

SUP 3 Annex 1R

Auditor's client assets report Part 1 – Auditor's Opinion

Independent auditor's report on client assets to the Financial Conduct Authority in respect of [Firm name], firm reference number [number], for the period started [dd/mm/yyyy] and ended [dd/mm/yyyy]

Part 1: Auditor's Opinion on Client Assets

We report in respect of [Firm name] ('the firm') on the matters set out below for the period started [dd/mm/yyyy] and ended [dd/mm/yyyy] ('the period').

Our report has been prepared as required by SUP 3.10.4R and is addressed to the Financial Conduct Authority ('the FCA') in its capacity as regulator of financial services firms under the Financial Services and Markets Act 2000.

Basis of opinion

We have carried out such procedure as we considered necessary for the purposes of this report in accordance with [*specify Standard/Guidance used*] issued by the [*specify organisation name*].

This opinion relates only to the period and should not be seen as providing assurance as to any future position, as changes to systems or control procedures may alter the validity of our opinion.

Opinion

In our opinion:

[The firm has maintained] [Except for...the firm has maintained] [Because of...the firm did not maintain] systems adequate to enable it to comply with [the custody rules,] [the collateral rules,] [the mandate rules] [the client money rules] [and] [the debt management client money rules] throughout the period since [the last date at which a report was made] [the firm was authorised] [the firm became subject to SUP 3.11 and we, its auditor, became subject to SUP 3.10].*

[The firm was] [Except for...the firm was] [Because of...the firm was not] in compliance with the [the custody rules,] [the collateral rules,] [the mandate rules] [the client money rules] [and] [the debt management client money rules] as at the period end date.*

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The scope of the firm's permissions did not allow it to hold [client money] [or] [custody assets].

The directors (or equivalent corporate officers) of the firm have stated that the firm did not hold [client money] [or] [custody assets] during the period. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held [client money] [or] [custody assets] during the period.

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In our opinion, [*name of nominee companies*], subsidiaries of the firm which are nominee companies during the period in whose name custody assets are registered, those nominee companies have maintained throughout the period systems for the custody, identification and control of custody assets which:

a) were adequate; and

b) included reconciliations at appropriate intervals between the records maintained (whether by the firm or the nominee company) and statements or confirmations from custodians or from the person who maintained the record of legal entitlement. **

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In relation to the secondary pooling event during the period, the firm has complied with the rules in [CASS 5.6] [CASS 7A (client money distribution)] [and] [CASS 11.13 (the debt management client money distribution rules)] in relation to that pooling event.

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Other matters

The report should be read in conjunction with the Breaches Schedule that we have prepared and which is appended to it. [Our opinion expressed above does not extend to the Breaches Schedule.]

[*Signature of the partner/individual with primary responsibility within the audit firm*]
[*Typed name of signing individual*]

for and on behalf of [*Name of the audit firm*]

[*registered office*]

[*Date report*]

Instructions for Part 1:

* If the auditor expresses an adverse opinion (i.e. states the firm 'did not maintain...' or 'was not in compliance...') he must set out the reasons why. This can be done by reference to items in columns A to D in Part 2 of the auditor's report on client assets.

If the auditor expresses a qualified opinion (i.e. states 'that except for, the firm did maintain' or 'that except for, the firm was in compliance') he must do so by reference to items in columns A to D in Part 2 of the auditor's report on client assets.

** In accordance with SUP 3.10.5R(3), the opinion relating to the nominee company is only required to be included in the case of a nominee company in whose name custody assets are registered where that company is a subsidiary of an investment management firm, personal investment firm, a UCITS firm, securities and futures firm, firm acting as a depositary of an AIF or a UCITS or BIRPU investment firm.

Auditor's client assets report Part 2 – Breaches Schedule

Part 2: Identified CASS Breaches that have occurred during the period

[*Firm name*], firm reference number [*number*], for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*]

In accordance with SUP 3.10.9AR, Columns A to D are to be completed by and are the responsibility of the auditor. In accordance with SUP 3.11.1G, Column E should be completed by the firm. The auditor has no responsibility for the content of Column E.

Column A	Column B	Column C	Column D	Column E
Item No.	Rule Reference(s)	Identifying party	Breach Identified	Firm's Comment
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...				

Instructions for Part 2:

In Columns A to D of the above schedule the auditor is to set out all the breaches of CASS by the firm occurring during the period subject to the auditor's report. These must include the breaches the auditor has identified through its work (such as in the sample testing of reconciliations) and breaches identified by the firm or any other party (such as those included in the firm's breaches register). In relation to any breach identified, the auditor must provide in Column D any information that it has as respects the severity and duration of the breach identified and, where relevant, the frequency with which that breach has occurred.

The auditor must provide a 'nil' return for this part of the report where no CASS rule breach has been identified.

In Column E the firm should set out any remedial actions taken (if any) associated with the breaches cited, together with an explanation of the circumstances that gave rise to the breach in question.