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Client money in a digital-first world

Operating CASS 5 and CASS 7 at scale, and what the new CASS 15 safeguarding regime signals for insurance distribution.

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An operational and regulatory survey of where the UK CASS regime now bites hardest in insurance distribution, and what disciplined firms are doing to stay ahead of supervision as transaction volumes, payment channels, and intermediary chains scale. Written for CASS-regulated insurance intermediaries, MGAs, brokers, and the technology and operations teams that serve them.

Executive summary

Client money is the part of the UK insurance distribution stack where the operating realities of digital-first distribution have outrun the supervisory assumptions baked into the rule set. The Client Assets Sourcebook chapters that govern this work — CASS 5 for insurance distribution activity and CASS 7 for general client money in MiFID and adjacent regimes — were drafted with paper-era and batch-era reconciliation in mind. The intermediary market has since moved to API-led placement, payment service provider funded settlement, near-real-time premium flows, and intermediary chains of three, four, or five hops before the money reaches the carrier. The rules have not changed at the same pace. Supervisory expectation has — and, with the new CASS 15 safeguarding regime for payment and e-money firms in force from 7 May 2026, the broader perimeter of CASS-style protection is now expanding into the parts of the distribution stack where insurance intermediaries source much of their settlement infrastructure.

Four observations frame what follows.

One: the supervisory posture has hardened, even as the rule book has thinned

The Financial Conduct Authority retired more than 90 "Dear CEO" and portfolio letters in April 2025 and over 100 multi-firm and thematic reports in August 2025, replacing them with a thinner, more direct supervisory communications stack.[1] The first sector-specific Regulatory Priorities report — published in February 2026 and addressed directly to insurance intermediaries — confirmed that the FCA expects boards and chief executives to take prompt action against any compliance gaps, with delegated authority models, claims handling, and remuneration arrangements all explicitly named as 2026 supervisory focus areas.[2] Inside that hardening posture, CASS is one of the supervisory tests where the regulator has shown the least patience for firms making the same mistakes twice.

Two: the audit data tells a stark story

The FCA receives approximately 3,000 CASS audit reports each year across its regulated population.[3] Inside the insurance-intermediary subset, the published audit experience of major CASS auditors is unsparing: PKF Littlejohn, one of the dominant CASS audit specialists in the UK insurance market, has publicly stated that fewer than 1% of the firms it audits receive a clean opinion — most recently 1 of 130.[4] The previous figure was 4%. The trajectory has worsened. The most common causes are predictable: weak reconciliation processes, gaps in books and records, defective Terms of Business Agreements, manual processing at volumes the manual process cannot sustain, and credit write-back practices the regulator no longer accepts.

Three: the digital-first economics make manual reconciliation untenable

Volume-led distribution — embedded insurance, API-bound MGAs, aggregator-fed personal lines, multi-bank PSP-mediated premium settlement — produces transaction-level reconciliation requirements that manual or partly-manual processes were not designed to deliver. The FCA's 2024 portfolio letter to insurance intermediaries was explicit about the operating pattern that worries it most: "weak books and records, end-of-life IT, and heavy manual processing".[5] The firms that have invested in real-time reconciliation architecture, segregation-of-duties controls, and integrated CMAR reporting are demonstrably better positioned for the 2026 supervisory cycle than those that have not.

Four: the CASS 15 safeguarding regime now extends CASS-style protection into the payments perimeter

On 7 May 2026, the new CASS 15 safeguarding regime — created by FCA Policy Statement PS25/12 — came into force for payment institutions, e-money institutions, and credit unions issuing e-money. CASS 15 imports the operational disciplines that have defined CASS 7 for years (daily reconciliation, monthly FCA returns, annual safeguarding audits, 48-hour resolution pack retrieval, bank acknowledgement letters with no right of set-off) into a regulatory population that was previously operating under thinner safeguarding rules under the Payment Services Regulations and Electronic Money Regulations.[40] The implications for insurance intermediaries are indirect but material: every PSP and EMI in the premium-collection chain is now operating under enhanced safeguarding standards, which improves the integrity of the wider client-money ecosystem and reinforces the supervisory direction of travel toward consistent CASS-style protection across the financial services system.

What this paper does

The body of this paper sets out, in operational detail, what good CASS 5 and CASS 7 practice now looks like for insurance distributors operating at scale. We map the rule set, the supervisory expectations, the audit experience, the enforcement landscape, and the technology architecture that disciplined firms are now adopting. Where the regulator has signalled a specific concern — credit write-backs, conditional risk transfer, PSP timing, resolution pack readiness — we say so. Where the published evidence is thin, we say so. The intent is a usable reference, not a marketing brochure.

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PART I

The regulatory frame

What CASS actually requires, who is accountable, and what the FCA expects to see.

1. CASS 5 and CASS 7 in working summary

CASS is the FCA Handbook chapter set that protects client money and custody assets. For UK insurance distribution, two chapters do the lifting. CASS 5 covers client money received in the course of insurance distribution activity by intermediaries — brokers, MGAs, coverholders, and most introducer firms holding premium or claims monies. CASS 7 covers client money rules more broadly for MiFID firms, designated investment firms, and certain other categories; it applies to insurance distributors only where the firm also conducts business that brings it inside scope, but the underlying mechanics of internal and external reconciliation that CASS 7 codifies have become the de facto reference standard for operational maturity across the wider CASS population.

This paper treats CASS 5 as the primary subject and CASS 7 as the secondary subject, on the simple basis that insurance distribution is the operating territory and CASS 5 governs the bulk of it. Where the CASS 7 cycle (daily internal reconciliation, monthly-or-more-frequent external reconciliation) is the better operating standard even for CASS 5 firms, we say so.

CASS 5: the trust mechanics

CASS 5 establishes that an insurance intermediary holding client money must hold it on trust. The firm elects one of two trust structures. Under a **statutory trust**, the firm holds client money strictly as trustee, with no permission to advance credit from the client money account or otherwise use the funds. Under a **non-statutory trust (NST)**, the firm has additional flexibility — most importantly, the ability to advance credit from the trust account, which is operationally significant for brokers funding insurer settlement ahead of client receipt — but the firm carries a higher capital requirement, an annual auditor sign-off requirement for the NST environment, and a more demanding control framework.[6]

Under either trust structure, the firm must segregate client money from its own money, maintain client bank accounts with explicit acknowledgement letters, perform regular client money calculations, perform reconciliations, fund any shortfall identified at reconciliation from its own resources, and submit regulatory reporting through the CMAR (Client Money and Asset Return) for medium and large firms.[7] The CASS 5 capital requirement, reported in RMAR section D, is 5% of regulated business revenue for firms holding client money — double the 2.5% applicable to firms operating on a pure risk-transfer basis.[6] A non-statutory trust firm dealing with retail clients carries a de minimis capital requirement of £50,000.[6]

The reconciliation requirement

CASS 5 does not prescribe a single fixed reconciliation frequency. The rules require client money calculations and reconciliations "at regular and reasonable intervals having regard to the nature and frequency of the insurance business carried on".[8] For an active intermediary handling daily premium flows, monthly is the upper bound of "reasonable" — and supervisory practice now reads frequencies materially less granular than monthly with scepticism. The bank balance must be reconciled within ten business days of the date of the calculation, and any surplus or deficit identified by the client money calculation must be transferred to or from the office account by close of play.[6] PKF Littlejohn, in its CASS 5 guidance prepared with Aviva, sets a published industry reconciliation accuracy benchmark of at least 95%.[6]

CASS 7: the daily cycle as the operating standard

CASS 7 imposes a more demanding cycle than CASS 5 by default. An internal client money reconciliation must be conducted **each business day** under CASS 7.15.12R and 7.15.15R, based on records at close of business on the previous business day.[9] The external client money reconciliation must be conducted at least monthly, but in practice firms with daily transaction volumes should conduct it daily — and the FCA confirmed in 2025 audit-cycle discussions that it expects daily external reconciliation in any operating context where transaction volume justifies it.[10]

Two standard methods are permitted for the internal client money reconciliation: the net negative add-back method, and the individual client balance method. Either is acceptable; the latter is more granular and more demanding to operate at scale; the former is the default among smaller firms but introduces blind spots that the auditor will probe. Where a firm uses a non-standard method, additional notification and documentation requirements apply, including FCA notification under CASS 7.15.17R to 7.15.19G.

Why insurance distributors increasingly run CASS 7 hygiene on CASS 5 books

A growing number of well-managed insurance intermediaries — particularly those at the scale where CASS large or medium firm thresholds apply — now operate the CASS 7 daily internal reconciliation cycle voluntarily, even where their permissions are CASS 5 only. The operational logic is straightforward: if the reconciliation is performed daily, the discrepancies are smaller, easier to investigate, and easier to remediate; the audit trail is denser; the breach detection is faster; the resolution pack data is materially closer to live; and the supervisory narrative is more defensible. In the high-volume digital distribution context, the CASS 7 cycle is the better fit for the operating reality even where the strict CASS 5 minimum is lower.

> **A definitional note**
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> Throughout this paper, "client money" refers to money received by an intermediary in the course of insurance distribution activity that is not held on a risk-transfer basis. Where a firm operates entirely on risk transfer — that is, premium is held on behalf of the insurer from receipt, with the insurer bearing the credit risk — CASS 5 does not apply to those funds. However, the TOBA must be unambiguous, the risk-transfer must be effective in practice, and the firm must not co-mingle risk-transfer money with client money or own money. Firms that wrongly assume they hold no client money because of risk transfer are one of the most common audit failure modes.

2. The supervisory posture in 2026

The FCA's supervisory posture toward CASS in the insurance distribution market has hardened materially since 2023. Three developments deserve specific attention.

The retirement of the portfolio-letter regime, and what replaced it

In April 2025, the FCA retired more than 90 "Dear CEO" and portfolio letters. In August 2025, it retired more than 100 multi-firm and thematic reports.[1] These were not silently abandoned: they were replaced with a more concentrated supervisory communications model. In February 2026, the FCA launched a new series of annual, sector-specific Regulatory Priorities reports designed to consolidate, refresh, and replace the legacy stack.[2]

The first such report in the new series, Insurance, was addressed directly to insurance intermediaries and price comparison websites. The FCA stated explicitly that boards and chief executives of in-scope firms should review the report carefully and take prompt action to address any gaps in compliance. Firms that fail to do so "risk falling short of the FCA's supervisory expectations and may face regulatory scrutiny".[2]

The substantive content of the February 2026 report has direct implications for CASS-regulated insurance distributors. Four priorities are named:

- Improving consumer understanding, claims handling and service quality — with supervisory work already under way following the Which? super-complaint on home and travel insurance claims.
- Expanding the FCA's oversight review to include delegated authority models and remuneration arrangements from Q2 2026, with findings expected in early 2027. MGAs and coverholders are explicitly named as expected reviewers of their governance and remuneration structures.
- Value measures rules review concluding Q4 2026, which may change the nature and volume of data intermediaries are required to report.
- Embedding the Consumer Duty across the full sales and claims journey, not just at product design.

Inside that supervisory frame, CASS is not always named explicitly — but the operating concerns that drive CASS supervision (governance, books and records, accountability for outcomes, the data trail) are precisely the concerns the new priorities document expects to test. The connection between Consumer Duty fair-value obligations and CASS reconciliation accuracy is now an established supervisory line of inquiry.[11]

The 2024 portfolio letter and what it telegraphed

Before the portfolio-letter regime was retired, the FCA's 2024 portfolio letter to insurance intermediaries singled out three operating patterns as recurring sources of CASS risk: "weak books and records, end-of-life IT, and heavy manual processing".[5] The retirement of the letter did not retire the concern. It is the same concern, now examined through Regulatory Priorities reports and supervisory tools rather than letters.

Each of the three is a category of operating practice rather than a single specific failure. Each is also, in practice, well-understood inside the audit profession. The PKF Littlejohn published audit findings from 2024 and 2025 list the precise sub-failures that surface most often:

- Misunderstanding the implications of trust status — particularly when the firm wishes to move money out of trust through credit write-backs, when closing trust accounts, or when varying permissions.
- Funding (advancing credit or lending) from a statutory trust account, where the trust structure does not permit it.
- Brokerage transfers at various points during the month, not accompanied by a client money calculation.
- TOBA defects — particularly Terms of Business Agreements silent on commission extraction timing or on whether the bank account is statutory trust or non-statutory trust.
- Inadequate provisioning for funded balances, particularly where debts have been unpaid for more than six months and are left unprovided.
- Credit write-back via deemed consent rather than actual written confirmation from counterparties.

- Acknowledgement letter deficiencies — wrong template, missing fixed text, inadequate detail, or signed by an individual without verified authority.
- Inadequate or missing risk and controls matrix documentation.

Each of these is a routine finding. None is exotic. The FCA's supervisory posture has shifted from tolerating these as one-off remediation items to treating them as evidence of systemic weakness when they appear across the firm or across years.[12]

The forward-looking, data-led approach

The FCA has now explicitly committed to a "forward-looking and data-led approach" to supervision, acknowledging that the data it holds across the regulated population puts it in a unique position to triage firms and identify outliers.[13] For CASS-regulated firms, this means three things in practice. First, the CMAR data submitted monthly by medium and large firms is increasingly being used as supervisory triage data rather than as a passive reporting requirement. Second, the published audit reports that the FCA receives are being read with comparative benchmarks across the sector, so a firm whose audit pattern looks an outlier against its peers can expect targeted follow-up. Third, supervisory questionnaires under section 165 of FSMA are increasingly being used to acquire granular operational data directly from firms ahead of any formal intervention.[14]

What this means in practice

Firms should expect supervision in 2026 onward to be more data-driven, less letter-driven, and more targeted. The supervisory contact that arrives may not be a formal information request; it may be a routine-looking conversation about a CMAR anomaly that turns into a deeper inquiry. The firms most exposed to this shift are the ones whose CMAR submissions, audit reports, and operational metrics tell different stories — that is, the ones whose reporting hygiene has not yet caught up with their underlying activity. The remediation cost of being identified through supervisory triage is materially higher than the cost of catching the issue internally first.

3. Senior-management accountability: PR Z, SMF, and the CASS Oversight Function

CASS sits inside the UK senior managers and certification regime (SM&CR) by explicit design. The accountability architecture is now well-established, but the operational discipline required to make it work — particularly in firms where CASS activity is one part of a wider operating footprint — remains uneven.

The Prescribed Responsibility for CASS compliance

Under SYSC 24.2.1R, a firm must allocate responsibility for the firm's compliance with CASS to one of its Senior Management Function (SMF) holders. This is the FCA-prescribed senior management responsibility most often referred to as "PR Z" — the Prescribed Responsibility for CASS.[15] The full list of FCA-prescribed senior management responsibilities is set out in SYSC 24.2.6R, and PR Z sits inside that list with explicit weight.

In practice, PR Z is typically allocated to one of three SMFs depending on firm size and structure. In Enhanced firms, the most common allocations are SMF24 (Chief Operations Function) or SMF2 (Chief Finance Function), occasionally SMF16 (Compliance Oversight) — although the FCA has signalled that allocating PR Z to compliance is rarely the operational fit it appears to be on paper.[16] In Core firms with simpler governance structures, PR Z most commonly sits with SMF1 (Chief Executive) or SMF3 (Executive Director). In Limited Scope firms, the allocation pattern follows whichever SMF carries the firm's broader operating accountability.

The CASS Oversight Function: the operational layer

Beneath the PR Z senior manager sits a separate certification function: the CASS Oversight Function (CASSOF), which replaced the legacy CF10a controlled function when SM&CR replaced the Approved Persons Regime. Under SYSC 27.8.1R, CASSOF is a certification function: the individual is not directly approved by the FCA, but the firm is responsible for assessing and documenting their fitness and propriety on appointment and annually thereafter.[17]

The CASSOF holder has explicit operational responsibilities under CASS 1A.3.1AR:

- Oversight of the operational effectiveness of the firm's systems and controls designed to achieve CASS compliance.
- Reporting to the firm's governing body on that oversight.
- Completing and submitting the CMAR to the FCA in accordance with SUP 16.14 (medium and large CASS firms).

The FCA expects that CASSOF and PR Z are distinct individuals in most firms above the smallest CASS scale, with the PR Z senior manager exercising oversight of, and challenge to, the CASSOF holder. The model of one individual holding both has been signalled as workable in smaller firms but the FCA expects firms above a modest threshold to separate the two so that the oversight is meaningful rather than self-referential.[18]

The "reasonable steps" obligation

The senior manager holding PR Z must be able to demonstrate that they have taken "reasonable steps" to ensure the firm's CASS compliance. In the FCA's published guidance and in supervisory practice, what "reasonable steps" means is now well-defined: documented oversight; documented MI from the CASSOF; documented escalation pathways; documented training; documented evidence of challenge to the operational team; and documented review of the firm's CASS risk and controls matrix.[19]

The most common failure mode in this area is the senior manager who has accepted the responsibility on the firm's structure chart but who cannot, in a supervisory conversation, produce the documentation that demonstrates the steps they have taken. This is where SM&CR has teeth: the FCA can, and does, pursue individual senior manager accountability where CASS compliance has materially failed.

Role	Function reference	Allocation responsibility	Day-to-day responsibility
Senior manager with PR Z	SYSC 24.2.1R (FCA-prescribed)	Required for Core and Enhanced firms	Oversight, challenge, escalation to board

Role	Function reference	Allocation responsibility	Day-to-day responsibility
CASS Oversight Function (CASSOF)	SYSC 27.8.1R (certification)	Required for CASS medium and large firms	Operational effectiveness, MI, CMAR submission
CASS small firm holder	CASS 1A.3 (legacy)	Required for CASS small firms	Either an SMF or compliance oversight holder
Auditor	SUP 3.10 (CASS audit)	Required for firms holding client money above audit thresholds	Annual reasonable assurance opinion

The supervisory test of reasonable steps

If the FCA opens a CASS-related supervisory inquiry, the first questions to the senior manager holding PR Z will not be about the operational detail — those are CASSOF questions. The PR Z questions will be: when did you last receive CASS MI, what did it show, what did you do about it, how did you assure yourself the CASSOF holder was competent, when did you last challenge the CASS team on a specific matter, and where is the documentation. The firms whose senior managers have practised these answers are the ones that survive the inquiry intact.

4. CASS classification and the small/medium/large firm distinction

CASS classification matters because it determines which obligations apply, which audit regime applies, and which reporting cycle applies. The classification is not a static label — it is reviewed annually against transaction volumes and balances held, and a firm growing through a classification threshold must move to the more demanding regime promptly.

The three CASS firm sizes

Under CASS 1A.2.7R, CASS firms are classified as small, medium, or large by reference to the highest total amount of client money the firm has held in the previous calendar year (or, for newly authorised firms, the highest amount it projects to hold).[20] The thresholds are:

- CASS small firm — generally less than £1 million in client money.
- CASS medium firm — between £1 million and £1 billion in client money.
- CASS large firm — above £1 billion in client money.

The thresholds materially understate operational complexity for insurance intermediaries, because the absolute pound figure does not capture the transactional volume that produces it. An intermediary placing high-volume motor or pet personal lines through digital channels can be a CASS medium firm by balance while carrying CASS-large transactional volume by flow. The operational reality of the reconciliation challenge is closer to the flow than to the balance.

Audit thresholds and exemptions

The CASS audit regime applies to firms holding client money above set thresholds, with a limited audit exemption for very small CASS firms holding £30,000 or less in a statutory trust account. The £30,000 figure is a balance test, not a transaction test — the firm must be below £30,000 at any time during the year, not below £30,000 on average.[21] The FCA has signalled that some firms misinterpret this as a transaction threshold, and that the resulting non-performance of audit when audit was due is itself a significant breach in supervisory terms.

The audit itself is a reasonable assurance engagement performed by an external auditor with CASS-specific competence. The audit report identifies whether the firm has, in all material respects, complied with the CASS rules during the audit period. The published market evidence is that genuine clean opinions are rare in the insurance-intermediary segment. The headline figure — PKF Littlejohn's 1 of 130, a sub-1% clean rate — is itself an indicator both of how exacting the CASS standard is in practice and of how operationally hard it is for an intermediary at scale to remain inside it consistently.

CMAR: the reporting overlay

Medium and large CASS firms must submit a monthly Client Money and Asset Return (CMAR) through the FCA's RegData reporting platform (the successor to Gabriel). The CMAR captures month-end client money balances, transaction volumes, segregation arrangements, reconciliation discrepancies, breaches, and a range of structural attributes of the firm's CASS environment.[22] The CMAR is the single most data-rich routine input the FCA receives about a firm's CASS operation. Supervisors read the trend lines in CMAR data and look for outliers — both within a single firm over time, and across the firm's peer group. Anomalies in CMAR submissions are now a routine trigger for supervisory engagement.

Classification	Trigger	Audit	CMAR	Capital uplift
Small CASS firm	Below £1m client money	Required if above £30k STA threshold	Not required (return as part of RMA-C)	Yes: 5% of regulated revenue
Medium CASS firm	£1m to £1bn client money	Required annually	Monthly via RegData	Yes: 5% of regulated revenue
Large CASS firm	Above £1bn client money	Required annually with enhanced scope	Monthly via RegData; PRA may engage	Yes: 5% of regulated revenue, plus higher governance bar

Why the classification matters operationally

A firm at scale and growing — for instance, an MGA writing personal-lines business through digital channels — can sit inside the medium classification by balance, but its operational reality (volume, daily reconciliation requirement, audit trail load, CMAR

Classification	Trigger	Audit	CMAR	Capital uplift

> data volume) more closely resembles a large firm. The procurement and architecture decisions made when the firm is in the medium band determine whether the firm can move into the large band without crisis. The firms that have made disciplined choices at the medium-firm stage are the ones that scale without an emergency CASS rebuild.

5. The CASS 15 safeguarding regime — implications for insurance distribution

CASS 15 is the most consequential addition to the Client Assets Sourcebook since the original CASS 5 architecture was set out, and the first major chapter created to address client-money protection in a regulated population that was previously outside the CASS framework. Although CASS 15 does not apply directly to insurance intermediaries, the consequences for the insurance distribution ecosystem are material and deserve a dedicated treatment in any working CASS reference for distributors operating at scale.

What CASS 15 is, and what it is not

CASS 15 was introduced by FCA Policy Statement PS25/12, published on 7 August 2025, and came into force on 7 May 2026. It applies to payment institutions (PIs), e-money institutions (EMIs), small e-money institutions, and credit unions that issue e-money.[40] It does not apply to insurance intermediaries; CASS 5 and CASS 7 remain the operative chapters for that population. The point of CASS 15 is to bring the safeguarding standards required of payment and e-money firms under the Payment Services Regulations 2017 and Electronic Money Regulations 2011 closer to the disciplines that have governed CASS 7 firms for years — daily reconciliation, monthly regulatory reporting, annual audit, resolution pack readiness, and a properly evidenced trust over safeguarded funds.

The reform is being implemented in two stages. Stage 1, the "Supplementary Regime", is the regime now in force from 7 May 2026: it operates within the existing legislative framework (PSRs and EMRs) and introduces enhanced operational requirements without changing the underlying statutory basis of safeguarding. Stage 2, the "Post-Repeal" framework, requires legislative change to the PSRs and EMRs and would impose a full CASS-style regime with a statutory trust over safeguarded funds. Stage 2 is expected to follow HM Treasury's consultation on payment services law later in 2026 and is still subject to consultation and policy development.[41]

What CASS 15 requires

The Supplementary Regime introduces three categories of change inside the new CASS 15 chapter, together with new resolution-pack rules under CASS 10A and reporting rules under SUP 16.14A. The operating requirements that matter most for the insurance distribution ecosystem are:

- Books and records. Safeguarding firms must maintain accurate, up-to-date records of all relevant funds received and held on behalf of customers. The expectation is that the firm can determine, at any time, the safeguarded amount attributable to each individual customer.
- Daily reconciliation. Safeguarded funds must be reconciled every business day, mirroring the CASS 7 daily reconciliation cycle. This is the single most operationally consequential element of CASS 15 for payment and e-money firms that previously reconciled less frequently.
- Monthly FCA returns. CASS 15 firms must submit monthly safeguarding returns to the FCA through RegData, paralleling the CMAR cycle that medium and large CASS firms have operated for years.
- Annual safeguarding audit. Firms safeguarding £100,000 or more in the financial year must commission an annual safeguarding audit, performed by an auditor with appropriate CASS competence under SUP 3A.
- 48-hour resolution pack retrieval. The new CASS 10A chapter introduces a resolution pack requirement for safeguarding institutions paralleling CASS 10 for traditional CASS firms. The pack must be retrievable within 48 hours.
- Acknowledgement letters. The bank holding the safeguarding account must sign an acknowledgement letter in the form prescribed by CASS 15 Annex 1, confirming that the bank is aware the account is for safeguarding customer funds, that it has no right of set-off or recourse against the funds (except for narrowly defined exceptions), and that it will release the funds on demand to the firm or its appointed insolvency practitioner.
- Insurance and guarantee mechanism. Where firms use safeguarding insurance or comparable guarantees rather than segregation, the policy must not include restrictions on payout other than confirmation of an insolvency event, and

contingency planning is required where the policy has less than three months to run.

- Senior management accountability. CASS 15 elevates safeguarding to a board-level concern, with firms formally designating an individual responsible for safeguarding compliance — paralleling the PR Z / CASSOF architecture under SM&CR.

Why insurance intermediaries should be paying attention

Insurance intermediaries do not comply with CASS 15 directly. But almost every insurance intermediary at scale now interacts with the CASS 15 perimeter through its premium-collection arrangements. Five specific implications deserve operational attention:

Implication one: PSP and EMI counterparties are operating under tighter rules

Every PSP or EMI an intermediary uses for premium collection — card acquirers operating under e-money permissions, payment institutions running embedded checkout flows, e-money providers facilitating multi-channel premium settlement — is now subject to CASS 15. The PSP's books and records, reconciliation cycle, audit trail, and resolution pack are now substantially more robust than they were under the legacy PSR/EMR safeguarding regime. For the intermediary, this is a net improvement in the integrity of the premium-collection chain.

Implication two: PSP supply-chain risk has changed shape

PSPs and EMIs that fail to meet CASS 15 face heightened regulatory consequences. The FCA has signalled that supervision of the safeguarding population will be more intensive under the new regime, with monthly returns providing the data backbone for that supervision. The realistic outcome over the eighteen months following 7 May 2026 is that some PSPs and EMIs will lose authorisation or restructure substantially under regulatory pressure. Insurance intermediaries depending on specific PSP relationships should treat this as a third-party-risk consideration, including in their operational resilience scenario planning.

Implication three: the data flowing back to the intermediary should be richer

CASS 15 firms must maintain books and records sufficient to enable individual-customer-level reconciliation on a daily basis. The reporting and data produced by these firms —

settlement files, reconciliation statements, transaction-level metadata — should now be more granular, more timely, and more reliable than they were under the legacy regime. Intermediaries should review whether they are receiving the level of data they are now entitled to expect from their PSP and EMI partners, and whether their own reconciliation systems are configured to consume that data efficiently.

Implication four: the 48-hour standard is now consistent across the perimeter

The introduction of the CASS 10A resolution pack standard for safeguarding institutions, with its 48-hour retrieval requirement, aligns the data-access expectations across CASS firms and CASS 15 firms. In a wind-down or insolvency event affecting a PSP or EMI partner, the insurance intermediary's own resolution pack process can now reasonably assume that the PSP-held data will be available within the same 48-hour window. This is an improvement on the prior position and should be reflected in the intermediary's own resolution pack scenarios.

Implication five: the direction of travel is clearer

The Stage 2 reform — full statutory trust for safeguarded funds in payment and e-money firms — is the strongest available signal of where the FCA wants the wider client-money perimeter to go. The longer-term implication for insurance distributors is that the architectural assumptions baked into CASS 5 (statutory trust, segregation, prompt return of client funds in a wind-down) are the direction in which the entire client-money system is moving, not the exception within it. Investments in CASS 5 and CASS 7 governance discipline made now sit on the right side of that trajectory.[42]

Where the CASS 15 disciplines align with what CASS 5 firms should be doing

A useful exercise for any CASS 5 firm operating at scale is to read the CASS 15 requirements as a benchmark of what disciplined safeguarding looks like in the modern environment. Several CASS 15 elements are now the de facto reference standard even where the strict CASS 5 minimum is lower:

- Daily reconciliation, even where CASS 5 permits a less granular cycle for the firm's transaction profile.

- Individual-customer-level records that permit determination of customer balances at any point in time, even where the firm uses the net negative add-back method.
- Bank acknowledgement letters with no right of set-off, on the CASS 15 Annex 1 template standard rather than legacy variants.
- Monthly regulatory data submissions with internal-process integration, not as an end-of-month construction.
- Resolution pack retrievable within 48 hours, tested annually.
- Senior management accountability formally designated, with documented MI and challenge.

Each of these is now operating practice for well-managed CASS 5 firms at scale. CASS 15 reinforces the case for adopting them as standard rather than as aspirational.

What the CASS 15 timing means for intermediary planning

CASS 15 came into force on 7 May 2026 — just twelve days before this paper was published. The supervisory practice around it is still being established. Insurance intermediaries that engage early with their PSP and EMI partners on CASS 15 readiness — asking for evidence of daily reconciliation, monthly return preparation, resolution pack maintenance, and acknowledgement letter renewal — will have substantially better visibility into their premium-collection chain than those that wait for the first supervisory event to surface the question. The early movers will treat CASS 15 as both an opportunity to upgrade their own data feeds and a stress test of their PSP relationships.

PART II

The operational reality

Where the rules meet daily volume, multiple channels, and intermediary chains.

6. The reconciliation engine: internal, external, and where they diverge

Reconciliation is the operating heart of CASS compliance, and the place where most firms accumulate the small operational debts that eventually surface in audit findings or supervisory engagement. The CASS reconciliation engine is conceptually simple and operationally exacting, and the distinction between its two components — internal and external — is fundamental to understanding where things go wrong.

Internal reconciliation: are the books straight?

The internal client money reconciliation answers a single question: does the client money the firm's accounting records say it holds equal the client money the firm is legally obliged to hold? The first is the client money resource; the second is the client money requirement. Under CASS 7.16, the reconciliation is performed using one of two standard methods.[23]

- Under the net negative add-back method, the client money requirement is calculated by taking the sum, for each client bank account, of the gross positive balances and adding back amounts that offset each negative net amount the firm's internal records show attributed to that account for an individual client.
- Under the individual client balance method, the firm calculates a client-by-client balance directly from its records, and aggregates to a total requirement.

The individual client balance method is the more rigorous and the more demanding to operate at scale. It is also the only method that produces the granular client-level data that the firm would need in a primary pooling event (a CASS failure scenario) to return individual client balances accurately. For that reason, firms moving from medium to large classification — or those handling consumer client money where the Consumer Duty fair-value lens applies — increasingly migrate to the individual client balance method even where the net negative add-back method remains technically permitted.

External reconciliation: do the books match the bank?

The external client money reconciliation compares the firm's internal records to the records and statements received from third parties holding client funds — banks, custodians, and (increasingly) payment service providers. Under CASS 7.15.22R to 7.15.23R, the firm must conduct external reconciliations "as often as is necessary having regard to the nature, volume and complexity of the firm's transactions". In practice, this is daily for any firm with daily transaction volume.[9] The FCA expects firms to review the frequency of external reconciliations at least annually and to retain records showing the rationale for the chosen frequency.

Where they diverge, and why

Even in a well-operated firm, internal and external reconciliations will diverge intra-period. The divergence is the operational fact of reconciliation: cash receipts pending banking, transfers in flight, cheques outstanding, PSP-mediated payments timed differently from the bank settlement, reversals, fee adjustments, premium finance contributions, and intermediary chain settlements all produce timing differences that the reconciliation engine must capture, categorise, and resolve.

The audit-failure mode is not divergence itself — divergence is expected. The failure mode is divergence that is unexplained, that persists past reasonable resolution windows, or that is left to accumulate as an aged exception. The 2024 audit findings literature is unanimous on this: firms have improved at identifying breaks but have not equally improved at carrying out the follow-up that closes them. An exception identified, recorded, and never resolved becomes a breach the next time the auditor looks.

Common reconciliation failures the auditor will probe

- Internal reconciliation maintained using a data feed from the bank or custodian. The auditor will conclude that the internal reconciliation is not based solely on internal data and will treat this as a breach.
- "Close of business" cut-off not defined, particularly in firms with always-on digital trading or 24/7 customer-facing payment channels.
- Cash management processes applied to client money reconciliation — reconciling at transaction level rather than balance level, or rounding amounts as if the work were operational cash hygiene rather than regulatory reconciliation.

- Poor segregation of duties — the same person creating client records and performing the reconciliation against those records.
- IT security weaknesses that allow client money records to be accessed and amended by individuals who should not have that access.
- Multiple data feeds and manual manipulations between system A (the policy admin system) and system B (the reconciliation tool) that introduce error and remove auditability.

The reconciliation discipline test

Three questions answer most reconciliation maturity assessments. First: can the firm produce, on demand, the exact reasons every reconciliation break older than five business days has not yet been resolved? Second: can the firm distinguish, in its records, between client money received but not yet allocated to a client, client money in transit between channels, and client money owed back to a client but not yet repaid? Third: is the individual performing the reconciliation organisationally and technically separate from the individual maintaining the underlying records? Firms that answer all three crisply have nothing to fear from the audit. Firms that hesitate on any of them have work to do before they next meet the auditor.

7. Where policy volumes outpace manual processes

Manual reconciliation works at a particular volume range and stops working above it. The operational pressure point — the volume at which manual reconciliation produces materially more breaks than the team can resolve in the day — is well-known among CASS auditors and increasingly visible in published commentary. This section maps the practical breakdown of manual reconciliation as policy volume scales.

The mechanics of manual reconciliation breakdown

A manual or partly-manual reconciliation process typically works through an Excel workbook or a similar tool. The reconciler downloads the bank statement for the period, imports the relevant transactional records from the policy administration or accounting system, and matches the two by date, amount, reference, or client. Unmatched items are categorised, investigated, and either resolved or recorded as breaks. The work consumes a meaningful share of the reconciler's day.

At low policy volume — say, a smaller broker handling a hundred bound transactions per day — this is tractable. The team can keep pace, the breaks are individually investigatable, and the audit trail is buildable. At higher policy volume — a digital MGA writing several thousand transactions per day, an aggregator-fed personal-lines broker handling tens of thousands of payment events per day, an embedded insurance partner orchestrated through PSPs — the manual process collapses against three structural pressures.

- Pressure one: the time budget. Each transaction takes some minimum time to reconcile manually. Multiply by daily volume; if the product exceeds the available reconciler-hours in a day, the reconciliation falls behind on day one and never catches up.
- Pressure two: the break rate. Manual processes accumulate breaks at a roughly fixed rate per transaction. As volume rises, the absolute number of breaks rises in proportion, and the team's ability to investigate each break degrades because the per-break investigation budget compresses.

- Pressure three: the data dependency. Manual reconciliation depends on the reconciler having clean, normalised, structured input data. As payment channels proliferate — direct debit, BACS, Faster Payments, card acquirer flows, PSP-routed flows, broker-of-record transfers, premium finance disbursements — the data normalisation work required upstream of the reconciliation grows non-linearly. Manual normalisation becomes the new bottleneck.

The audit-visible symptoms

When manual reconciliation has broken under volume pressure but the firm has not yet acknowledged it, several audit-visible symptoms appear. The published Big-4 and mid-tier audit firm commentary identifies a consistent pattern:

- Reconciliation completed but with growing tails of aged breaks that the firm marks as "under investigation" but never resolves.
- Reconciliation completed late — increasingly outside the ten-business-day window for bank balance reconciliation under CASS 5, or outside the same-day cycle CASS 7 requires.
- Firm top-ups to the client money account that overcorrect — the firm covers an apparent shortfall from own resources, but cannot subsequently demonstrate that the overcorrection was unwound when the underlying break resolved.
- Brokerage transfers from the client money account performed at points during the month without an accompanying client money calculation. The FCA explicitly raised this as a recurring concern in 2024 audit-cycle discussions.
- Cash management processes (rounding, transaction-level matching, simplified balance presentation) leaking from operational cash hygiene into the regulatory reconciliation. The auditor will not accept this.

The supervisory consequence

The FCA has stated in its 2024 portfolio letter that "weak books and records, end-of-life IT, and heavy manual processing" are key risks undermining accurate CASS compliance.[5] In practical terms, this means that a firm whose audit report identifies manual processing as a contributing cause of breaches should expect that finding to be of supervisory interest the next time supervisors triage its risk profile. The supervisory cost of being identified as a manual-process firm in a regime hardening against manual processes is now material.

The published audit experience is that firms that have invested in automated reconciliation — with appropriate segregation of duties, exception management workflow, audit trail, and CMAR data integration — produce materially cleaner audit outcomes than firms that have not. This is not a marketing argument for automation vendors; it is the published observation of the auditor population that signs the assurance opinions.

When to make the move

The classic procurement timing error is to wait for the audit-failure event to commission the automation project. By that point the remediation work is being done under regulator visibility, on a compressed timeline, with a senior manager personally exposed under SM&CR. The right time to make the move is when the firm's volume curve is rising and the manual process is producing the early-warning symptoms — growing aged-break tails, late completion, repeating top-up reversals — but before the audit has formally surfaced them. The procurement cost is the same. The supervisory cost is dramatically lower.

8. The CASS audit lens: what clean and qualified opinions actually mean

The CASS audit is the principal external assurance mechanism for CASS compliance in the UK insurance distribution sector. Understanding what the audit examines, what its possible outcomes are, and how the FCA reads the resulting reports is essential to managing the supervisory relationship around CASS.

The audit engagement

The CASS audit is a reasonable assurance engagement performed under the Financial Reporting Council's CASS assurance standard by an auditor with the requisite competence and resources. Under SUP 3.10, the firm must take reasonable steps to ensure its appointed auditor has the necessary skill, resources, and experience to conduct the engagement.[24] The FCA has made clear that this is a substantive obligation: firms are expected to evaluate, document, and periodically reassess the competence of their CASS auditor, and the resulting documentation can itself be inspected.

In August 2024, the FCA issued its first public censure of an audit firm for failing CASS audit standards. The censure targeted MHA, citing failures to report CASS breaches in the audit reports it issued.[25] The censure signalled that the FCA is willing to hold the audit profession to account directly where the assurance work falls short. For the firm being audited, this has a second-order effect: the auditor's quality of work is itself now a regulatory-relevant input, and a firm that fails to assess its auditor's competence may find itself exposed if the auditor subsequently produces deficient work.

The four possible audit opinions

CASS audit opinions take one of four forms. Each carries a distinct supervisory signal.

- Unqualified (clean) opinion: the auditor has performed the work and concludes that the firm has complied, in all material respects, with the CASS rules. Genuinely clean opinions are rare in the insurance-intermediary segment.

- Qualified opinion: the auditor has identified breaches that are material to the audit conclusion but not pervasive. The firm has work to do on the identified issues, but the broader control environment is acceptable.
- Adverse opinion: the auditor concludes that breaches are pervasive and that the firm has materially failed CASS compliance. An adverse opinion triggers immediate supervisory engagement.
- Disclaimer of opinion: the auditor is unable to obtain sufficient evidence to form an opinion. This is rare and usually indicates either pervasive breach or pervasive evidence failure (records that cannot be relied upon).

The published market evidence on clean rates

PKF Littlejohn, one of the largest CASS audit specialists in the UK insurance intermediary market, has stated publicly that fewer than 1% of its CASS audits have produced a clean opinion in its most recent published count — specifically, 1 of 130 audits in the most recent year cited.[4] The previous figure quoted by the same firm was 4%. The trend is unfavourable. PKF has separately stated that a clean opinion from any auditor is sufficiently rare in the segment that they would be "very suspicious" of one — that is, they would suspect the audit had not been properly performed.

This is not just a commentary on industry quality. It is a calibration of expectation for any insurance intermediary entering an audit cycle. The base rate of clean opinions is sub-1%. A firm that expects to achieve a clean opinion is likely to be unrealistic about either the depth of the audit or the maturity of its own controls.

What auditors are looking for, in order of frequency

The recurring published findings from CASS auditors in the insurance intermediary segment cluster into a relatively small number of categories.[26][27]

- Reconciliation deficiencies — late, incomplete, methodologically inconsistent, or with unresolved aged exceptions.
- Books and records weaknesses — gaps in the firm's ability to identify, at any point in time, the client money attributable to each individual client.

- TOBA defects — silent on commission extraction timing, silent on trust type, or inconsistent with operating practice.
- Trust status misunderstandings — most commonly around credit write-backs and around the implications of moving funds out of trust.
- Acknowledgement letter defects — wrong template, missing fixed text, inadequate detail, or signed by an unauthorised individual at the bank.
- Risk and controls matrix gaps — not maintained, not reviewed annually, or not aligned with the operating reality.
- Senior management arrangements that look correct on paper but cannot be demonstrated in operation.
- Insufficient or undocumented CASS training, particularly for staff new to client money handling.
- Brokerage extraction at irregular intervals without supporting client money calculation.
- PSP, e-money, and other third-party arrangements not assessed for client money implications.

Preparing for the audit

The audit preparation work that produces the best outcome is performed not in the month before fieldwork but in the months before that. PKF Littlejohn recommends that firms provide the auditor with significant year-end information ahead of the year end itself — reconciliations for the first nine months, approved updates to policies and procedures, training records, the risk and controls matrix, the breaches register, the resolution pack — so that the auditor can identify and the firm can rectify any issues before the year-end date locks them in as breaches. Firms that do this routinely produce better audit outcomes than firms that wait for fieldwork.

9. Multi-party flows: sub-broking, MGAs, premium finance, PSPs

CASS becomes operationally complex precisely at the points where insurance distribution involves more than two parties. The straight broker-to-insurer flow is the simple case. The realistic flows that dominate the market in 2026 — sub-broking, MGA-coverholder structures, premium-finance-mediated payment, payment service provider intermediation, and embedded insurance partner chains — each introduce their own CASS implications. Each must be analysed on its own terms.

Sub-broking and broker-to-broker flows

Where one broker places business through another broker — the producing broker and the placing broker structure familiar in the London market and increasingly in regional markets — the CASS analysis must address whose client money it is at each stage. The general principle is that where premium is paid by the client to the producing broker, the producing broker holds client money until it is paid onward. The placing broker then holds client money until it is paid to the carrier or to the carrier's agent. Each broker in the chain must analyse its own CASS position separately.

TOBA language is critical in this context. Both brokers' TOBAs must be unambiguous about the trust status of the money held, the timing of onward payment, and the conditions under which money can be applied to specific obligations. The FCA has been clear that a TOBA silent on these points is itself a CASS breach, regardless of the operating practice.[28]

MGA and coverholder structures

MGAs and coverholders operating under delegated authority arrangements present a distinct CASS analysis. Where the MGA has full risk-transfer authority and the TOBA is unambiguous, the funds the MGA receives from clients (or from producing brokers) may be insurer money from the moment of receipt and outside CASS 5 entirely. Where the MGA holds funds as client money before they are converted into insurer money through binding, CASS 5 applies.

Conditional risk transfer (CRT) is the operating variant that the FCA has flagged repeatedly as a source of regulatory risk. Under CRT, the funds the broker or MGA holds become insurer money only on the satisfaction of specific conditions. Until those conditions are met, the money is client money. Firms operating CRT must be able to demonstrate, on demand, the exact status of every transaction at every point in time. The FCA has signalled that it does not regard the conditional structure as a way of avoiding CASS 5 obligations; it regards it as a structure that requires a more demanding evidentiary trail.[28]

The February 2026 Insurance Regulatory Priorities report explicitly named delegated authority and remuneration arrangements as a Q2 2026 supervisory focus area, with the FCA's findings expected in early 2027. MGAs and coverholders should expect that their CASS arrangements, their TOBAs, and their conditional risk transfer structures will be examined in depth during this review.

Premium finance

Premium finance providers introduce a third party into the client-to-broker-to-insurer flow. The client pays the premium finance company; the premium finance company pays the broker (or, in some structures, pays the insurer directly through the broker); the broker accounts for the funds in its CASS environment as appropriate. The CASS analysis depends on the specific contractual structure.

Two FCA developments in 2025–2026 affect this area. First, the FCA's interim report on premium finance was published in July 2025, with further work to follow.[29] Second, the regulatory perimeter around "buy now, pay later" credit is moving inside the FCA's remit in 2026, which affects premium finance products structured as deferred-payment credit.[30] Both developments tighten the Consumer Duty and CASS-adjacent expectations for firms in the premium finance value chain.

Payment service providers and the timing problem

Payment service providers (PSPs) and e-money institutions have become a major part of the operating reality of CASS 5 environments. The FCA's published commentary makes clear that the regulator expects firms to assess each PSP relationship against CASS 5 obligations

— particularly whether the PSP introduces a delay in the receipt of client money, whether the PSP qualifies as an Other Agent under CASS 5, and how the PSP fits within the firm's reconciliation cycle.[31]

The operational pain point is straightforward. A PSP may aggregate hundreds or thousands of client payments and remit a single net amount to the broker's client money account at end of day, end of next business day, or on some longer settlement cycle. The broker's CASS records must show, from receipt of the underlying client payment, the client money obligation, even though the funds will not arrive in the broker's client money account until the PSP settles. This is not a permission to delay reconciliation; it is a requirement to maintain accurate records of money in transit, and to fund any apparent shortfall in the client money account from own resources until the PSP settles.

Embedded insurance partner chains

Embedded insurance — coverage offered at the point of sale of a different product or service — has been the fastest-growing distribution channel in UK personal lines and small commercial in 2025 and 2026. The CASS analysis is highly fact-specific. The host of the embedded experience (the retailer, the travel platform, the rideshare operator) is typically not the regulated insurance intermediary; the intermediary sits behind the host. The flow of premium through the host's payment infrastructure, through the intermediary, to the insurer must be analysed on a case-by-case basis. The most common error in this area is to assume that the host platform's payment infrastructure is operationally sufficient evidence of CASS compliance. It is not. The regulated intermediary remains the CASS-accountable party.

Flow type	Primary CASS analysis	Common audit finding	Supervisory focus
Direct broker-client	CASS 5 client money or risk transfer	TOBA defects, commission timing	Standard
Sub-broking / broker-to-broker	Each broker analysed separately	Ambiguous TOBA at handoff	Standard

Flow type	Primary CASS analysis	Common audit finding	Supervisory focus
MGA / coverholder	Risk transfer or client money	Conditional risk transfer ambiguity	Q2 2026 focus area
Premium finance	Fact-specific	Funded balance provisioning	FCA 2025 review in flight
PSP-mediated	CASS 5 with timing complexity	Other Agent analysis missing	Standard / growing
Embedded insurance	Highly fact-specific	Host platform misattribution	Standard / emerging

PART III

What the FCA expects to see

Reporting, supervision signals, enforcement, and the Consumer Duty overlay.

10. The CMAR return and what supervisors look at

The Client Money and Asset Return (CMAR) is the principal routine CASS reporting input that the FCA receives from medium and large CASS firms. It is also, under the FCA's increasingly data-led supervisory approach, the principal trigger for supervisory engagement on CASS matters. Firms that treat the CMAR as a back-office reporting obligation are missing the supervisory signal it carries.

Mechanics and frequency

The CMAR must be submitted monthly by medium and large CASS firms through the RegData reporting platform (successor to Gabriel). The submission window closes on a defined date after month-end, and late submission itself is a notifiable event. The CMAR captures end-of-month client money balances, total transaction volumes during the month, reconciliation discrepancies, identified breaches, and a range of structural attributes of the firm's CASS environment.[22]

Small CASS firms do not file a standalone CMAR but report relevant CASS data through section C of their Retail Mediation Activities Return (RMA-C). The RMA-C return is less detailed than the CMAR but is still a primary supervisory input.

What supervisors actually read

The CMAR data is supervised in two main ways. Internally, the FCA reads each firm's CMAR trend line month-over-month for unusual patterns: sudden changes in client money balance, sudden changes in transaction volume, unexpected breach reporting (or unexpected lack of breach reporting in a firm that has previously reported them), changes in segregation arrangements, changes in bank account counterparties. Anomalies in any of these are routine supervisory engagement triggers.

Comparatively, the FCA reads CMAR data across the sector to identify outliers. A firm whose CMAR data is materially different from peers of similar size and business model may be flagged for additional review. The FCA does not publish the precise comparators it uses, but the existence of comparator triage has been confirmed in supervisory commentary.

The CMAR as evidence of CASS maturity

A well-prepared CMAR is itself evidence of CASS maturity. The data should reconcile exactly to the firm's internal reconciliation records and to its external bank balances. Any reconciliation discrepancy reported in the CMAR should be explainable, traceable, and closed within a defined timeframe. The breaches reported in the CMAR should match the firm's internal breaches register. The structural attributes (number of client bank accounts, number of acknowledgement letters in place, number of clients) should match the firm's own records. Inconsistencies between the CMAR and the firm's other records are themselves a supervisory signal.

The firms whose CMAR data passes supervisory triage cleanly tend to share a set of operating characteristics:

- CMAR production is integrated with the reconciliation workflow rather than being a separate end-of-month reporting exercise.
- The CASSOF holder approves the CMAR personally, having reviewed each line, with documented sign-off.
- Discrepancies, breaches, and changes in structural attributes are reported transparently, with brief contextual narrative where the firm's policy permits.
- Year-on-year and month-on-month trend data is maintained internally and used to assure consistency.
- Late submissions, omissions, or restatements are rare and, where they occur, are accompanied by remediation.

The CMAR test

The simplest stress test of a firm's CASS maturity is to read its last twelve CMAR returns side by side and ask: would a supervisor reading these notice an outlier, an inconsistency, an unexplained pattern, or a trend they would want to query? If the answer is yes, the next step is to investigate that pattern internally before the supervisor does. If the answer is no, the firm's CMAR hygiene is in a strong position.

11. The 2024 portfolio letter signals and the 2026 Regulatory Priorities Report

The supervisory communications stack has changed substantially in 2025 and 2026. The legacy portfolio-letter regime, which produced more than 40 specific portfolio letters covering different sub-sectors of FCA-regulated business, was retired and replaced with a sector-specific Regulatory Priorities report series. Understanding both the legacy signals and the new structure matters for CASS-regulated insurance distributors.

The 2024 portfolio letter

The 2024 FCA portfolio letter to insurance intermediaries — published while the portfolio-letter regime was still in force — identified three operating risks as recurring sources of CASS failure: "weak books and records, end-of-life IT, and heavy manual processing".[5] These three phrases have entered the supervisory vocabulary and continue to be referenced by audit firms, compliance consultants, and FCA staff as the canonical description of the operating pattern that the regulator finds least defensible.

Each phrase has a precise operational meaning that firms should understand:

- "Weak books and records" — gaps in the firm's ability to identify, at any point in time, the client money attributable to each individual client; reconciliation processes whose output cannot be reliably reproduced; data flows whose audit trail is incomplete; documentation that is out of date with respect to operating practice.
- "End-of-life IT" — policy administration systems, accounting systems, or reconciliation tools that are no longer supported by their vendor, that depend on workarounds rather than core functionality, or that cannot be safely upgraded. The phrase captures a structural risk: a firm running CASS-critical processes on technology whose continued availability cannot be guaranteed.
- "Heavy manual processing" — reconciliation, calculation, exception management, or reporting that depends on human intervention at scale, with the associated error rate, throughput constraint, and audit trail thinness.

The 2026 Regulatory Priorities Report

In February 2026, the FCA replaced the legacy portfolio-letter regime with the new Regulatory Priorities reports. The first sector-specific report — Insurance — was addressed directly to insurance intermediaries and price comparison websites.[2] The report's structure and content differs from the portfolio letters in three ways.

- It is annual rather than ad hoc, providing firms with a predictable update cadence and a single reference point per sector.
- It is structured around themes and outcomes rather than around lists of specific concerns, which means firms must read it as a framework rather than a checklist.
- It is published openly rather than as private correspondence to firms, which means competitors, clients, and analysts can all see what the regulator's priorities are.

For CASS-regulated insurance distributors, the four named priorities in the February 2026 report carry distinct implications:

- Improving consumer understanding, claims handling and service quality — implies sharper scrutiny of the operational processes through which the firm interacts with clients, including those that touch client money handling.
- Delegated authority and remuneration — implies a deep dive into the CASS implications of MGA, coverholder, and binding-authority arrangements through Q2 2026, with findings in early 2027.
- Value measures rules review — may change the reporting cadence, scope, or detail expected from intermediaries.
- Consumer Duty — extends the supervisory lens from the design and sale of insurance products into the operational quality of the distribution chain, including the reliability and accuracy of client money handling within it.

Operational resilience overlay

Beyond the Regulatory Priorities Report, the FCA's operational resilience framework (PS21/3) reached its full implementation deadline on 31 March 2025. From 2026 onward, the supervisory focus is on testing — whether firms can operate within their stated impact tolerances for important business services in practice, not just on paper.[32] For CASS-regulated firms, the principal CASS-related important business service is typically the client money handling and reconciliation process itself, and the firm's resilience framework must demonstrate that this service can continue through severe-but-plausible disruption scenarios.

Reading the new supervisory stack

The shift from portfolio letters to Regulatory Priorities reports is not a softening of supervision. It is a consolidation. The signals are clearer, the cadence is more predictable, and the published nature of the reports means firms can be benchmarked against them publicly. Boards and senior managers should treat each new Regulatory Priorities report as a board-level reading requirement, with documented response from the CASS-relevant senior manager on the priorities that touch CASS. The same discipline should be applied to subsequent updates as the report series evolves.

12. Recent enforcement, public censure, and the cost of CASS failure

The enforcement record is the supervisory tail of CASS, and the place where the operating cost of failure becomes most visible. The FCA has demonstrated repeatedly that CASS breaches can produce significant financial penalties, prohibition of senior managers, public censure of audit firms, and in extreme cases criminal investigation. The cost to the firm extends well beyond the headline fine.

Recent enforcement cases of note

Barclays was fined £38 million by the FCA for failing to properly safeguard client custody assets worth approximately £16.5 billion.[33] The case is frequently cited as the high-water mark for CASS enforcement against a large institution. The fine was levied notwithstanding the absence of any actual loss to clients — the breach was the failure of the control framework, not the materialisation of harm. The FCA's enforcement posture is consistent with this principle: the breach itself is the offence, not just the harm it produces.

The WealthTek case escalated through 2024 when its founder, John Dance, was charged with fraud and money laundering involving £64 million of client funds. The case began as a CASS supervisory matter and developed into a criminal prosecution as the underlying conduct emerged. For the FCA, it was a demonstration that poor recordkeeping can turn a regulatory breach into a crisis that leaves clients exposed and trust in the wider market shaken.[34]

In August 2024, the FCA issued its first ever public censure of an audit firm specifically for CASS audit failures. The censure of MHA cited failures to report CASS breaches in the audit reports MHA had issued — a development that reinforced the FCA's willingness to hold gatekeepers to account, not just regulated firms themselves.[25]

BlackRock's CASS breach, in which the firm's failure was found to have been neither deliberate nor reckless, illustrated a different supervisory dynamic: the breach was attributable to organisational changes following an acquisition, the departure of staff with critical CASS knowledge, and the resulting delay in identifying and addressing the issue.[35]

BlackRock had no prior disciplinary history. The case is a standing reminder that CASS expertise is fragile and that succession planning for CASS-knowledgeable staff is itself a regulatory consideration.

The cost structure of CASS enforcement

The direct cost of CASS enforcement — the fine itself — is only part of the total cost. The full cost structure includes:

- The fine, which can run to a percentage of relevant revenue or to a flat penalty calibrated to the breach severity.
- Remediation cost, which is typically multiples of the fine and which includes external consultants, additional audit work, technology investment, additional staff, and senior management time.
- Customer compensation where harm has materialised, including interest on misallocated funds.
- Legal cost, which for contested cases can be substantial.
- Reputational damage, which is hardest to quantify but which can affect insurer relationships, broker counterparty relationships, M&A valuation, and recruitment.
- Senior manager personal cost where SM&CR accountability is engaged — fines, prohibition orders, public listing on the FCA register.
- Increased regulatory scrutiny for some years after the event, including potentially a s.166 skilled-person review at the firm's own cost.

The non-enforcement supervisory cost

In addition to formal enforcement, the FCA has a range of supervisory tools that produce significant cost without rising to the level of public censure or fine. These include skilled-person reviews under s.166 of FSMA, requirements to commission additional external audit work, attestation requirements imposed on senior managers, capital add-ons, restrictions on business activity, and (in the most serious cases) variation of permissions or withdrawal of authorisation. Most of these tools cost the firm material money without generating public-record enforcement. The firm pays, but no one outside the regulator sees the cost.

The risk-adjusted procurement case

The case for investing in robust CASS technology, governance, and operational discipline is not made primarily by reference to efficiency gains, although there are some. It is made by reference to risk-adjusted cost: the probability of a supervisory event, multiplied by its expected cost, against the cost of robust controls. For most firms at scale, the calculus tips decisively toward investment well before the first supervisory event. The firms that have done this analysis honestly have invested. The firms that have not have, on average, paid more.

13. Consumer Duty and CASS — the combined supervisory lens

The Consumer Duty has become the FCA's dominant supervisory lens for retail financial services since its July 2023 implementation. Its application to CASS-regulated insurance distributors is not always obvious, but the connection is now well-established in regulatory practice and is increasingly visible in supervisory engagement.

Where Consumer Duty meets CASS

The Consumer Duty's four outcomes — products and services, price and value, consumer understanding, and consumer support — each have direct implications for client money handling where retail customers are involved. The clearest connection is in the price and value outcome: a firm whose CASS operations produce delays in refunds, errors in premium handling, or unjustified retention of client money may be in breach of the fair-value obligation regardless of whether it is in breach of CASS itself.[36]

Three operational areas where the combined Consumer Duty plus CASS lens applies most directly:

- Refund timing and accuracy. Where a client is owed a refund — most commonly mid-term cancellation, return of premium for unearned policy periods, or correction of overcharging — the firm's CASS process must reliably identify the obligation and the operating process must execute the refund within a reasonable timeframe. Slow or inaccurate refund processing is both a CASS issue and a Consumer Duty issue.
- Commission extraction timing and transparency. The Consumer Duty's price-and-value lens applies to the commission that the intermediary earns. If the firm extracts commission from the client money account before the policy is fully bound, or before the commission is properly earned, the price-and-value question and the CASS question are jointly engaged.
- Funded balances and aged debtors. Where the firm has funded a client's policy from its own resources and is awaiting repayment by the client (or by a premium finance company), the fairness of the arrangement, the transparency of the

charges, and the firm's policy on aged debt all touch both Consumer Duty and CASS.

The 2026 distribution-chain consultation

The FCA has committed to consult in the first half of 2026 on amendments to the Consumer Duty addressing how it applies across distribution chains.[37] For multi-party insurance distribution structures — broker-to-broker, broker-to-MGA, MGA-to-insurer, and embedded-insurance host platforms — the consultation outcome is likely to have direct implications for the allocation of Consumer Duty responsibility along the chain. CASS arrangements will need to be reviewed against the eventual rules to ensure that the operational responsibility for client money handling is consistent with the regulatory responsibility for consumer outcomes.

The premium finance overlay

Premium finance is the area where the Consumer Duty and CASS overlap most visibly. The FCA published an interim report on premium finance in July 2025 with further work to follow during 2026.[29] Firms involved in premium finance — whether as intermediaries arranging it, as principals offering it, or as parties to its operational handling — should expect heightened expectations around transparency, affordability, and fair value, consistent with the Consumer Duty's price-and-value outcome.

BNPL and the credit perimeter

Buy-now-pay-later credit is moving inside the FCA's remit during 2026.[30] For premium finance products structured as deferred-payment credit, the BNPL regulatory perimeter shift may have direct implications for product design, pricing, affordability assessment, and Consumer Duty application. Firms involved in premium finance distribution should anticipate increasingly demanding expectations around the consumer disclosures, affordability checks, and ongoing servicing of these products.

The combined lens in practice

> The most useful operational discipline is to ask, of every part of the client money workflow, two questions in sequence: does this comply with CASS, and would this satisfy the Consumer Duty's fair-value lens if the supervisor walked us through it? The two questions usually produce the same answer, but where they diverge — for instance, where a CASS-compliant practice nonetheless produces avoidable customer detriment — the Consumer Duty answer governs. The supervisor will read the workflow through both lenses.

PART IV

Best practice in a digital-first world

What disciplined firms are now doing to stay ahead of supervision.

14. What "daily" actually means: the working reconciliation cycle

In a digital-first insurance distribution operation, "daily" reconciliation is not a single end-of-day activity. It is a continuous cycle of receipt, capture, allocation, segregation, calculation, and reconciliation that runs throughout the working day and closes with a defined cut-off. Understanding the cycle in operational detail is the difference between a process that satisfies the CASS rules and a process that survives supervisory scrutiny.

The working day, hour by hour

A well-engineered CASS 5 reconciliation cycle for a high-volume intermediary now typically looks like the following sequence. The exact timings depend on the firm's settlement cycles, banking arrangements, and operating geography, but the pattern is consistent.

- Pre-cut-off: real-time capture of premium receipts as they arrive through each payment channel — card acquirer, BACS, Faster Payments, direct debit, PSP-mediated, premium finance disbursement. Each receipt is captured at source and assigned to its underlying client and policy.
- Throughout the day: continuous allocation of received funds to client obligations, with any unallocated funds held in a segregated holding account pending allocation. Allocation runs are time-stamped and logged.
- Cut-off (defined and consistent): the firm's defined close-of-business for CASS purposes. The cut-off must be the same every day; "close of business" must be unambiguous in the firm's policy.
- Post-cut-off internal reconciliation: based on records at the cut-off, the internal client money reconciliation runs. The client money requirement is calculated by the firm's chosen standard method; the client money resource is identified as the aggregate balance on client bank accounts; the two are compared.
- Post-cut-off external reconciliation: bank balances at the cut-off are imported from the bank's records (statements, APIs, or open banking feeds, depending on the firm's arrangement) and compared to the firm's internal records.

- Exception management: discrepancies between internal and external records are categorised, assigned for investigation, and tracked through to resolution. Older exceptions are aged, escalated, and (where appropriate) resolved through entries that close them back to zero.
- Calculation reconciliation: any surplus or deficit identified by the calculation is transferred between the client money account and the office account before the next business day's cut-off.
- CMAR-relevant data extraction: data needed for the monthly CMAR submission is extracted from the reconciliation engine, tagged, and stored. The monthly CMAR is a roll-forward of daily data, not an end-of-month construction.
- CASSOF MI: a daily summary report is produced for the CASSOF holder, who reviews and approves before the next cycle starts.

The cut-off discipline

The single most underestimated component of the daily cycle is the cut-off discipline. The CASS 7 reconciliation must be based on records as at the close of business on the previous business day. For firms operating across time zones, with 24/7 digital quote-and-bind, or with payment channels that settle at different times, defining "close of business" precisely is harder than it looks.[38] Many firms still struggle to do this consistently. The audit failure that follows is predictable: the auditor cannot agree the firm's internal records to a defined cut-off, the reconciliation is treated as non-compliant, and the breach is recorded.

The discipline required is straightforward to state and demanding to execute:

- A single defined cut-off time, applied consistently across all channels.
- Clear policy on receipts arriving after the cut-off: treated as next-business-day items, captured against the next-day reconciliation.
- Time-stamping of every transaction, with the time-stamp authoritative for CASS purposes.
- Documentation of the cut-off policy in the CASS procedures and the risk and controls matrix.
- Periodic testing of the cut-off discipline by internal audit or the CASSOF function.

The recovery cycle

The working daily cycle must also include a recovery sub-cycle for those occasions when the daily cycle cannot be completed normally — bank outages, PSP outages, IT failures, exceptional volume events. The firm's policy on what happens when the daily cycle fails is itself a regulatory concern: if reconciliation cannot be completed on the scheduled day, the firm must notify the FCA promptly, and the firm's resilience framework must address how recovery is sequenced.

Two practical tests

First: if the CASSOF holder is on annual leave for two weeks, does the daily cycle continue without interruption, with documented sign-off from the named deputy? If not, the resilience of the process depends on a single individual, which is itself a breach risk.

Second: if the firm's primary banking partner experiences a one-day outage, can the firm complete its CASS calculation and reconciliation cycle using the secondary records, with documented evidence that the secondary records are reliable? If not, operational resilience for the CASS function has not been adequately tested.

15. The data architecture for scaled reconciliation

Behind every reliable CASS reconciliation cycle is a data architecture that captures the right data at the right granularity, normalises it across multiple source systems, and presents it to the reconciliation engine in a form that can be trusted. The architecture is unglamorous but determinative: a firm whose reconciliation tooling is excellent but whose upstream data is dirty will produce excellent reconciliations of dirty data.

The five layers of a CASS-grade data architecture

A robust architecture has five distinct layers, each with its own responsibilities.

- Source layer: the systems where transactions are first recorded. Policy administration systems, broker management systems, accounting systems, premium finance integrations, PSP and acquirer connectors, bank feeds. Each source has its own data model, its own update cadence, and its own quality characteristics.
- Ingestion layer: the technical pipes through which source data is captured. APIs, ACORD message handlers, bank feeds (Open Banking, host-to-host, file-based), PSP webhooks, manual entry workflows. Each ingestion pathway needs its own error handling, retry logic, and audit trail.
- Normalisation layer: the layer where data from multiple sources is reconciled to a common data model. Different policy admin systems describe the same transaction differently; different banks present statement data differently; PSPs differ from banks; manual entries differ again. The normalisation layer is where the most operational pain accumulates if it is not designed for the eventual scale of the firm.
- Reconciliation engine: the system that performs the CASS internal and external reconciliations against the normalised data. Modern engines support rule-based matching, multi-criteria matching, exception management workflow, ageing analysis, segregation of duties enforcement, and audit trail capture.
- Reporting and MI layer: the layer that produces the CMAR submission data, the CASSOF MI, the senior manager MI, the audit trail extracts, the breach register entries, the resolution pack data, and the trend analysis for risk monitoring.

The data-quality test

The single most useful internal test of the data architecture is to ask: for any specific historical transaction selected at random, can the firm produce, within fifteen minutes, the full audit trail of where the money came from, who it belongs to, when it was received, when it was allocated, when it was segregated, and what its current status is? If the answer is yes, the data architecture is functioning. If the answer requires database queries, manual research, or escalation to multiple teams, the architecture has gaps.

The auditor will not perform this test as a literal exercise. But the auditor will sample transactions and ask the firm to produce the underlying evidence. Firms whose architecture can produce the evidence quickly have shorter, less painful audits. Firms whose architecture cannot produce the evidence quickly have longer audits, more findings, and more remediation.

The single-source-of-truth principle

In a well-designed architecture, every piece of CASS-relevant data has a single authoritative source. The client balance is authoritative in the reconciliation engine. The bank balance is authoritative from the bank feed. The transaction history is authoritative in the source system. The CMAR data is authoritative from the reporting layer. Where multiple systems hold copies of the same data, the synchronisation between them must be controlled, time-stamped, and auditable.

The most common failure mode in this area is the spreadsheet shadow system — a parallel record kept by the reconciliation team in Excel because the main system does not give them what they need. The shadow system inevitably drifts from the authoritative source, becomes the de facto truth in the team's daily work, and is then either ignored by the auditor (producing a breach because the authoritative source is wrong) or accepted by the auditor (producing a breach because the firm's reconciliation is not based on its formal records). Either way, the shadow system is a finding waiting to happen.

Architecture layer	Common failure mode	Audit consequence
Source	Multiple policy admin systems with inconsistent data models	Inability to identify client money by client
Ingestion	Manual data entry workflow with no audit trail	Breach in books and records
Normalisation	Shadow Excel system reconciling across sources	Breach in formal record reliability
Reconciliation engine	Engine that processes transactions but not balances	Methodological breach in CASS 7 reconciliation
Reporting / MI	CMAR produced manually each month, not from engine output	Inconsistency between CMAR and underlying records

16. Automation: what works, what fails the auditor

Automation of CASS processes is now well-developed as a vendor category and as an operating practice. AutoRek, ReconArt, Aurum Solutions, and a handful of more specialised vendors offer mature platforms specifically for CASS-grade reconciliation. The general direction of travel is clear: firms at scale that have not automated are increasingly the exception. But automation done poorly fails the auditor as definitively as manual processes do, and the failure modes are distinctive.

What automation does well

Mature CASS automation platforms typically deliver:

- Rule-based matching across multiple criteria simultaneously, with audit trail capture for every match.
- Exception management workflow, with categorisation, ageing, assignment, and resolution tracking.
- Segregation of duties enforcement at the platform level, with role-based access control.
- Direct extraction of CMAR-relevant data, with submission-ready outputs.
- API connectivity to source systems, bank feeds, and PSP feeds, with structured ingestion.
- Configurable cut-off and time-zone handling.
- Historical data retention with the seven-year minimum the CASS rules require.
- Audit-firm access modes that allow the external auditor to inspect the platform directly during fieldwork.

What automation does badly — and what the auditor will spot

Automation that fails the auditor typically does so in one of five ways.

- Insufficient configuration — the platform is deployed in default configuration without firm-specific tuning. The result is matching logic that works for the simple cases but fails on the firm's actual edge cases, generating a long tail of false-positive breaks that the team treats as background noise. The auditor will sample, find a pattern, and record a breach.

- Inadequate segregation of duties — the same user role can both create transactions and reconcile them, or can both manage exceptions and approve their resolution. The platform supports segregation but the firm has not configured it. The audit finding will be on access control.
- Source data quality unaddressed — automation reconciles bad data faster than manual processes did, but does not improve the data. If the upstream source systems produce inconsistent or incomplete data, the automation will produce a high break rate that no amount of tuning resolves.
- Process documentation lag — the platform is in operation, but the firm's documented CASS procedures still describe the previous manual process. The auditor reviews the documentation, finds it does not match the operating reality, and records a finding.
- Vendor relationship gaps — the automation platform is a critical third party but is not in the firm's third-party risk register, has no business continuity arrangement, and has no documented service level. The operational resilience review (see Section 10) will flag this.

The procurement test for CASS automation

The right procurement test for CASS automation has six components. A vendor that satisfies all six is genuinely CASS-grade; one that satisfies fewer is solving a different problem.

- Demonstrable CASS-specific design — not a general reconciliation tool repurposed for CASS, but a platform built with CASS rules and audit expectations as first-class requirements.
- Reference customers in UK CASS-regulated business who can speak to multi-year experience, including audit cycles.
- Auditor familiarity — the major CASS audit firms (PKF, BDO, Crowe, Mazars, and the Big 4) are familiar with the platform and have established working patterns.
- Configurable to the firm's specific CASS environment — trust type, reconciliation method, cut-off, payment channels, intermediary chain structure.

- CMAR data integration — the platform produces CMAR-submission data as a structured output, not as a manual extraction job.
- Operational resilience evidenced — DR, backup, recovery time objectives, recovery point objectives, audit and certification.

The automation paradox

Automation that produces clean reconciliation reports without solving the underlying data quality problems is more dangerous than the manual process it replaced, because the clean-looking output gives senior management false comfort. The discipline that distinguishes successful automation from failed automation is the discipline of measuring the data quality at the inputs, not just the output. The firms whose automation projects have produced material reductions in audit findings are the ones that fixed the upstream data first and the automation second.

17. Payment service providers, open banking, and the timing problem

Payment service providers (PSPs) and Open Banking-mediated payment flows have become structural features of UK insurance distribution. They have also become the operational area where CASS timing issues most often originate. This section maps the timing problem in detail and the practices that disciplined firms now use to manage it.

The timing structure

In a traditional bank-to-bank premium flow, the client pays the broker by Faster Payment or BACS direct credit; the funds reach the client money account within minutes (Faster Payment) or within a defined batch cycle (BACS); the broker's reconciliation engine identifies the receipt; CASS records are updated. Timing is simple to manage.

In a PSP-mediated flow, the structure is different. The client pays through a payment interface (card, embedded checkout, app); the funds are received by the PSP; the PSP holds them, often net of fees, before settling to the broker's account. Settlement cycles vary: same-day, next business day, T+2, weekly, monthly. Each cycle introduces a window during which the broker has a CASS obligation to the client (the money has been received from the client's perspective) but the broker does not yet have the corresponding cash in the client money account.

The FCA has been explicit about its expectations in this area. At the PKF-FCA bi-annual meeting in June 2025, the FCA confirmed that firms must review their relationships with payment service providers to determine whether the PSP qualifies as an Other Agent under CASS 5, and how the PSP sits within the firm's existing reconciliation requirements.[31] Firms are expected to assess whether the PSP introduces a delay in the receipt of client money and to put arrangements in place to manage that delay consistent with the trust obligation. Since 7 May 2026, those same PSPs and EMIs are themselves operating under the new CASS 15 safeguarding regime — daily reconciliation, monthly FCA returns, annual safeguarding audit, 48-hour resolution pack readiness, and a bank acknowledgement letter with no right of set-off (see Section 5 for a detailed treatment of CASS 15). The PSP timing problem has not gone away, but the data and operational integrity now available on the PSP side of the relationship is materially better than under the legacy regime.

The working approach

A working approach to the PSP timing problem has four elements.

- Receipt is recognised on the firm's CASS records when the client pays, not when the PSP settles. The client money obligation is established the moment the client transacts; the firm's records must reflect that obligation immediately, even though the corresponding cash will not arrive in the client money account until the PSP settles.
- The firm funds the apparent shortfall in the client money account from its own resources during the PSP settlement window. The firm's office account provides bridging funds equal to the in-transit balance. When the PSP settles, the bridging funds are unwound. This is a routine operating cost of using a PSP for client money flows.
- The PSP settlement is reconciled against the underlying client transactions. The PSP typically settles net (transactions minus fees), so the firm's reconciliation must un-net the settlement to identify which underlying client transactions it represents. This is a technical reconciliation task that the firm's reconciliation engine should automate.
- The PSP is treated as a third party for operational resilience purposes. The PSP's reliability becomes a CASS-relevant operational risk. The firm should monitor the PSP's operational health, the timeliness of its settlements, and the reliability of its reporting.

Open Banking integration

Open Banking has materially improved the data quality available for CASS external reconciliation by enabling near-real-time access to bank account balances and transactions. For the disciplined firm, Open Banking provides a faster and more reliable external reconciliation feed than the legacy bank-statement download workflow it replaces.

The implementation discipline matters. Open Banking access is mediated by a third-party provider (the firm's Open Banking gateway), which is itself a CASS-relevant operational dependency. The firm's records should ingest Open Banking data, but the data should be checked against the bank's official statement at least monthly for material agreement, to ensure the firm has not become dependent on a third-party feed without verifying its accuracy against the underlying authoritative source.

The money market fund development

In June 2025, the FCA confirmed that the use of money market funds is permitted under CASS 5 and that they are regarded as lower risk for insurance intermediaries provided that any fall in value is assumed by the firm rather than passed to clients.[31] For larger intermediaries, money market funds offer a vehicle for client money balances that can produce a small yield without compromising the trust structure. Firms considering this should ensure their diversification approach is documented, that the investments are demonstrably in the interest of clients, and that the fund counterparty risk is monitored.

The timing test

The simplest test of a firm's PSP and payment-channel discipline is the cut-off-day question: at the moment of the daily reconciliation cut-off, how much money does the firm have in transit between client payment and PSP settlement, and is that amount reflected in the firm's CASS records and funded from the office account? If the answer is "I don't know precisely", the firm has work to do. If the answer is a precise figure with a documented funding source, the firm is operating the timing discipline correctly.

18. Resolution pack readiness and the 48-hour test

The resolution pack is the operational document set that an insolvency practitioner would use to return client money and custody assets to the firm's clients in the event of the firm's failure. CASS 10 sets out the requirements; CASS 7 and CASS 10 together impose a 48-hour test on the firm's ability to provide up-to-date checks and reconciliations. The resolution pack is one of the more technically prescriptive parts of the CASS regime and one of the parts most often found to be deficient in practice.

What the resolution pack must contain

CASS 10 requires that the resolution pack include, at minimum, the information necessary to enable an insolvency practitioner to:

- Identify all client money and custody assets held by the firm.
- Identify all clients to whom that money and those assets belong, and the amount or value attributable to each.
- Identify all bank accounts and custody accounts in which client money and custody assets are held.
- Identify all acknowledgement letters in place for those accounts.
- Identify all third parties holding client money or custody assets on behalf of the firm.
- Understand the firm's reconciliation methodology and access the most recent completed reconciliations.
- Understand the firm's CASS organisational arrangements, including senior management roles and responsibilities.
- Access the firm's CASS policy, procedures, and risk and controls matrix.

The pack must be maintained as a rolling document, updated as personnel, banks, third parties, and procedures change. It must be retrievable within 48 hours of a request.

The 48-hour test

The 48-hour test is operationally demanding for firms whose data and documentation are not already organised for the purpose. A firm that has to assemble the resolution pack from scratch in response to a request will fail the test; a firm that maintains the pack as a continuously updated document set will pass it.[39]

The firms that pass the test reliably tend to have:

- A documented owner of the resolution pack — typically the CASSOF holder or a named deputy.
- A defined update cadence — typically monthly for the data sections, and on any material change for the procedural sections.
- A version control discipline — each version of the pack is dated, signed off, and retained.
- A demonstrable retrieval drill — the firm has tested its ability to produce the pack within 48 hours, with the test result documented.
- Integration with the firm's broader operational resilience framework — the resolution pack is one of the firm's important business service deliverables, not an isolated document.

The common deficiencies

The recurring resolution pack findings in published audit commentary cluster into a small number of categories:

- Pack not in place at all — the FCA considers this a recordable breach, and CASS auditors will record it as such.
- Pack in place but not updated since initial preparation — out-of-date contact information, superseded banking arrangements, retired personnel.
- Pack does not reflect current operating practice — the documented reconciliation methodology, for instance, does not match the methodology in use.
- Pack not retrievable within the 48-hour window — the firm has the components but cannot assemble them quickly under pressure.
- Pack does not include all required content under CASS 10 — particularly third-party arrangements and acknowledgement letter inventory.

The connection to operational resilience

Operational resilience and resolution pack readiness are closely linked. The firm's resilience framework should treat the production of the resolution pack as an important business service or as a critical activity within one. The 48-hour standard should be tested as part of the firm's regular operational resilience scenario testing, not as a one-off exercise.[32] Firms that have integrated the two have substantially better outcomes than firms that treat them as separate compliance items.

The retrieval drill

Once a year, the CASSOF holder should request the resolution pack from the firm's documented retrieval process and time how long it takes to arrive. The result should be documented in the firm's CASS records. If it takes more than 48 hours, the firm has a finding to remediate before the auditor identifies it. If it takes less, the firm has demonstrable evidence of compliance for the next supervisory engagement.

PART V

Implications for distribution platforms

Where governance, data, and architecture decisions made now affect the next supervisory cycle.

19. Build versus buy, and the integration tax

Every CASS-regulated insurance intermediary at scale faces the build-versus-buy question for its reconciliation, CMAR, resolution pack, and CASS oversight tooling. The answer is, in almost every case, primarily buy — but the choice of vendor and the integration architecture matter materially more than is generally appreciated.

Why buy is the default

Building CASS-grade reconciliation tooling in-house is an exercise that almost no insurance intermediary has the engineering economics to justify. The functional requirements are extensive: multi-criteria matching, exception management, segregation of duties, CASS-method-compliant calculation, CMAR data extraction, audit trail, operational resilience, and continuous updating against the FCA Handbook. The vendor market addresses these requirements with mature platforms that have been built and refined over many years against the same body of rules. The cost of replicating that capability in-house is multiples of the licence cost of buying it, and the risk is that the in-house build lags the rule changes.

The buy decision is therefore the default. The substantive choice is which vendor, on what integration architecture, with what surrounding governance.

The integration tax

The principal hidden cost of a CASS automation procurement is the integration tax — the cost of connecting the vendor platform to the firm's source systems, normalising the data, and operating the connected stack reliably. The integration tax typically runs at two to four times the vendor licence cost in year one and at a meaningful annual maintenance level thereafter.

The integration tax has four main drivers:

- Source system data quality. If the firm's policy admin systems, accounting systems, or PSP integrations produce inconsistent or incomplete data, the integration must remediate the data on the way to the reconciliation platform. This is the dominant integration cost in most projects.

- Normalisation across multiple sources. Most intermediaries at scale operate more than one policy admin system, more than one bank, more than one PSP, more than one premium finance partner. The normalisation cost grows non-linearly with the number of distinct sources.
- Governance integration. The reconciliation platform must be integrated with the firm's broader governance framework: the CASS policy, the risk and controls matrix, the breaches register, the resolution pack data, the CMAR submission, and the CASSOF MI. Each integration point requires technical and process work.
- Audit firm integration. The platform must support the auditor's working pattern, with appropriate access modes, data extracts, and documentation. Auditors familiar with the platform require less time and produce fewer findings, which is a real and recurring cost saving.

The build component that remains

Even in a primarily-buy procurement, certain components are best built or assembled in-house. These typically include:

- The CASS policy document itself, customised to the firm's operating context.
- The risk and controls matrix, which must reflect the firm's specific risks and controls rather than a vendor template.
- The CASS training programme, calibrated to the firm's staff and roles.
- The integration logic between the reconciliation platform and the firm's policy admin and accounting systems, where firm-specific data models require firm-specific integration.
- The senior manager MI design, calibrated to the senior manager's specific accountability under SM&CR.

The platform-layer argument

Where multiple point-vendors must be integrated — reconciliation engine, CMAR submission tool, resolution pack manager, CASS policy management tool, training platform — the case for a distribution platform layer that absorbs the integration cost across the stack becomes increasingly attractive. The platform layer captures the integration value across

CASS-relevant tooling and other distribution capabilities, while vendor-specific best-of-breed tooling competes within the platform's orchestration architecture. This is structurally similar to the platform argument that has played out in other parts of the insurance distribution technology stack.

The discipline that distinguishes buyers who succeed

Buyers who succeed treat CASS automation procurement as a five-year governance decision, not a one-year software purchase. They specify the integration architecture before selecting the vendor. They budget for the full integration tax — typically 2–4x the licence cost in year one. They build governance into procurement contracts (auditor access rights, data portability, regulatory change handling). They sequence deployments to fix data quality first and automate second. And they treat the senior manager MI design as a first-class procurement criterion rather than an afterthought, on the grounds that the senior manager holding PR Z carries the personal accountability and must be confident in the platform that supports them.

20. Governance as competitive advantage

In a sector where the FCA receives approximately 3,000 CASS audit reports a year and where the published clean opinion rate in the insurance intermediary segment runs at less than 1%, governance is no longer the back-office function it once appeared to be. It is a discriminating capability that materially affects the firm's commercial position.

Three commercial consequences of strong CASS governance

Strong CASS governance produces three commercial advantages that the published market evidence supports.

- Lower supervisory cost. A firm whose CMAR submissions reconcile cleanly to its audit reports, whose audit findings remediate quickly, and whose senior managers can demonstrate reasonable steps faces materially less supervisory engagement than a firm whose data tells inconsistent stories. The cost of avoided supervisory engagement is real and recurring.
- Better counterparty terms. Insurer panels, premium finance providers, banks providing client money accounts, and PSPs all factor CASS risk into the terms they offer their intermediary counterparties. Firms with strong CASS governance access better terms, lower deposits, faster onboarding, and more flexible arrangements.
- M&A premium. The PE-backed consolidator wave in UK insurance distribution has, by the published FCA observation, prioritised firms with disciplined CASS environments because the acquirer can rely on the data, the operating processes, and the audit history. Firms with poor CASS governance routinely uncover material issues during due diligence that depress deal value or kill deals entirely.

The governance components that matter most

Across the published audit and supervisory commentary, the governance components that distinguish best-in-segment firms from the rest are reasonably consistent.

- A senior manager holding PR Z who is operationally engaged with the CASS function, who receives substantive monthly MI, who challenges the CASSOF holder regularly, and who can articulate the firm's CASS position in supervisory language.

- A CASSOF holder who is technically expert, organisationally independent of the team creating the underlying records, and supported by the resources to do the job.
- A risk and controls matrix that is maintained continuously, reviewed at board level annually, and used as the operating reference for the CASS function rather than a paper exercise.
- A breaches register that is fully populated, with no breach left unrecorded, and with documented remediation for every entry.
- A CASS training programme that covers all staff who interact with client money, with attendance records, and with refresher cadence.
- A resolution pack that is current, retrievable within 48 hours, and tested annually.
- A documented auditor relationship that includes assessment of auditor competence, evidence of regular communication, and pre-fieldwork information sharing.
- Integration of CASS into the firm's operational resilience framework, with the CASS process treated as an important business service or as critical activity within one.

The supervisory dialogue

Strong CASS governance changes the nature of the supervisory dialogue. A firm whose data is reliable, whose senior managers can demonstrate reasonable steps, and whose audit history is improving can engage with the FCA on equal terms, raising operational questions to the regulator rather than defending against regulator questions. A firm whose CASS environment is weaker is in a defensive posture by default, with senior managers personally exposed and the operational team firefighting findings rather than building capability.

The difference between these two postures compounds over time. Strong-governance firms get better at it, the supervisory relationship eases, and the operational team is freed to support business growth. Weak-governance firms accumulate findings, attract more supervisory attention, consume more senior time on remediation, and lose the capacity to grow with discipline.

The compounding effect

CASS governance is the part of the insurance distribution stack where good operating practice and good commercial positioning compound most reliably together. The firms that have invested in disciplined CASS governance now will be the firms best positioned to grow through the 2026–2028 supervisory cycle. The firms that have not will be remediating under pressure, often during the procurement window where they would otherwise have been investing in growth. The choice is being made now, in 2026, by the senior managers who decide where their firm's procurement and operational priorities sit.

21. A short note on the cXc view

cXc — a trading name of conXchange Pvt Ltd — operates at the distribution platform layer that this paper has spent most of its pages examining. The brief note below sets out where cXc sits on the questions the paper has covered, for readers who want to understand our perspective. The body of the paper is independent of this section.

Our operating thesis

Insurance distribution at scale in 2026 is a regulatory operating environment as much as a commercial one. The carriers, MGAs, brokers, and reinsurers that build governance discipline into the platform layer — rather than retrofitting it onto operations after the fact — will hold structural advantage for the rest of the decade. The technology to do this exists. The integration architecture, governance infrastructure, and senior management MI design to operationalise it do not yet exist at most operators in the market.

cXc is built on the premise that this layer — the integration, orchestration, and governance layer that sits between operational systems, regulatory tooling, and the regulated insurance operators themselves — is where the most useful work in insurance technology can be done in the 2026 to 2030 window. We do not build CASS reconciliation platforms in-house. We do not compete with the specialist CASS automation vendors named throughout this paper. We integrate them, orchestrate them, and supply the governance, data flywheel, and senior management MI architecture that lets carriers and distributors operate them safely and durably.

The specifics we care about

Three operating practices that we believe distinguish durable CASS environments from temporary ones:

- Governance integrated from procurement, not retrofitted post-deployment. The intermediaries who do this will be ready for the 2026–2028 supervisory cycle. The ones who do not will be remediating under pressure.

- Data quality fixed at source, not patched in the reconciliation engine. The reconciliation engine reconciles what it is given; if the source data is unreliable, the reconciliation is reliable-looking but unreliable in substance.
- Senior management MI designed for the senior manager, not for the operational team. The PR Z senior manager carries personal accountability under SM&CR; the MI they receive must enable them to demonstrate reasonable steps. This is more demanding to design than the operational team's exception reports, and it is the discipline that most often distinguishes mature CASS governance from box-ticking compliance.

Where to engage

Readers who want to discuss any of the territory this paper has covered — the supervisory expectations, the operational architecture, the data quality questions, or specific procurement decisions for their own CASS environment — can reach cXc at the contact details on cxc.services. The research team responds personally.

On the use of AI in producing this paper

This paper was researched and drafted using a combination of human research and large-language-model assistance. Every fact cited has a named primary source in the references section. Every operator named is identified with a publicly verifiable example or published statement. Where the evidence is mixed or where vendor claims could not be independently verified, the paper says so. cXc Research is the human-accountable author of the work.

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Note on methodology

Where multiple credible sources reported the same point, this paper has prioritised primary sources (FCA Handbook, FCA publications, audit firm published commentary, Bank of England joint publications). Where only secondary sources were available, the paper has cited the closest credible secondary source. Where a statistic was reported by a vendor or audit firm and could not be independently corroborated, the paper has identified the source as the vendor or audit firm rather than presenting the figure as third-party-verified. Readers who want to verify specific points should consult the linked primary sources.

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