RICS professional statement

RICS professional standards and guidance, UK

Client money handling

1st edition, October 2019



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RICS professional standards and guidance

RICS professional statements

Definition and scope

RICS professional statements set out the requirements of practice for RICS members and for firms that are regulated by RICS. A professional statement is a professional or personal standard for the purposes of the *RICS Rules of Conduct*.

Mandatory vs good practice provisions

Sections within professional statements that use the word 'must' set mandatory professional, behavioural, competence and/or technical requirements, from which members must not depart.

Sections within professional statements that use the word 'should' constitute areas of good practice. RICS recognises that there may be exceptional circumstances in which it is appropriate for a member to depart from these provisions – in such situations RICS may require the member to justify their decisions and actions.

Application of these provisions in legal or disciplinary proceedings

In regulatory or disciplinary proceedings, RICS will take into account relevant professional statements in deciding whether a member acted professionally, appropriately and with reasonable competence. It is also likely that during any legal proceedings a judge, adjudicator or equivalent will take RICS professional requirements into account.

RICS recognises that there may be legislative requirements or regional, national or international standards that have precedence over an RICS professional statement.

Document status defined

The following table shows the categories of RICS professional content and their definitions.

Publications status

Type of document	Definition
RICS Rules of Conduct for Members and *RICS Rules of Conduct for Firms*	These Rules set out the standards of professional conduct and practice expected of members and firms registered for regulation by RICS.
International standard	High-level standard developed in collaboration with other relevant bodies.
RICS professional statement (PS)	Mandatory requirements for RICS members and regulated firms.
RICS guidance note (GN)	A document that provides users with recommendations or an approach for accepted good practice as followed by competent and conscientious practitioners.
RICS code of practice (CoP)	A document developed in collaboration with other professional bodies and stakeholders that will have the status of a professional statement or guidance note.
RICS jurisdiction guide	This provides relevant local market information associated with an RICS international standard or RICS professional statement. This will include local legislation, associations and professional bodies as well as any other useful information that will help a user understand the local requirements connected with the standard or statement. This is not guidance or best practice material, but rather information to support adoption and implementation of the standard or statement locally.

RICS Client Money Protection Scheme Rules

This professional statement refers to the RICS *Client Money Protection Scheme Rules* (the *Scheme Rules*), which sets out the various client money protection provisions that apply to RICS-regulated firms. These include:

- the *Rules of the RICS Client Money Protection Scheme for Surveying Services*
- the *Rules of the RICS Client Money Protection Scheme for Property Agents* and
- explanation of the position for TDS deposits (tenancy deposit claims for which there is protection either under a scheme operated by the Dispute Service Limited (TDS) or by TDS Northern Ireland (TDSNI) relating to the collection and holding tenancy deposits for agents and landlords are administered separately from the above schemes).

For the definition of client money for the purposes of the Client Money Protection scheme for surveying services and for property agents, please refer to the *Scheme Rules*. These schemes have a narrower scope than this professional statement has.

RICS members and regulated firms should also refer to the *Scheme Rules* for full details of the coverage of the general scheme for surveying services and the separate scheme for property agents. Any claims will be assessed under the terms of the relevant scheme.

Glossary

The following definitions relate to this professional statement and do not include legal or other matters as defined in relation to legislative or regulatory requirements.

Appropriately contracted third-party transaction service provider	A company entirely unconnected with the regulated firm or its principals. It provides an internet-based payment processing service where the contract for these services provides for exclusive control by the regulated firm of the client money account and transactions carried out on it.
Bank account details	The account name and the name and address of the bank holding the account.
Bank mandate	This states the rights and obligations of the firm and includes names of authorised signatories. The mandate is created when the account is set up and is a contract between the bank and the account holder setting out terms and conditions for the use of banking services.
Cash book	A record of all client receipts and payments in chronological order that normally provides a running balance of the total amount of client money held by the RICS-regulated firm at all times.
Categories of money	All money held or received in the course of practice can be categorised as either client money or office money. (See *Client money, Office money*; see *Appendix A* for examples.)
Client	Any person, firm, trust, body corporate or other organisation that is a client of an RICS-regulated firm.

Client money	Money of any currency (whether in the form of cash, cheque, draft or electronic transfer) that: • an RICS-regulated firm holds for or receives on behalf of another person, including money held by a regulated firm as stakeholder and • is not immediately due and payable on demand to the RICS-regulated firm for its own account, excluding fees paid in advance for professional work agreed to be performed, and clearly identifiable as such, unless the fees are for work undertaken as a property agent as defined by the *Rules of the RICS Client Money Protection Scheme for Property Agents*.
Client money account	An account in the name of an RICS-regulated firm, a wholly owned subsidiary company of the firm or an appropriately contracted third-party transaction service provider, holding client money that belongs to: • a single client of the firm (**discrete client money account**) or • more than one client of the firm (**general client money account**).
Client bank account conditions	The operating conditions that define how the client bank account may be used.
Client ledgers	Records of all payments and receipts relating to a client in chronological order. Ledgers provide a running balance that shows the amount of money held by the firm on behalf of that client at all times. Client ledgers are necessary where general client bank accounts are in use.
Exclusive control	A bank mandate or contractual arrangement whereby the firm remains in full control of all money movement in the client money account, including when transaction services are outsourced to third-party service providers.
LPA receiver	A receiver appointed under either the *Law of Property Act* 1925 or by an express power of appointment contained in a mortgage deed.
Mixed monies	Receipts that combine client money and office money in a single amount.

Office money	Money of any currency belonging wholly to the RICS-regulated firm or its principals.
Outstanding deposits	Receipts paid into the account that have not yet appeared on the bank statement.
Overdrawn balances	An overall shortage (or deficit) of client money, for example: • a balance on a client ledger in a general client account that shows payments have exceeded the amount of money held on behalf of that client • a cash book balance where the cumulative total of recorded payments exceeds that of accumulated receipts or • a bank account where the position shown by bank statements is overdrawn.
Principal	As defined in the *RICS Rules for the Registration of Firms*.
Promptly	This means no later than seven days from receipt or discovery, except for the rectification of breaches where promptly means no later than three days from discovery.
Property agent	As defined in the *Rules of the RICS Client Money Protection Scheme for Property Agents*.
Reconciliation	This formally documents the agreement of the bank statement balance to the total of client money held recorded by the cash book balance and, for the general client account, to the total of the individual client balances as recorded by the client ledger, setting out an explanation for any differences.
Reconciling items	Receipts and payments recorded in the cash book that have not yet cleared the client bank account, usually: • unpresented cheques and outstanding deposits • items that have appeared on the bank statements but are not yet recorded in the client accounting records such as unidentified client money or • items recorded in the cash book and not yet entered into the client ledgers.

Relevant banking regulatory body	In England, Scotland, Wales and Northern Ireland, the relevant banking regulatory body is the Prudential Regulatory Authority and the Financial Conduct Authority. In Guernsey, it is the Guernsey Financial Services Commission. In Jersey, it is the Jersey Financial Services Commission and in the Isle of Man, it is the Isle of Man's Financial Services Authority.
Running balance	A cash book or client ledger balance that is updated every time a payment is made or a receipt recorded and so always shows the current position.
Scheme Rules	The *RICS Client Money Protection Scheme Rules*.
Signatory	A person nominated by the firm to authorise payments from a client money account.
Unidentified client money	Client money where the beneficiary is unknown or cannot be traced, preventing payment to the client. (See *Client money*.)
United Kingdom	The United Kingdom of Great Britain and Northern Ireland, the Isle of Man and the Channel Islands.

1 Introduction

1.1 Overview

Rule 8 of the RICS *Rules of Conduct for Firms* states: 'A firm shall preserve the security of clients' money entrusted to its care in the course of its practice or business.'

This professional statement reinforces the importance of ensuring that RICS members and RICS-regulated firms comply with their professional requirements and that client funds are properly protected.

It is divided into three parts.

1 An introduction explaining the objectives and application of this professional statement and its relation to the rules of the RICS Client Money Protection scheme.

2 Mandatory requirements for mitigating the inherent risk in holding client money. It is clearly specified where these requirements apply to RICS members **or** regulated firms only or to **both** RICS members and regulated firms.

3 Guidance setting out supporting good practice for keeping client money secure.

See the *Glossary* for definitions of the terms used throughout this professional statement.

1.2 Objectives

The overall objective of this professional statement is that RICS members and RICS-regulated firms understand their obligations to ensure:

- client money is kept safe
- client money accounts are used for appropriate purposes only and
- RICS-regulated firms have the appropriate controls and procedures to safeguard client money.

These objectives underpin the application of this professional statement.

1.3 Application

This professional statement applies to all RICS members and RICS-regulated firms operating in the United Kingdom.

1.4 RICS Client Money Protection Scheme Rules

In April 2019 RICS updated the scheme rules for client money protection following the *Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations* 2018 coming into effect.

RICS-regulated firms that hold client money **must** therefore ensure that they are registered with the appropriate RICS scheme:

- the *RICS Client Money Protection Scheme for Surveying Services*, which generally applies for client money held by RICS-regulated firms in the United Kingdom or
- the *RICS Client Money Protection Scheme for Property Agents*, which meets the specific provisions that apply for property agents from 1 April 2019 for client money held in connection with letting agency work and property management work in England.

This professional statement is issued by RICS under rule 7.4 of the RICS *Client Money Protection Scheme for Surveying Services* and rule 7.4 of the RICS *Client Money Protection Scheme for Property Agents*. However, firms **must** satisfy themselves that they have complied with all obligations placed on them by the relevant scheme rules, legislation or other RICS professional standards relevant to their area of practice.

2 Mandatory requirements

2.1 Overall requirements

RICS members and RICS-regulated firms **must** comply with the *Rules of Conduct for Members* and the *Rules of Conduct for Firms* and demonstrate compliance with the mandatory requirements set out in this section.

All principals in RICS-regulated firms **must** ensure they and everyone employed in the firm complies with this professional statement. This duty extends equally to directors of a regulated corporate entity and to members of a regulated limited liability partnership.

If client money is held by a wholly-owned subsidiary company on behalf of the RICS-regulated firm, or an appropriately contracted third-party transaction service provider, the firm and its principals remain responsible for holding client money securely in compliance with this professional statement and **must** ensure all information and records relating to client money are available to RICS on request.

2.2 Requirements for RICS firms

2.2.1 Holding client money

In relation to holding client money, **RICS-regulated firms must**:

- hold all client money in a client money account over which the RICS-regulated firm has exclusive control at a bank or building society authorised by the relevant banking regulatory body for the jurisdiction
- ensure that a client money account does not contain any sums other than the whole or any part of client money paid into it, or any sums needed to replace money that has been withdrawn from the account by error, with accrued interest on such amounts
- not hold office money in a client money account unless it is a receipt of mixed monies where the office money is awaiting transfer
- ensure that all client money accounts include the word 'client' (written in full) and the name of the firm in the title of the account, and that discrete client money accounts include an identifier (e.g. the client or property name) in the title of the account to easily distinguish it from other accounts of the RICS-regulated firm
- ensure that money held in a client account is immediately available even at the sacrifice of interest, unless other arrangements are in the best interests of the client and the client has given express instructions in writing
- ensure that where the client has given instructions to hold monies in a high interest account with penalties for instant access, penalties are only paid out of the client account if the client has provided specific informed consent and this will not result in an overdrawn balance – otherwise the bank **must** be instructed that penalties are to be applied to the office account

- confirm the bank operating conditions in writing with the bank that holds the client money account, including acknowledgment from the bank that monies in the client money account will not be combined with or transferred to any other account maintained by the firm – the bank is not entitled to exercise any set-off or counterclaim against money in that client money account for any sum owed to it for any other account of the firm
- ensure that where a client requests that money is held in an account to which it and the firm has access, this is a bank account set up by the client, not a firm bank account.

2.2.2 Information to clients

RICS-regulated firms must provide the following information to clients in writing:

- confirmation that client money will be held in a client money account including bank account details, that the RICS-regulated firm has exclusive control over the client money and whether the account is in the name of the regulated firm, a wholly owned subsidiary or an appropriately contracted third-party transaction service provider
- advice to clients who pay fees in advance for surveying services (but not property agent services in England) that this money is not covered by the Client Money Protection scheme
- disclosure of all commissions earned by the firm while managing their property
- how unidentified funds are dealt with
- a copy of the firm's written procedures for handling client money.

2.2.3 Receipts of client money

In relation to receipts of client money, **RICS-regulated firms must**:

- ensure all client money received is paid into a client money account promptly
- ensure that when mixed monies are received the receipt is paid into a client money account and the office money is transferred into the office account promptly
- ensure that where client instructions are to hold only part of a payment the whole payment is placed into a client money account before transferring the relevant part out promptly
- account for interest or other benefits accruing from client money to the client, unless otherwise agreed with the client in writing
- take prompt action to attempt to identify the owner of any unidentified client money received and pay this from a client money account to a registered charity where the owner cannot be identified after three years from receipt and all avenues of investigation have been exhausted
- obtain a receipt and an indemnity for all client money paid to a registered charity that would reimburse the firm for payment of the monies if a beneficiary is subsequently identified.

2.2.4 Payments from client account

In relation to payments from the client account, **RICS-regulated firms must**:

- use each client's money only for that client's matters
- ensure that client money is returned to the client immediately as soon as there is no longer any reason to retain those funds, and any further payments received (e.g. by refund) are paid to the client immediately
- ensure all payments from client money accounts are made to or on behalf of a client and on that client's written instructions or as agreed in the management agreement
- when fees are due and payable, unless the client has given written authorisation for deduction of agreed fees without prior notification, send an invoice or other written notification of the costs incurred to the client before withdrawing money from a client money account for payment of the firm's fees, and then transfer those monies out of the client account promptly
- check that sufficient funds are held for the relevant client before making any payments on their behalf
- obtain written permission from clients for any direct debits and standing orders on general and discrete client bank accounts
- obtain written agreement from the client before bank costs are recharged to client bank accounts.

2.2.5 Accounting records and controls

In relation to accounting records and controls, **RICS-regulated firms must**:

- keep records and accounts that show all dealings with the client money and demonstrate that all client money held by the firm is held in a client money account
- have appropriate systems, procedures and controls to ensure payments into and transfers or withdrawals from a client account are in accordance with instructions agreed with the client
- complete regular client bank account reconciliations and demonstrate that these are reviewed by a principal or senior staff member of the RICS-regulated firm
- publish written procedures for handling client money on the firm's website (if any), and provide a copy of these to RICS or to any person who may reasonably require a copy free of charge
- ensure that overdrawn balances are prevented by the firm's systems and controls, and if these do occur investigate and rectify them immediately
- control and protect accounting systems and client data and adequately protect computer systems for access, firewalls, back-ups and disaster recovery.

2.2.6 Compliance

In relation to compliance, **RICS-regulated firms must**:

- ensure compliance with all anti-money laundering legislation, rules and regulations for all receipts of client money

- ensure compliance with the mandatory requirements of the latest edition of the RICS professional statement *Countering bribery and corruption, money laundering and terrorist financing*
- obtain any certification required under legislation currently in force and follow any requirements in the legislation for display or publication
- ensure that any breach of these requirements is investigated and remedied promptly on discovery, including the replacement of any money improperly withheld or withdrawn from a client account
- record any breach of the mandatory requirements of this professional statement in writing in sufficient detail including any consideration of whether to inform RICS and any client affected by the breach
- inform RICS, the client and the insurers of the RICS-regulated firm immediately if client money is misappropriated by any person.

2.3 Requirements for RICS members

RICS members must:

- ensure compliance with all anti-money laundering legislation, rules and regulations for all receipts of client money
- ensure compliance with the mandatory requirements of the latest edition of the RICS professional statement *Countering bribery and corruption, money laundering and terrorist financing*
- follow all procedures for handling client money at the firm where they work
- not override any controls in place to protect client money
- make appropriate disclosures to a senior member of the firm or a regulator immediately if they become aware of any risk of or actual misappropriation of client money and to keep a written record of that disclosure.

3 Guidance

3.1 Holding client money

As well as the confirmation set out in the mandatory requirements, the bank operating conditions should also confirm that the account title includes the word 'client' and any interest payable for monies held in the account will be credited to that account. It should also state that any charges or interest levied in respect of a general client account will not be debited to it but taken from an office account.

3.2 Information to clients

Where a firm takes commission on payments made to contractors, the commission charges should be clearly identifiable on statements to clients to ensure they are fully aware of the total commissions transferred from the client bank accounts.

3.3 Receipts of client money

RICS-regulated firms and RICS members should immediately identify whether any receipt is client or office money and pay it into the appropriate account. Some examples of client and office receipts are provided in *Appendix A*.

Where the firm places office money into a client money account to fund a payment on behalf of a client, the advance sum becomes client money on payment into the client account. It can only be repaid to the firm when funds are received from or on behalf of the client to enable the repayment.

If an RICS member or RICS-regulated firm conducts a personal or office transaction for a principal (or principals), money held or received on behalf of the principal(s) is office money. However, other circumstances may mean that the money is client money, such as where the transaction is on behalf of a principal and a third party. For example, if the member or regulated firm acts for a principal and their spouse, who is not jointly a partner in the practice, any money received on their joint behalf is client money.

If the firm acts for an employee, that person is a client of the firm, even if conducting the matter personally, and money received for that person will be client money.

Monies held by an LPA receiver will usually be placed in a discrete receivership account in the name of the receiver and will not therefore be client money held by the firm. The LPA receiver will have personal responsibility for the security of this money. However, the LPA receiver may choose to pay money into a firm's client account. It will then be client money, but the LPA receiver will have the rights of a client to give instructions to the firm.

Interest due to a client should be paid into a client account to enable payment from the client account of all money owed to the client.

An RICS member or regulated firm may not necessarily be in breach of this professional statement as a result of a misdirected electronic payment or other direct transfer from a client or paying third party, provided that:

- there are appropriate systems to ensure compliance
- appropriate instructions were given to the client or paying third party and
- the client's or paying third party's mistake is remedied promptly on discovery and appropriate steps taken to avoid future errors by the client or paying third party.

Where a firm receives client money but cannot identify the client, the firm should have a procedure to ensure unidentified funds are reviewed as soon as possible and no later than one month from receipt.

The firm should have a detailed listing of unidentified funds that includes: the date the monies were received; how they were received, i.e. cash, cheque, direct banking; the reference on the bank statement regarding the payer and the amount.

The firm should carry out an investigation into the unidentified funds, which should include:

- checking the accounting records to see whether they have outstanding rental income/service charges/ground rents and checking to see whether any of the unidentified funds tie up with outstanding debts and target those tenants/leaseholders
- writing to the last known address of the client/tenants or engaging a firm to follow-up the addresses to find the clients/tenants and
- trying to repay the funds through the banking system wherever possible.

The firm should keep a record of their investigation including evidence of the steps above and, if relevant, evidence that the funds were banked directly into the client account without any details. The firm should take all reasonable steps to identify the owner or payee of the funds as soon as possible. If identification or repayment has not been possible within three years of receipt and the firm has paid the money to a charity, the firm will remain responsible for ensuring that client money is repaid but can use the indemnity to seek reimbursement from the charity.

3.4 Payments from client account

Money that has been paid into the client account in error (e.g. money paid into the wrong discrete client account or interest wrongly credited to a general client account) should be withdrawn or transferred from the client account promptly on discovery.

The management agreement or account handling terms agreed with the client should state what should happen to client funds at all points including the completion of the instruction. If the purpose for which particular funds were held falls away, and the agreement with the client is not clear about that situation, the RICS-regulated firm should take instructions on whether the money should be returned to the client or retained to cover any aspects of the further work.

If a firm's terms of engagement include information about when and how fees will be paid, the firm should provide written confirmation to the client of the amount being transferred. This should be done before agreed fees are paid from the client account unless there has been a written agreement by the client for agreed fees being deducted without prior notification being provided.

3.5 Accounting records and controls

3.5.1 Accounting records

Accounting records and systems should be appropriate to the nature and volume of client account transactions. Accounting records should include a cash book detailing all payments and receipts with a running balance for all client money accounts held. For general client money accounts, the records should also include a client ledger detailing all receipts and payments held for each specific client. All ledgers should include the client name and an appropriate description, e.g. the property address.

Accounting records should be completed chronologically and promptly. The current balances at the total and individual client levels should always be available.

RICS-regulated firms should retain copies of client money account bank statements, copies of reconciliations and supporting documents relevant to the transactions in the client money accounts. It is suggested that these are retained for at least six years, but firms should check whether there are requirements in case law, leases or professional standards requiring records to be kept for longer periods.

3.5.2 Banking controls

The firm should keep evidence that the client bank account is under the exclusive control of the firm and of who can authorise transactions on the account readily available. For firms that hold their own client accounts, a copy of the current bank mandate for each client account should be obtained and kept readily available. It should be updated whenever there is a change to signatories or every three years if sooner. Alternatively, the firm should obtain a letter from the bank that confirms:

- the names of the client account signatories
- any limits or joint signing authorities and
- individuals authorised for online access if appropriate.

If an RICS-regulated firm holds more than three client bank accounts, a central list of all client accounts, or a number of centralised lists according to business divisions, should be maintained.

A withdrawal from a client account should be made only after a specific authority for that withdrawal has been signed by a signatory in accordance with the RICS-regulated firm's procedures and systems. An authority for withdrawals from the client account can be signed electronically.

Firms should have controls to ensure that only a principal of the firm is able to authorise new signatories to client money accounts.

Where an RICS-regulated firm selects a sole signatory to a client money account this should either be a principal of the firm or a person in a senior position in the company and remote from the day-to-day operation of the client account. Those who do not meet these criteria should only be able to authorise withdrawals from the client account with a second signatory.

The firm should be able to demonstrate that all signatories understand the requirements of this professional statement and the firm's procedures for handling client money and are covered by the firm's professional indemnity insurance.

Where instructions to the bank or building society to withdraw money from a client account are given over the telephone or by electronic means, there should be appropriate safeguards, such as passwords, to give adequate protection for client money.

3.5.3 Controls on the receipt of client money

There should be procedures to identify and distinguish between client and office money.

All staff who open post should be aware of the requirements of procedures when money is received. All cash and cheques received by post should be logged and there should be procedures to check that all funds received are banked.

Whenever cash is received from the client a pre-numbered duplicate receipt should be given to the client and a copy retained by the RICS-regulated firm.

The firm should have appropriate measures to ensure that cash and cheques are kept safe until they are banked. All cash and cheques should be banked promptly.

If the firm accepts payments into the client money account by direct debit, the firm should ensure compliance with the requirements of the Direct Debit Guarantee scheme.

3.5.4 Payment controls

Procedures should include requirements for all payment requests to have supporting evidence that has been checked and authorised. This is to ensure an adequate segregation of duties in the client accounting function to prevent data tampering with the payments process.

The RICS-regulated firm should have effective controls over setting up new supplier accounts on the system. Any new supplier requests or requests for a change to payee details should require dual authorisation. Firms should have checking procedures that take into account existing and emerging frauds, in particular using telephone checks to verify any information provided online.

Direct debits and standing orders should only be applied to general client accounts where there is a system to ensure that checks are made on the appropriate client ledger balance. This is to ensure there is enough money in the account for the direct debit/standing order to be paid. The firm should consider maintaining a schedule of direct debit/standing order payments to monitor the payments each month.

Where an RICS-regulated firm outsources the client accounting function to an accounting or professional services firm, the principals should ensure the following controls are retained:

- client monies should be held in a client money account under the exclusive control of the firm
- monthly reconciliations should be provided to the firm for a principal to review and authorise and
- all payments should be properly authorised by the firm.

The firm should include in their management agreements the value of payments that can be made without additional authorisation from the client and instructions about who can authorise higher value payments on behalf of the client.

3.5.5 Reconciliations

Reconciliations should be carried out regularly. A reconciliation should be completed once per calendar month and no later than six weeks after the date of the previous reconciliation. If there are only one or two transactions per month, a quarterly basis is enough.

The reconciliation should show the cashbook, ledger and bank statement balances with any reconciling items clearly explained. Any errors identified should be rectified immediately.

Client money account reconciliations should include a full list of:

- dated unpresented cheques
- dated outstanding deposits
- details of any other reconciling items and
- for general client money account reconciliations, client ledger balances and the total of the balances.

Where accounts packages are used, reports should be retained to evidence the figures in the monthly reconciliations. Typically, copy reports of cash book transactions for the month, including a cash book balance and a report of client ledger balances (to include a total at the reconciliation date) would be produced and retained as a hard copy or digitally. Most systems are capable of producing a reconciliation report.

Reconciliations should not include regularly occurring adjustments or reconciling items more than three months old, except for unpresented cheques that should be no more than six months old. Cheques older than six months that have not been banked should be cancelled, written back and reissued.

The principal, or other senior staff member, who reviews the reconciliation should sign and date the reconciliation report to show compliance with the requirement in section 2.2.5. An electronic signature, or an email confirming the review, is acceptable for this purpose.

3.5.6 General controls

Procedures should ensure clear segregation of duties and responsibilities and a principal or appropriately-qualified person should oversee the client accounting function.

The RICS-regulated firm should employ competent and knowledgeable staff to handle client money. The firm should demonstrate that appropriate checks are made when staff are employed and that all staff who handle client money are trained in the requirements of this professional statement.

Procedures should provide information to staff about how to report concerns about client money security to a principal. This should include information about whistleblowing to an appropriate outside body (e.g. RICS) if they are concerned about a risk to client money from the principal or if concerns are not responded to appropriately.

The firm should have appropriate cover for holiday and long-term absence of signatories and other staff with responsibility for client money accounting.

The firm should check that all departments and branches apply the same level of controls to handling client money, and that principals cannot and do not override client money controls.

3.5.7 Written procedures

The requirement to publish written procedures for handling client money and to provide a copy to clients on request is a statutory obligation for property agents in England, and a requirement of the client money protection scheme rules for all other firms. The purpose of the requirement is to ensure that clients can readily understand the firm's rules and procedures for handling client money.

As a minimum, the published written procedures should include a reference to this professional statement and references to the following topics:

- how and where client money is held
- access to funds being restricted to principals or senior employees
- timescales for payment of cash and cheques into a client account
- controls for authorisation of payments from a client account
- how interest and bank charges are handled
- information about reconciliation of accounts and checking of reconciling items and
- what information will be provided to clients about monies held on their account and the frequency of any reports.

RICS-regulated firms should consider whether any other information is required in their written procedures to ensure clarity for the client.

3.6 Compliance

As part of the requirement to comply with anti-money laundering standards, firms should ensure that all client money held is linked to a surveying activity being undertaken by the firm and that their client money account is therefore not being used as a banking facility for third parties, whether they are clients or not.

The duty to remedy breaches promptly or immediately rests not only on the person causing the breach, but also on the RICS-regulated firm.

Principals may have a professional obligation to replace missing client money from their own resources, even if the money has been misappropriated by an employee or another principal, and whether or not a claim is subsequently made on the firm's insurance.

In addition, all principals should report any client money misappropriation to RICS immediately.

The firm should usually report any client money misappropriation to the police and should keep records of reports made and any subsequent police advice or action. If the firm decides not to report the matter to the police, a record of that decision and the reasons for it should also be kept.

References

Countering bribery, corruption, money laundering and terrorist financing, 1st edition RICS guidance note (2019).

RICS Rules for the Registration of Firms (2019).

RICS Rules of Conduct for Firms (2017).

RICS Rules of Conduct for Members (2013).

Rules of the RICS Client Money Protection Scheme for Property Agents (2019).

Rules of the RICS Client Money Protection Scheme for Surveying Services (2019).

The Client Money Protection Schemes for Property Agents (Approval and Designation of Schemes) Regulations 2018.

The Client Money Protection Schemes for Property Agents (Requirement to Belong to a Scheme etc.) Regulations 2019.

Appendix A

Examples of client and office money

Examples of client money include, but are not limited to, money held or received as:

- a payment on account of costs generally
- rents and service charges
- interest credited to a client account (unless the firm retains interest by agreement)
- arbitration fees
- client money held but due to be paid to contractors
- auction sale proceeds where the firm is acting as an agent not as a principal
- commission received on the placement of insurance for members of the designated professional body scheme for general insurance distribution activity where the client has not given the RICS member or RICS-regulated firm informed consent to retain the commission.

Office money includes but is not limited to:

- interest on general client accounts that by agreement with the client does not accrue to the client – the bank or building society should be instructed to credit such interest to the office account
- payments received for fees due to the RICS member or RICS-regulated firm against a bill or written notification of costs incurred, which has been given or sent
- disbursements already paid or disbursements incurred but not yet paid by the RICS member or RICS-regulated firm
- money paid in advance in respect of an agreed fee for surveying services (but not property agent work in England).

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RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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