

What is CMAR any way?

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The purpose of the Client Assets Sourcebook (CASS) is to ensure that client money and assets are always protected. Importantly, all money and assets held for a client can be returned promptly, particularly if the firm should fail.

Following the failure of investment firms during the financial crisis, it took several years to return client assets and client money and some clients even suffered significant losses. This prompted regulators to update the protections for client assets and money.

CASS Requirements:

CASS rules cover the requirements upon firms who hold or control client assets or client monies, referred to as CASS firms. The obligations touch many firms covering a variety of business processes and services. The rules also vary in that some are precise requiring specific action or controls to be implemented, whereas others may be broader and provide flexibility allowing an appropriate response from firms.

There are several responsibilities including, but not limited to:

- ensuring the submission of accurate CMARs
- producing CASS Resolution Packs and providing annual confirmations to your boards that these are up-to-date and
- ensuring adequate systems and controls are in place to allow compliance with the requirements.

CMAR Purpose:

One requirement which can cause issues is the Client Money and Assets Return (CMAR). Under the requirements, CASS firms are required to assess and determine their CASS category each year ([CASS 1A.2.7R](#)). This is based on the size of the client money or client assets being held. As prescribed by [SUP 16](#), those deemed to be medium and large CASS firms must complete a Client Money and Assets Return (CMAR) each month, within 15 business days of the end of each calendar month.

If your firm holds client money equal to or exceeding £1m, or assets worth more than £10m, then you must complete a monthly Client Money and Asset Return (CMAR).

Whilst the CMAR report is a legal requirement, it can also be a useful business tool as it can help firms understand their CASS position. This can help firms to manage their risks relating to third-party oversight as well as monitoring solvency. Both are high on the regulatory agenda.

The regulators see CMAR as a monitoring tool to aid the supervision of CASS firms' client money and asset positions. CMAR provides them with an overview of a CASS firm's client holdings and positions. More importantly, it helps the regulator to identify any trends and to intervene when required.

Collating Data:

The CMAR contains the following data sets:

- Value of client money
- Value of client assets
- Number of clients
- Highs and lows during the period
- Number of acknowledgement letters
- Reconciliation breaks
- Outsourcing arrangements
- Auditors
- Notifiable breaches during the period

Given the volume of data to be provided, it's vital that firms can collate this information in a timely manner from various systems and sources. It's equally important that the data submitted is accurate.

It's worth noting the requirements of [Principle 10](#) of the FCA's 11 Principles for Businesses, which states that:



A firm must arrange adequate protection for clients' assets when it is responsible for them.

This is an overarching requirement in addition to the CASS rules. All relevant client assets (including money) that a firm holds on behalf of its clients must be protected. Firms must have systems, operational procedures and controls, and oversight arrangements to protect client assets and money.

Some firms outsource to third-party administrators some or all the administrative tasks associated with client assets. If a firm chooses to outsource its administrative functions, it is still wholly responsible for applying Principle 10 and all the relevant CASS rules.

As a reminder of what could go wrong, think back to 2016. The [FCA fined Aviva Pension Trustees UK Ltd and Aviva Wrap UK Ltd](#) the sum of £8.2 million for failings in their protection of client assets oversight – with some of the criticisms relating to their oversight of outsourced activity.

Firms must also demonstrate effective oversight of any outsourcing consistent with the SYSC rules. To fulfil these obligations, firms need to understand the requirements and have assurance that the reports submitted are accurate and reliable. They also need to use this information to identify when to take action in times of financial stress.

How Ruleguard can help you:

Ruleguard is an industry-leading software platform designed to help regulated firms manage the burden of evidencing and monitoring compliance. It has a range of tools to help firms fulfil their obligations across the UK, Europe and APAC regions.

We offer practical line-by-line mapping for client asset compliance in custody, client money, mandates and resolution packs.

Get in touch with the Ruleguard team to learn more on 020 3965 2166 or hello@ruleguard.com

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