

Welcome

Welcome to Haslers Focus on...bulletin, looking at news and information relevant to specific business and industry sectors.

This Focus on FSA Regulated

Businesses bulletin takes a look at the new rules on storing client money and proposed changes to the rules governing with-profit funds.

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Businesses, or would like to know more about our services or how we can help you, please contact us on **020 8418 3333** or email **Laurence Jacobs** (Partner, Business Services Group) **Laurence.jacobs@haslers.com**.

Ensure compliance with the new client money rules



New rules to protect the assets and money held on behalf of clients are being phased in during the course of this year. From June, there has been a 20 percent limit on intra-group bank deposits and the named individual appointed to oversee the CASS function has had to submit an electronic client

money and assets return (CMAR) on a monthly basis for medium and large firms, or bi-annually for small firms.

Additionally, the new regulations now require prime brokerage agreements to feature a disclosure annex which summarises the rehypothecation clauses, and prime brokers to provide clients with daily reports on their assets and money.

There is also a ban on the use of general liens and rights of retention or sale of assets in custody agreements, which aims to protect clients should the firm become insolvent.

As the Financial Services Authority (FSA) has stepped up its supervision of this area, with an increased likelihood of fines, firms need to ensure their compliance with CASS.

FSA consults on changes to with-profit rules



The Financial Services Authority (FSA) has completed a consultation process regarding the introduction of stricter regulations for companies that manage with-profit policies. The proposals were based on the findings of last year's review into how firms treat their policyholders, and sought to provide them with further protection.

One of the main areas of contention was market value reductions, which penalise individuals for cashing their policy in earlier than expected. The proposals aimed to ensure firms can only use such reductions when the face value of the policy is greater than the underlying assets.

In addition, firms will not be able to build up excess surpluses to subsidise other parts of their operations. If they do, the funds will need to be distributed fairly amongst the policyholders. As they

have been perceived as losing out to shareholders during previous distributions, the FSA was looking for all large funds to be overseen by an independent committee and a specialist actuary, with boards and governing bodies being required to obtain independent advice from them on the management of funds.

The FSA will now draft rules and guidance based on the responses to this process, with the aim of publishing a Policy Statement this autumn.

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