



Client Money Regulations

1. These Regulations are made by the Council on 28th April 2000 pursuant to Article 62 of the Association's Articles of Association (adopted by Special Resolution passed 28th April 2000).

2. COMMENCEMENT

These Regulations shall come into force on 1st August 2000.

3. DEFINITIONS

- 3.1 In these Regulations the following expressions shall have the following respective meanings:-

Articles	the Articles of Association of the Association adopted by Special Resolution passed on 28th April 2000;
Bank	(a) a branch in the United Kingdom of: the Bank of England; the Central Bank of another member State of the European Union; an authorised institution within the meaning of the Banking Act 1987; or a building society within the meaning of the Building Societies Act 1986 which has adopted the power to provide money transmission services and has not assumed any restriction on the extent of that power; and (b) a branch outside the United Kingdom of: a bank within the meaning of paragraph (a) above; a bank which is a subsidiary or parent company of such bank; or a credit institution (as defined in EEC Directive number 77/780) established in a member state of the European Union other than the United Kingdom, and duly authorised by the relevant supervisory authority in that member state; or a bank on the Island of Guernsey that is registered as a Deposit Taker under the Protection of Depositors (Bailiwick of Guernsey) Ordinance 1971; or a bank on the Island of Jersey (including a registered person under the Depositors and Investors (Prevention of Fraud) (Jersey) law 1967); or

Client	a bank on the Isle of Man (including a bank which is licensed under section 3 of the Banking Act 1975, as amended); a person in respect of whom there is no Insolvency Appointment at the relevant time;
Client Bank Account	an account with a Bank in the name of the Firm separate from other accounts of the Firm which may be either a general account or an account designated by the name of a specific Client or by a number or letters allocated to that account and which, in all cases, includes the word 'client' in its title;
Client Money	money of any currency held or received by a Firm from or on behalf of a Client;
Estate Account	an account with a Bank in respect of a person over which the Individual Member holds an Insolvency Appointment and shall include the Insolvency Services Account;
European Union	includes the European Economic Area where any provision relates to a matter to which the European Economic Area Agreement relates;
Principal	an Individual Member who is either a sole practitioner or a partner in a Firm which is a partnership or a director of a Firm which is a body corporate;

3.2 The following words and expressions shall have the same meaning as defined in the Articles:-

Association, Firm, Individual Member, Insolvency Appointment

3.3 References in these Regulations to any statutory provision shall include any statutory modification or re-enactment thereof

4. **OPENING A CLIENT BANK ACCOUNT**

On opening a Client Bank Account a Firm shall give written notice to the Bank concerned:

- 4.1 that all money standing to the credit of that account is held by the Firm as Client Money and that the Bank is not entitled to combine the account with any other account or to exercise any right to set-off or counterclaim against money in that account in respect of any sum owed to it on any other account of the Firm; and
- 4.2 that any interest payable in respect of sums credited to the account shall be credited to the account; and
- 4.3 requiring the Bank to acknowledge in writing that it accepts the terms of the notice.

5. **PAYMENT INTO A CLIENT BANK ACCOUNT**

- 5.1 Client Money received by a Firm as cash shall unless otherwise expressly directed by the Client be paid forthwith into a Client Bank Account.
- 5.2 Every other remittance received by a Firm which is drawn in favour of the Firm or of any Principal and which comprises or includes Client Money shall be paid forthwith into a Client Bank Account.
- 5.3 A Firm shall not pay any money into a Client Bank Account, unless
 - 5.3.1 the Firm is required or permitted to make such payment under these Regulations; or

- 5.3.2 the money is the Firm's own money and:
- 5.3.2.1 it is required to be so paid for the purpose of opening or maintaining the account and the amount is the minimum required for that purpose; or
- 5.3.2.2 it is so paid in order to restore in whole or in part any money paid out of the account in contravention of these Regulations.
- 5.4 A Firm shall not be regarded as having breached Regulation 5.3 simply because it transpires that money which the Firm paid into a Client Bank Account in the belief that it was required so to do under these Regulations should not have been paid into such an account, provided that immediately upon discovering the error the Firm takes the necessary steps to withdraw the money which has been paid into such account in error.
- 5.5 Where Client Money of any one Client in excess of £10,000 is held or is expected to be held by the Firm for more than 30 days, the Client Money shall be paid into a Client Bank Account designated by the name of the client or by a number or letters allocated to that account, unless the Client directs otherwise.
- 5.6 Subject to Regulations 5.8 and 6.1 if the aggregate amount of Client Money held or received by a Firm in respect of any one Client at any one time is such as would, if deposited in an interest bearing account at a rate no less than that from time to time posted publicly by the relevant Bank for small deposits subject to the minimum period of notice of withdrawals, result in or be likely to result in material interest being received thereon such sum shall be placed in an interest bearing Client Bank Account.
- 5.7 Subject to Regulations 5.8 and 6.1 all interest accruing to the sums placed in an interest bearing account (in accordance with Regulation 5.6 or otherwise) shall be accounted for to the Client concerned.
- 5.8 Regulations 5.6 and 5.7 shall not apply to Client Money held by a Firm as stakeholder.
- 5.9 In addition to payments in permitted by Regulation 5.3, the special nature of insolvency practice requires that the following money may be paid into a general Client Bank Account of the Firm:
- 5.9.1 cheques and drafts accountable to Estate Accounts but where the payee is incorrectly designated;
- 5.9.2 money received by a Firm the legal entitlement to which is uncertain;
- 5.9.3 money received in respect of an Insolvency Appointment but subject to conditions which prevent its being paid into an Estate Account;
- 5.9.4 money received in respect of an Insolvency Appointment but where the appropriate Estate Account has been closed or has not been opened.
- 5.10 All money paid into a general Client Bank Account pursuant to Regulation 5.9 shall be paid out or transferred to the appropriate Estate Account as soon as practicable.

6. PAYMENT OF INTEREST ON CLIENT MONEY

- 6.1 Regulations 5.6 and 5.7 shall not affect any agreement in writing, whenever made, between a Firm and a Client as to the payment of interest or money in lieu thereof on Client Money held or received by the Firm for that Client.
- 6.2 It shall be a breach of these Regulations if a Firm fails to comply with any of the terms of any such agreement as is referred to in Regulation 6.1.
- 6.3 For the purposes of Regulations 5.6 to 5.8, 6.1 and 6.2 Client Money held by a Firm for two or

more clients acting together in one or more transactions shall be treated as though held for a single client.

7. WITHDRAWALS FROM A CLIENT BANK ACCOUNT

- 7.1 When a remittance is paid into a Client Bank Account which includes money which is not Client Money, the money which is not Client Money shall be withdrawn from the account as soon as practicable.
- 7.2 Money shall not be withdrawn from a Client Bank Account except the following:
- 7.2.1 money, not being Client Money, paid into a Client Bank Account for the purpose of opening or maintaining the account;
 - 7.2.2 money paid into a Client Bank Account in circumstances which amount to a contravention of these Regulations or which would have so amounted but for Regulation 5.4 or 5.9;
 - 7.2.3 money required to be withdrawn under Regulation 7.1;
 - 7.2.4 money which would remain in a Client Bank Account after all Clients whose money has been credited to that account received payment in full of sums due to them from that account whether under these Regulations or otherwise;
 - 7.2.5 money which has become transferable to an Estate Account following the start of an Insolvency Appointment;
 - 7.2.6 money properly required for a payment to or on behalf of a Client;
 - 7.2.7 money properly required for or towards payment of a debt due to the Firm from a client otherwise than in respect of fees or commissions earned by the Firm;
 - 7.2.8 subject to Regulation 7.4, money properly required for or towards payment of fees payable to the Firm by the Client and specified in a statement delivered to the Client showing the details of the work undertaken;
 - 7.2.9 money withdrawn on a Client's prior authority or in conformity with any contract between the Firm and the Client;
 - 7.2.10 money which may properly be transferred into another Client Bank Account.
- 7.3 Money withdrawn under Regulation 7.2.5 to 7.2.10 shall not exceed the total of the money held for the time being on account of the Client concerned.
- 7.4 Money shall not be withdrawn from a Client Bank Account for or towards payment of fees payable by the Client to the Firm unless:
- 7.4.1 the precise amount thereof has been agreed by the Client or has been finally determined by a court or arbitrator; or
 - 7.4.2 the fees have been accurately calculated in accordance with a formula agreed in writing by the Client on the basis of which the amount thereof can be determined; or
 - 7.4.3 thirty days have elapsed since the date of delivery to the Client of the statement referred to in Regulation 7.2.8 and the Client has not questioned the amount therein specified.
- 7.5 Money which may be withdrawn from a Client Bank Account in accordance with Regulation 7.2.7 or 7.2.8 by way of payment from the Client to the Firm shall be withdrawn as soon as practicable after the Firm becomes entitled to withdraw it under that Regulation.

8. RECORDS AND RECONCILIATION

- 8.1 A Firm shall at all times maintain records so as to show clearly all Client Money it has received and the details of any other money dealt with by it through a Client Bank Account, clearly distinguishing the money of each Client from the money of other Clients and from Firm money.
- 8.2 Each Client Bank Account shall be reconciled against the balances shown in each Client's ledger not less frequently than monthly and records shall be kept of such reconciliations.
- 8.3 Records kept in accordance with Regulations 8.1 and 8.2 shall be preserved for at least six years from the date of the last transaction recorded therein

9. THE RESPONSIBILITY OF A PRINCIPAL

- 9.1 A Principal shall be responsible for any breach of these Regulations on the part of his Firm, and liable to disciplinary action accordingly, unless he proves that responsibility for the breach was entirely that of another Principal or other Principals.

