



# Client Money Risk Mitigation: Covid-19

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# Background / Introduction

## The issue

- The 'Great Lockdown'
- Sudden shock – long term impact
- Increased Risk
- Business survival
- Agile response

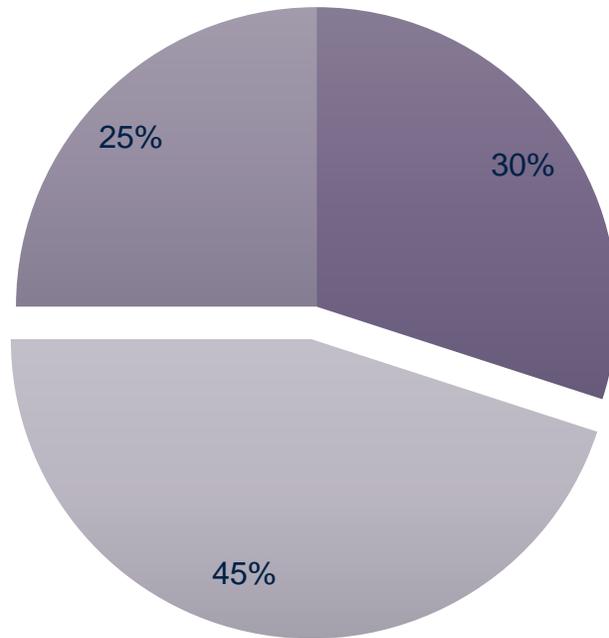


*"We were hoping that you could work from work today."*

## RICS Response

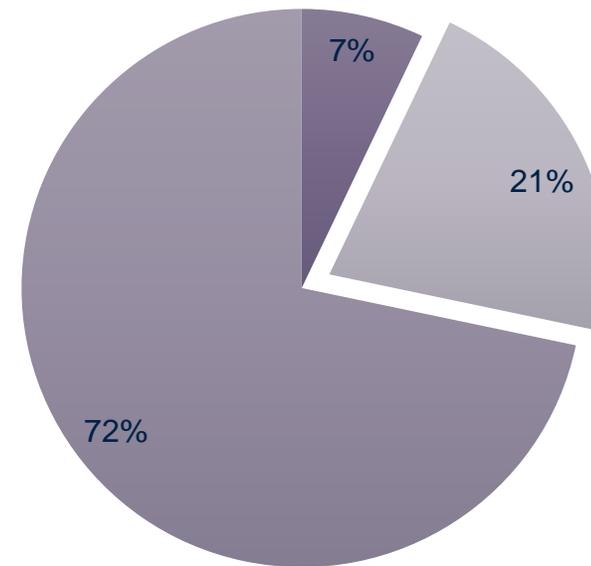
- Research, news, insights, webinars, free CPD
- (<https://www.rics.org/uk/news-insight/latest-news/coronavirus-and-rics-events/>)

## Revenue impact of Covid-19 (ONS)



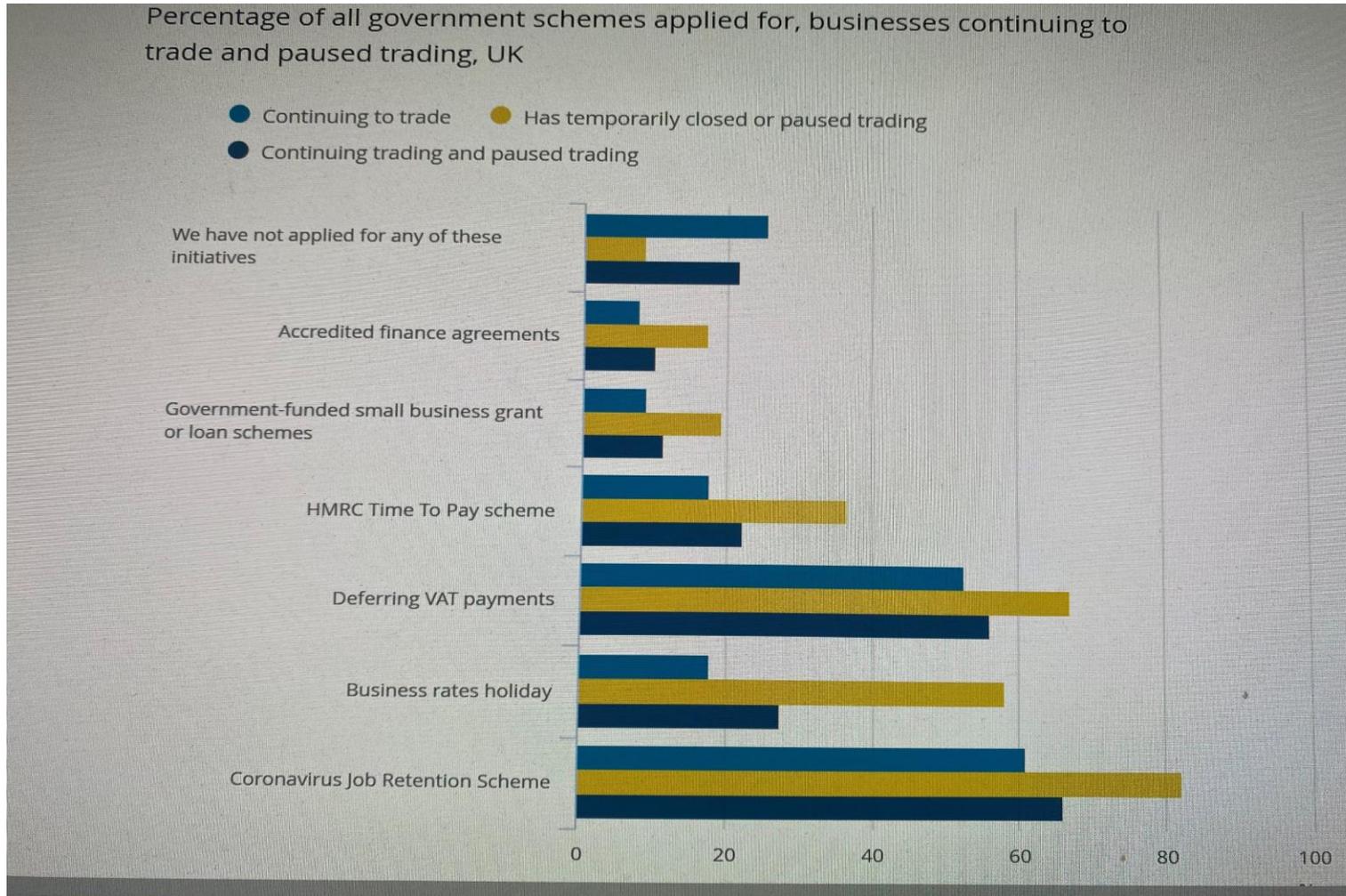
- Revenue unaffected
- Revenue down by <50%
- Revenue down by >50%

## Revenue impact of Covid-19 (RICS sample)

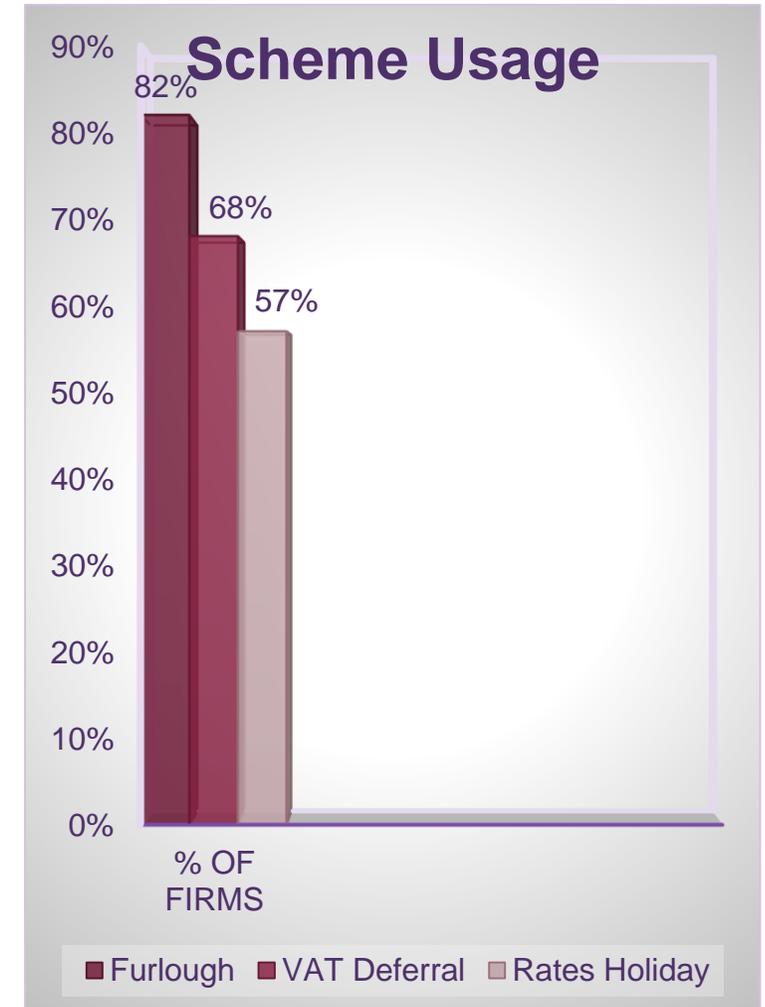


- Revenue unaffected
- Revenue reduced
- Revenue significantly reduced

# Background / Introduction



Source: ONS: Coronavirus and the economic impacts on the UK: 23 April 2020



# Objective:

To assist firms in navigating the business and client money risks caused by the unique circumstances and challenges arising from the COVID-19 crisis.





# Covid-19 Business Risks / Challenges

# Enhanced Risk of Cash Flow / Solvency Problems

- Manage cash outflows
- Professional Advice
- Manage cash inflows
- Access government-backed support
- Contact finance providers
- Cashflow forecasting



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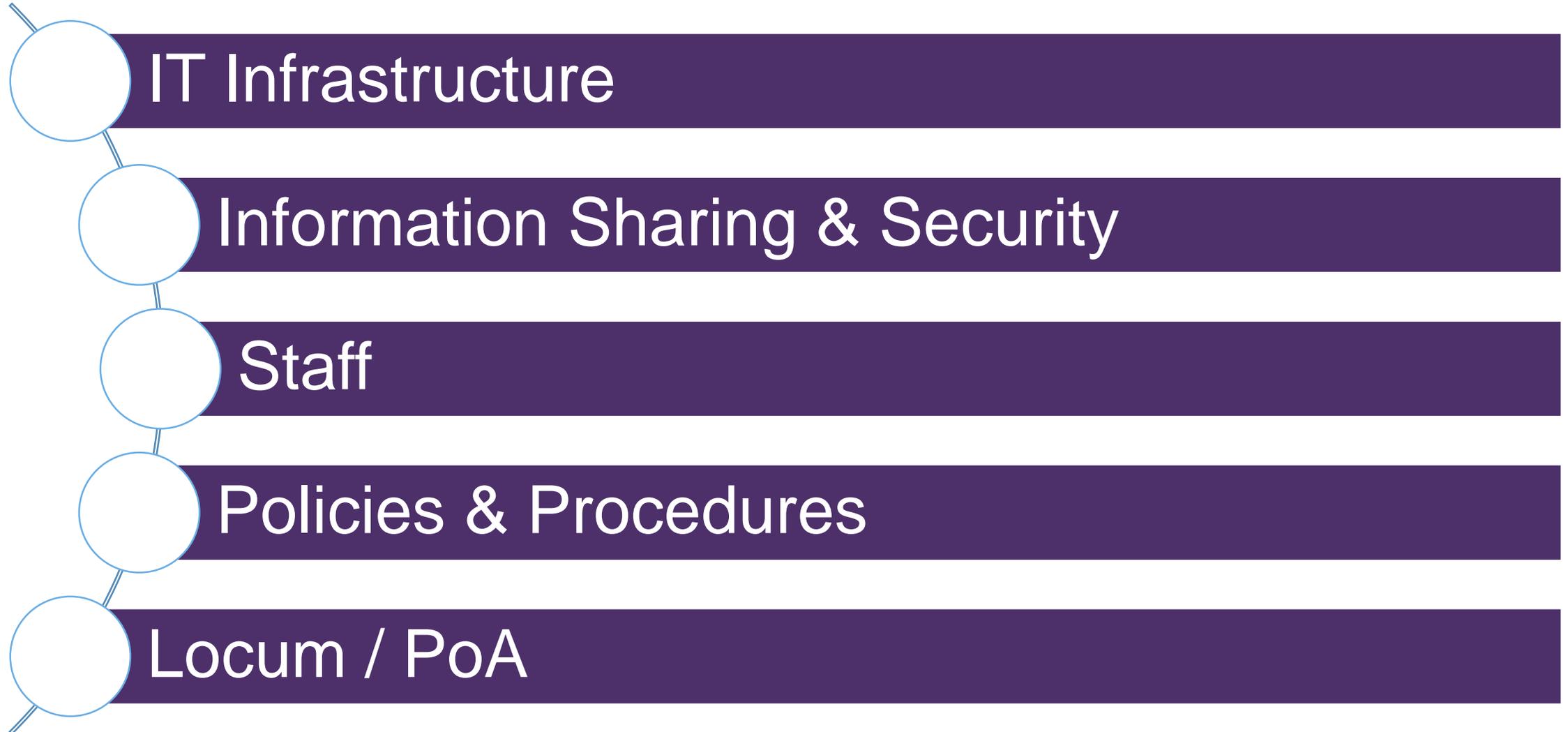
# Enhanced Risk of Cash Flow / Solvency Problems



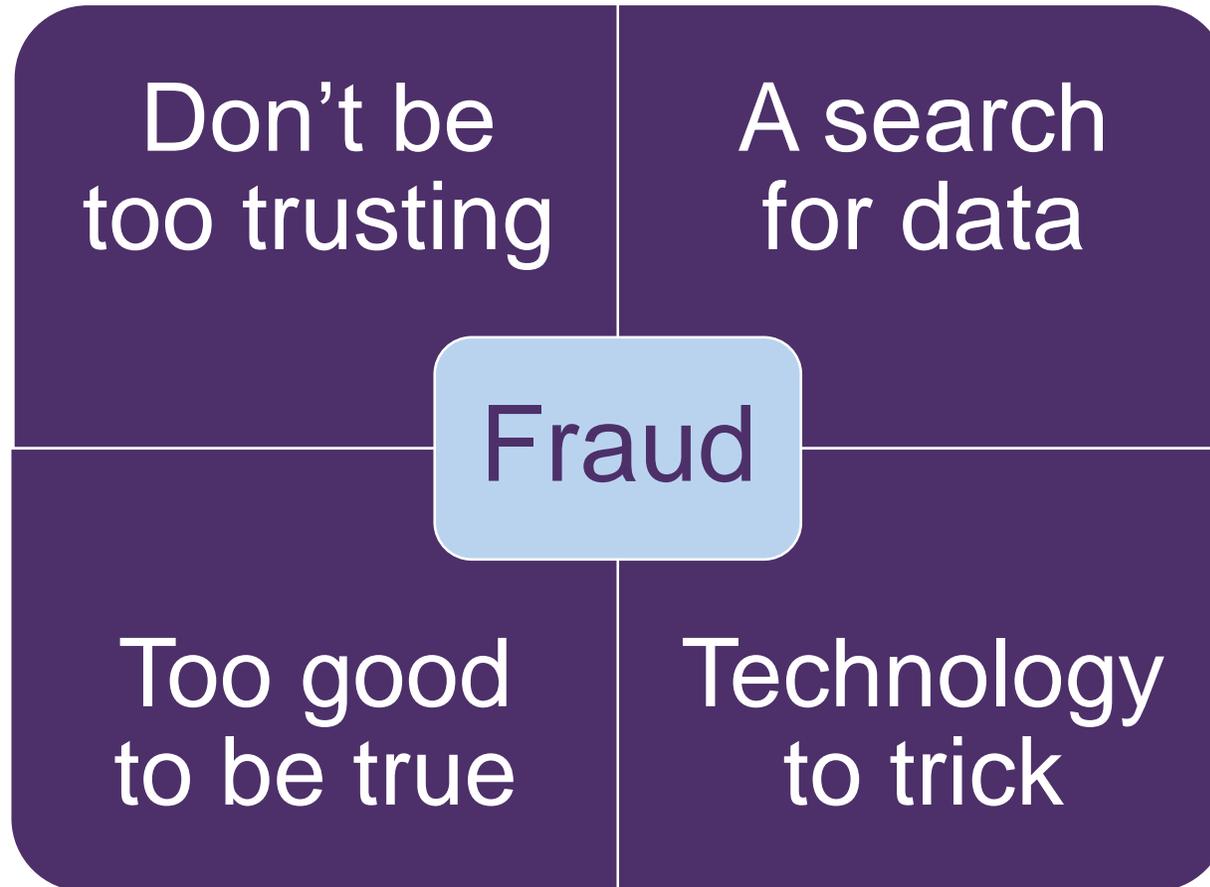
<https://www.gov.uk/government/collections/financial-support-for-businesses-during-coronavirus-covid-19>

Assistance Measures	Scope
Job Retention (Furlough)	Created and started PAYE payroll scheme by 19 March 2020, enrolled for PAYE online, UK bank account
Statutory Sick Pay / Redundancy Payment Claims	Eligible for sick pay due to Covid-19, PAYE scheme started by 28 Feb 2020. < 250 employees on 28 Feb.
VAT / Self Assessment Deferrals	VAT payments due between 20 March and 30 June / 2 <sup>nd</sup> payment on account (now due 31 Jan 2021)
Business Support Grants (Small Business Grant Fund – England)	Businesses with property eligible for Small Business Rate Relief / Rural Rate Relief on 11 March 2020
Self-employment income support	Taxable grant of 80% of average monthly trading profit for 3 months, capped at £7,500 (£50k profit cap)
Business Interruption Loan Scheme	Small business (up to £45m turnover), large business (over £45m)
Bounce Back Loans	UK based, est. before 1 March 2020, adversely impacted by Covid-19 – between £2k and 25% of turnover, up to £50k





# Elevated Fraud Risk

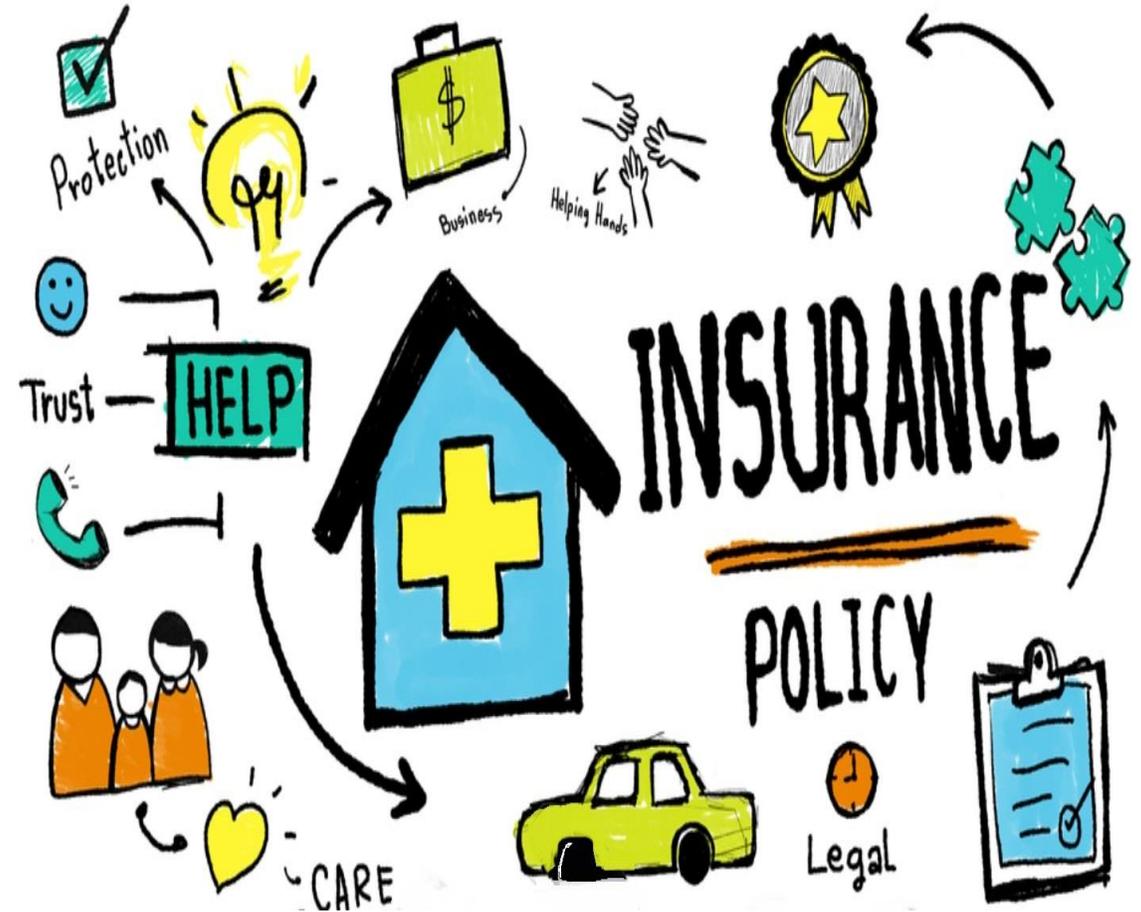


## Emerging Scams

- NHS
- Safe Account Scam
- Purchase Scam
- Fake Testing Kits
- HMRC
- Govt Impersonation
- Payment Diversion
- Buying and Selling
- School Closures
- Doorstep Fraud
- Investment Scams

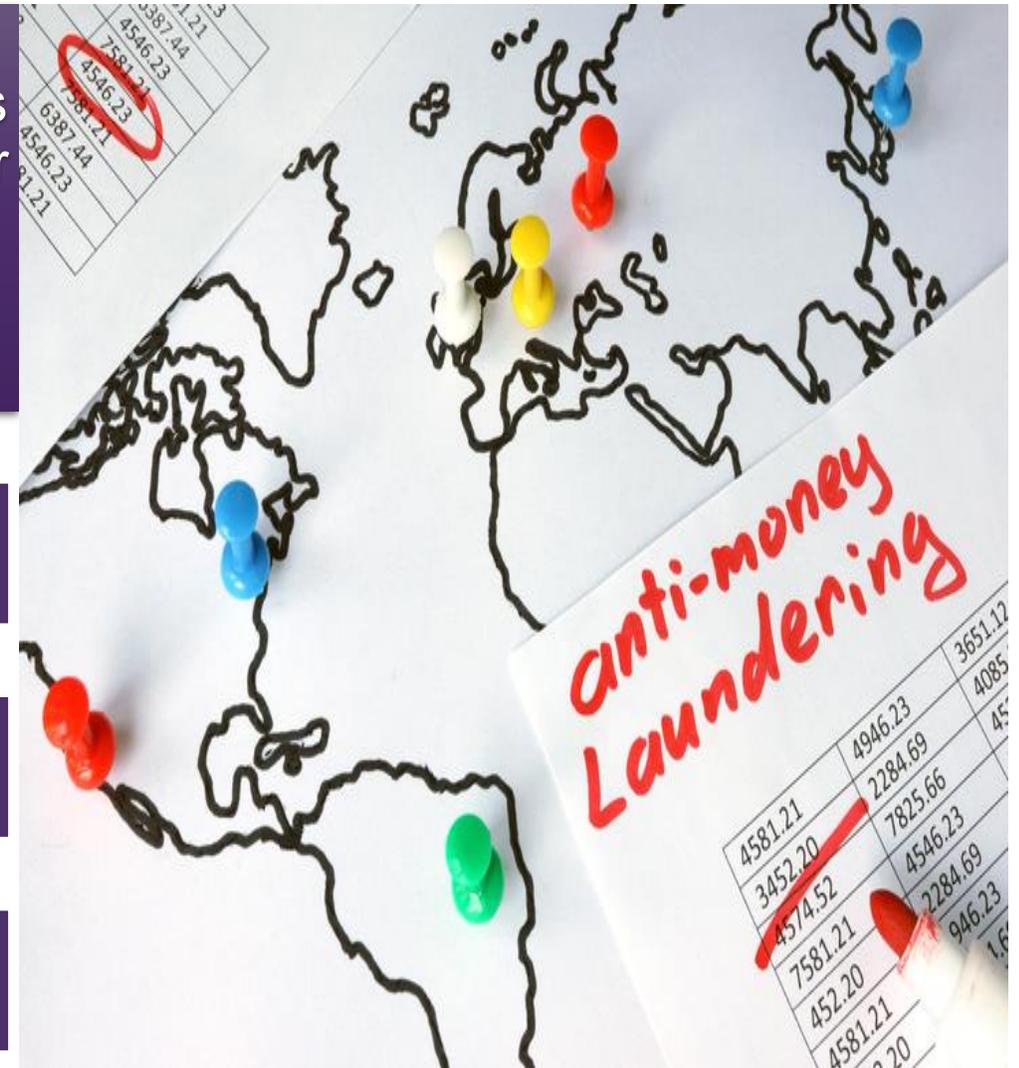
# Professional Indemnity Insurance

- Challenging PII Market
- RICS Guidance (web link on slide 24)
- Minimum policy wording (1 May 2020)
- Cessation of trading



# Anti Money Laundering Compliance

“Concealing the source of the proceeds of criminal activity to disguise their illegal origin. This may take place through hiding, transferring and/or recycling illicit money or other currency through one or more transactions, or converting criminal proceeds into seemingly legitimate property”





# Covid-19 Client Money Risks / Challenges

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# Client Money Risk Mitigation

Focus on Key Risks and Duty Segregation

Enhanced vigilance

Prioritise record keeping

Maximise electronic receipts / payments

Protect funds in event of insolvency

Re-visit policies and procedures



Risk mitigated



# Top Client Money Compliance Issues

# Top Client Money Compliance Issues

- 1. General bank account reconciliation
  - All firms need to complete a “three-way” reconciliation. This means reconciling the bank statement balance to the cashbook and individual client ledgers.
- 2. Review and approval of reconciliations
  - Principals are responsible for ensuring that clients’ money is correctly accounted for.
  - When reviewing reconciliations it is important to check on the timing and accuracy of the reconciliations. Look for old reconciling items or unusual transactions.
  - Once reviewed the reconciliation should be signed and dated.

# Top Client Money Compliance Issues

## 3. Overdrawn client ledger balances

- Bank accounts and cashbooks should never show a negative position.
- If Individual client ledgers are overdrawn then there is an overall deficit. A firm should immediately place funds into the client account pending resolution of the overdrawn balance.

## 4. Authorisation of client account electronic payments by non-principals

- Approval to execute electronic payment should be restricted to firm principals or a senior member of staff who is remote from the day to day operation of the client account. Those who do not meet this criterion should only be able to authorise withdrawals with a second signatory.

## 5. Insufficient verification of changes to payee bank details

- Email confirmation of bank details changes is not sufficient. More robust verification procedures are required which should include telephone checks.

# Top Client Money Compliance Issues

## 6. Reconciliations issues – old uncleared reconciling items and differences

- Reconciling items should not be greater than 3 months old except for cheques which may be allowed 6 months to clear.
- Particular attention should be paid to bank statement entries which have not been recorded promptly.
- Client ledger balances may be incorrectly stated.

## 7. Client bank account titles

- The word “client” should be included in full in all client account titles.
- The name of the firm should be included in the title.
- For discrete accounts the name of the client or property address should be included.

## 8. Written client money handling procedures

- Statutory requirement for property agents and a requirement of the RICS Client Money Protection Scheme for all other firms.
- Procedures must be provided to all clients and published on the firm’s website.

# Top Client Money Compliance Issues

## 9. Suspense Accounts

- Often overlooked as part of the reconciliation process.
- Firms must be able to provide a breakdown of the balance showing how long each amount has been held in the account.
- Records of investigations to trace beneficiaries should be retained.
- If the beneficiary cannot be traced after 3 years then the funds must be donated to a registered charity.
- Must obtain a receipt and an indemnity from the charity.

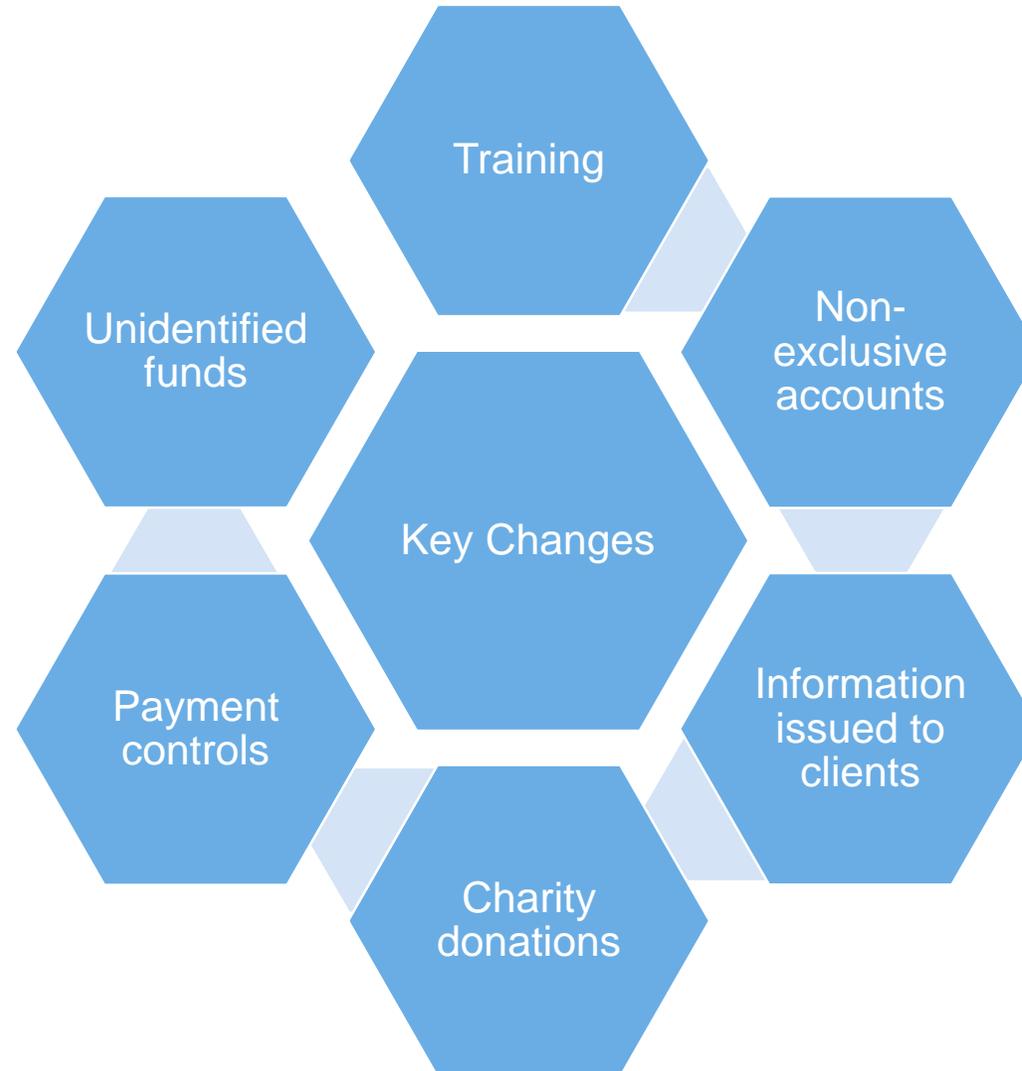
## 10. Reconciliations not being completed on a regular basis

- Reconciliations should be completed on a monthly basis and no later than 6 weeks from the date of the previous reconciliation.
- If there are only one or two transactions per month then a quarterly basis would be sufficient.



# Client Money Handling Professional Statement

# Professional Statement Key Changes



## Useful Links

- <https://www.rics.org/uk/news-insight/latest-news/coronavirus-and-rics-events/>
- <https://www.rics.org/uk/news-insight/latest-news/coronavirus-and-rics-events/advice-for-those-considering-closing-down-their-practice/>
- <https://www.rics.org/uk/upholding-professional-standards/standards-of-conduct/client-money/client-money-handling-1st-edition/>
- <https://www.rics.org/uk/upholding-professional-standards/standards-of-conduct/client-money/> to download an example locum agreement and power of attorney.
- <https://www.rics.org/uk/upholding-professional-standards/standards-of-conduct/client-money/cmp-scheme/> for the latest Client Money Protection Scheme rules.
- <https://www.rics.org/uk/upholding-professional-standards/regulation/regulatory-support/managing-fraud/>
- <https://www.rics.org/uk/upholding-professional-standards/regulation/regulatory-support/professional-indemnity/pii-in-the-uk/>

**Thanks for  
attending!**

**Questions  
and  
answers**

