

Consultation Paper

CP16/4*

Loan-based crowdfunding platforms and segregation of client money



January 2016

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We are asking for comments on this Consultation Paper by 11 February 2016.

You can send them to us using the form on our website at:
www.the-fca.org.uk/cp16-4-response-form.

Or in writing to:

Client Assets Department
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Email: cp16-04@fca.org.uk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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Abbreviations used in this paper

B2B	Business-to-business
CASS	Client Assets sourcebook
CP	Consultation paper
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
IFISA	Innovative Finance Individual Savings Account
ISA	Individual Savings Account
P2P	Peer-to-peer
P2P agreement	Article 36H agreement, as defined in article 36H(4) of the RAO
PS	Policy statement
RAO	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)

1. Overview

Introduction

- 1.1** In this consultation paper (CP) we consult on rules to simplify client money requirements for firms that operate electronic systems in relation to lending (P2P platforms) and hold both regulated and unregulated client money accounts.

Who does this consultation affect?

- 1.2** This paper will be of interest to:
- consumers and consumer organisations
 - financial advisers
 - firms operating loan-based crowdfunding platforms
 - firms that wish to manage IFISAs
 - trade bodies that represent stakeholders in this market
 - compliance consultants and other firms that assist stakeholders

Context

- 1.3** Crowdfunding is a way in which people, organisations and businesses, including business start-ups, can raise money through online portals (also known as crowdfunding platforms) to finance or re-finance their activities. Money can be donated or invested in various ways by both individuals and businesses. Some crowdfunding activity is unregulated, some is regulated and some is exempt from regulation. This paper focuses on the regulated loan-based crowdfunding sector, including P2P lending.
- 1.4** We took on responsibility for regulating firms that operate loan-based crowdfunding platforms on 1 April 2014. Individuals can use these platforms to lend money to other individuals or businesses, or businesses can use them to lend to individuals, in the hope of receiving a financial return in the form of interest payments, together with repayment of capital. We do not regulate firms when they operate platforms that facilitate business-to-business loans that fall outside the scope of a P2P agreement.

Equality and diversity considerations

- 1.5** Under the Equality Act 2010, we are required to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions.
- 1.6** As part of this, we have assessed the likely equality and diversity impacts and rationale of these proposals through an Equality Impact Assessment. We concluded they do not give rise to any concerns for any particular groups as a result of any protected characteristic. Comments are still welcome.

Next steps

- 1.7** Please send us your response to this CP by 11 February 2016. To submit a response, please use the online response form on our website or write to us at the address on page 2.
- 1.8** Following consideration of feedback to this CP, we aim to publish a policy statement (PS) making final rules in March 2016.

2. Loan-based crowdfunding platforms and segregation of client money

- 2.1** The scope of regulation of loan-based crowdfunding under article 36H of the RAO is limited by the statutory definition of article 36H agreements under article 36H(4). Certain types of loans are not article 36H agreements, even if facilitated in ways described in article 36H of the RAO by firms operating loan-based crowdfunding platforms. The distinction between article 36H agreements and other loans depends on a number of factors including the type of lender and borrower, the amount of the loan and its purpose from the borrower's perspective. For example, in general, if both parties to a loan are corporates then the loan would not be an article 36H agreement and falls outside of regulation, including CASS.¹
- 2.2** In this chapter, for simplicity, we refer to all non-article 36H agreements as 'B2B agreements' (as opposed to 'P2P agreements'). This is because we understand that most non-article 36H agreements involve businesses lending to other businesses.
- 2.3** Some firms operating loan-based crowdfunding platforms arrange both loans that are B2B agreements and loans that are P2P agreements. Some lending arrangements facilitated by these firms for a single borrower spread the risk of that borrower's default amongst a number of lenders, so that they are technically made up of a number of separate loans from several lenders to that one borrower. That 'bundle' of loans to the single borrower can comprise a mixture of B2B agreements and P2P agreements (including peer-to-business agreements), depending on the application of the criteria in article 36H(4) of the RAO to each separate loan. These arrangements are referred to by firms as 'mixed loans'.
- 2.4** Currently, an investor's money held by a firm in relation to P2P agreements (money to be lent or received in repayments) would fall within the definition of client money for the purposes of the client money rules in CASS 7; it must be segregated from the firm's own money and other money (including in relation to unregulated B2B agreements). This is the approach we consulted on in CP13/13 and implemented in PS14/4.
- 2.5** We understand that some firms consider this burdensome as firms in the P2P industry have generally not developed systems that distinguish between money held for the purposes of P2P agreements and that held for B2B agreements. On insolvency, commingling in a way that is not compliant with CASS could cause significant delay and expense in returning client money, leading to consumer detriment.
- 2.6** We understand that many firms want to offer CASS protection to all lenders, both those entering into P2P agreements and those entering into B2B agreements, and want to hold all monies belonging to lenders together. However, we also note that some firms may prefer to

¹ Regulated P2P activity only applies to loans meeting certain criteria. These include: the investor and/or borrower must be i) an individual; ii) a partnership consisting of two or three persons not all of whom are bodies corporate; or iii) an unincorporated body of persons which does not consist entirely of bodies corporate and is not a partnership. This means that business-to-business loans that do not meet these criteria will not be regulated by the FCA.

hold money for clients of their B2B lending activities, involving only 'whole loans' from one business to another business, separate from other client money (i.e. client money relating to P2P agreements and 'mixed loans').

Proposed changes

- 2.7** So, we propose to allow firms that hold money in relation to both P2P and B2B agreements, to be able to elect to hold all lenders' monies under CASS 7 if they wish to do so. Firms may then segregate P2P and B2B monies from the firms' money, together, without breaching the CASS rules and without necessarily needing to distinguish between P2P and B2B agreement monies. However, if a firm does make the election to hold all P2P and B2B monies under CASS 7, then all lender monies in relation to B2B agreements would need to be held as client money under CASS 7, and the firm would not be able to rely on the professional client opt out.² We are also proposing to extend the existing FCA restriction against firms taking on full ownership of lender monies under title transfer³, so that it covers the scope of the election. We believe this proposal is likely to reduce, for some firms, the burden of compliance with CASS.
- 2.8** We believe this proposal will not adversely affect the level of consumer protection currently enjoyed by clients of P2P agreements and will overall ensure greater consumer protection by reducing complexity for firms. B2B agreements will continue to fall outside regulation, so if firms are able to comply with the current rules they need not take any additional action.
- 2.9** Firms making the proposed election would need to keep a record of the decision and notify the FCA and all their lender clients in writing. Similarly, on ceasing the election, firms would need to notify B2B clients and the FCA. We believe that firms would incur only minimal costs when making these notifications.
- 2.10** We believe that this proposal would offer greater certainty, on insolvency, for firms conducting both P2P and B2B business. Where a firm has made the proposed election, all monies held by a firm in relation to P2P and B2B agreements are treated as client money and, on insolvency, would be dealt with in accordance with the client money distribution rules at CASS 7A. The arrangements would be clear and simple for firms to implement, for clients to understand and for the FCA to supervise. However, if firms are able to accurately segregate their P2P and B2B monies separately, then they may continue to do this.
- 2.11** We also propose to clarify through guidance that, where a firm operating a loan-based crowdfunding platform holds money that has not yet been invested for a client, this should be client money held under the CASS rules, unless the circumstances are such that it could never be invested in relation to a P2P agreement (for example, the firm contracted with the client that its money would only be lent under a B2B agreement). As is currently the case, for loan repayments, firms will be able to continue to use the mixed remittance rule at CASS 7.13.31R which allows a firm to receive a single loan repayment from a borrower into a client bank account and remove any B2B monies at the firm's next daily reconciliation.
- 2.12** As noted above, some firms have told us they would prefer to hold client money from B2B lending involving 'whole loans' from one business to another business separately from client money held in relation to P2P agreements and 'mixed loans'. We are proposing that firms that make an election bring all their monies held in relation to B2B agreements into CASS. This

² CASS 7.10.10R.

³ SYSC 4.1.8ER.

would prevent the rules being overly complex for firms to implement, for clients to understand and for the FCA to supervise. However, under the proposed election, firms may be able to make use of the trustee firm rules.⁴ The trustee firm rules mean that in relation to relevant business, a reduced number of CASS 7 rules⁵ apply and firms have the ability to elect to comply with further CASS 7 rules⁶, while holding the relevant monies on an express trust in accordance with the trust deed governing that trust.

- 2.13** The trustee firm rules require a firm to hold client money for B2B lending separately from their P2P business.⁷ On insolvency, any money held by the firm under the trustee rules would not be subject to the pooling and distribution rules.⁸ The relevant terms of the trust would determine the treatment of money held in this way.⁹

Q1: Do you have any comments on our proposal to allow firms to elect to hold all their clients' monies, in relation to both P2P and B2B agreements, in line with CASS?

4 CASS 7.10.33R

5 CASS 7.10.34R

6 CASS 7.10.35R

7 CASS 7.10.36R

8 CASS 7A.1.1AR

9 CASS 7A.1.1BG

Annex 1

List of questions

- Q1:** Do you have any comments on our proposal to allow firms to elect to hold all their clients' monies, in relation to both P2P and B2B agreements, in line with CASS?
- Q2:** Do you have any comments on our cost benefit analysis?
- Q3:** Do you have any comments on the compatibility statement?

Annex 2

Cost benefit analysis

1. FSMA requires us to publish a cost benefit analysis of our proposed rules. Specifically, section 138I requires us to publish a cost benefit analysis of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits' that will arise if the proposed rules are made. It also requires us to include estimates of those costs and those benefits, unless these cannot reasonably be estimated or it is not reasonably practicable to produce an estimate.

Our proposed rule changes

2. We are proposing rules to simplify client money arrangements for firms that operate electronic systems in relation to lending and hold both regulated and unregulated client money.
3. We believe any costs for the proposals on the segregation of client money will be minimal. The proposed change is optional for firms so firms can avoid any costs that may arise.
4. Allowing firms to hold both P2P and B2B agreement monies together, in accordance with our rules, would streamline industry compliance with CASS and reduce compliance costs for firms. Money held for clients in relation to P2P agreements would continue to benefit from CASS protections even where firms comingle money in relation to P2P and B2B agreements. Money held for B2B clients would gain the benefit from CASS protections where a firm makes the proposed election.
5. The proposals could also reduce barriers to entry in the market, potentially leading to a greater choice of firms for clients. The proposals could also reduce complexity for an insolvency practitioner in the event of a firm failure, which could reduce costs and the time it takes for client money and invested funds to be returned to clients.

Q2: Do you have any comments on our cost benefit analysis?

Annex 3

Compatibility statement

1. We are required by section 138I(2)(d) of the Financial Services and Markets Act FSMA to explain why we believe our proposed rules are compatible with our strategic objective, advance one or more of our operational objectives, and have regard to the regulatory principles in section 3B of FSMA. We are also required by section 138K(2) of FSMA to state whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
2. This annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule making) in a way that promotes effective competition in the interests of consumers (section 1B(4) of FSMA). This duty applies in so far as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.

Our regulatory objectives

3. The proposals in this CP are intended to advance our operational objectives of consumer protection, effective competition and market integrity. We consider our proposals to be compatible with these objectives because:
 - They are based on our assessment of the risks applying to loan-based crowdfunding and the needs of consumers. The rules on which we are consulting are focused on securing an appropriate level of consumer protection currently provided to consumers.
 - We recognise that crowdfunding has a role to play in the wider economy and it is our aim to develop, as far as possible, a proportionate framework of rules that encourages beneficial competition while reducing the possibility of ineffective competition. The rules we propose promote effective competition in the interests of consumers by reducing fixed costs of entry to the market.
 - The rules we propose also advance our integrity objective by reducing complexity and operational risk for firms.

Compatibility with the principles of good regulation

The need to use our resources in the most efficient and economic way

4. The approach on which we are consulting builds on existing rules and guidance, rather than creating new systems and processes, and may reduce the compliance burden on some firms.

Proportionality of burdens or restrictions imposed on persons or on carrying on an activity

5. We believe we are putting forward a proportionate approach that sets an appropriate level of investor protection while minimising, as far as possible, burdens on firms and the impact on competition, including competitive entry.

The desirability of sustainable growth in the UK economy in the medium or long term

6. We see crowdfunding as a sector that is likely to continue to grow and may start to exert competitive pressure on other markets. As such, its significance in the medium- to long-term may increase. Consequently we have sought to deliver a set of proposals that is proportionate and ensure a sufficient degree of investor protection, while minimising, as far as possible, any negative impact on competition and the long-term growth prospects of the crowdfunding sector.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons

7. Our proposals offer flexibility in complying with the investment business client money rules that would be specific to loan-based crowdfunding platforms in recognition of the nature and objective of their businesses.

The responsibilities of senior management

8. Firms' senior managers are responsible for ensuring their processes provide adequate protection for investors.

The desirability of publishing information relating to persons

9. We do not consider that our proposals will have an impact on this.

The principle that we should exercise our functions as transparently as possible

10. We are using this CP to seek input into the approach we adopt. We invite feedback to help shape the final rules and guidance to be introduced.

The general principle that consumers should take responsibility for their decisions

11. Our proposed approach does not interfere with an investor's responsibility for their financial decisions and may offer investors more information on which to base their decisions.

Expected effect on mutual societies

12. At present, there are no mutual societies involved in providing regulated crowdfunding activities so there should be no direct impact. If a mutual society was to enter the sector, it would be expected to comply with our rules in the same way as other regulated firms.

Compatibility with the duty to promote effective competition in the interests of consumers

13. We have a duty to discharge our general functions (which include rule making) in a way that promotes effective competition in the interests of consumers (section 1B(4) FSMA). This duty applies insofar as promoting competition is compatible with advancing our consumer protection and/or integrity objectives.

14. As noted above, loan-based crowdfunding is likely to continue to grow and may start to exert competitive pressure on neighbouring markets, including consumer and business loans provided by other financial institutions. Our proposals may reduce fixed costs of entry into the market and lead to an increase in competition without directly affecting the level of consumer protection.

Legislative and Regulatory Reform Act 2006 (LRR)

15. We are required under the LRR to have regard to the principles in the LRR and to the Regulators' Compliance Code when determining general policies and principles and giving general guidance (but not when exercising other legislative functions).
16. We have also considered the Regulators' Compliance Code for the parts of the proposals that consist of general policies, principles or guidance.
17. We consider that the proposals are proportionate to the potential market failures identified.

Q3: Do you have any comments on the compatibility statement?

Appendix 1

Draft Handbook text

CLIENT ASSETS SOURCEBOOK (AMENDMENT) INSTRUMENT 2016**Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137B (FCA general rules: clients’ money, right to rescind etc);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*] 2016.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Client Assets sourcebook (CASS)	Annex B
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex C

Citation

- E. This instrument may be cited as the Client Assets Sourcebook (Amendment) Instrument 2016.

By order of the Board
[*date*] 2016

Annex A**Amendments to the Glossary of definitions**

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>non-P2P agreement</i>	an agreement between one <i>person</i> (“the borrower”) and another <i>person</i> (“the lender”) by which the lender provides the borrower with credit, which does not satisfy the conditions for being a <i>P2P agreement</i> .
<i>operating an electronic system in relation to non-P2P agreements</i>	the <i>unregulated activity</i> , carried on by a <i>person</i> who has <i>part 4A permission to operate an electronic system in relation to lending</i> , of carrying on the activity described in article 36H of the <i>Regulated Activities Order</i> in relation to a <i>non-P2P agreement</i> or prospective <i>non-P2P agreement</i> .
<i>P2P services</i>	<i>operating an electronic system in relation to lending</i> or <i>operating an electronic system in relation to non-P2P agreements</i> .

Annex B

Amendments to the Client Assets sourcebook (CASS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

7.10 Application and purpose

...

7.10.5 G The opt-in to the *client money rules* ~~in this chapter~~ under CASS 7.10.3R does not apply in respect of *money* that a *firm* holds outside of either the:

...

7.10.6 G If a *firm* has opted to comply with this chapter under CASS 7.10.3R, the *insurance client money chapter* will have no application to the activities to which the election applies.

...

Loan-based crowdfunding

7.10.7A R (1) If both the following conditions are met in respect of a *firm*, or the *firm* reasonably expects that they will all be met in the future, then the *firm* has the option to elect to comply with this chapter for all of the *money* described in these conditions:

- (a) the *firm* receives or holds *money* for one or more *persons* in the course of, or in connection with, the *firm's* activity of *operating an electronic system in relation to non-P2P agreements*; and
- (b) those *persons* are customers of the *firm* in their capacity as lenders under *non-P2P agreements* or prospective lenders under *non-P2P agreements*.

(2) A *firm* can only make the election under (1) by informing the FCA in writing of the election at least one *month* before it will start holding the *money* in accordance with the *client money rules*.

7.10.7B R (1) When a *firm* makes an election under CASS 7.10.7AR it must write to any customer with whom it has agreed to provide *P2P services* in their capacity as a lender or prospective lender, informing them at least one *month* before it will start to hold the *money* in accordance with the *client money rules*:

- (a) that all the *money* it holds in the course of, or in connection with, *operating an electronic system in relation to non-P2P agreements* for lenders and prospective lenders under *non-P2P agreements* will be treated in accordance with the *client money*

rules; and

(b) of the date on which this will start.

(2) The firm must also write to any customer with whom, following the firm's election, it agrees to provide P2P services in their capacity as a lender or prospective lender.

(a) The firm must make this communication in advance of it receiving any money from or on behalf of any such customer.

(b) The communication must inform the customer that all the money the firm holds in the course of, or in connection with, operating an electronic system in relation to non-P2P agreements for lenders and prospective lenders under non-P2P agreements will be treated in accordance with the client money rules from the date specified under (1)(b) or, if that date has passed, that this will be the case from the time of the communication onwards.

7.10.7C R Once an election made by a firm under CASS 7.10.7AR takes effect, and until it ceases to be effective:

(1) the firm must treat all the money referred to under CASS 7.10.7AR(1) in accordance with the election; and

(2) for the purposes of (1), this chapter applies to the firm in the same way that it applies to a firm that receives and holds money in the course of or in connection with its designated investment business, except that:

(a) CASS 7.10.10R will not apply to the money referred to under CASS 7.10.7AR(1); and

(b) 'client' for the purposes of CASS and rules and guidance related to CASS and their application to the firm includes customers of the firm in their capacity as lenders or prospective lenders under non-P2P agreements.

7.10.7D R If a firm that has made an election under CASS 7.10.7AR subsequently decides to cancel that election:

(1) it can only do so by writing to the FCA, at least one month before the date the election ceases to be effective;

(2) it must write to any client with whom, as at the time of the cancellation, it has agreed to operate an electronic system in relation to non-P2P agreements in their capacity as a lender or prospective lender, informing them at least one month before the date the election ceases to be effective:

(a) of the extent to which it will cease to hold their money in accordance with the client money rules; and

- (b) of the date from which those changes will take effect; and
- (3) it must write to any *client* with whom, following the *firm's* decision to cancel the election but before the election ceases to be effective, it agrees to *operate an electronic system in relation to non-P2P agreements* in their capacity as a lender or prospective lender, informing them in advance of the *firm* receiving any *money* from them or on their behalf:
 - (a) of the period during which it will continue to hold all the *money* of lenders and prospective lenders under *non-P2P agreements* in accordance with the *client money rules*;
 - (a) of the extent to which it will subsequently cease to hold their *money* in accordance with the *client money rules*; and
 - (b) of the date from which those changes will take effect.

7.10.7E R (1) A *firm* must make and retain a written record of any election it makes under CASS 7.10.7AR including:

- (a) the date from which the election is to be effective; and
- (b) if it cancels the election, the date from which the election is to cease to be effective.
- (2) The *firm* must:
 - (a) make the record on the date it makes the election;
 - (b) update the record if it decides to cancel the election; and
 - (c) keep the record for a period of five years after ceasing to use the election.

7.10.7F G (1) Where a *firm* has made an election under CASS 7.10.7AR:

- (a) it should treat *money* held for a *client* as *client money* both in the course of or in connection with:
 - (i) *operating an electronic system in relation to lending*; and
 - (ii) *operating an electronic system in relation to non-P2P agreements*;
- (b) (a) is regardless of whether, at the time the *firm* is holding the *money*, the *client* could or could not be a lender under a *P2P agreement*; and
- (c) under SYSC 4.1.8ER(2) it will be not be able to accept, take, or receive the transfer of full ownership of *money* relating to *non-*

P2P agreements.

- (2) Where a firm has not made an election under CASS 7.10.7AR, or where it has previously made an election but the election has ceased to be effective under CASS 7.10.7DR, any money it holds:
- (a) in the course of, or in connection with P2P services, for a client who at that time will or could be a lender under a P2P agreement in respect of that money should be treated as client money (for example because that client’s contractual investment criteria permits that money to be invested in a P2P agreement); and
 - (b) in the course of, or in connection with, operating an electronic system in relation to non-P2P agreements, for a customer who at that time could not be a lender under a P2P agreement in respect of that money should not be treated as client money (for example because that customer’s contractual investment criteria only permits that money to be invested in a non-P2P agreement).

...

7.10.8 G CASS 7.10.9G to CASS 7.10.15G do not apply to a firm in relation to money held in connection with its MiFID business to which this chapter applies or in relation to money for which the firm has made an election under CASS 7.10.3 R(1) or CASS 7.10.7AR.

...

TP 1 Transitional Provisions

TP 1.1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
...					
9C	<u>CASS 7.10.7AR(2)</u>	R	<u>A firm need not give the FCA at least one month’s notice under this rule, if it informs the FCA immediately at the time of making the election under</u>	From [date this instrument comes into effect] to [one month after]	[date this instrument comes into effect]

			<u>CASS 7.10.7AR(1).</u>		
<u>9D</u>	<u>CASS 7.10.7BR(1)</u>	R	<u>A firm need not give customers at least one month's advance notice under this rule, if it informs customers as soon as practicable at the time of making the election under CASS 7.10.7AR.</u>	From [<i>date this instrument comes into effect</i>] to [<i>one month after</i>]	[<i>date this instrument comes into effect</i>]
...					

Insert the following new row in the appropriate numerical position in **Schedule 1 (Record keeping requirements)**. The new text is not underlined.

Sch 1.3G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
CASS 7.10.7ER	The election made under CASS 7.10.7AR.	The election including the date from which the election is to be effective and, if it cancels the election, the date from which the election is to cease to be effective.	At the time of the election and, if it cancels the election, at the time it is cancelled.	Five years after ceasing to use the election
...				

Insert the following new rows in the appropriate numerical position in **Schedule 2 (Notification requirements)**. The new text is not underlined.

Sch 2.1G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
CASS 7.10.7AR(2)	The <i>firm's</i> election under CASS 7.10.7AR(1).	The <i>firm's</i> election under CASS 7.10.7AR(1).	Making the election	At least one <i>month</i> before the date on which the <i>firm's</i> election is to be effective.
CASS 7.10.7DR(1)	The cancellation of the <i>firm's</i> election under CASS 7.10.7AR(1).	The cancellation of the <i>firm's</i> election under CASS 7.10.7AR(1).	Cancelling the election	At least one <i>month</i> before the date on which the <i>firm's</i> election is to cease to be effective.
...				

Annex C

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text.

4.1 General requirements

...

- 4.1.8E R (1) *An operator of an electronic system in relation to lending must not accept, take, or receive the transfer of full ownership of money relating to P2P agreements.*
- (2) *If an operator of an electronic system in relation to lending has made a client money election under CASS 7.10.7AR, when it is operating an electronic system in relation to non-P2P agreements it must also not accept, take, or receive the transfer of full ownership of money relating to non-P2P agreements.*

...

Financial Conduct Authority



PUB REF: 005203

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