

Emad Aladhal
Client Assets Policy
Prudential Banking and Investment Business Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London, E14 4HS

3 September 2010

Dear Sir,

Response to CP 10/15 - Quarterly Consultation Paper (No.25) – Chapter 8: Client Money and Assets – Limiting the use of Title Transfer Collateral Arrangements, and adding guidance to the Money Due and Payable to the Firm provisions (CASS)

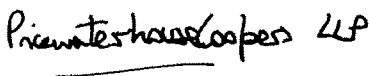
Please find attached our comments in response to Chapter 8 of FSA Quarterly Consultation Paper No. 25. We welcome the opportunity to comment on this consultation and we have considered all the issues and questions raised in the CP. Our response is further outlined in Annex A to this letter.

We recognise the importance of protecting client monies of retail customers and therefore we support the prohibition of the use of Title Transfer Collateral Arrangements (“TTCAs”) for retail clients and also support the introduction of additional guidance around the Money Due and Payable to the firm rules. We also believe that the introduction of the proposed rules and guidance is consistent with the “Client’s Best Interests Rule”.

Notwithstanding our support for the proposals outlined in the CP, we believe that the transition period currently envisioned by the FSA may be insufficient to allow some firms to obtain and secure alternative financing arrangements. We also believe that sufficient time should be allowed for firms to review their current arrangements and to amend existing retail client agreements as necessary.

We would be happy to discuss our comments further. Please contact Anne Simpson (020 780 42093) should you wish to discuss or clarify any matter in the attached response.

Yours faithfully



PricewaterhouseCoopers LLP

Annex A – PwC responses to Chapter 8 of Quarterly Consultation No.25

Chapter 8 Client Money and Assets – Limiting the use of Title Transfer Collateral Arrangements, and adding guidance to the Money Due and Payable to the Firm provisions (CASS)

1. *Do you agree with our proposals to achieve proper protection of retail clients' money by limiting the application of TTCA to non-retail clients?*

We support the proposal to restrict the application of TTCAs to non-retail clients. We concur with the FSA's view that TTCAs remove retail clients' money from client money protection and hence raises risk to the FSA's statutory objectives of consumer protection and maintaining market confidence. We believe that the proposal by the FSA to limit the application of TTCAs to non-retail clients will enhance and strengthen the protection provided for retail clients under the CASS rules and make consistent across the industry the approach already taken by the majority of firms.

2. *Are you aware of any other businesses that make use of TTCA for retail clients that have not been considered above?*

We are aware that some foreign exchange providers also use TTCAs for retail clients.

3. *Would these proposals have any unintended consequences not identified above?*

Firms should be encouraged to comply as soon as possible however; we believe that the rule change may significantly affect the liquidity of firms who are highly reliant on money received from retail clients as a source of funding. As a consequence these firms may need to explore alternative business models and alternative sources of financing to meet their capital working requirements (e.g. through bank finance or raising funds in the capital markets).

Although we largely support this move, we believe that the transitional period of one month after the implementation of the rules is likely to be insufficient to allow some firms to obtain and secure alternative sources of financing and to arrange for existing retail client agreements to be amended. We therefore suggest that the transitional provision be extended to perhaps four to six months.

Firms should be required to segregate existing client funds and cease accepting new retail clients on such arrangements from the implementation date.

4. *Do you agree with our proposals to introduce new guidance into the "Money due and payable to the firm within CASS 7"?*

We agree with the proposal to introduce new guidance around the "Money due and payable to the firm" provisions within CASS 7.

5. *Are you aware of any costs that we have not considered above?*

We believe that regulated firms are best placed to identify any additional costs.