



ICAEW CASS 5 Audits 2026

10:00 - 11:30am, 14 October 2026

Agenda

	Topic	Presenter
1	Governance in a Changing Environment	Robin Malacrida, GT
2	M&A integration in insurance brokers – practical insights discussion	Paul Goldwin, PKF Jenna Hylton, Clear Group
3	Evolving approaches to how insurance brokers hold client money	George Williams, Deloitte
4	What firms should take away from the webinar	Michael Oates, RSM
5	Q&A	

Speakers



Paul Goldwin, PKF



Jenna Hylton,
The Clear Group



Robin Malacrida,
Grant Thornton



Michael Oates,
RSM



Polly Tsang, ICAEW



George Williams,
Deloitte



Governance in a Changing Environment

CASS 5 Client Money for Insurance Intermediaries

Grant Thornton: Robin Malacrida

Continuing Vigilance

01**The Regulatory Landscape**

FCA oversight — Continuing vigilance

02**When Governance Fails**

Recent enforcement cases and the lessons behind them

03**Building a Mature CASS Function**

Structure, accountability, and the three lines of defence

04**Audit opinions and governance**

What does an audit opinion say about governance

05**Governance in a Changing World**

AI, new products and M&A — what change means for CASS 5

06**Practical Governance Considerations**

CASS 5 firm considerations

The Regulatory Landscape

FCA oversight of CASS firms: common misconceptions



Risk based

FCA monitoring intensity at individual firm level varies — but oversight has not been removed. The FCA can request to see the compliance of CASS 5 at any stage of the lifecycle of firms.



The report only reaches the FCA when adverse

A CASS audit report is delivered to the firm, not the FCA, unless the opinion is adverse (SUP 3.10.8B).

Some firms could incorrectly infer from this that the regulator has limited visibility. That inference is wrong. The FCA supervises the sector through multiple channels beyond the audit cycle such as regulatory returns, thematic reviews. N.B. the FCA can ask to see any opinion as part of its supervision



The auditor's role — clear but bounded

CASS 5 auditors communicate governance concerns to management, not the FCA.

Auditors also have duties to report in other areas and in general, to the regulator. E.g delayed CASS audit reporting or if we see a material non-compliance.

Observations of themes from Enforcement Cases

01**CASS treated as administration, not compliance**

In some cases, CASS sits in the wrong function, with the wrong people, with no dedicated accountability. No periodic checks or monitoring and lack of CASS knowledge.

02**No meaningful senior oversight**

Boards and Audit Committees are not receiving relevant CASS MI. When they do receive it, they don't know what to ask. Governance without informed challenge is not good governance.

03**Breach management is reactive, not systemic**

Breaches are logged but not analysed. Root cause is not identified. The same breach appears year after year. Remediation is focused on closure, not prevention.

04**Change triggers no governance review**

New products, acquisitions, new systems - firms assume existing controls apply. That is unlikely during change. Governance frameworks are static in a dynamic business.

How CASS functions could evolve.

Matching governance maturity to business growth



Three Lines of Defence

1st**Operational ownership — the 1st line****What good looks like**

The team performing CASS related reconciliations has a working knowledge of the CASS rules.
A documented process manual which includes a clear escalation route if something goes wrong

Ask: Does the person doing the reconciliation know what to do if it doesn't balance?

2nd**Risk & compliance oversight — the 2nd line****What good looks like**

A separate CASS oversight function — distinct from the team performing reconciliations — reviews output, challenges anomalies and provides management information upward.

Ask: When did the compliance function last challenge a reconciliation output?

3rd**Internal assurance — the 3rd line****What good looks like**

Internal audit assesses CASS matters on a regular basis.

Ask: When and what did the internal audit function actually test in relation to CASS?

Audit opinions – what can they tell us about governance?

Effectiveness of the Firms control environment

- | | | |
|---------------------------------|---|---|
| Self-identification of breaches | – | Does the firm have an effective and thorough process of identifying breaches? |
| Breach remediation | – | How timely are breaches remediated and closed? |
| Breach reoccurrences | – | Is an appropriate root cause analysis performed to minimise reoccurrences? |
| Pervasiveness of breaches | – | Are there reportable breaches and/or adverse breaches? |
| Management responses | – | Do management comments align to the spirit of the CASS compliance? |

Governance in a Changing World



Artificial Intelligence

- Appropriate governance and approval over system changes.
- Appropriate skills to test accuracy of automated reconciliations and other developments
- Scaling of the AI solution to match the business needs
- Oversight of 'fit for purpose'



M&A Activity

- Internal or external combinations
- Integration of CASS activities in second line of defense.
- Oversight of integration timeline from due diligence, remediation plans, business integration through to de-authorisation
- Appropriate customer consent
- Growth of the CASS compliance function



New Products

- Identification of risk to TOBA arrangements
- Alignment with client money permissions
- Managing the risk of Non- client money held in client money accounts

Key areas to be considered in Governance reviews and conversations

Responsiveness of risks:

Are there any emerging risks which are likely to impact the operation of client money activities?

Is the current operating environment adaptable to changes?

Appropriateness of senior oversight:

Are those who are reporting to TCWG adequately skilled and supported to perform the role?

Is there adequate and appropriate CASS 5 training?

Effectiveness of breach management:

Does the firm self-identify breaches?

Is there an effective process for breach remediation and root cause analysis?

Effective monitoring:

Does management information give you good oversight of the period?



Thank You

ICAEW CASS 5 Webinar | 14 October 2026 | Governance in a Changing Environment

Grant Thornton

Robin Malacrida

Robin.Malacrida@uk.gt.com

EY

Nneka Crichlow

NCrichlow@uk.ey.com

M&A integration in insurance brokers

Practical insights discussion

Paul Goldwin – PKF

Jenna Hylton – Clear Group

Evolving approaches to how insurance brokers hold client money

George Williams – Deloitte LLP



The Evolving Landscape of Client Money

Rising interest rates are driving a reassessment of client money strategies, balancing the pursuit of returns and diversification against the paramount need for CASS 5 protection and the management of increased compliance risk.

The Catalyst for Change

The significant rise in interest rates since 2021 is the primary catalyst driving change.

We are seeing firms actively reassessing where client money is held, in addition to simple client money bank accounts.

This strategic shift aims to optimise holdings by exploring better commercial returns and diversifying counterparty risk across a broader range of banking partners and instruments.

Protection vs. Optimisation

The fundamental CASS 5 objective remains the **protection** of client money; this standard is paramount and has not changed.

Firms can pursue **return** and **diversification**, but only within a framework that preserves segregation, trust status, and liquidity.

The core principle is to **optimise only when protection is assured with strong controls**, assessing all risks—not just headline yield.

Designated investments (e.g. MMFs)

Money Market Funds (MMFs) have become a popular tool for yield and diversification. However, it is critical to understand their classification under CASS.

An MMF is a designated investment, not a client money bank account.

This distinction means they are subject to a more complex set of rules, requiring additional regulatory permissions, documentation that provides for the firm to hold such investments and internal controls to be in place.

Heightened Compliance Risk

There is a **risk:benefit judgement** for firms to make.

Adopting new strategies, especially MMFs, **significantly increases CASS compliance complexity and risk.**

Firms should evaluate whether enhanced returns on client money influence fair value assessments under the Consumer Duty, and whether this benefit should be shared with clients.

Firms must meet extensive pre-requisites, be able to robustly evidence a coherent compliance position.

Failure to do so could attract severe regulatory penalties, even if no client money is lost, so should not be taken lightly.

Understanding Money Market Funds (MMFs)

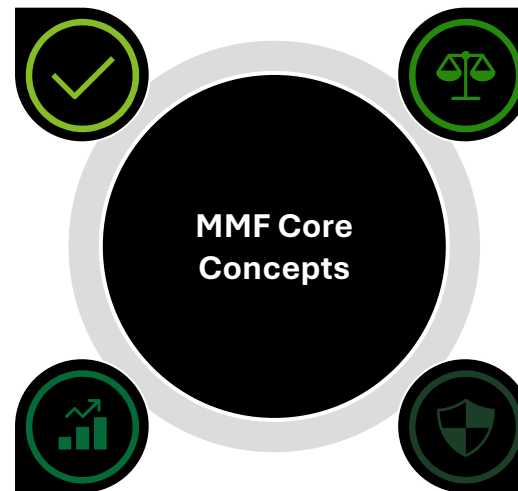
An overview of MMFs as designated investments under CASS 5, contrasting them with traditional bank accounts and outlining the key benefits and inherent risks for firms.

Definition

- An MMF is a **designated investment**, not a client bank account, under CASS 5.
- Its use is only permitted for firms holding client money in a **non-statutory trust**.
- Key prerequisites include obtaining informed client consent and ensuring the trust deed allows for such investments.
- The fund itself must meet **strict minimum credit ratings** as specified in CASS 5 Annex 1.

Benefits

- **Improved Returns:** Potential for a higher yield on client money balances, which is particularly attractive when interest rates are rising.
- **Diversification:** Reduces reliance on a single bank by spreading funds across a portfolio of high-quality issuers and instruments.



Key Distinction

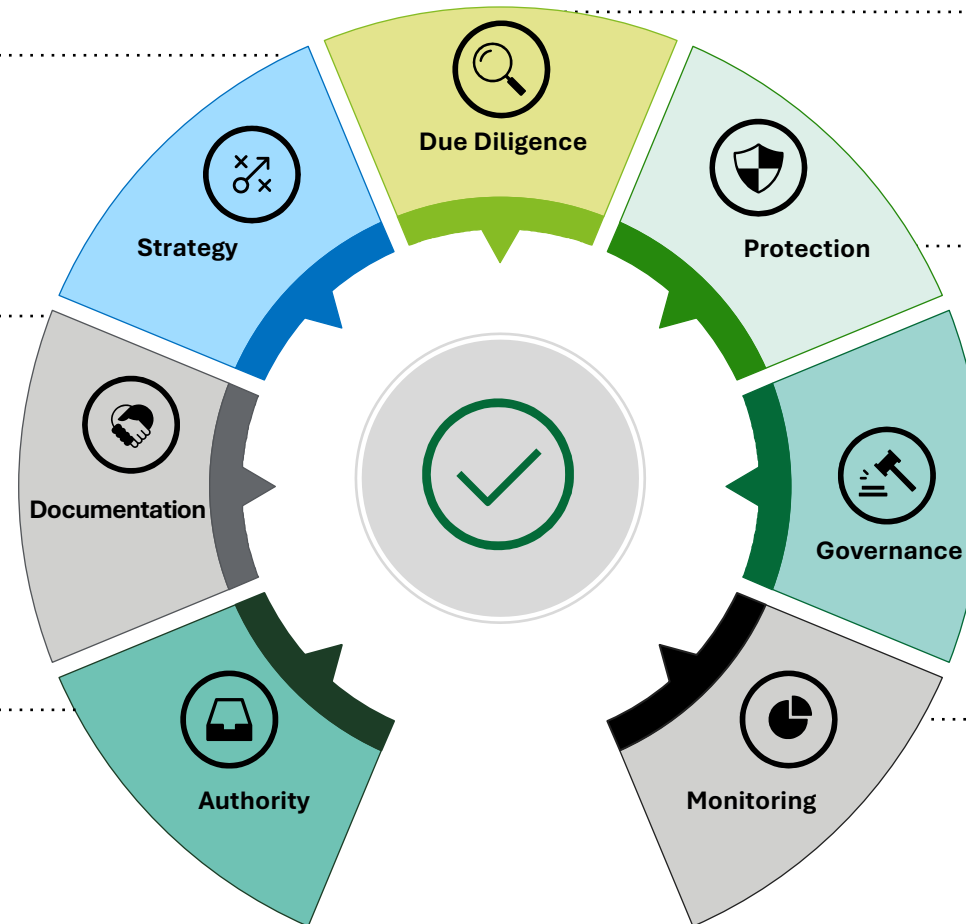
- Unlike a stable bank deposit, an MMF's **market value can fluctuate**.
- Firms are required to consider whether its **regulatory permissions with the FCA** should include the permitted activity of 'managing investments' and 'operating a collective investment scheme', **or appoint another firm with permissions as manager**.

Risks

- **Market Value Shortfall:** The firm is **legally obligated to cover any loss** if the MMF's market value falls, using its own funds. This is a mandatory 'Shortfall Duty'.
- **Regulatory Action:** Firms operating outside of regulatory permissions or failing to comply with CASS 5 rules for MMFs (e.g., consent, due diligence, rating checks) could result in **significant fines** and reputational damage.
- **Liquidity & Downgrades:** Firms must manage liquidity risk and act swiftly if an MMF is downgraded below the minimum rating.

Prerequisites for MMF Implementation

Seven critical considerations must be addressed before the first MMF subscription. This ensures robust client money protection, regulatory compliance, and sound operational governance under CASS 5.



Develop a **formal investment policy** compliant with CASS 5 Annex 1 that defines eligible investments, liquidity needs, credit rating criteria, concentration limits, and currency risk management.

Obtain **informed client consent** for investing their money in MMFs.

The firm's terms must explicitly state **its responsibility to make good any shortfalls** in client money from market value drops.

The firm's non-statutory **trust deed** must explicitly provide for holding designated investments.

The firm must have the correct **regulatory permission** to 'manage investments' or appoint a permitted manager.

Appointment of a manager is typically via a **Discretionary Investment Management Agreement (DIMA)**. This contract specifies each parties role and responsibilities.

Conduct and document thorough **due diligence** on MMFs, fund managers, and counterparties. This includes assessing their financial stability, regulatory status, prospectuses, and identified risks.

Map all **cash flows** to ensure client money remains segregated and protected.

Redemptions must return directly to a client money bank account, evidenced by custodian confirmations and bank acknowledgements.

Secure **formal, documented approval** from the board or a relevant governance committee.

Establish a plan for **ongoing monitoring** before investing. This includes regularly checking the value and credit ratings of investments and the firm's ability to cover potential shortfalls.

MMF Eligibility: Minimum Rating Requirements

MMFs must meet strict minimum credit ratings from approved agencies per CASS 5 Annex 1. If an MMF has multiple ratings, the lowest rating applies to ensure a conservative, client-protective approach.

		Criteria	Moody's	S&P	Fitch	Key Principle
	Min. Rating	Credit Quality Rating	Aaa	AAAm	AAA	Represents the highest credit quality.
	Volatility	Market Risk Rating	MR1+	N/A (implicit in 'm' suffix)	V1+	Lowest sensitivity to market changes.

- If multiple ratings exist, a firm's initial and ongoing assessment must consider the lowest available rating.
- If a rating drops below the minimum, a firm must dispose of the investment as soon as possible but in any event within 20 business days of the downgrade.

Establishing a Robust Ongoing Control Framework

A structured control framework is essential to detect both gradual drift and sudden trigger events, ensuring continuous CASS 5 compliance.

CONTROL	WHAT IT SHOULD DO	EVIDENCE
Value & Cash Reconciliation	Obtain independent valuations; reconcile units, value, and movements; identify any resource shortfalls.	Valuation statements, reconciliation reports, exception logs, and reviewer sign-off.
Credit Rating Monitoring	Capture all available credit ratings, apply the lowest, and compare against CASS 5 Annex 1 minimums.	Rating agency data, comparison logs, and threshold breach escalation records.
Policy Limit Adherence	Test investment concentration, liquidity, and maximum holding limits against the approved policy.	Limit monitoring reports, breach logs, and evidence of challenge and remediation.
Governance Oversight	Review holdings, exceptions, due diligence, and counterparty risks through an accountable forum.	Management Information (MI) packs, committee minutes, and evidence of action closure by named owners.



Define Clear Ownership

Assign every control and response step to a named individual or team (e.g., CASS Team, Treasury). **Accountability** is crucial for effective execution and auditability.



Calibrate Control Frequency

Set the cadence (daily, weekly, monthly) based on the firm's specific **risk assessment** and operating model. High-risk areas require more frequent monitoring.



Pre-define Trigger Responses

Establish a clear, tested response plan for trigger events like credit downgrades or shortfalls. The plan must enable **immediate action** to protect client money.

Key Takeaways MMFs

Client Money Protection

- The **primary objective** is always the protection of client money. MMFs are *designated investments*, not bank accounts, and this distinction governs the protection standard.
- Your firm is responsible for making good any market-value shortfalls.
- All arrangements must preserve the **segregation and trust status** of client money.
- Optimisation for return is secondary to ensuring the firm can meet all its obligations to clients without delay.

Robust Ongoing Controls

- Controls must be designed to detect both **gradual drift and sudden triggers**. Base your controls on CASS 5 Annex 1 principles.
- Implement a robust cadence for monitoring:
 - value and cash reconciliations;
 - all available credit ratings, applying the lowest;
 - **Periodic** reviews of policy limits (concentration, liquidity) and counterparty due diligence;
 - **Trigger events** (like downgrades) **require immediate escalation and action**.



Diligence & Documentation

- Document the firm's considerations of each step of compliance. A complete set-up file allows an independent reviewer to follow the arrangement from authority to operation.
- Key evidence includes:
 - **Regulatory permissions** or appointment of manager document (DIMA)
 - **Trust deed** permitting designated investments.
 - **Client terms** showing informed consent.
 - A formal **investment policy** defining strategy and limits.
 - Thorough **due diligence** on the fund, manager, and counterparties.

Evidencing Compliance

- Control owners must be able to **evidence compliance today**.
- Evidence is the *output* of the control, not an afterthought. This includes reconciliation logs, exception reports, and governance minutes.

Launching two new ICAEW CASS 5 helpsheets

What firms should take away from the webinar

NST systems & controls letter

Separate – pre-requisite to holding client money

Obtain and keep current a separate auditor confirmation—the annual CASS report does not replace it.

Test the full control chain

From transaction recording and reconciliations to credit approvals, funding reports, aged debt and escalation.

Weaknesses have consequences

Auditors assess design and implementation; serious weaknesses may prevent confirmation and affect the CASS opinion.

TOBA governance helpsheet

More than a legal agreement

TOBAs are a fundamental part of the CASS 5 client money control framework and must reflect operations.

Govern the whole lifecycle

Assess risk, assign ownership, train staff, provide oversight and independent review, and trigger review on change.

Evidence compliance

Maintain a current register, approvals, reviews, reconciliations, management challenge and MI—not just an annual audit file.

Helpsheets

**CASS 5 - NST systems and
controls confirmation letter**



TOBA governance





BOOK YOUR PLACE



ICAEW Digital Assets Conference

13 November 2026, Chartered Accountants' Hall





[icaew.com](https://www.icaew.com)