

Consultation Paper

CP14/9*

Client Money held in Individual Savings Accounts

June 2014



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We are asking for comments on this Consultation Paper by 25 June 2014.

You can send them to us using the form on our website at:
www.fca.org.uk/your-fca/documents/consultation-papers/cp14-09-response-form

Or in writing to:

Jane Moore and Yujin Baskett
Client Assets & Wholesale Conduct Department
Markets Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email: cp14-09@fca.org.uk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: www.fca.org.uk. Or contact our order line for paper copies: 0845 608 2372.

Abbreviations used in this paper

CASS	Client Assets sourcebook
CBA	Cost benefit analysis
CMAR	Client Money and Asset Return
CP	Consultation Paper
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services Market Act 2000 (as amended)
HMRC	Her Majesty's Revenue and Customs
ISA	Individual Saving Account
MiFID	European Parliament and Council Directive on Markets in Financial Instruments Directive (No. 2004/39/EC)
NISA	New Individual Saving Account
PRA	Prudential Regulation Authority
PS	Policy Statement

1. Overview

Introduction

- 1.1** Currently, all money held within stocks and shares Individual Savings Accounts (ISAs) must be held for the purpose of investing in qualified investments as set out in the ISA regulations. This creates clear separation between cash ISAs and stocks and shares ISAs. The changes announced in the 2014 Budget will soon allow cash savings to be held in stocks and shares ISAs, permitting individuals to use stocks and shares ISAs for both deposit and investment purposes.¹ This change has implications for the FCA's client money rules.
- 1.2** These changes may cause ambiguity to the status of the money investment firms managing stocks and shares ISAs held within the ISA wrapper. Client money rules require firms to hold client money under a statutory trust separately from money which is not client money. Following these changes, at any one point in time, it may not be clear whether money held within a stocks and shares ISA is either deposit money or held for the purpose of investment. Money held for the purposes of investment would be client money (and subject to the client money rules), whereas money held for non-investment purposes would not be client money.
- 1.3** We are therefore consulting on a proposal that all monies investment firms hold within stocks and shares ISAs should be held as client money. If these rules remain unchanged, the changes announced in the Budget would require firms to separate client money from non-client money within the ISA wrapper.
- 1.4** In addition, having observed varying practices within the industry in relation to how investment firms are holding cash ISA monies, we are proposing an option to allow these firms to hold cash ISA money as client money.
- 1.5** The ISA changes are coming into force on 1 July 2014, which limits the length of our consultation period. Subject to feedback, we propose amending the relevant FCA client money rules as set out in this CP to facilitate the forthcoming ISA changes before this date.

Who does this consultation affect?

- 1.6** You should read this paper if you are an ISA manager who manages either stocks and shares ISAs or cash ISAs and hold, or wish to hold, those monies as client money. It does not affect ISA managers who hold any money within ISAs they manage as deposits with themselves.
- 1.7** This consultation is also relevant to deposit takers of money held within ISAs managed by investment firms.

¹ Her Majesty's Revenue and Customs' bulletin regarding changes to ISAs: www.hmrc.gov.uk/isa/bulletin57.pdf

Is this of interest to consumers?

- 1.8** This consultation may be of interest to consumers who currently have an ISA or may consider one in future.
- 1.9** While the proposed changes apply to the management of ISAs, they will not have any material impact on the holders of the ISAs themselves. Consumers will largely see no difference in the day-to-day operation of their ISA(s).
- 1.10** However, there are significant differences in the maximum level of protection provided by the FSCS, depending on whether consumers hold their cash savings in cash ISAs or in stocks and shares ISAs.

Context

- 1.11** An ISA is a scheme of investment managed in line with the ISA Regulations 1998 and predominately overseen by HMRC. There are two types of ISAs: cash ISAs and stocks and shares ISAs. Both are tax wrappers. The ISA manager holds investments and claims repayment of income tax deducted at source. At the end of 2012-13 the market value of adult ISA holdings stood at £443 billion. These holdings are split almost equally between cash ISAs and stocks and shares ISAs. Currently there are 364 ISA managers who are authorised by HMRC to manage stocks and shares ISAs.²
- 1.12** ISA managers can be deposit takers (such as banks) or non-deposit takers (such as investment firms). Investment firms managing stocks and shares ISAs are required to treat such funds as client money, as currently all money within stocks and shares ISAs must be held for the purpose of investment. The definition of client money includes money received or held by the firm for the purposes of its Markets in Financial Instruments Directive (MiFID) or designated investment business.³ It does not include money held by the firm for clients other than for the purposes of this business, such as for cash savings.
- 1.13** On 19 March 2014, the Government announced that ISAs would be reformed into the New Individual Savings Accounts (NISAs). From 1 July 2014, the subscription limits for how much individuals may save in an ISA (either cash or stocks and shares) will be raised to £15,000 per year, while money in a stocks and shares ISA can be held within the stocks and shares ISA for non-investment purposes. This allows consumers to use stocks and shares ISAs as a combination for both deposit and investment purposes, removing the hard distinction between a cash ISA and a stocks and shares ISA. Purely 'cash only' ISAs will continue to exist.
- 1.14** The changes announced in the Budget will have client money implications to the operation of ISAs, which we are addressing in this CP.
- 1.15** There may also be implications of the proposed ISA changes for Financial Services Compensation Scheme (FSCS) coverage available to consumers. The FSCS may provide compensation for a shortfall in client money held by a firm in connection with designated investment business, such as money held by an ISA manager in connection with a stocks and shares ISA should the ISA manager fail. Following the proposed changes, the FSCS may also provide compensation where the money is held as cash savings within a stocks and shares ISA, provided the contractual

² For list of authorised ISA managers see: www.hmrc.gov.uk/isa/isa-managers.pdf

³ For CASS 7 definition of Client Money, see: <http://fshandbook.info/FS/glossary-html/handbook/Glossary/C?definition=G160>

arrangements between the client and the ISA manager are such that the money could potentially be invested in other assets.

- 1.16** However, there will be a difference in protection between consumers who use a cash ISA managed by a deposit taker for their cash savings (where the £85,000 limit for deposits applies where a deposit taker fails) and those who choose to use a stocks and shares ISA for their cash savings (where the limit will be £50,000 should the investment manager fail). In the latter case, if the cash is on deposit and the deposit taker fails, then the compensation limit will be £85,000. Consumers (or their agents) will decide the balance between cash and investments held in a stocks and shares ISA.
- 1.17** Where a firm which does not have deposit-taking permissions (such as an asset management firm) manages a cash ISA, then there is no FSCS protection if the firm fails and this results in losses for consumers. As above, if the money has been placed on deposit with the firm or any other deposit taker, then the £85,000 limit would apply should that deposit taker fail. So firms that do not have deposit taking permissions and which manage cash ISAs must explain this to their customers, and take measures to ensure that such money is segregated in the event that the firm fails (either by opting into the client money regime, or otherwise by employing a trust or nominee structure).
- 1.18** Firms should explain these changes clearly to their customers. We will work with the FSCS to ensure that its website and consumer contact centre provide relevant information to consumers and will do the same for the FCA website and contact centre.

Summary of our proposals

- 1.19** We propose rule changes that will affect investment firms managing ISAs:
- requiring all investment managers who hold any money within stocks and shares ISAs to hold these sums as client money
 - allowing investment firms who manage cash ISAs to opt-into the Client Assets sourcebook (CASS) regime and elect to hold money in cash ISAs as client money, and
 - excluding any money held as client money by ISA managers from rules preventing firms from holding client money as unbreakable term deposits with terms of longer than 30 days
- 1.20** Following a two-week consultation period and consideration of feedback, we intend to publish a Policy Statement as soon as possible, with the aim of bringing any changes in line with the changes to the ISA regulations.
- 1.21** We note that while our proposed changes will apply the client money regime to all money held within stocks and shares ISAs, many consumers may prefer to continue to hold separate accounts for cash, and stocks and shares.
- 1.22** The proposed changes to CASS rules are designed to advance our objectives of:
- securing an appropriate degree of protection for consumers, and
 - promoting effective competition in the interests of consumers.

- 1.23** As part of Policy Statement (PS) 14/9, we are making changes to the client money rules which come into force in stages, with the final changes taking effect on 1 June 2015. The rule changes to the client money regime in PS14/9 should not affect those proposed in this CP.

Equality and diversity considerations

- 1.24** Under the Equality Act 2010, we are required to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions.
- 1.25** As part of this, we have assessed the likely equality and diversity impacts and rationale of these proposals through an Equality Impact Assessment, and concluded they do not give rise to any concerns for particular groups as a result of any protected characteristic. Comments are still welcome.

Future plans

- 1.26** If we identify problems following the introduction of changes to the client money rules in respect of ISAs, we will act quickly to reduce the risk of harm to consumers, either through supervision and enforcement action with individual firms or by introducing new rules. We propose to further consider the impact of the client money distribution rules on money held as client money within ISAs over the course of the summer and to issue a further consultation paper should we propose changes to this regime.

Next steps

- 1.27** We are seeking feedback to our proposed amendments to client money rules. Please send us your comments or feedback by 25 June 2014. Changes to the ISA Regulations are due to come into force on 1 July 2014.

How?

- 1.28** Use the online response form on our website or write to us at the address on page 2.

What will we do?

- 1.29** We will consider your feedback and publish our rules in a Policy Statement as soon as possible after that.

2.

Proposed changes to the client money rules

- 2.1** In this chapter we set out the changes we are proposing to make to the client money rules and the implications of those changes on the FSCS protection for consumers who hold money in ISAs.

Stocks and shares ISAs

- 2.2** Currently, all money held within a stocks and shares ISA must be held for the purpose of investing in qualified investments as set out in the ISA regulations. This creates clear separation between a cash ISA and a stocks and shares ISA. The changes announced in the 2014 Budget will allow money in a stocks and shares ISA to be held for the purposes of investment (falling within the definition of client money), or it may be held as cash savings (in this case, by the ISA manager depositing the money with a third party).
- 2.3** These changes may cause ambiguity to the status of the money investment firms managing stocks and shares ISAs held within the ISA wrapper. Money held for the purposes of investment would be client money (and subject to the client money rules), whereas money held for non-investment purposes would not be client money. Currently the CASS rules require firms to hold client money under a statutory trust separately from money which is not client money. Under the upcoming ISA changes, it may not be clear whether money held in a stocks and shares ISA is either client money or not.
- 2.4** Money held in a stocks and shares ISA for the purposes of designated investment business should be protected to a maximum value of £50,000 by the FSCS should the ISA manager fail. With the changes to the ISA regime, customers may ask ISA managers to hold cash savings in stocks and shares ISAs. Unless the contractual arrangements between the consumer and the ISA manager provide for this cash to be available for investment, the cash will not benefit from FSCS protection should the ISA manager fail. Firms must make clear to customers the implications of and risks involved in any such arrangement.
- 2.5** We propose to amend the client money rules so that all money held within stocks and shares ISAs is client money and that firms must hold and protect these sums in line with the client money rules.

Q1: Do you agree with our proposal to require all money held within stocks and shares ISAs managed by investment firms to be held as client money? If not, please provide reasons?

Cash ISAs

- 2.6** We have seen varying practices as to how investment firms who manage cash ISAs are holding the money.
- 2.7** Although the money does not relate to investment business, some hold the money as client money, whereas others have set up private trust arrangements and others set up a nominee structure to receive and hold the money for clients. While all these structures provide some protection to clients in the event of the firm's insolvency, we believe that the current practice of some firms holding the money as client money may cause significant issues should the relevant ISA manager fail. These may include a lengthy and costly debate about whether the money should have been held as client money and whether it should be subject to the client money distribution rules.
- 2.8** Cash ISAs held by deposit-taking firms may be covered by FSCS protection to a maximum of £85,000 if the deposit taker fails. However, and as previously set out, non-deposit taking ISA Managers holding consumer cash in cash ISAs or in stocks and shares ISAs are not carrying out the regulated activity of deposit taking, and may not be carrying out designated investment business (depending on the terms of the contract). So there is a risk that cash held by such ISA Managers will not benefit from FSCS protection should the ISA Manager fail.
- 2.9** To avoid any unnecessary delay should an investment firm fail, and to ensure that money is appropriately protected, we propose to amend the client money rules to allow investment firms who manage cash ISAs to opt-into the CASS regime and hold the money in cash ISAs as client money. Firms must notify its cash ISA customers if the firm has decided to make use of this opt-into client money rules for cash ISAs.

Q2: **Do you agree with our proposal to allow money held within cash ISAs managed by investment firms to be held as client money? If not, please provide reasons?**

Unbreakable term deposits

- 2.10** Given that consumers may wish to hold money in unbreakable term deposits within their ISA wrapper, and that ISA managers who are deposit takers may be able to offer these types of products, we are proposing that any money within the ISA wrapper held as client money by ISA managers will be excluded from the rules being introduced into the CASS regime that prohibit firms from holding client money in unbreakable term deposits for terms of longer than 30 days. While under these proposals firms will not be prohibited from holding ISA client money in unbreakable term deposits, they will need to consider the requirements of treating customers fairly and any instructions received from clients.

Q3: **Do you agree with our proposal to disapply the rules around unbreakable term deposits to money held within ISAs? If not, please provide reasons?**

Annex 1

Cost benefit analysis

Sections 138I and 138J of the Financial Services and Markets Act (FSMA) require us to publish a cost benefit analysis (CBA) when proposing draft rules, unless there will be no increase in costs or an increase in costs of minimal significance.

1. As set out below, we do not expect the changes proposed in this CP impose significant incremental compliance costs on firms.
2. Under the proposed changes, ISA managers who are not deposit takers (mainly investment managers) who hold cash within stocks and shares ISAs will be required to hold these sums as client money. We expect this change will permit firms to operate largely as they do under current rules and should not impose incremental compliance costs on affected firms.
3. This proposed change should result in affected firms avoiding significant costs, as absent this change, they would have to identify and separate cash held for the purpose of investment (which is treated under current rules as client money) from cash savings held as deposit (currently not treated as client money). This would require firms to continuously monitor cash holdings, discuss with individuals each time funds are placed in a stocks and shares ISA whether it is for the purpose of investment, and potentially undertake costly system changes for holding different types of cash separately.
4. We also expect that this proposed change, by avoiding such costs, will make it easier for affected firms to hold cash (which is not for the purpose of investment business) within a stocks and shares ISA wrapper, in response to consumer demand (whereas otherwise they may be prevented from doing so).
5. Allowing investment firms who manage cash only ISAs to opt-into the CASS regime provides investment firms with more flexibility in how they protect the money held within a cash ISA. As such, this proposed change should reduce compliance costs on affected firms compared to under our current rules.
6. However, we acknowledge that bringing the cash element of ISAs into the client money regime will subject it to the client money distribution rules should the investment firm fail. Clients who hold cash in an ISA which is subject to the client money rules may therefore be exposed to any shortfall in the client money pool. However, we expect that this risk is small with the given the historic failure rate of investment firms which are ISA managers.
7. Finally, we propose to allow cash held within ISAs as client money to be held in unbreakable term deposits of more than 30 days. This is an exemption from our rules that prohibit firms from holding client money in unbreakable term deposits for longer than 30 days. Without this change, we consider ISA managers who are investment firms would be placed at a competitive disadvantage to ISA managers who are deposit takers, as the former would be unable to hold client money in longer unbreakable term deposits that offer higher interest rates to consumers, whereas the latter could.

8. We note this exemption might have an impact on speed of distribution of client money should the firm fail, but overall we expect the risks to be minimal.

Q4: What are your views on the benefits and costs of these proposals? Please provide explanations and qualitative evidence to support your response where appropriate.

Annex 2

Compatibility statement

Compatibility with the FCA's general duties

1. This annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. We are required by section 138I(2)(d) of FSMA to explain why we believe our proposed rules are compatible with our strategic objective, advance one or more of our operational objective, and have regard to the regulatory principles in section 3B of FSMA. We are also required by section 138K(2) of FSMA to state whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. The proposals in this CP are intended to advance our operational objectives of securing appropriate levels of consumer protection, and promoting effective competition in the interests of consumers.
4. In preparing the proposals set out in this CP, we have had regard to the regulatory principles set out in s. 3B of FSMA and the importance of taking action intended to minimise financial crime as part of s. 1B(5)(b) of FSMA.
5. We recognise ISAs are an investment and savings scheme used by many UK residents. These changes intend to align the compatibility of current CASS rules with the changes announced in the 2014 Budget with minimal impact. Our proposed rules allow firms to continue operating as they currently do, while consumers will not see any material difference to their ISA(s) as a result of our changes. We will not require firms to implement extensive and potentially costly systems changes to identify, separate and monitor client money from non-client money held within stocks and shares ISAs, should firms wish to take advantage of the Budget changes.
6. By proposing to disapply the rules surrounding the use of unbreakable term deposits to money held within ISAs, we would allow ISA managers who are investment firms to offer similar products to their clients as deposit takers who may be able to hold monies in unbreakable term deposits. We do not wish to prohibit consumers from investing in a permitted product within an ISA, and intend for consumers to continue to be offered a range of competitive ISA-related products. We therefore think that our proposals would have a positive impact on competition.
7. We sought to secure an appropriate degree of protection for consumers by bringing all money held in a stocks and shares ISA under the client money regime, thus removing uncertainty for both firms and consumers. FSCS protections will not change under our proposed rule changes. In the event of firm failure of an investment firm managing ISAs, CASS 7 and 7A client money distribution rules would apply to all monies held within a stocks and shares ISA, not just which are held for the purpose of investment (as under the current CASS regime).

8. We decided on a two-week consulting period to balance the need to seek feedback from firms and industry associations on our proposals, and amend CASS rules as soon as possible given the ISA changes coming into force on 1 July 2014.
9. At present, there are a small number of UK mutual societies that offer ISAs. We anticipate the impact on them to be minimal and expect them to comply with our proposed rules in the same way as other regulated ISA investment firms and deposit takers.

Annex 3

List of questions

- Q1:** Do you agree with our proposal to require all money held within stocks and shares ISAs managed by investment firms to be held as client money? If not, please provide reasons?
- Q2:** Do you agree with our proposal to allow money held within cash ISAs managed by investment firms to be held as client money? If not, please provide reasons?
- Q3:** Do you agree with our proposal to disapply the rules around unbreakable term deposits to money held within ISAs? If not, please provide reasons?
- Q4:** What are your views on the benefits and costs of these proposals? Please provide explanations and qualitative evidence to support your response where appropriate.

Appendix 1

Draft Handbook text

CLIENT ASSETS SOURCEBOOK (AMENDMENT NO 6) INSTRUMENT 2014

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137B (FCA general rules: clients’ money, right to rescind etc);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force as follows:
- (1) Annex A and Part 1 of Annex B to this instrument come into force on 1 July 2014.
 - (2) Part 2 of Annex B to this instrument comes into force on 1 June 2015.

Amendments to the FCA Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Client Assets sourcebook (CASS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Client Assets Sourcebook (Amendment No 6) Instrument 2014.

By order of the Board of the Financial Conduct Authority
[date]

Annex A

Amendments to the Glossary of definitions

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

Comes into force on 1 July 2014

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

stocks and shares a firm's activities, in its capacity as an *ISA manager*, in connection with *ISA business* an *ISA* which contains only a *stocks and shares component* and is not either or both *MiFID business* and *designated investment business*.

Amend the following definition as shown

client money ...

- (2A) (in *FEES*, *CASS 6*, *CASS 7*, *CASS 7A* and *CASS 10* and, in so far as it relates to matters covered by *CASS 6*, *CASS 7*, *COBS*, *GENPRU* or *IPRU(INV)*) subject to the *client money rules*, *money* of any currency:
 - (a) that a *firm* receives or holds for, or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*; or
 - (b) ~~which that~~, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds for a *client*; or
 - (ba) that a firm receives or holds for, or on behalf of, a client in the course of, or in connection with, its stocks and shares ISA business; or
 - (c) ~~which that~~ a *firm* treats as *client money* in accordance with the *client money rules*.

Annex B

Amendments to the Client Assets sourcebook (CASS)

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

Part 1: Comes into force on 1 July 2014

7.1 Application and purpose

- 7.1.1A R This chapter applies to a *firm* that receives *money* from or holds *money* for, or on behalf of, a *client* in the course of, or in connection with, its:
- (1) *MiFID business*; and/or
 - (2) *designated investment business*; and/or
 - (3) *stocks and shares ISA business*;
- unless otherwise specified in this section.
- ...

Opt-in to the client money rules

- 7.1.3 ...
- (1B) ...
 - (1C) (a) A firm may elect to comply with all the provisions of this chapter for money that it receives or holds in respect of an ISA that only contains a cash deposit ISA.
 - (b) Where a firm makes an election under (a), this chapter applies to it in the same way that it applies to a firm that receives and holds money in the course of or in connection with its MiFID business.
- ...

- 7.1.3B R Where a firm opts into this chapter under CASS 7.1.3R(1C) it must notify clients for whom it holds the opted-in money that it is holding their money in accordance with the client money rules.

- 7.1.4 G The opt-in to the *client money rules* in this chapter does not apply in respect of *money* that a *firm* holds outside of either the:
- (1) scope of the *insurance client money chapter*; or
 - (2) relevant cash deposit ISA wrapper;

as the case may be.

...

- 7.1.6 G (1) A firm that is only subject to the *insurance client money chapter* may not opt to comply with this chapter under CASS 7.1.3(1) and CASS 7.1.3(1B).
- (2) Under CASS 7.1.3R(1C) a firm may opt to comply with this chapter regardless of whether it is otherwise subject to the *client money rules*.

7.4 Segregation of client money

...

- 7.4.11A R ...

- (4) Paragraphs (2)(b) and (3) do not apply in respect of *client money received or held by a firm*:
- (a) in its capacity as a *trustee firm*; or
 - (b) in respect of its *stocks and shares ISA business*; or
 - (c) in respect of *money* opted into this chapter in accordance with CASS 7.1.3R(1C).

Part 2: Comes into force on 1 June 2015

7.10 Application and purpose

- 7.10.1 R This chapter applies to a firm that receives *money* from or holds *money* for, or on behalf of, a *client* in the course of, or in connection with, its:
- (1) *MiFID business*; and/or
 - (2) *designated investment business*; and/or
 - (3) *stocks and shares ISA business*;
- unless otherwise specified in this section.

...

Opt-in to the client money rules

7.10.3 ...

(2) ...

(2A) (a) A firm may elect to comply with all the provisions of this chapter for money that it receives or holds in respect of an ISA that only contains a cash deposit ISA.

(b) Where a firm makes an election under (a), this chapter applies to it in the same way that it applies to a firm who receives and holds money in the course of or in connection with its MIFID business.

...

7.10.3A R Where a firm opts into this chapter under CASS 7.10.3R(2A) it must notify clients for whom it holds the opted-in money that it is holding their money in accordance with the client money rules.

7.10.5 G The opt-in to the *client money rules* in this chapter does not apply in respect of *money* that a *firm* holds outside of either the:

- (1) scope of the *insurance client money chapter*; or
- (2) relevant cash deposit ISA wrapper;
as the case may be.

7.10.7 G (1) A *firm* that is only subject to the *insurance client money chapter* may not opt to comply with this chapter under CASS 7.10.3R(1) and CASS 7.10.3R(2).

(2) Under CASS 7.10.3R(2A), a firm may opt to comply with this chapter regardless of whether it is otherwise subject to the client money rules.

7.13 Segregation of client money

7.13.13 R ...

(4) Paragraphs (2)(b) and (3) do not apply in respect of *client money received or held by a firm*.

- (a) in its capacity as a *trustee firm*; or
- (b) in respect of its *stocks and shares ISA business*; or
- (c) in respect of *money* opted into this chapter in accordance with *CASS 7.10.3R(2A)*.

PUB REF: 004895

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