ICAEW
REPRESENTATION 55/26

CP26/20: ADAPTING OUR RULES FOR A CHANGING MARKET: SELF-INVESTED PERSONAL PENSIONS

Issued 13 August 2026

ICAEW welcomes the opportunity to comment on the *CP26/20: rules for self-invested personal pensions*, published by the Financial Conduct Authority in June 2026, a copy of which is available from this link.

For questions or comments on this response, please contact ICAEW's Financial Services Faculty on fsf@icaew.com.

Executive Summary

This consultation response outlines key observations and recommendations regarding proposals for a Pension Scheme Money and Assets (PSM&A) regime for SIPPs focusing on clarity, consistency with CASS where relevant, and practical implementation to support consistent application by firms and consistent assurance by auditors.

ICAEW is supportive of the proposed due diligence requirements within COBS19A. We have not included detailed observations in this area, save that implementation guidance should distinguish clearly between the due diligence requirements and the PSM&A requirements, including where transitional or grandfathering provisions apply.

ICAEW is also supportive of the proposed PSM&A regime within COBS19B and would support the FCA in its implementation. We have provided recommendations in response to specific questions, but have summarised below the key areas which we believe require further clarification to support consistent application.

This response of 10 February 2026 has been prepared by the ICAEW Financial Services Faculty. As a leading centre for thought leadership on financial services, the faculty brings together different interests and is responsible for representations on behalf of ICAEW on governance, regulation, risk, auditing and reporting issues facing the financial services sector. The faculty draws on the expertise of its members and more than 25,000 ICAEW members involved in financial services.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW Chartered Accountants. 82% of FTSE 100 companies have an ICAEW member on their board. Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor more than 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

Key points

1. **Scheme money flows to the SIPP Trustee:**
   - Clarification is required whether contributions must be received directly into a trustee bank account, in an approach commensurate with the normal approach in CASS 7. There are two potential scenarios we recommend the FCA clarifies: funds being received via a payment service provider; and funds being received directly by the Investment Provider from the scheme member without passing through the trustee. Without clarification, indirect receipt routes could create technical breaches or inconsistent outcomes compared with firms operating under CASS.

2. **Organisational arrangements:**
   - The proposed reference to appropriate organisational arrangements should be supported by clear guidance on whether firms are expected to apply industry standard CASS-style approaches, such as governance frameworks, adequate training and second-line and third-line monitoring. This is particularly important to create a strong compliance culture from the outset.
   - Learning from the implementation of the CASS regime and the FRC Client Assets Assurance Standard, if the FCA expects firms to produce a risk and controls assessment on a rule-by-rule basis, we believe this should be made explicit in the PSM&A rules, creating a clear benchmark for firms and auditors.

3. **Valuation of scheme assets:**
   - Clarification is required whether auditors are expected to test valuation controls and sources of information, and/or substantively test asset valuations. The extent to which the accuracy of asset valuation is included within the auditor's opinion will materially affect audit scope and cost.
   - Clear guidance is required around what is meant by valuations being "reasonable, credible and sufficiently up to date" and whether firms should maintain formal valuation policies by asset type, to give clarity on what the audit is expected to cover, enable consistency of audit approach, and clarify expectations for firms.

4. **Submission of PSM&A scheme reports:**
   - We believe the FCA should receive all PSM&A scheme reports, not only reports with materially adverse findings, given the relatively small report population, the supervisory value of seeing all opinions and reported breaches, and the judgemental nature of determining what is deemed to be materially adverse and what is not.

5. **Appropriate Assurance Standards and implementation:**
   - A proportionate assurance framework is important to promote consistent audit approach and provide a benchmark against which audits are carried out, with clear interim guidance if a standard is not in place before the annual audit requirement applies.
   - Consideration of a progress checkpoint during the implementation period to assess readiness and identify areas requiring further clarification or supervisory engagement.

ANSWERS TO SPECIFIC QUESTIONS

Question 5: Do you agree an implementation period is needed? If so, is 12 months an appropriate timeframe?

1. We agree that an implementation period is necessary. However, the proposal that the due diligence rules will not apply retrospectively to investments made before the end of the implementation period may create operational complexity because different rules would apply to pre- and post-implementation assets, particularly where no further investment is made in an existing asset. We recommend that the FCA clarify the extent of any grandfathering and how the ongoing high-level obligations, including Principle 2, COBS 2.1.1R and the Consumer Duty, should be applied during the implementation period.

Question 6: Do you agree with our proposed high-level scope and approach to introducing a more prescriptive PSM&A regime for SIPPs? What challenges, unintended consequences, or additional protections for consumers or firms should we consider?

2. We support the high-level objective of introducing more prescriptive PSM&A requirements for SIPP Operators where firms do not already apply CASS.
3. However, to ensure that the introduction avoids unintended consequences further clarification should be provided around several areas:
    - The proposed rules appear to assume that money will be received by the trustee from the member directly into a trust bank account. Some firms currently allow members to make contributions directly to a client bank account held by the investment provider. If indirect collection routes are permitted, we recommend that this is clarified or explicitly stated.
    - Clarity is required as to whether contributions made through a payment service provider or similar route are permitted. It is unclear from the proposed rules whether the FCA expects a CASS normal approach style model to operate. Without further clarity, it may give rise to different auditor interpretations, technical breaches and some audit firms seeking to apply CASS principles to the PSM&A regime.
    - Consideration should be given to whether the funding of scheme money and asset shortfalls could give rise to unintended tax consequences, including potential HMRC challenge.

- The rules refer to the need for firms to maintain appropriate organisational arrangements. We recommend clarification on whether firms are expected to interpret this by reference to industry standard approaches that have been developed under CASS - for example the expectation of second-line and third-line monitoring, and the requirement for rule-by-rule risk and controls assessments. Clearer guidance and context would help ensure PSM&A firms are held to consistent standards and expectations, particularly where firms are not familiar with CASS.
- If the FCA's expectation is that operators should establish a rule-by-rule risk and controls assessment, this should be made explicit within the PSM&A rules, to avoid ambiguity. If the FCA expects this of firms but concludes that the requirement is clear within the organisational arrangements requirement already, this will risk audit firms using the CASS regime to interpret the requirements of the PSM&A regime. This could lead to additional rules and requirements being "read-across", resulting in variation of approach between PSM&A firms and audit firms and a more stringent PSM&A regime than originally intended by the FCA.

Making the FCA's expectations clear also provides auditors a clear benchmark against which to audit.

Question 7: Are there areas where our proposed PSM&A requirements create complexity for firms operating across both regimes (including CASS)? If so, what mitigations would be possible to address these complexities?

4. It is clear that PSM&A is only applicable to firms which operate outside of the CASS regime. However, clarification would be helpful for firms that hold client money or assets permissions but do not use them and therefore receive a limited assurance CASS report. Where such a firm is also a SIPP operator within scope of the PSM&A regime, it should be clear whether both a PSM&A scheme report and a limited CASS report are required.
5. We recommend the inclusion of a decision tree or flowchart setting out the audit requirements for firms with different combinations of permissions, business models and trustee structures. This could include any available exemptions where there is genuine overlap and would reduce inconsistent treatment between firms and auditors.

Question 11: Do you agree with our proposal that firms must record and maintain data on investment holdings and transactions, including those made through third parties?

6. We agree with the principle that operators should maintain sufficiently detailed records of investment holdings and transactions, including transactions made through third parties. However, the proposed expectation within COBS 19B.4.4 G that reliance on information from a relevant third party is unlikely to comply where information could reasonably have been obtained from an independent source requires further clarity.
7. In practice, the concept of what is "reasonable" is likely to involve significant judgement for both firms and auditors. For example, it may be technically possible but operationally difficult or disproportionate to require all client instructions to third parties also to be communicated to the operator. Without further guidance, there is a risk that firms and auditors may reach different conclusions on similar fact patterns. We recommend that examples be provided of acceptable and unacceptable reliance on third-party data, including the expected evidence where independent source data is not practically obtainable.

Question 13: Do you agree with our proposals for pension scheme asset valuations?

8. We agree that valuations are important for consumer understanding and accurate records. However, there may be challenges in auditing valuations for assets without a readily available market value, such as commercial property, unlisted investments or other hard-to-price assets, particularly if no concept of materiality applies.
9. We recommend that the FCA clarifies the expectation on the auditor, and what parts of the valuation requirement will fall within the PSM&A auditor's opinion. For example, the auditor may only be expected to assess and opine on whether a valuation of some description was obtained on a timely basis; or it may expect to opine on an assessment of the valuation controls in the firm and the source of information, particularly for level 3 or hard-to-price assets; or it may be expected to opine on the accuracy of the valuation, and include substantive testing of the value as well. The expectations on the auditor will have a material impact on the scope, complexity and risk of the PSM&A audit and thus also on the associated cost to firms. Under the CASS rules, auditors do not provide an opinion on custody asset valuations, only relevant controls to compliance with the CASS rules.

10. We recommend that clarification be provided around what is meant by “reasonable, credible and sufficiently up to date” as proposed in COBS 19B.4.8 G, and whether firms are expected to maintain a formal valuation policy setting out the frequency and source of valuations by asset type. Clarification would prevent inconsistent treatment across operators and reduce the likelihood of differing audit interpretation.

Question 14: Do you agree with our proposed audit requirements for the PSM&A regime? What challenges might firms and auditors face in meeting these requirements?

11. We support the introduction of audit requirements for the PSM&A regime, provided that the rules are sufficiently clear, and a proportionate assurance standard or framework is available before the audit requirement takes effect. Experience from CASS indicates that an assurance standard is important in promoting consistent audit approaches and providing a benchmark against which audits are carried out.

12. However, we recommend that the FCA provides clarification around several areas:
    - **Scheme asset record-keeping controls:** Where the operator does not maintain an aggregate record of scheme assets as well as an individual asset holdings record, there is no required internal scheme asset check other than the processes and controls required under COBS 19B.6.1 R. Therefore, greater specificity around scheme asset record-keeping controls, including a minimum frequency which they should be performed, would reduce the likelihood of firm and auditor interpretation inconsistency, and prevent a “read-across” of the CASS regime to interpret the requirements of the PSM&A regime.
    - **Discrepancies and surpluses:** The proposed scheme money discrepancy rules within COB 19B.7 focus on shortfalls but do not clearly address situations where the scheme money resource exceeds the scheme money obligation. The FCA should clarify the actions expected where a scheme money resource exceeds the corresponding scheme money obligation.
    - **Funding scheme money and assets shortfalls:** The proposed treatment of money and asset shortfalls within COB 19B.7 does not necessitate shortfall funding, regardless of whether it is caused by a third party or not, firms are only required to record the funding decision and rationale. This may lead to inconstant application by firms, shortfall funding not being made, and varying auditor interpretation of whether a firm’s rationale is reasonable. Further, where an operator determines that a discrepancy is due to a third party, we recommend that clarification be provided around what is meant by “reasonable steps” as proposed in COBS 19B.7.5 R (2). We also request that the FCA provide clarity around the scope of an operators “own resources” used for funding in COBS 19B.7.5 R (1), as ambiguity may give rise to varying firm and auditor interpretation of what “own resources” may be used to fund shortfalls.
    - **Notification and submission:** SUP 3.12.9R requires the auditor only to provide written confirmation to the FCA that the scheme report has been submitted to the operator’s governing body, whilst the firm must submit any scheme report which contains materially adverse findings under SUP 3.13.5 R. This is inconsistent with the submission process of the comparable CASS regime.
    - **FCA receipt of reports:** We do not agree with the FCAs proposal that it should receive only materially adverse reports from the firm. We believe the regime would be enhanced by the FCA receiving all reports. One of the key challenges that firms face in implementing a new regime is the cultural change that is required within the boardroom and other leadership roles. The FCA receiving all PSM&A scheme reports would demonstrate how seriously the FCA takes compliance with the regime and would help convey this to board rooms. It is our view that the population of PSM&A reports will be relatively small and the

impact of FCA receipt of all opinions would be a materially stronger compliance culture within operators. Further, the proposed requirement that the FCA would see only the reports with materially adverse findings introduces significant judgement into what should and should not be submitted and will invariably lead to inconsistency.

- **Potential dual regulation:** Where an operator is part of a group structure in which scheme money and assets are indirectly held by another group entity subject to the CASS rules, we recommend clarification on how the proposed PSM&A requirements are intended to interact with the existing CASS framework. Specifically, clarification on whether any exemption, modification, or reliance provisions would be considered to avoid duplicate regulatory and assurance requirements over the same scheme money and assets. This is particularly relevant where both entities share a common auditor, as there may be scope for appropriate reliance on work performed as part of the CASS audit when delivering assurance under the PSM&A regime.
- **Assurance framework:** The absence of a defined assurance framework would present challenges in determining accurate audit costs, potentially leading to inconsistent service levels and audit quality. The FCA should work with the FRC and the profession on a proportionate assurance standard prior to the requirement for an annual audit being introduced, with clear guidance on interim approaches where an assurance standard or other framework is not established prior to the end of the implementation period. Consideration should be given to how this interacts with existing CASS standards, to avoid unnecessary fragmentation while preserving clarity for this distinct regime.

Question 15: Do you think the new PSM&A regime warrants the introduction of a new regulatory return, and if not, what existing or alternative information should the FCA use to assess whether firms are meeting the requirements of the new regime?

13. We agree that requiring the submission of regulatory returns to the FCA is a positive step towards enhanced regulatory oversight. A regular return would help to promote stronger compliance culture and wider control environment within operators. If the FCA introduces a prescriptive PSM&A regime, the supervisory benefits of a return may outweigh the incremental burden if the return draws from records firms are already required to be maintained without significant manual intervention. The appropriate frequency should reflect the FCA's assessment of risk in the SIPP market compared with other regimes. We believe there is a danger in implementing the regime and the FCA not requiring regulatory returns and submission of all PSM&A scheme reports, in that it could give the wrong signal to firms and could result in a lower standard of compliance, as firms interpret it as being a lower priority for the FCA.

Question 17: Do you agree that an implementation period is needed? If so, is a two-year period appropriate, with an additional year available for dependencies on third parties?

14. We agree that an implementation period is necessary, particularly where firms may need to enhance systems, formalise policies and renegotiate or terminate third-party arrangements. We note that two years is longer than usual and may not normally be required.

15. We recommend that the FCA considers a progress check point after the first year of the proposed implementation period. By that point, firms should have assessed third-party dependencies, identified material deficiencies and developed remediation or offboarding plans. A progress check would help the FCA assess industry readiness and identify areas where further clarification or supervisory engagement is required.

Question 18: Do you have any comments on our cost benefit analysis?

16. Our view is that the FCA's analysis underestimates the true costs of implementing the proposed changes to the PSM&A rules, potentially impacting the feasibility and effectiveness of the intended outcomes, including around the undertaking of a PSM&A audit.
17. A reasonable assurance engagement conducted under a framework comparable to the FRC Client Asset Assurance Standard is likely to require more work than the central estimate suggests. This will particularly be the case if the audit is expected to give any degree of assurance over valuations obtained by the firm. We acknowledge that the FCA has considered variance in audit complexity, but we recommend that the final CBA more explicitly address the likely impact of a new assurance framework, first-year implementation effort and any requirement to test valuation, reconciliation and third-party data controls.
18. We understand that some SIPP operators may historically have taken exemption from statutory audit under section 477 of the Companies Act 2006. If the FCA intends that there should be no exemption from the requirement for a PSM&A audit, we request that the rules state this clearly.