

**RoadMap for the Client Money Chapter of the Regulatory Rule Book  
Secondary legislation under the Financial Services Act [2008]**

Previous Code Reference	Subject of Code	Rule Reference	Change and Rationale for Change	Impact/Need for Comments
<b><i>Investment Business</i></b>				
CM Code 1.1, 1.2 and 1.4	Citation and commencement, revocation, and application	Citation, commencement, and revocation will be moved to Part I to be completed at the end of the consultation on the Rule Book. Application will be cover throughout the chapter.	Updated as necessary	None
CM Code 1.3	Interpretation	Most is covered in rule 4.2, also look at rule 4.4	The definitions of the different types of client money accounts have been modified. Designated Client Bank account no longer requires consent of the client in writing for the use of the bank with which the money is to be held. References to “Designated Client Fund Account have been removed as it is thought that it is no longer necessary. Investment agreement has been generalised and renamed relevant agreement to cover all regulated activities.	<b>Material</b>
CM Code 1.5	Overseas Branches	Moved to rule 4.5	Change of location only	None
CM Code 2	Introductions to non licenceholders	Covered by rule 4.10 (4)	Wording has been altered slightly	None
CM Code 3.1-3.4	Definition of Clients’ Money	Moved to rule 4.3	Change of location only	None

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CM Code 3.5		Removed	May be covered as guidance if necessary	None
CM Code 3.6		Moved to rule 4.8	Change of location only	None
CM Code 4.1	Duty to segregate	Moved to rules 4.6, 4.7 and 4.15 also see rule 4.16	Simplified and split between several rules.	Limited
CM Code 4.2	Clients' Settlement Money	Moved to rule 4.16	Rule has been simplified and clarified	None
CM Code 4.3	Margined Transactions	Moved to rule 4.15	This is in the interpretation section at the end of rule 4.14	None
CM Code 5	Clients' Money to be held on Trust	Moved to rule 4.6 (5)	Rule has been simplified	None
CM Code 6.1	Opening the Bank Account	Moved to rules 4.4 and 4.10	Change of location and reference to designated client fund account has been removed.	None
CM Code 6.2	Payment of other money into a Client Bank Account	Moved to rule 4.10	Change of location only	None
CM Code 6.3	Payment out of a Client Bank Account	Moved to rule 4.10 and sub-paragraph (d) moved to rule 4.14	Change of location only	None
CM Code 6.4.1	Accounting for and use of Clients' Money	Moved to rule 4.12	The prohibition on allowing client money accounts to become overdrawn has been changed from guidance to rule.	Limited
CM Code 6.4.2	Reconciliation requirements	Moved to rule 4.13	New requirement to notify the Commission of any amount outstanding on a Client Money account for more than 1 month. This has been implied before but is now a specific rule. Also, a record must be kept of every reconciliation and check carried out under this rule.	<b>Material</b>
CM Code 7	Interest on Clients' Money	Moved to rule 4.14	Change of location only	None
CM Code 8	Margined Transactions	Moved to rule 4.15	Wording has been modernised but meaning remains the same	None
New requirements	Trust money		There are some specific requirements for the administration of trust money, as it is	

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			also covered by this chapter. However, it is unlikely that this will apply to Investment Businesses.	
New requirement	Records to kept by the licenceholder	Rule 4.11	Has been applied to this Part from the current Investment Business Conduct of Business Regulatory Code	Limited
New requirement for CIS	Subscription and redemption accounts	Rule 4.17	This is formalisation of standard business practice and is not envisaged, therefore, that it will cause any difficulties.	Limited
<b>Stockbrokers</b>				
SB Code 127	Application		Removed ability for firm to treat money held outside the Island in accordance with the relevant local requirements	<b>Material</b>
SB Codes 128 and 150-154	Money received by a firm		Removed ability to opt-out of requirements	<b>Material</b>
SB Code 129	Money to be held with a approved bank	Included in rule 4.4 meaning of client bank account	Terminology changed to recognised bank for consistency.	None
SB Code 130	Notification to an approved bank	Moved to rule 4.10 (3)	Wording altered	Limited
SB Codes 131 and 132	Segregation and Client bank accounts	Moved to rule 4.6 and 4.7	Wording altered	Limited
SB Codes 133 and 134	Payment of client money	Moved to rule 4.10	Removed option not to place money in clients' money account	<b>Material</b>
SB Code 135	Discharge of fiduciary duty	Included in rule 4.3	Wording altered, removed option to defer payment in discharge of fiduciary duty at sub paragraph (3)	<b>Material</b>
SB Code 136	Use of an approved bank outside the IOM or UK	Included in rule 4.10	Wording and content has been simplified	Limited
SB Codes 137 and 138	Use of an intermediate broker settlement agent or OTC counterparty outside the IOM and UK, and	No longer included in Client Money Requirements	Removed as it is very sector specific	

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	notification on default			
SB Code 139	Interest	Moved to rule 4.15	Wording amended	None
SB Code 140	Records and auditor's report	Covered by rule 9.22	Already consulted on in the Risk Management and Internal Control Part	None
SB Codes 141, 142, 143, 144 and 145	Various	No longer included	Removed as they are very sector specific	<b>Material</b>
SB Codes 146 and 147	Reconciliations	Moved to rule 4.13	Simplified for consistency	None
SB Codes 148 - 154	Various	No longer included		
<b><i>Fiduciaries</i></b>				
CM & TM Code 1	Citation and commencement, interpretation, and application	Citation and commencement will be moved to Part 1 to be completed at the end of the consultation on the Rule Book. Application will be cover throughout the chapter. Interpretation in rule 4.2	Updated as necessary	None
CM & TM Code 2	General	Changed to guidance	This code has been changed to guidance as it is too imprecise to be a rule.	Limited
CM & TM Code 3	Definition of clients' money	Moved to rule 4.3, guidance has been made into a rule at 4.6(3)	Additional rule included so that a licenceholder owes money to a client where it is due and payable, whether demanded or not.	Limited
CM & TM Code 4	Definition of trust money	Included in interpretation rule 4.2	Change of location only	None
CM & TM Code 5	Clients' money to be held on trust	Moved to rule 4.6 (5)	Wording amended and reference to client company or trust entitled to it removed.	Limited
CM & TM Code 6	Duty to segregate (clients' money and trust money)	Moved to rule 4.6	Change of location only	None

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CM & TM Code 7	Operational procedures – recognised bank (clients’ money)	Moved to rule 4.10	New requirements to make acknowledgements about the interest earned and the title of the account.	<b>Material</b>
CM & TM Code 8	Operational procedures – account designation (clients’ money and trust money)	Moved to rule 4.10 (2)	Change of location only	None
CM & TM Code 9	Operational procedures – payments in and out (clients’ account)	Moved to rule 4.10 (5)	Wording amended to remove “it is money due to the fiduciary”.	<b>Material</b>
CM & TM Code 10 (1) and (2)	Operational procedures – controls/reconciliations (clients’ money)	Moved to rule 4.12	For the purposes of this rule book client money includes trust money so the meaning remains the same. The subparagraph regarding accounts becoming overdrawn is in rule 4.10 (5)	None
CM & TM Code 10 (3)	Operational procedures – controls/reconciliations (clients’ money)	Moved to rule 4.13	New requirement to notify the Commission of any amount outstanding on a Client Money account for more than 1 month. Also, a record must now be kept of every reconciliation and check carried out under this rule.	<b>Material</b>
CM & TM Code 10 (4)	Operational procedures – controls/reconciliations (clients’ money)	Moved to rule 4.10 (9)	Change of location only	None
CM & TM Code 11	Operational procedures – controls/reconciliations (trust money)	Moved to rule 4.12	For the purposes of this rule book trust money is treated as clients’ money and subject to all of the same rules.	None
CM & TM Code 12	Interest on clients’ money	Moved to rule 4.14	Wording altered slightly and no longer a requirement to advise the Commission.	None
New requirement	Notification of receipt of client money in certain cases	Rule 4.8	Unlikely to apply to a fiduciary.	None
New requirement	Account to be specified in cheques	Rule 4.9	Has been applied from the Investment Business Clients’ Money Code	Limited
New	Records to kept by the	Rule 4.11	Has been applied to this Part from the	<b>Material</b>

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requirement	licenceholder		current Investment Business Conduct of Business Regulatory Code	
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