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## CLIENT MONEY HANDLING PROCEDURE

### Compliance

The whole of this document is to be taken as Smith and Sons written procedures for Handling Clients Money in accordance with the RICS Rules of Conduct. These written procedures are set forth to ensure compliance with:

- The RICS Rules of Conduct
- The RICS Client Money Handling Professional Statement
- The RICS Client Money Protection Scheme
- The Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations 2018
- Any other regulations and statutory requirements as necessary, and to maintain best practice.

### Aims

A key aim of these written procedures is to ensure that client money is held in accordance with Rule 1 of the RICS Rules of Conduct, as follows:

1. Members and firms must be honest, act with integrity and comply with their professional obligations, including obligations to RICS.

Another central aim is to comply with the RICS Client Money Protection Scheme.

### Handling of Client Money – written procedures

As a Member of the RICS Client Money Protection Scheme for Surveying Services, we adhere to the RICS Rules of Conduct. The RICS Client Money Protection Scheme, and any other regulations as necessary as follows by using the following procedures:

- 1.1. All Client Money is held in a Client Money Account with a bank or building society authorised by the Prudential Regulatory Authority (PRA), the Bank of England and the Financial Conduct Authority (the FCA).

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1.2. As a Scheme Member we:

1. Maintain one Client Money Account into which all Client Money is paid.
2. Ensure that Client Money Accounts are designated as such and easily distinguished from other accounts.
3. Advise Clients of Client Money to be held in a Client Money Account and notify Clients of details of that account.
4. Confirm in writing with the bank with which we hold a Client Money Account that the bank acknowledges that monies in the Client Money Account must not be combined with, or transferred to, any other account maintained by the firm, and the bank shall not be entitled to exercise any right of set up or counterclaim against money in that Client Money Account in respect of any sum owed to it in respect of any of the firms other accounts.
5. Keep records and accounts which show all dealings with Client Money and demonstrates that all Client Money held by the firm is held in a Client Money Account.

1.3. With regards to handling Client Money, we:

1. Have and comply with written procedures for handling Client Money, which comply with any RICS requirements to which Rule 7.4 of the RICS Client Money Protection Scheme refers.
2. Provide a copy of our procedures for handling Client Money to any person who may reasonably require a copy, free of charge.
3. Keep records and accounts that show all dealings with Client Money.
4. Repay any Client Money, including where feasible any interest earned, without delay, if there is no longer any requirement to retain that money or the relevant Client requests it; and
5. Hold and maintain Professional Indemnity Insurance (PII) cover that is appropriate for the firms size, income, type of work and the amount of Client Money held.

**Donations to Charity**

In the event that Smith and Sons receive surplus client money in a client account, we follow best practice and enact the following procedures:

1. Ensure that all efforts are made to trace the clients or owners of the money.

2. Hold the surplus money in a client suspense ledger.
3. Hold surplus money for at least three years.

If, after three years, the client or owner of the money has not been found, and no true claimants to the money have come forward, in accordance with RICS guidance, it will be donated to a registered charity. A receipt will be obtained for this transaction so should a true claimant come forward to collect the money, it can be made available to them. We will request that the receiving charity should offer an indemnity to enable the firm to recover a donation in the event of a claim.

If all efforts to trace the clients or owners of the money fails, and after following the above procedures, Smith and Sons will donate the amount to a RICS approved charity.

### **General Controls**

Smith and Sons ensures that:

- Employees have clear segregation and responsibilities and that a Principal or appropriately qualified individual oversees the client accounting function.
- It employs competent and knowledgeable staff who are responsible for processing clients' money who are familiar with RICS Rules.
- Access to clients' money is restricted to two members of staff (Partner of the firm and the Accounts Manager). No other member of staff has any access to the clients' money bank account.
- Accounting systems and client data are securely controlled and protected.
- Computer systems are adequately protected for access, firewalls, back-ups and disaster recovery.
- There is adequate cover for holiday and long term absence.
- Principals cannot and do not override controls surrounding the accounting systems.
- All areas of the business apply the same level of control in relation to the client accounting function.

### **Client Bank Accounts**

Smith and Sons ensures that:

- We hold clients' money in one or more client bank accounts separately from all other client money and is available on demand.

- The bank account is correctly titled to include the name of the Firm and the word “client” to distinguish the account from an office or any other account.
- We advise clients in writing of the bank account details (account name and name and address of the bank) and agree the terms of the account handling, including arrangements for interest and bank charges.
- We have written to the client detailing our procedures in respect of the retention of interest.

### **Client Accounting System and Controls**

Smith and Sons ensures that:

- Accounting records and systems are appropriate to the nature and volumes of client account transactions.
- Systems provide details of all money received into and paid from all client accounts and show a running balance of all client money held in that account.
- Systems identify all receipts and payments to the client to which they relate, for example by means of client ledgers showing cash balances held on behalf of clients at all times.
- Accounting records are completed chronologically and promptly.
- All ledgers have the client name and an appropriate description, e.g. the property address.
- Overdrawn balances on client ledgers are prevented by the systems controls in place and where they do occur are investigated and rectified immediately.
- Adequate controls are in place over unidentified client money to ensure that such funds are kept securely. The client should be located and reimbursed as soon as possible; such funds held for more than three years may be donated to a registered charity.
- A central list of client bank accounts is maintained including dates of opening and closing of accounts.
- Clients can request information on monies on accounts for them that is held at any time, and these complete records are sent upon request.

For client accounts the monthly reconciliations should agree with the cash book or system balances to bank statement balances, and client ledger balances and the total of the balances (for general client account) and include a full list of :

- Dated unrepresented cheques.

- Dated outstanding deposits.
- Details of any other reconciling items.
- System reports supporting reconciliation figures as appropriate.
- Reconciliations should not include regularly occurring adjustments or reconciling items more than three months old, except for unrepresented cheques which should be no more than six months old.
- Reconciliations are reviewed and signed off by a Partner or an appropriate independent senior member of staff.
- Client account records, including copies of reconciliations, are securely kept for at least six years plus the current year.

#### **Controls over the receipt of client money**

Smith and Sons ensure that:

- Only a Partner or appropriate staff, independent of accounting staff, open incoming post.
- Procedures exist to ensure all clients' money is banked within three working days.
- All cash and cheques received by post or by hand are promptly recorded.
- Procedures exist to identify and distinguish between clients' and the Firms money.
- If received, mixed monies are initially paid into a client account and the office element paid to the office account when the receipt has cleared the bank.
- Unbanked client money receipts are kept securely in a locked cabinet.

#### **Controls over the payment of client money**

Smith and Sons ensures that:

- Checks are made to ensure that sufficient funds are held on behalf of the relevant client before payments are made.
- Adequate authorisation and supervision procedures are in place for payments made by cheque, bank transfer and electronic methods.
- All payment requests have supporting evidence and that documentation has been authorised in advance by an appropriate person.
- Blank cheques are not signed, and unused cheques are kept securely.
- Effective controls are in place over the setting up of a new supplier accounts on the system.

- Cash payments are avoided where possible.

#### **Controls over unidentified funds**

Smith and Sons ensures that:

- Checks are made to ensure that all monies received are allocated swiftly and correctly upon receipt.
- Should funds not be identified swiftly, the person dealing with the client where the monies have been received from will investigate with them directly as to what the funds are for.
- Should funds be unidentified, they will be returned through the banking system (or cheque) to the person who made the initial payment.
- Full records of any unidentified funds are kept and reviewed by a senior member of staff.
- All action taken to identify funds are recorded within the system so that a full audit trail is kept.
- After a three year period, should funds still not be identified, these will be paid to a registered charity and an indemnity will be obtained.