

# Client Money Health Check

**The Client Money Health Check is not an exhaustive checklist but is designed to help firms assess their understanding of client money and how it should be protected. The Health Check can help firms identify any areas of weakness in their systems and controls for protecting client money.**

SETTING UP TRUST ACCOUNTS		Yes	No
1	Have you set up a separate bank account for client money?		
2	Does the title of your client money account(s) distinguish it from other accounts of your firm for example, by including the words 'client' or 'client money'?		
3	Do you have in writing from your bank confirmation that all money held is held by your firm as trustee (or in Scotland as agent)?		
4	Do you have the bank's written confirmation that the bank is not entitled to combine the client money account(s) with any other account or to exercise any right or set-off or counterclaim against money in that account in respect of any sum owed to it on any other account of the firm?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- Set up a trust bank account with your firm as trustee (or in Scotland as agent); and
- Protect client money from any claims on it by your bank.

If you answered no to any question, you are likely to have a more limited understanding about how to protect your clients' money and we recommend you read Chapter 1 of the Guide to Client Money for General Insurance Intermediaries or alternatively take the e-learning course.

## Client Money Health Check

CLIENT MONEY TRANSACTIONS		Yes	No
1	Do you pay all money into a client trust bank account on the day you receive it or by close of business the following day?		
2	Do you ensure money received by automated transfer is received into a client trust bank account?		
3	Do you pay mixed remittances (a payment comprising money for insurance products and money for some other service or goods) into a client trust bank account?		
4	Do you remove money for other goods or services and money owed to your firm (for example, fees) as soon as possible and at least every 25 business days or when the client money calculation is done (whichever is sooner)?		
5	Do you treat unidentified transactions as client money until you can identify them?		
6	Do you repay money to clients when due?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- protect client money as soon as you become responsible for it even when you are uncertain about whether it is client money; and
- keep clients' money separate from your firm's money.

If you answered no to any question, you are likely to have a more limited understanding about how to protect your clients' money and we recommend you read Chapter 2 of the Guide to Client Money for General Insurance Intermediaries or alternatively take the e-learning course.

CLIENT MONEY CALCULATION		Yes	No
1	Are you doing a client money calculation at least every 25 business days?		
2	Are you using your own up-to-date accounting records to calculate money owed to, and due from, insurers, clients, third parties?		
3	Are you including unearned commission when calculating the client money requirement?		
4	If your firm uses the client balance method of doing the calculation, can you identify individual client balances?		
5	Are you adding uncleared payments back into the client money resource and requirement?		
6	If you identify a shortfall when you complete the calculation, do you make good the deficit on the same day the calculation is done?		
7	If you identify a surplus when you complete the calculation, do you remove the surplus on the same day the calculation is done?		
8	Are you reconciling your client bank account records to your bank statement within 10 business days of doing the calculation?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- do a client money calculation regularly to verify that the amount of money held in your client trust bank accounts is enough to meet your liabilities to clients;
- ensure you use up-to-date accounting records to ensure the calculation is done accurately;
- ensure the client money requirement balances with the client money resource and if not, either top up or remove an excess from the client money trust account on the day of the calculation; and
- reconcile accounting records to bank statements and add uncleared payments back into the calculation.

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WITHDRAWING COMMISSION		Yes	No
1	Do you withdraw commission when it is due and payable – that is when the client's premium has been received and has cleared and in line with the insurer's terms and what you have told customers?		
2	When you receive premiums in instalments, do you only withdraw due and payable commission on the instalment received?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to know:

- when you can withdraw commission from the client trust bank account; and
- how much commission is due and payable.

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<b>HOLDING MONEY AS AGENT OF AN INSURER UNDER A RISK TRANSFER AGREEMENT</b>		<b>Yes</b>	<b>No</b>
1	Do you have a current, written and signed agreement in place with each insurer?		
2	Does each agreement specify what type of money is held as agent (for example, premiums, premium refunds and claims money)?		
3	If you want to mix or co-mingle money held as agent of an insurer with other client money, does the insurer agree in writing to co-mingling and does it subordinate its interests to your other clients?		
4	If you have appointed representatives, does each agreement specify that appointed representatives may hold money as agent of the insurer?		
5	If you have appointed representatives, does each agreement specify what type of money they can hold as agent?		
6	If your agreements do not reflect the types of money you or your appointed representatives want to hold as agent, have you contacted the insurer to get the agreement amended?		
7	Have you made interim arrangements for client money to be protected while you contact an insurer to amend the agreement to cover co-mingling or to reflect the types of money you want to hold as agent? (For example, segregating the money in a separate client trust bank account or arranging for the client to pay the insurer directly.)		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- ensure you have current, written and signed agreements in place with the insurers you want to hold money as agent of;
- check that the agreements cover the types of money you want to hold as agent and whether the agreement permits co-mingling; and
- ensure alternative arrangements are made to protect client money when an agreement does not cover co-mingling or reflects the types of money you want to hold as agent.

If you answered no to any question, you are likely to have a more limited understanding about how to protect your clients' money and we recommend you read Chapter 1 of the Guide to Client Money for General Insurance Intermediaries or alternatively take the e-learning course.

OPERATING A NON-STATUTORY TRUST ACCOUNT		Yes	No
1	Have you executed a formal trust deed which complies with our client money requirements?		
2	Do you have and maintain systems and controls which enable you to monitor and manage client money transactions and any credit risk arising (for example, have you provided for bad debts)?		
3	Do you have procedures for overpayment or underpayment by clients; and for unallocated funds or unidentified funds?		
4	Have you appointed a manager to oversee the day to day running of the non-statutory trust client account and to oversee the systems and controls?		
5	If you handle client money for retail customers, can you meet the higher capital resource requirement of £50,000 or, if higher 5% of annual income from regulated activities?		
6	Have you got, and do you keep current, written confirmation from your auditor that you have systems and controls in place which are adequate to ensure you can monitor and manage client money transactions and any credit risk arising?		
7	Do your terms of business or client agreement adequately explain that you hold money in a non-statutory trust account and have you obtained your clients' consent to holding money this way?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- have executed a non-statutory trust deed;
- ensure you have procedures that enable you to manage and monitor the non-statutory trust account in particular the risks that can arise from advancing credit from the account;
- ensure you meet the audit and higher capital resource requirements; and
- ensure customers are told about how their money is held.

If you answered no to any question, you are likely to have a more limited understanding about how to protect your clients' money and we recommend you read Chapter 1 of the Guide to Client Money for General Insurance Intermediaries or alternatively take the e-learning course. You may also find it helpful to look at:

- MIPRU 4.2 for information about capital resources;
- SUP 3.10.1R-3.10.13G for information about audit reports
- SYSC 3.2 for information about systems and controls

## Client Money Health Check

SYSTEMS AND CONTROLS		Yes	No
1	Do you have written procedures for handling client money?		
2	Are staff involved in your firm's client money handling arrangements aware of the procedures and their responsibilities?		
3	Are staff competent to perform their role?		
4	Are these staff monitored in their work?		
5	Are you aware that you need a client money audit if you hold £30,000 or more in the statutory client bank account at any time in the client money audit reporting period?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- to be able to manage and monitor client transactions and the staff involved; and
- be aware of when an audit is required.

If you answered no to any question, you are likely to have a more limited understanding about how to protect clients' money and we recommend you read the Guide to Client Money for General Insurance Intermediaries or alternatively take the e-learning course. You may also find it helpful to look at:

- SUP 3.10.1R-3.10.13G for information about audit reports
- SYSC 3.2 for information about systems and controls

KEEPING CLIENTS INFORMED		Yes	No
1	If you hold money as agent of an insurer, are you informing clients in your terms of business or client agreement and are you specifying what money you hold as agent?		
2	Do you tell retail clients in your terms of business or client agreement what your policy is on interest earned on client money accounts?		
3	If you keep interest earned on client money accounts and expect to earn more than £20 interest per transaction, do you tell retail clients?		
4	If you hold money in a designated client account, do you ask clients to confirm in writing that they consent to money being held at a particular bank in a designated client account?		
5	If you pass retail clients' money to a third party in the UK do you inform them in writing of this?		
6	If retail clients' money leaves the UK either to pay a third party or to deposit it in a foreign bank, do you notify them of the differences to how their money will be treated overseas and their right to request their money does not leave the UK?		

If you answered mostly yes to these questions, you probably have most of the basic systems in place to:

- Ensure customers are informed about matters that affect their money.

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