

Sally Dewar
Managing Director
Risk

19 January 2010

Dear *[Name/ CEO/ To whom it may concern]*

Client Money & Asset report

I wish to draw your attention to our concerns over firms' handling of client money and assets and the action we expect your firm to take to address these concerns. Under FSA Principle 10 'A firm must arrange adequate protection for clients' assets when it is responsible for them'. A higher priority is being given to achieving compliance with client asset requirements because we are concerned that firms are not always achieving an adequate level of protection. We have already taken regulatory action where firms have not complied with our requirements. This intensive supervision will persist and we will continue to take action where we believe that client assets are not sufficiently protected.

In March 2009 we issued a Dear Compliance Officer letter to firms responsible for client money and client assets. In this letter we stated that we would visit a number of firms, focusing specifically on compliance with our client money and custody requirements (CASS). We have now undertaken this work and draw your attention to our findings and concerns, which we have published in the enclosed Client Money & Asset report.

Firm visits will continue throughout 2010 to firms with the relevant requirements and the FSA will conduct a number of consultations in regard to changing provisions within CASS. Please refer to section 3 of the report for further details.

What your firm needs to do

You should ensure the report is fully considered for its relevance to your business. The report outlines our findings from firm visits undertaken in the last nine months and concludes with an indication of the priority areas we intend focusing our resources on over the coming year. We expect the Board and, where appropriate, the Chair of the Risk Committee at your firm, to consider its content, as well as those who are responsible for risk and compliance with CASS. It should be made clear that these individuals are accountable for the protection of the firm's client money and client assets. Please make arrangements for them to see the report.

Comments and observations contained in the report are based on visits to a range of investment firms and insurance brokers. During these visits we reviewed senior management oversight; governance arrangements; record-keeping; acknowledgement of trust arrangements; due diligence; and diversification. The report also draws your attention to some of the broader reviews the CASS Risk team are looking at, including CASS audit reports, title transfer agreements, unallocated excess cash in segregated accounts, improved reporting and our work with the Treasury on the resolution regime for investment businesses.

We believe that the proper protection of client assets is vital. Please confirm that the content of this letter and report have been properly considered and that your firm is in compliance with its obligations regarding the protection of client money and assets by responding to the following email address: cass@fsa.gov.uk. This email should also contain the name and contact details of the person at your firm who has oversight responsibility for CASS compliance.

Yours sincerely,

A handwritten signature in black ink that reads "Sally Dewar". The signature is written in a cursive style with a large initial 'S'.

Sally Dewar
Managing Director, Risk