



Client Money Guidance

1. In order to harmonise regulation as much as possible, the Association has adopted Regulations based on those adopted by the Institute of Chartered Accountants in England and Wales. Those Regulations, however, cover many other areas of professional practice than insolvency practice; and the Regulations adopted by the Association have accordingly been adapted to reflect the particular needs of Insolvency Practitioners.
2. For convenience only, the Regulations have been drafted in terms of the duties imposed on Firms. Disciplinary proceedings can, however, be brought against Individual Members under Regulation 9.1. Attention is drawn to the defence in that Regulation.
3. Regulations controlling the use of Client Bank Accounts are necessary to preserve their integrity, so that third party funds are segregated from those of the Firm, readily identified and protected in the event of the Firm's financial failure.
4. Most money handled by Insolvency Practitioners will not fall into the definition of Client Money, since it will be in respect of an established Insolvency Appointment. The handling of such money is in many cases closely regulated by statute; and in addition Members are reminded of the terms of Statement of Insolvency Practice 11 "The Handling of Funds in Formal Insolvency Appointments". The Regulations deal rather with the handling of money prior to a formal Insolvency Appointment or where there is no such appointment.
5. Money held by a Firm as stakeholder is governed by the Regulations but the payment of interest provisions do not apply (Regulation 5.8).
6. Unless the Firm agrees otherwise in writing with a client (Regulation 6.1) a Client Bank Account must be an interest bearing account if 'material interest' would be likely to accrue within the meaning of Regulation 5.6. Any interest earned must in the absence of such agreement be accounted for to the Client in accordance with Regulation 5.7.
7. 'Material interest' shall be deemed to be likely to accrue if the sum of money is or is likely to be held for at least the number of weeks shown in the left hand column of the following table and the minimum balance in the Client Bank Account (or credited to the Client in the case of an account comprising the money of two or more Clients) equals or exceeds the corresponding sum in the right hand column of the Table:

Number of Weeks	Minimum Balance
8	£500
4	£1,000
2	£5,000
1	£10,000

The above is merely a guide to the interpretation of 'material interest'. The obligation of the Individual

Member is to take reasonable steps to ensure that the Client does not suffer material loss if money remains on bank accounts bearing low or no interest. There may be circumstances, for example, where money should be placed on overnight deposit.