Explanatory note to SIP11 (effective from 1 June 2007)

This SIP has been approved by the Joint Insolvency Committee and it has been adopted by all authorising bodies, which have agreed that it will take effect from 1 June 2007.

What's New?

SIP11 was introduced in 1996 and its primary intention was to prohibit the intermingling of funds belonging to different insolvent estates. The SIP has remained unaltered despite growing sophistication in the banking packages aimed at professionals who handle client monies. These banking arrangements often involve the use of one global account, through which all deposits and payments are processed, and many sub-accounts, each one specifically named to a client to hold the balance of that client's funds.

This revised SIP11 reflects the agreement of all the Recognised Professional Bodies that insolvency practitioners should be able to use these types of banking facilities to manage insolvent estates' funds.

Although estate funds can now be held in, or passed through, a global account, it is imperative that this account should be entirely separate from the practitioner's or his or her firm's accounts. It is also important that the practitioner maintains records to clearly identify the funds held for each separate insolvent estate. Of course, members will already be comfortable with this record-keeping requirement, but members will appreciate that, where estate funds are intermingled in a global account, the need to maintain strict cashiering procedures, including regular bank reconciliations, becomes even more important.

The JIC has agreed that there should be additional safeguards to ensure that practitioners are managing accounts effectively, particularly with global accounts in mind. The JIC has asked R3 to draft a further revised SIP11 to introduce these safeguards and we will be pressing for this further revised SIP11 to be issued at the earliest opportunity.

In the meantime, members who decide to introduce global bank accounts should consider ***carefully*** whether there may be some estates, for example trading insolvencies, that would be better managed as stand-alone accounts.

If you plan to introduce global accounts but you have any concerns about your cashiering procedures and whether they are sufficiently rigorous to manage global accounts effectively, we would welcome your call to discuss this with a member of our Regulation Team.

IPA Secretariat
23 May 2007