Financial Conduct Authority

FINAL NOTICE

To: **Pritchard Stockbrokers Limited (In Special Administration)**

FRN: **124257**

Address: **c/o Mazars LLP**
Clifton Down House
Beaufort Buildings
Clifton
Bristol
BS8 4AN

Date: **9 October 2014**

ACTION

1. For the reasons given in this notice, the Authority hereby issues a public censure to Pritchard. The public censure is issued pursuant to section 205 of the Act, for breaches of Principles 1, 2 and 10 of the Authority's Principles for Businesses, which occurred in the Relevant Period.

2. The public censure will be issued on 9 October 2014 and will take the form of this Final Notice which will be published on the Authority's website.

3. The circumstances of this case merit a financial penalty. Were it not for Pritchard's financial position, the Authority would have imposed on Pritchard a financial penalty of £4,932,600. However, Pritchard entered into Special Administration in March 2012 after the Relevant Period with a view to it being wound up and its assets realised and distributed amongst its creditors. The Authority considers that any assets available to Pritchard should be made available to its creditors and accordingly has decided not to impose a financial penalty upon it.

SUMMARY OF REASONS

4. Pritchard was engaged in the businesses of stock broking and wealth management. During the Relevant Period Pritchard provided its services to over 11,000 customers and was responsible for managing in excess of £26 million on behalf of customers. Pritchard did not conduct its business with integrity, in breach of Principle 1, by recklessly failing to provide adequate protection for client monies for which it was responsible. Pritchard recklessly relied upon the existence of an undocumented and opaque Offshore Facility in attempting to correct a deficit which it had wrongfully brought about in its client money position. Its failure adequately to protect its client money throughout the Relevant Period contributed to a loss of approximately £3 million of client money by the time Pritchard entered into Special Administration. As a consequence of these failings, Pritchard:

   a) failed to ensure that client money was not used to pay business expenses;

   b) routinely failed to pay sufficient funds into its client bank account to cover shortfalls in client money, in breach of the Client Money Rules;

   c) failed to correct the shortfalls in its client money account by segregating funds from its own corporate resources;

   d) failed at any time in the Relevant Period to make the mandatory notification to the Authority of the existence or extent of the client money shortfalls which Pritchard did not segregate its own funds to cover; and

e) failed to adequately verify the Offshore Facility, purportedly available to it or to put in place the necessary contractual documentation sufficient to confirm the facility.

5. Pritchard breached Principle 2 by failing to exercise due skill, care and diligence, when it failed, when required to do so, to appoint to the position of CF10a an individual who had an understanding of the significant responsibilities that the role conferred.

6. Consequently, Pritchard failed to provide adequate protection for client money for which it was responsible in breach of Principle 10.

7. The Authority considers Pritchard's failings during the Relevant Period to be serious for the following reasons:

a) these failings resulted in significant consumer detriment including contributing to a loss of approximately £3 million of client money;

b) it breached Client Money Rules throughout the Relevant Period;

c) the Authority sent letters to compliance officers of relevant firms in March 2009 and "Dear Chief Executive Officer" letters and reports to relevant firms in January 2010. Those letters and reports highlighted concerns about providing adequate protection for client assets and required firms to confirm compliance with their obligations regarding protection of client money and assets. On 30 June 2010, Pritchard purported to provide that confirmation to the Authority. There was therefore, during the Relevant Period, a high level of awareness in the financial services industry, and purportedly within Pritchard itself, of the importance of adequately protecting client money; and

d) the failures resulted in the FSCS having to compensate clients.

8. This action supports the Authority's operational objectives of securing an appropriate degree of protection for consumers and protecting and enhancing the integrity of the UK financial system.

DEFINITIONS

9. The definitions below are used in this Final Notice.

"the Act" means the Financial Services and Markets Act 2000;

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority;

"CASS" means the Client Assets Sourcebook contained in the Authority's Handbook;

"Client Money Rules" means Chapter 7 of CASS (as defined above);

"CF10a" means an individual approved by the Authority (as defined above) for the CASS operational oversight function;

"DEPP" means the Authority's Decision Procedure & Penalties Manual;

"EG" means the Enforcement Guide;

"FSCS" means Financial Services Compensation Scheme;

"the Offshore Facility" means the undocumented £2 million overdraft facility purportedly provided by an offshore company;

"Principles" means the Authority's Principles for Businesses;

"Pritchard" means Pritchard Stockbrokers Limited;

"Relevant Period" means 1 July 2010 to 8 February 2012;

"Special Administration/ Special Administrators" refers to the regime governed by the Investment Bank Special Administration Regulations 2011; and

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).

FACTS AND MATTERS

Background

10. Pritchard was incorporated in England and Wales on 14 April 1986 and has been authorised by the Authority since 1 December 2001 to carry on designated investment business.

11. Its annual accounts for 2010 described its principal activities as that of "providing securities and financial advice and providing securities and dealing facilities on an agency basis." The structure of its business required it to be able to hold/control

client money. It was authorised to do so in relation to the business it conducted through its headquarters in Bournemouth and 10 ancillary offices.

12. Pritchard had been experiencing financial problems since 2009. These financial problems put pressure on Pritchard's capital adequacy and client money positions and resulted in Pritchard using client money to meet business expenses. David Gillespie, Managing Director of Pritchard claims that he sought support from a trading counterparty of Pritchard via an offshore company, which purportedly offered an undocumented £2 million Offshore Facility to support Pritchard's client money position.

13. On 10 February 2012, due to concerns about Pritchard's holding of client money, the Authority secured Pritchard's assets and imposed a requirement on it to close out transactions it had already commenced.

14. On 9 March 2012, Pritchard entered Special Administration. It is estimated that Pritchard should have held an estimated £26.5 million in client money, approximately £3 million of which was represented by guarantees and the Offshore Facility purportedly provided by third parties that were irrecoverable or unenforceable, which caused the shortfall.

Internal reconciliation of client money

15. Pritchard followed what is known as the standard method of internal reconciliation of client money. This is set out at Annex 1 to the Client Money Rules and requires, on each business day, a firm to conduct a reconciliation to check whether its client money resource was at least equal to the client money requirement at the close of the previous day in order to ensure that it has sufficient client money to repay what it owes its clients. In the event that the client money resource is insufficient to meet the requirement, the firm is obliged to transfer funds from its own resources to its client bank account to cover any shortfall on the same day. If for any reason a firm cannot do this it is obliged to inform the Authority in writing, without delay.

16. The internal reconciliation of client money was carried out at Pritchard on a daily basis in line with the guidance in Annex 1 to the Client Money Rules. However, on days where Pritchard did not have adequate financial resources in its own account to cover the shortfall in the client account identified by the internal reconciliation of client money, a note was kept of the outstanding amount to be transferred. These amounts were initially recorded in manuscript, and then

latterly electronically, in daily diaries. In the course of the Relevant Period these daily diaries showed, with the exception of two days, client money shortfalls ranging between £198,000 and £2,676,252.

17. Pritchard did not at any time in the Relevant Period inform the Authority of the shortfalls in its client money that it could not rectify.

Steps taken by Pritchard to safeguard client money: the Offshore Facility

18. Mr Gillespie was the CF10a holder for the final three months of the relevant period, as well as being the Managing Director (holding the CF3 Chief Executive function) of Pritchard. He also held the CF1 Director controlled function. David Welsby was Pritchard's Finance Director (holding the CF1 Director function) and was responsible for the accounts and the production of the internal reconciliations of client money at Pritchard. Both Mr Gillespie and Mr Welsby said, when interviewed, that there was support in place from a third party, in the form of the Offshore Facility, to cover the shortfall in the client money resource. The two directors described the support as being in the form of a facility or an overdraft sum that was held with a UK law firm in an escrow account on behalf of an overseas company. According to both directors, the Offshore Facility was available to Pritchard on demand and free of lien.

19. The Client Money Rules do not recognise escrow accounts with law firms as being accounts in which client money can be deposited. Therefore, even if money had been ring-fenced in such an account, and there is no evidence that was the case, it could not have been designated as client money by Pritchard when calculating its client money resource in accordance with the Client Money rules.

20. Neither Pritchard, its staff, nor professional advisers have been able to provide any credible evidence of the existence of the Offshore Facility.

21. Pritchard failed to obtain or to put in place any contractual documents which would have enabled it to confirm the Offshore Facility. Instead, it relied upon verbal assurances purportedly provided by or on behalf of a third party to Mr Gillespie, who in turn provided assurances to Mr Welsby. Mr Welsby relied on the assurances he received from Mr Gillespie and Mr Gillespie interpreted the verbal assurances he received as meaning that the Offshore Facility existed and was available to be used by Pritchard. The third party was a director of the overseas company which, in another capacity, was already a trading counterparty of Pritchard and at one point held £1.4 million in Pritchard's trading account.

Pritchard's appreciation of client money issues

22. On 10 December 2007, the Authority issued a Private Warning to Pritchard in relation to various issues, including breaches of the CASS Rules, amongst other things, relating to:

    a) the accuracy of its daily reconciliations;

    b) failures to inform the Authority when the firm was unable to, or did not, perform the daily calculation; and

    c) failures in identifying the reason for discrepancies in its reconciliations.

23. These failures occurred for a period of up to seven years.

24. On 20 March 2009, the Authority sent a letter to the compliance officers of all firms with permission to hold client money, including Pritchard. This letter made clear the Authority's concerns about firms' CASS compliance and set out the Authority's expectations of firms when arranging adequate protection for clients' assets and money.

25. On 19 January 2010, the Authority sent letters to the Chief Executive Officers of all firms with permission to hold client money, including Pritchard. These letters emphasised that the Authority was giving a higher priority "to achieving compliance with client asset requirements" because it was concerned that firms were "not always achieving an adequate level of protection". The letters enclosed reports which noted that the Authority considered compliance with the Client Money Rules to be poor across the financial services industry. At the commencement and throughout the Relevant Period, management at Pritchard had or should have had a heightened awareness of the importance of affording adequate protection to client money and the concerns of the Authority in this respect.

26. Following receipt of the Authority's letters, Pritchard wrote to the Authority on 30 June 2010 stating that it had reviewed its client money procedures and was "confident" that client assets were "adequately protected." Having made such assertions in response to the Authority's letters, Pritchard should have known that the Offshore Facility could not have been included as an available resource in its client money position.

27. In October 2010, and following consultation, the Authority announced its intention to introduce a new CASS operational oversight controlled function (CF10a) because of the need to combat the fragmentation of CASS operational oversight in firms. The CF10a role became effective on 1 October 2011 and in November 2011, Pritchard appointed Mr Gillespie to the role. It did not however, undertake any assessment of his knowledge or suitability for the function. In interview, Mr Gillespie said that he had no knowledge of it being a newly created controlled function, and did not know that it specifically entailed assuming responsibility for CASS oversight. It did not, he considered, add to the responsibilities he ordinarily undertook.

FAILINGS

28. Based on the facts and matters described above, the Authority considers that in the Relevant Period, Pritchard conducted its business:

a) with a lack of integrity, in breach of Principle 1;

b) without due skill, care and diligence, in breach of Principle 2; and

c) without adequate protection for client assets for which it was responsible, in breach of Principle 10.

Principle 1

29. Principle 1 states that "a firm must conduct its business with integrity."

30. In breach of Principle 1, during the Relevant Period Pritchard did not conduct its business with integrity by recklessly failing to provide adequate protection for client monies for which it was responsible. Pritchard did not pay sufficient funds into its client back account to cover shortfalls in client money, and instead recklessly relied upon the existence and availability of the Offshore Facility to support its client money resource, which basic and obvious enquiries would have shown to be without substance and unenforceable. Its failure to protect adequately its client money throughout the Relevant Period contributed to a loss of approximately £3 million of client money by the time Pritchard entered into Special Administration. As a consequence of the failings in relation to the Offshore Facility, Pritchard:

a) failed to ensure that client money was not used to pay business expenses;

b) routinely failed to pay sufficient funds into its client bank account to cover

shortfalls in client money, in breach of the Client Money Rules;

c) failed to correct the shortfall in its client money account by segregating funds from its own corporate resources;

d) failed at any time in the Relevant Period to make the mandatory notification to the Authority of the existence or extent of the client money shortfalls, which the firm did not segregate its own funds to cover; and

e) failed to verify adequately the Offshore Facility, purportedly available to Pritchard or to put in place the necessary contractual documentation sufficient to confirm the facility.

Principle 2

31. Principle 2 states that "a firm must conduct its business with due skill, care and diligence."

32. Pritchard breached Principle 2 by failing to exercise due skill, care and diligence, when it failed, in November 2011, to appoint to the position of CF10a an individual who had an understanding of the significant responsibilities that the role of CF10a conferred.

Principle 10

33. Principle 10 states that "a firm must arrange adequate protection for clients' assets when it is responsible for them."

34. Pritchard breached Principle 10 by failing adequately to protect client money for which it was responsible in that it lost approximately £3 million of client money.

SANCTION

Public censure

35. The Authority's policy in relation to the imposition of a public censure is set out in Chapter 6 of DEPP. On 6 March 2010 the Authority adopted a new penalty-setting regime. Pritchard's misconduct took place after 6 March 2010. Therefore, the Authority's new penalty regime applies.

Financial penalty

36. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5A sets out the details of the five-step framework that applies in respect of financial penalties imposed on firms.

Step 1: disgorgement

37. Pursuant to DEPP 6.5A.1G, at Step 1 the Authority seeks to deprive a firm of the financial benefit derived directly from the breach where it is practicable to quantify this.

38. Pritchard did derive direct financial benefit from its breach. As at 8 February 2012, there was a client money shortfall of £3,021,660. That represents the benefit to Pritchard. Interest at a rate of 8% upon that sum for a period of 24 months i.e. from February 2012 to April 2014 is £483,465.60.

39. The Step 1 figure is therefore £3,021,660 + 483,465.60 **= £3,505,125.60**

Step 2: the seriousness of the breach

40. DEPP 6.5A.2G(1) provides that at Step 2 the Authority determines a figure that reflects the seriousness of the breach. Although DEPP 6.5A.2G(1) indicates that in many cases the amount of revenue generated by a firm from a particular business area is indicative of the harm that the breach may cause, it also recognises that revenue may not be an appropriate indicator of the harm the breach may cause. In those cases the Authority will use an appropriate alternative.

41. In this case, the Authority considers that an appropriate alternative is to base the Step 2 figure on the average client money balances held by the firm over the Relevant Period as an appropriate indicator of the harm that the breach may cause.

42. In this case the average client money balances in the Relevant Period are £29,740,425.20.

43. In deciding on the percentage of the average client money balances that forms the basis of the step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 4%. This range is divided into

five fixed levels which increase with the seriousness of the breach, and vary according to whether the breaches relate to client money or client assets. The five levels are:

Level 1 – 0% for both client money and client assets;

Level 2 – 1% for client money and 0.2% for client assets;

Level 3 – 2% for client money and 0.4% for client assets;

Level 4 – 3% for client money and 0.6% for client assets; and

Level 5 – 4% for client money and 0.8% for client assets.

44. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. DEPP 6.5A.2G(11) lists factors likely to be considered 'level 4 or 5 factors'. Of these, the Authority considers the following factors to be relevant:

a) Pritchard's failure to protect adequately client monies contributed to a £3,021,660 loss of Pritchard's client money;

b) The inaccuracies of the client money calculations and Pritchard's inability to account accurately for its client money suggests that the scope for financial crime to have been occasioned was high;

c) The breaches represent a systemic failure in relation to Pritchard's handling of Client Money matters; and

d) Pritchard breached Principle 1 as it failed to act with integrity, by recklessly failing to protect client monies for which it was responsible.

45. DEPP 6.5A.2(12) lists factors likely to be considered 'level 1, 2 or 3 factors'. The Authority does not consider any of the level 1, 2 or 3 factors to be relevant.

46. The Authority also considers that the following factors are relevant:

a) losses were suffered by consumers, at least some of whom were individual (i.e. non institutional) investors. The FSCS has confirmed that there are a number of consumers who have not been fully compensated due to their investments being for amounts higher than the FSCS £50,000 claim payment threshold;

b) detriment has been caused to consumers as distributions to creditors, including claimants through the FSCS, have yet to be completed;

c) the breaches continued over the entire Relevant Period; and

d) two of Pritchard's directors were aware of the breaches.

47. Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 5 and so the Step 2 figure is £29,740,425.20 x 4%.

48. The Step 2 figure is therefore **£1,189,617.01**.

Step 3: mitigating and aggravating factors

49. Pursuant to DEPP 6.5A.3G, at Step 3 the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2, but not including any amount to be disgorged as set out in Step 1, to take into account factors which aggravate or mitigate the breach.

50. The Authority considers that the following factors aggravate the breach:

a) The Authority previously issued a Private Warning to Pritchard in relation to various issues including breaches of the CASS Rules. The Authority considers a 15% uplift to be appropriate; and

b) The Authority has publicly called for improvements in standards in relation to the handling of client money (DEPP 6.5A.(2)(l)). The Authority considers a 5% uplift to be appropriate.

51. The Authority does not consider there to be factors that mitigate the breaches.

52. Having taken into account these aggravating factors, the Authority considers that the Step 2 figure should be increased by 20%.

53. The Step 3 figure is therefore **£1,427,540.41**.

Step 4: adjustment for deterrence

54. Pursuant to DEPP 6.5A.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the firm who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

55. The Authority considers that the Step 3 figure of £**1,427,540.41** represents a sufficient deterrent to Pritchard and others, and so has not increased the penalty at Step 4.

56. The Step 4 figure is therefore **£1,427,540.41**.

Serious financial hardship/ Special Administration

57. Pursuant to DEPP 6.5D.4G, the Authority will consider reducing the amount of a penalty if a firm will suffer serious financial hardship as a result of having to pay the entire penalty. The Authority takes the view that it is inappropriate to reduce the disgorgement element of a penalty for serious financial hardship. However, as Pritchard is in special administration, the Authority does not propose to seek disgorgement in order to maximise the assets which may subsequently be available for redress to customers. The Authority takes the view that the payment of a Step 4 penalty of **£1,427,540.41** would cause Pritchard serious financial hardship and diminish assets that could be made available to creditors of Pritchard. The Authority therefore intends to reduce the penalty, which in total would have been **£4,932,600** to nil and issue a public censure to Pritchard.

Proposed penalty

58. The Authority therefore proposes to issue a public censure to Pritchard.

PROCEDURAL MATTERS

Decision maker

59. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.

60. This Final Notice is given under, and in accordance with, section 390 of the Act.

Publicity

61. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the

Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

62. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

63. For more information concerning this matter generally, contact Paul Howick (direct line: 020 7066 7954 /email: paul.howick@fca.org.uk) of the Enforcement and Financial Crime Division of the Authority.

Megan Forbes

Financial Conduct Authority, Enforcement and Financial Crime Division

ANNEX

RELEVANT STATUTORY AND REGULATORY PROVISIONS

RELEVANT STATUTORY PROVISIONS

a. The Authority's statutory objectives, set out in section 1B(3) of the Act, include the consumer protection objective and the integrity objective.

Publication of a public censure

b. Section 205 of the Act provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, the Authority may publish a statement to that effect."

Imposition of a financial penalty

c. Section 206(1) of the Act provides:

"If the Authority considers that an authorised person has contravened a requirement imposed on him by or under this Act, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate."

RELEVANT REGULATORY PROVISIONS

Principles for Businesses

d. The Principles are a general statement of the fundamental obligations of firms under the regulatory system and are set out in the Authority's Handbook. They derive their authority from the Authority's rule-making powers set out in the Act. The relevant Principles are as follows.

e. Principle 1 provides:

"A firm must conduct its business with integrity."

f. Principle 2 provides:

"A firm must conduct its business with due skill, care and diligence."

g. Principle 10 provides:

"A firm must arrange adequate protection for clients' assets when it is responsible for them."

DEPP

h. Chapter 6 of DEPP, which forms part of the Authority's Handbook, sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act.

i. DEPP 6.5D.4G states that:

(1) The FCA will consider reducing the amount of a penalty if a firm will suffer serious financial hardship as a result of having to pay the entire penalty. In deciding whether it is appropriate to reduce the penalty, the FCA will take into consideration the firm's financial circumstances, including whether the penalty would render the firm insolvent or threaten the firm's solvency. The FCA will also take into account its statutory objectives, for example in situations where consumers would be harmed or market confidence would suffer, the FCA may consider it appropriate to reduce a penalty in order to allow a firm to continue in business and/or pay redress.

(2) There may be cases where, even though the firm has satisfied the FCA that payment of the financial penalty would cause it serious financial hardship, the FCA considers the breach to be so serious that it is not appropriate to reduce the penalty. The FCA will consider all the circumstances of the case in determining whether this course of action is appropriate, including whether:

(a) the firm directly derived a financial benefit from the breach and, if so, the extent of that financial benefit;

(b) the firm acted fraudulently or dishonestly in order to benefit financially;

(c) previous FCA action in respect of similar breaches has failed to improve industry standards; or

(d) the firm has spent money or dissipated assets in anticipation of FCA or other enforcement action with a view to frustrating or limiting the impact of action taken by the FCA or other authorities.

The Enforcement Guide

j. The Enforcement Guide sets out the Authority's approach to exercising its main enforcement powers under the Act.

k. Chapter 7 of the Enforcement Guide sets out the Authority's approach to exercising its power to impose a financial penalty.

Client Money Rules

l. The Client Assets section of the Authority's Handbook ("CASS") sets out the requirements relating to holding client assets and client money.

m. Set out below are relevant extracts from CASS 7.6:

CASS 7.6.1

"A firm must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish client money held for one client from client money held for any other client, and from its own money."

CASS 7.6.2

"A firm must maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the client money held for clients."

CASS 7.6.5

"A firm should ensure that it makes proper records, sufficient to show and explain the firm's transactions and commitments in respect of its client money."

CASS 7.6.6

"(1) Carrying out internal reconciliations of records and accounts of the entitlement of each client for whom the firm holds client money with the records and accounts of the client money the firm holds in client bank accounts and client transaction accounts should be one of the steps a firm takes to satisfy its obligations under CASS 7.6.2 R, and where relevant SYSC 4.1.1 R and SYSC 6.1.1 R.

(2) A firm should perform such internal reconciliations:

(a) as often as is necessary; and

(b) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of the firm's records and accounts.

(3) The standard method of internal client money reconciliation sets out a method of reconciliation of client money balances that the FCA believes should be one of the steps that a firm takes when carrying out internal reconciliations of client money."

CASS 7.6.10

"(1) A firm should perform the required reconciliation of client money balances with external records:

(a) as regularly as is necessary; and

(b) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of its internal accounts and records against those of third parties by whom client money is held.

(2) In determining whether the frequency is adequate, the firm should consider the risks which the business is exposed, such as the nature, volume and complexity of the business, and where and with whom the client money is held."

CASS 7.6.13

"When any discrepancy arises as a result of a firm's internal reconciliations, the firm must identify the reason for the discrepancy and ensure that:

(1) any shortfall is paid into a client bank account by the close of business on the day that the reconciliation is performed; or

(2) any excess is withdrawn within the same time period (but see CASS 7.4.20 G and CASS 7.4.21 R)."

CASS 7.6.16

"A firm must inform the FCA in writing without delay:

(1) if it has not complied with, or is unable, in any material respect, to comply with the requirements in CASS 7.6.1 R, CASS 7.6.2 R or CASS 7.6.9 R;

(2) if having carried out reconciliation it has not complied with, or is unable, in any material respect, to comply with CASS 7.6.13 R to CASS 7.6.15 R."