliation* that the *firm* carried out on the first *business day* following the reporting period in question.

A *firm* should include in the *client money* requirement the aggregate balance of any allocated but unclaimed *client money* which the *firm* continues to treat as such. For example, *client money* balances held in respect of *clients* whom the *firm* is no longer able to contact.

The balance reported for the *client money* requirement should be inclusive of the balances that a *firm* is also reporting for data fields 15-18.

15 Unallocated to individual *clients* but identified as *client money*

A *firm* should report the amount of *client money* that it holds that it has recorded in its internal records and accounts as “unallocated client money” in accordance with CASS 7.13.36R(2). A *firm* should not include balances for this data field that it is reporting in data field 16.

16 Unidentified receipts segregated as *client money* in *client bank accounts*

A *firm* should report the amount of *client money* that it has recorded in its internal records and accounts as “unallocated client money” in accordance with CASS 7.13.36R (2). A *firm* should not include balances for this data field that it is reporting in data field 15.

17 Uncleared payments

A *firm* should report the amount of *client money* it holds in respect of uncleared payments to the *firm's clients* drawn on a *client bank account* of the *firm*. In this data field a *firm* should therefore include any uncleared cheques and other payable orders of any age, including electronic bank payments, in favour of a *client* but which have not been paid by the bank.

18 Prudent segregation of *client money* and the alternative approach mandatory prudent segregation

In this data field, a *firm* should report: (i) the amount of *client money* that it holds in *client bank accounts* as a result of the *firm's* application of CASS 7.13.41R (Prudent segregation), and (ii) if applicable, the amount of *client money* that it holds in *client bank accounts* as a result of the requirement set out in CASS 7.13.65R (mandatory prudent segregation). A *firm* should not include balances for this data field that it is reporting in data fields 15-17.

19 *Client money* resource

A *firm* should report its *client money* resource on the basis of the *client money* resource used in the *internal client money reconciliation* that the *firm* carried out on the first *business day* following the reporting period in question (which should be the same *internal client money reconciliation* used by the *firm* to report its *client money* requirement in data field 14).

A *firm* should include in the *client money resource* the aggregate balance of any allocated but unclaimed *money* which a *firm* continues to treat as *client money*. For example, *client money* balances held in respect of *clients* whom the *firm* is no longer able to contact.

20 Excess (+)/ shortfall (-) of *client money resource* against *client money requirement*

A *firm* should report in this data field the amount by which its *client money resource* is greater than its *client money requirement* (to be reported in the *data item* as a positive amount), or as the case may be, the amount by which its *client money requirement* is greater than its *client money resource* (to be reported in the *data item* as a negative amount).

Where an excess or shortfall does not exist following a *firm's internal client money reconciliation*, the *firm* should report '0' for this data field.

21 Adjustments made to withdraw an excess or rectify a *shortfall* identified as a result of an *internal client money reconciliation*.

A *firm* should report the amount of *money* that it added to correct a *shortfall* or, as the case may be, that it withdrew reflecting an excess.

In relation to data fields 14 to 21, a *firm* should report by reference to the results of its *internal client money reconciliation* carried out on the first *business day* following the reporting period in question.

Data fields 15-18 relate to *client money* balances identified in a *firm's* internal records and

ledgers, for example its cash book or other internal accounting records, that form part of the *client money requirement* reported in data field 14.

Section 5 Client money reconciliations

22 *Internal client money reconciliation*

A *firm* should identify in this data field the frequency with which it performs *internal client money reconciliation*.

23 *External client money reconciliation*

A *firm* should identify in this data field the frequency with which it performs *external client money reconciliation*.

24 *Client money unresolved items*

A *firm* should identify in this data field the number of unresolved *client money* items and allocate each item to one of the specified time bands according to the length of time for which it has remained unresolved.

For the purposes of this data field, the number of unresolved *client money* items includes: (a) the number of individual unresolved discrepancies identified as part of a *firm's internal client money reconciliations* (see CASS 7.15.12R); and (b) the number of individual unresolved discrepancies identified as part of a *firm's external client money reconciliations* (see CASS 7.15.29R), but not those unresolved discrepancies that have arisen solely as a result of timing differences between the accounting systems of third party providing the statement or confirmation and that of the firm. In both cases, only include those items which have remained unresolved for period of six calendar *days* or more.

For the purposes of this data field, the number of unresolved items should also include any individual items recorded in a *firm's* internal records and accounts as "unallocated client money" in accordance with CASS 7.13.36R(2) which have remained unresolved for period of six calendar days or more.

A *firm* should also report the balances of these individual unreconciled items as appropriate in data fields 15 and 16.

Section 6 Segregation of safe custody assets

In order to complete this section a *firm* will need to group the *safe custody assets* it held at the reporting period end date by the method of registration used (25A), the means by which the assets were held (25G) and the name of the institution with which the assets were deposited or registered (25B). Each group of *safe custody assets* so identified should be reported as a separate row.

When reporting dematerialised *safe custody assets* a *firm* holds in a *collective investment scheme*, a *firm* has the option to report the holdings in either one of the following ways:

- (1) per *fund* manager (ie, for every *fund* manager with whom the *firm* has holdings registered) it should use a new row to report the relevant holdings; or

- (2) on an aggregate basis by reference to each variance of data fields 25A, 25E and 25F (where relevant, ie for each variance, such as holdings based in different countries and/or different methods of legal title registration) the *firm* should use a new row. For example, an asset held in one country in the name of a nominee company should be in a different row from an asset held in the same country in the name of a *client*, and also from an asset held in another country in the name of the same nominee company.

Annex 1 to this guidance sets out an example of reporting under either of these options.

25A How registered?

For each group of *safe custody assets* that a *firm* (in carrying on the *regulated activity of safeguarding and administering investments*) held at the reporting period end date, the *firm* should identify the method of registration it used in accordance with CASS 6.2.3R, by specifying one of the following categories of *person* in whose name legal title to the *safe custody assets* were registered during the reporting period:

- (a) the *client*;
- (b) the *firm*;
- (c) a third party;
- (d) a *nominee company* which is controlled by the *firm*;
- (e) a *nominee company* which is controlled by an *affiliated company*;
- (f) a *nominee company* which is controlled by an investment exchange;
- (g) a *nominee company* which is controlled by a third party with whom *financial instruments* are deposited under CASS 6.3 (Depositing assets and arranging for assets to be deposited with third parties).

Firms that registered the legal title to *safe custody assets* in joint names should select option (a) if one of those names is the *client's* name. If none of those names are the *client's* name then the *firm* should select an option that corresponds to any one of those named *persons*.

In relation to *safe custody assets* that a *firm* held in its physical possession and for which the *firm* did not register legal title (for example bearer notes), the *firm* should select option (b).

25B Name of institution where *safe custody assets* held/registered

For each group of *safe custody assets* that a *firm* (in carrying on the *regulated activity of safeguarding and administering investments*) held at the reporting period end date, the *firm* should report, as relevant, the identity of the third party institution with which it deposited the *safe custody assets*. In relation to any non-dematerialised *safe custody assets* which it held in its physical possession, a *firm* should enter its own name in the data field.

In identifying any third party institution in this data field, a *firm* should ensure that it specifies the full name or the firm reference number (if applicable) of the individual legal entity with which the *safe custody assets* were deposited.

In relation to any dematerialised *safe custody assets* which a *firm* held as the sole *custodian* the *firm* should report the name of the central securities depository with which the *safe custody assets* were registered, for example Euroclear UK & Ireland, and should select 'other' when completing data field 25G.

In relation to any dematerialised *safe custody assets* a *firm* holds in a *collective investment scheme*, a *firm* should report, either:

- (a) the name of the fund manager who retains the regulatory responsibility for maintaining the legal register for those *safe custody assets*, if the *firm* is reporting by fund manager (for example, in respect of a [UK OEIC, the ACD]);
or
- (b) the term “collective investment scheme” if the *firm* is reporting on an aggregate basis.

25C Number of lines of stock

In relation to each combination of registration and holding method identified in 25A and 25G, a *firm* should report the total number of lines of stock being *safe custody assets* that the *firm* held at the reporting period end date. As a *firm* is only being asked to enter the total number of lines of stock in relation to each identified institution, it is not expected to identify separately *safe custody assets* belonging to an individual *client*.

For the purpose of this data field, a *firm* should treat each stock which bears its own CUSIP or ISIN number, or any individual *collective investment scheme* as a separate line of stock.

25D Value of *safe custody assets* as at reporting period end date

As at the reporting period end date, a *firm* should calculate the total value of the *safe custody assets* reported on each row and enter that value in the data field.

25E Country of incorporation of the institution

In relation to each institution identified in 25B, a *firm* should report the name of the country in which that institution is incorporated using the appropriate two letter ISO code.

In relation to dematerialised *safe custody assets* a *firm* holds in a *collective investment scheme*, the *firm* should report the country of incorporation of the relevant *fund manager* who has retained regulatory responsibility for registering units in the *collective investment scheme*. This means that a *firm* will need to have at least one row per country of incorporation of relevant *fund managers* regardless of whether the *firm* is reporting per *fund manager* or on an aggregate basis.

25F Group entity?

A *firm* should indicate in this data field whether each institution with which it placed *safe custody assets* is or is not a member of that *firm's group*. In relation to any dematerialised *safe custody assets* a *firm* holds in a *collective investment scheme*, the *firm* should treat the [*fund manager*] of that scheme as the relevant institution.

25G How held?

For each group of *safe custody assets* that a *firm* (in carrying on the *regulated activity of safeguarding and administering investments*) held at the reporting period end date,

the *firm* should identify in this data field how the *safe custody assets* were held.

| | If the <i>safe custody assets</i> were: | Choose the following option from the drop down box in the form: |
|-----|---|---|
| (a) | held in the <i>firm</i> 's physical possession (for example any non-dematerialised assets such as bearer notes); | Firm physical; |
| (b) | deposited with a third party <i>custodian</i> (this may include any third party that has responsibility to the <i>firm</i> for the <i>safe custody assets</i> , such as a sub-custodian); | 3rd party custodian |
| (c) | deposited with a third party exchange and/or <i>clearing house</i> ; | Exchange/Clearing House |
| (d) | deposited with a third party intermediary; or | Intermediary |
| (e) | deposited/registered with any other third party (where none of the above options adequately describes how the <i>safe custody assets</i> are held). | Other |

In relation to any dematerialised *safe custody assets* which a *firm* held as the sole *custodian* the *firm* should select "Other" and report the name of the central securities depository with which the *safe custody assets* were registered, for example Euroclear UK & Ireland, when completing data field 25B.

In relation to any dematerialised *safe custody assets* a *firm* holds in a *collective investment scheme*, the *firm* should select "Other".

Section 7 Safe custody assets records checks and reconciliations

26 *Safe custody assets* unresolved items

A *firm* should identify in this data field the number of unresolved *safe custody assets* items and allocate each item to one of the specified time bands according to the length of time for which it has remained unresolved.

For the purposes of this data field, the number of unresolved *safe custody assets* items refers to the number of individual discrepancies (“eg, custody breaks”) identified as part of a *firm’s external custody reconciliation* which have remained unresolved for a specific period of time.

CASS 6.6.48G provides that a discrepancy should not be considered to be resolved until it is fully investigated and corrected, and any associated *shortfall* is made good.

In relation to the 30-day field, a *firm* should report items which have remained unresolved for at least 30 *days* but no more than 59 *days*.

In relation to the 60-day field, a *firm* should report items which have remained unresolved for at least 60 *days*, but no more than 89 *days*.

In relation to the 90-day field, a *firm* should report items which have remained unresolved for at least 90 *days*.

27A Method of custody record check/reconciliation

In relation to each type of *safe custody asset* identified in 27C, a *firm* should report:

(a) the method of *internal custody records checks* that it utilised in respect of that type of asset during the reporting period, by selecting either:

(i) “internal reconciliation” where it performed its *internal custody record checks* using the *internal custody reconciliation method*; or

(ii) “internal system evaluation” where it performed its *internal custody record checks* using the *internal system evaluation method*.

CASS 6.6.10G to 6.6.20G sets out *rules* and *guidance* in relation to *internal custody records checks*, and the available methods;

(b) (if applicable) the method of *physical asset reconciliation* that it utilised in respect of all *physical safe custody assets* it held during the reporting period, by selecting either:

(i) “physical reconciliation - total count” where it performed its *physical asset reconciliations* using the *total count method*; or

(ii) “physical reconciliation - rolling stock” where it performed its *physical asset reconciliations* under the *rolling stock method*.

CASS 6.6.21G to 6.6.32G set out *rules* and *guidance* in relation to *physical asset reconciliations*, and the available methods; and

(c) (if applicable) the method of *external custody reconciliation* that it utilised in respect of that type of asset during the reporting period, by selecting either:

(i) “External reconciliation to CREST” where it performed an *external custody reconciliation* with Euroclear UK & Ireland for *safe custody assets* held in the *CREST* system; or

(ii) “external reconciliation”, where it performed an *external custody reconciliation* with any other third party.

CASS 6.6.33G to 6.6.43G set out *rules* and *guidance* in relation to *external custody checks*, and the available methods.

27B Frequency

In relation to each custody record check/reconciliation type identified in 27A, a *firm* should report the frequency with which it conducted the custody record check/reconciliation for its *safe custody assets* during the reporting period using that record check/reconciliation.

27C Type of *safe custody asset*

A *firm* should report the different types of *safe custody asset* (e.g. shares) that it held and may do so using its own description of an asset type.

Section 8 Record keeping and notification requirements

28 *Client bank account*

Client bank account has the same meaning as in the *Glossary* in the context of CASS 7 and CASS 7A.

28F Explanation of difference

A *firm* should provide a brief explanation for any difference between the number of *client bank accounts* reported for 28D and the number of *client bank accounts* reported in 28E which were covered by a *client bank account acknowledgement letter* in accordance with CASS 7.18.2R.

29 *Client transaction account*

Client transaction account has the same meaning as in the *Glossary*.

29F Explanation of difference

A *firm* should provide a brief explanation where there is a difference between the number of *client transaction accounts* reported for 29D and the number of *client transaction accounts* reported in 29E which were covered by a *client transaction account acknowledgement letter* and/or *authorised central counterparty acknowledgment letter* in accordance with CASS 7.18.3R and/or CASS 7.18.4R.

31 Did any of the circumstances referred to in CASS 6.6.57R arise?

A *firm* should indicate whether at any point during the reporting period one of the situations referred to in CASS 6.6.57R arose, in which the *firm* was obligated to notify the *FCA*.

Some of the notification requirements in CASS 6.6.57R only apply where a *firm* materially fails to comply with a *rule* (ie, a breach of the *rule* having occurred), while others apply where the *firm* was unable to comply with a *rule* (ie, a *firm* had not yet breached the relevant *rule* but became aware that it would, in the future, either

continuously or for a specified period, be unable to comply with the specified *rule*). Therefore, a *firm* should therefore base its response only on those breaches that would be notifiable.

32 If yes, did the *firm* comply with the notification requirements?

If in data field 31 the *firm* has answered “Yes”, it should confirm in this data field whether all notifications were made to the *FCA* in accordance with CASS 6.6.57R.

33 Did any of the circumstances referred to in CASS 7.15.33R arise?

A *firm* should indicate whether at any point during the reporting period one of the situations referred to in CASS 7.15.33R arose, in which the *firm* was required to notify the *FCA*.

Some of the notification requirements in CASS 7.15.33R only apply where a *firm* materially fails to comply with a rule (ie, a breach of the *rule* having occurred), while others apply where the *firm* was unable to comply with a *rule* (ie, a *firm* had not yet breached the relevant *rule* but became aware that it would, in the future, either continuously or for a specified period, be unable to comply with the specified *rule*). Therefore, a *firm* should therefore base its response only on those breaches that would be notifiable.

34 If yes, did the *firm* comply with the notification requirements?

If in data field 33 the *firm* has answered “Yes”, it should confirm in this data field whether all notifications were made to the *FCA* in accordance with CASS 7.15.33R.

In relation to data fields 31 and 33, a *firm* should answer “Yes” if it failed to comply with any of the *rules* specified in those data fields at any point during the reporting period in question, whether or not it is in compliance at the end of the reporting period.

A *firm*'s responses to data fields 31 and 33 should only include unresolved breaches that occurred within a previous CMAR reporting period if those breaches would have required further notification under CASS 6.6.57R.

A *firm* should answer “N/A” as appropriate to data fields 31 and 33 if it did not hold *client money* or *safe custody assets* during the reporting period.

A *firm* should answer ‘N/A’ for data fields 32 and 34 if the *firm* has answered either ‘No’ or ‘N/A’ for data fields 31 and 33 respectively.

CASS 6.6.57R and CASS 7.15.33R require that the *FCA* be informed without delay of any of the matters in respect of which notification is required by those *rules*. Submission of the *CMAR* within the time limit specified in SUP 16.14.3R does not discharge the obligations in those *rules* and a *firm* remains obliged to notify the *FCA* as soon as it becomes aware that any of the circumstances described in those *rules* has arisen.

Section 9 Outsourcing and offshoring

In relation to its business that is subject to CASS, a *firm* should report in data field 35 outsourcing and offshoring arrangements that it has established which it judges to be

material to that business, either by reason of their scale or their importance.

For the purposes of data fields 35A to 35D, ‘outsourcing’ refers to where a *firm* outsources part of its *client money* and/or *custody asset* operations to a third party and ‘offshoring’ refers to where a *firm’s client money* and/or custody asset operations are managed through a *branch* established by it outside the *United Kingdom*.

35A Who do you outsource or offshore your *client money* and/or *custody asset* operations to?

A *firm* should state either:

- (a) the full name of the legal entity that business has been outsourced to;
or
- (b) if the business is offshored, the name of the *firm* itself.

A firm reference number should also be provided for any *firm* which is authorised by or registered with the *FCA*.

Validation

| Validation number | Data element | Sign | Formula |
|-------------------|--------------|------|--------------------|
| 1 | 8B | > | 0 (NIL) |
| 2 | 8C(total) | = | $8CT = \sum 8C$ |
| 3 | 8C (total) | = | $8CT = 13CT$ |
| 4 | 8D (total) | = | $8DT = \sum 8D$ |
| 5 | 8D (total) | = | $8DT = 25DT$ |
| 6 | 10A | <= | 9A |
| 7 | 12A | <= | 11A |
| 8 | 13C(total) | = | $13CT = \sum 13C$ |
| 9 | 20A | = | 19A-14A |
| 10 | 25D(total) | = | $25DT = \sum 25D$ |
| 11 | 28D | = | 28A+28B-28C |
| 12 | 29D | = | 29A+29B-29C |
| 13 | 30D(total) | = | $30DT = 28D + 29D$ |

Annex 1

Options for reporting dematerialised safe custody assets a firm holds in a collective investment scheme in fields 25A-G

Option 1 – reporting holdings per fund manager

Table 1 shows an example of some of the possible permutations of reporting this way. In Table 1:

- With respect to Fund Manager X, for the purposes of completing fields 25A-G of the CMAR, the reporting firm needs to complete one line. This is because in relation to its holdings in all 3 collective investment schemes (reported in 25C) the units are registered in the name of a nominee company controlled by the firm. Fund Manager X is

incorporated in Guernsey and it is a member of the firm's group. The same applies with respect to Fund Manager Y.

- With respect to Fund Manager Z, for the purposes of completing fields 25A-G of the CMAR, the reporting firm needs to complete two separate lines. This is because in relation to the firm's holdings in 1 collective investment scheme (reported in 25C) the units are registered in the name of a nominee company which is controlled by the firm and in relation to the firm's holdings in the other 3 collective investment schemes the units are registered in the name of a nominee company which is controlled by an affiliated company. Fund Manager Z is incorporated in the Cayman Islands and it is a member of the firm's group.

Table 1

| A | G | B | C | D | E | F |
|--|-----------------------------|--|---------------------------------|---|--|-------------------------------|
| How registered? | How held /registered | Institution where safe custody assets held/registered | Number of lines of stock | Value of safe custody assets as at reporting period end date | Country of incorporation of the institution | Is this a group entity |
| Nominee company which is controlled by the firm | Other | Fund Manager X | 3 | £600m | Guernsey | Yes |
| Nominee company which is controlled by the firm | Other | Fund Manager Y | 5 | £350m | Guernsey | Yes |
| Nominee company which is controlled by the firm | Other | Fund Manager Z | 1 | £90m | Cayman Islands | Yes |
| Nominee company which is controlled by an affiliated company | Other | Fund Manager Z | 3 | £400m | Cayman Islands | Yes |
| Nominee company which is controlled | Other | Fund Manager XX | 5 | £250m | Cayman Islands | Yes |

| | | | | | | |
|--------------------------|--|--|--|--|--|--|
| by an affiliated company | | | | | | |
|--------------------------|--|--|--|--|--|--|

Option 2 – reporting on an aggregate basis

Table 2 shows an example of some of the possible permutations of reporting this way. In Table 2:

- Line (i) reports all the firm’s holdings in collective investment schemes in relation to which the units are registered in the name of a nominee company which is controlled by the firm and the relevant fund manager is incorporated in Guernsey and is a group entity.
- Line (ii) reports all the firm’s holdings in collective investment schemes in relation to which the units are registered in the name of a nominee company which is controlled by the firm and the relevant fund manager is incorporated in the Cayman Islands and is a group entity.
- Line (iii) reports all the firm’s holdings in collective investment schemes in relation to which the units are registered in the name of a nominee company which is controlled by an affiliated firm and the relevant fund manager is incorporated in the Cayman Islands and is a group entity.

Table 2

| | A | G | B | C | D | E | F |
|-------|--|-----------------------|---|--------------------------|--|---|------------------------|
| | How registered? | How held / registered | Institution where safe custody assets held/registered | Number of lines of stock | Value of safe custody assets as at reporting period end date | Country of incorporation of the institution | Is this a group entity |
| (i) | Nominee company which is controlled by the firm | Other | collective investment scheme | 8 | £950m | Guernsey | Yes |
| (ii) | Nominee company which is controlled by the firm | Other | collective investment scheme | 1 | £90m | Cayman Islands | Yes |
| (iii) | Nominee company which is controlled by an affiliated company | Other | collective investment scheme | 8 | £650m | Cayman Islands | Yes |