

Summary of decision

The purpose of this summary sheet is to provide a high level overview of the Legal Services Board's ("the LSB") decision. Readers are recommended to read the formal decision notice below for further detail. **This summary is not and should not be taken as a formal part of the LSB's decision notice under the Legal Services Act 2007 ("the Act").**

The LSB's decision is to grant in full the application from the Council for Licensed Conveyancers (the "CLC") to approve alterations to its regulatory arrangements in respect of its Account Codes. The key proposed changes include:

- Simplifying the Account Code by removing unnecessary barriers and restrictions to ensure the Code is appropriate and proportionate.
- Insertion of definitions of Client Money and Client Account
- Clarifying who may not act as a Reporting Accountant (and sign off accountant's reports)
- Providing a revised template for accountant's reports, the format of which places greater reliance on the professional judgment of the Reporting Accountant
- Introducing a new self-certification scheme for aged balances up to £50, and
- Making provision for the use of Third Party Managed Accounts (TPMAs) as an alternative to a client account.

Following the assessment of the CLC's application, the LSB has concluded that the changes do not trigger any of the refusal criteria within paragraph 25(3) of Schedule 4 to the Act.

Decision notice

The CLC application for approval of alterations to regulatory arrangements relating to Compensation Fund contributions for 2019/20

The LSB has granted an application from the CLC for approval of changes to its Account Codes.

1. The LSB is required by Part 3 of Schedule 4 to the Act to review and grant or refuse applications by approved regulators to make alterations to their regulatory arrangements.
2. This application has been made by the CLC in its capacity as an approved regulator.
3. This decision notice sets out the decision taken, including a summary of the changes. The notes at page 9 of this notice explain the statutory basis for the decision.
4. The chronology for the LSB's handling of this application is also set out below.

Chronology

- The LSB confirmed receipt of an application from the CLC on 19 May 2020.
- The 28-day initial decision period for considering the application ends on 15 June 2020.
- This decision notice is effective from 15 June 2020.
- The decision notice will be published on the LSB's website by 15 June 2020.

Background

5. On 19 May 2020, the CLC submitted an application to the LSB for the approval of changes to its regulatory arrangements relating to its Account Code ("Code"), which governs the handling of client money by CLC-regulated person or practice. Client money is money held or received for a client by a CLC lawyer or practice incidental to the provision of legal services regulated by CLC. It does not cover money held by Third Party Managed Accounts (TPMAs). This means that the provisions of the current Code do not apply to TPMAs. The CLC's most significant proposed changes to the Code, are to:
 - make provision for the use of TPMAs;
 - introduce a new self-certification scheme for aged balances up to £50; and
 - simplify the Code by removing unnecessary barriers and restrictions to ensure the Code is appropriate and proportionate.
6. The proposed changes aim to safeguard against the misuse of client money, which is a key risk to consumers; to remove any unnecessary and/or disproportionate regulatory burdens and to streamline the Code to make it easier to follow.

TPMAs

7. TPMAs use a single central client account to handle transactions on behalf of buyers, sellers and mortgage lenders, which would otherwise take place sequentially along a chain of multiple client accounts. TPMAs accordingly allow financial transfers to take place simultaneously.
8. TPMAs differ from traditional escrow accounts as the money is held by a third party provider and used in accordance with the terms of a written agreement between the third party and those involved in the transaction(s). By contrast, traditional escrow accounts are opened in the joint name of the contracting parties and the parties hold the funds. TPMAs offer a more secure method of holding client money and thereby reduce any risk of misuse. Money held in a TPMA does not fall under the definition of client money as set out in the current Code because it is not money held or received by the firm. Neither does the current Code refer to the use of TPMAs.

Aged Balances

9. CLC practices are required by the Code to repay any residual balances in a client account that are no longer required. Notwithstanding this requirement, it is not always possible to repay these funds in practice, particularly if the consumer is no longer contactable. The current rules state that, if it has not been possible to account for all funds on a client ledger, practices must obtain authorisation from the CLC as to how the balance should be handled. When applying for authorisation, a practice must provide evidence of the steps taken to identify and trace the rightful recipient of the money.
10. If the residual amount within a client account is less than £20, the CLC may allow the money to be transferred to the office account¹.

Proposed changes

11. The CLC proposes to make the following changes:

New Definitions

- Insert definitions of Client Money and Client Account as they appear in the CLC glossary of terms in order to improve the usability and context of the Code.

Simplification of the Code

- Simplify aspects of the Code and remove duplication by clarifying who is responsible for ensuring compliance with the Code, by making all managers within a practice responsible for compliance (rules 1.2 and 1.3 of the new Code; current rules 9.1.1 and 9.1.4);

¹ The CLC has provided figures for the total aged balances which were approved over the last 4 years. The mean for the last 4 years is £5188.71. In 2019 this was £2,869.48.

- removing references to the CLC Code of Conduct and Overriding principles (paragraphs 1-5 and 7 of the current rules) to reduce any potential misunderstanding about the scope of managers' responsibilities;
- removing overly prescriptive requirements for updating Accounting Records to provide greater flexibility for practices in their management of Accounting Records (new rules 6.1-6.9) and to enable them to comply with best accounting practices.
- removing the paragraph in the current rules which permits a client to instruct a practice not to pay client money into the client account. This has been removed as it is not good practice and presents a significant money laundering risk.
- requiring all Accounting Records to be kept for a minimum of 6 years (rule 5.9) and not 2 years (current rules 13.13 and 13.14). This amendment harmonises the Code with wider accounting practices.
- removing detailed provisions in the Code that dictate the form that an Accountant's Report must take. This detail is already in the Accountant's Report template.

Reporting Accountants

- Insert a new rule concerning who may not act as a Reporting Accountant. The Code currently requires all practices to obtain an Accountant's Report at the end of each Accounting Period. The Code also prescribes certain tests, checks, and procedures that must be undertaken by a Reporting Accountant in order to sign off on an Accountant's Report and determine a practice's compliance. The CLC proposes to establish a new rule (rule 6.7) that would enable it, where appropriate, to prevent someone from acting as a Reporting Accountant if they have been found guilty of misconduct by their accountancy professional body, or by the CLC (or another approved regulator) either while acting as (i) a lawyer, (ii) a Head of Finance and Administration or (iii) a manager of a legal practice.

Disqualification and Conflict

- Clarify the circumstances in which the CLC can:
 - disqualify an accountant from signing off an Accountant's Report (rule 6.7); and
 - manage conflicts of interest (rule 6.7b), for example where the accountant is related to or otherwise connected to the managers of a practice (i.e. due to a financial interest).

Aged Balances

- Introduce a new self-certification scheme for aged balances up to £50 in relation to any one individual client, without CLC authorisation². The practice would then be able to pay this money either to the CLC, into the Office Account, or donate it to a nominated charity (new rules 4.4 to 4.7).
- Prior to withdrawing an aged balance, require that a practice trace the rightful recipient; take appropriate steps to return the money and, if unsuccessful, record and retain a record of the steps taken.
- Stipulate that the CLC Practice will remain liable to repay monies due to the rightful recipient unless they have been paid to the CLC, in which case the CLC would be liable to pay monies due.

Compliance

- Amend the format of the Accountant's Report and remove some of the prescribed testing to place greater reliance on the professional judgement of the Reporting Accountant.
- Allow CLC practices to apply for a waiver to the requirement to submit an Accountant's Report if they can demonstrate that they have not handled any Client Money in the accounting period (i.e. because it was held in a TPMA).

TPMAs

- Explicitly permit the use of TPMAs as an alternative to a client account, provided that the TPMA has adequate consumer protection measures in place. As part of the CLC's proposed reforms, before entering into an arrangement with a TPMA provider for the first time, a CLC practice will require authorisation from the CLC.
- Require CLC practices to take reasonable steps to ensure that consumer(s) have been informed of and understand the terms of the TPMA contractual arrangements, and their right to terminate the agreement and dispute payment requests made by the CLC practice.
- Include within the CLC Glossary of Legal Terms at Annex E of the application a definition of TPMA which sets out that the TPMA is FCA-regulated and authorised.

12. Detailed guidance on the use of TPMAs as an alternative to client accounts will set out the minimum protections a practice must ensure are in place, as well as the requirements for record-keeping. This guidance is at Annex D of the application (a revised version of this guidance was provided in response to a request by the LSB see paragraph 22 below).

Key issues considered in the assessment

² The CLC has stated that [Aged Balances approved in the range £20-£50 in 2019](#) totalled £4,991.92.

13. Having considered the CLC's application and supporting documents and information, the LSB identified the following key issues in relation to the application.

Aged Balances

14. The CLC recognises that there are risks associated with removing the obligation for CLC practices to obtain CLC authorisation to handle residual funds in client accounts. However, we consider that these risks are adequately addressed by safeguards built into the proposed amendments:
- The new rule will only apply if the residual amount in a client account is £50 or less. Larger sums will still require CLC authorisation before being handled
 - Practice managers will have the responsibility of ensuring that practices take appropriate steps to pay aged balances to the rightful recipients
 - Reporting Accountants will be required to check for compliance with the new rules when preparing the Accountant's Report.
15. To further manage any risk, the CLC will issue revised guidance for Aged Balances (Annex C of its application) and will carry out a review within two years to identify and assess any unintended or negative impacts.
16. In response to the LSB's query, the CLC noted that the total amount of Aged Balances in the range of £20-£50 approved by the CLC in 2019 was £4,991.92. The CLC also noted that the SRA's Account Rule on Aged Balances allows for the withdrawal of amounts up to £500 (on any one client matter) without the SRA's prior written authorisation, provided the amount is paid to a charity³.
17. Further, the CLC highlighted that paragraphs 4.4-4.7 of the proposed Code make clear the circumstances in which Aged Balances may be withdrawn and Part 1 of the Aged Balances Guidance sets out the step which should be taken to avoid Aged Balances.
18. The CLC also stated that for the last 3 to 4 years, the CLC's Regulatory Supervision Managers have routinely called for a schedule of Aged Balances when they carry out inspections and, where appropriate, direct practices actively to manage Aged Balances in accordance with the Code and Guidance. This has the added benefit of reducing the incidence of Aged Balances when practices close.
19. The LSB is satisfied with the responses given to the issues raised on the Aged Balances proposals.

TPMAs

20. In the LSB's 2015 briefing paper [Alternatives to the handling of client money](#), the LSB concluded that TPMAs can benefit consumers by enhancing the security of client money (with the appropriate safeguards in place), providing a wider choice of payment arrangements and greater transparency of process. For practitioners, the

³ [Rule 5 \(1\) \(c\) of the SRA Accounts Rules](#).

LSB identified potential benefits including lower compensation fund contributions and potentially lower Professional Indemnity Insurance premiums for firms,⁴ which could in turn result in benefits to consumers if these savings are passed on. In its application the CLC has stated that introducing the use of TPMA's in the Code, will increase transparency and improve trust and confidence among consumers. The CLC consider that the use of TPMA's will benefit CLC regulated firms by allowing them to focus on the quality and competitiveness of the services they provide. The LSB notes that other legal services regulators such as the SRA and CILEx Regulation, have issued rules and/or guidance on the use of TPMA's.

21. The CLC's revised Code requires CLC practices to obtain approval from the CLC before entering into an agreement with a TPMA provider. Given that TPMA providers are regulated by the FCA, the LSB queried why the CLC considered this additional requirement to be necessary. In its response the CLC explained that, rather than being an additional safeguard, this requirement will allow the CLC to have sight of the terms of the arrangements which CLC practices will enter into with TPMA providers. The CLC considered that this would be helpful given that they had sight of specimen terms of agreement when discussions were first held with TPMA providers, some years ago. The CLC emphasised that it will only expect CLC practices to apply for authorisation when they use a TPMA provider for the first time.
22. The LSB also noted that the TPMA guidance (Annex D of the application) contained certain mandatory obligations for CLC practices to comply with, which appeared to be regulatory arrangements under the Act which would require approval. In reply to a request from the LSB, the CLC has provided a revised version of the guidance which (i) includes citations of the Code rules that are restated or otherwise mentioned in the guidance, or (ii) softens the language of the guidance where it should not be read as a mandatory obligation.
23. The LSB is satisfied with the responses given to the issues raised on the TPMA proposals.

Monitoring and review

24. The application⁵ refers to the CLC's intention to monitor and review the impact of the proposed changes on an ongoing basis and consider if any action needs to be taken. The application also notes that the effectiveness of the proposed new guidance on Aged Balances and TPMA's will also be monitored and updated in line with any perceived issues and queries raised by practices and accountants. The CLC will review the rules and guidance relating to Aged Balances and TPMA's no later than two years.
25. In response to the LSB's request for further information on how it will monitor the proposed changes, the CLC has stated that CLC inspectors will be asked to report on whether CLC practices are experiencing difficulties in understanding and complying with the new Code and guidance, and whether clients or client money is consequentially at an increased risk. There will be a particular focus on the roll-out of TPMA since CLC practices have not previously been able to use them.

⁴ See Paragraphs 5 to 9 of Alternatives to handling client money, Briefing paper, June 2015.

⁵ At paragraphs 86 and 87 of the application.

26. Although the CLC would expect to carry out a review within two years of implementation, it has clarified that the review will be undertaken earlier if it appears the risk to clients has increased.
27. The LSB is satisfied with the additional information provided on the CLC's plans for monitoring and reviewing the proposals. We will follow up on these commitments through our regulatory performance framework.

Consultation

28. The LSB notes that the amendments which clarify the circumstances in which the CLC can disqualify an accountant from signing off an Accountant's Report (rules 6.7c) was not included in any of the CLC's consultations. The CLC has stated in its application that this was because they did not consider consultation necessary given the main purpose is clarification and increased consumer protection. While we understand the CLC's reasons, in future we would expect all proposed changes to be consulted on to ensure the regulated community and other stakeholders have an opportunity to comment.

Decision

29. The LSB has considered the CLC's application against the refusal criteria in paragraph 25(3) of Schedule 4 to the Act. It considers that there is no reason to refuse this application and accordingly, the application is granted.
30. **Annex A** to this decision notice contains the revised Code approved by the LSB.

Matthew Hill, Chief Executive

Acting under delegated authority granted by the Board of the Legal Services Board

Notes:

1. The LSB is required by Part 3 of Schedule 4 to the Act to review and grant or refuse applications by approved regulators to make alterations to their regulatory arrangements.
2. Paragraph 25(3) of Schedule 4 to the Act explains that the LSB may refuse an application setting out a proposed change to the regulatory arrangements only if it is satisfied that:
 - (a) granting the application would be prejudicial to the regulatory objectives
 - (b) granting the application would be contrary to any provision made by or by virtue of the Act or any other enactment or would result in any of the designation requirements ceasing to be satisfied in relation to the approved regulator
 - (c) granting the application would be contrary to the public interest
 - (d) the alteration would enable the approved regulator to authorise persons to carry on activities which are reserved legal activities in relation to which it is not a relevant approved regulator
 - (e) the alteration would enable the approved regulator to license persons under Part 5 [of the Act] to carry on activities which are reserved legal activities in relation to which it is not a licensing authority, or
 - (f) the alteration has been or is likely to be made otherwise than in accordance with the procedures (whether statutory or otherwise) which apply in relation to the making of the alteration.
3. The designation requirements referred to in paragraph 2(b) above are set out in paragraph 25(4) of Schedule 4 to the Act and are:
 - (a) a requirement that the approved regulator has appropriate internal governance arrangements in place
 - (b) a requirement that the applicant is competent, and has sufficient resources to perform the role of approved regulator in relation to the reserved legal activities in respect of which it is designated, and
 - (c) the requirements set out in paragraphs 13(2)(c) to (e) of Schedule 4, namely that the regulatory arrangements are appropriate, comply with the requirements in respect of resolution of regulatory conflict (imposed by sections 52 and 54 of the Act) and comply with the requirements in relation to the handling of complaints (imposed by sections 112 and 145 of the Act).
4. In accordance with paragraphs 20(1) and 23(3) of Schedule 4 to the Act, the LSB has made rules⁶ about the manner and form in which applications to alter regulatory arrangements must be made. Amongst other things, the rules highlight the applicant's obligations under section 28 of the Act to have regard to the Better Regulation Principles. They also require applicants to provide information about each proposed change and details of the consultation undertaken.
5. If the LSB is not satisfied that one or more of the criteria for refusal are met, then it must approve the application in whole, or the parts of it that can be approved.

⁶ LSB's Rules for applications to alter regulatory arrangements – Version 2 April 2018
[https://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/New%20folder%20\(2\)/FINAL_Rules_for_applications_to_alter_regulatory_arrangements.pdf](https://www.legalservicesboard.org.uk/what_we_do/regulation/pdf/New%20folder%20(2)/FINAL_Rules_for_applications_to_alter_regulatory_arrangements.pdf)

ANNEX A
PROPOSED ACCOUNTS CODE

1. General Provisions

- 1.1 The requirements of the Accounts Code apply to all CLC Lawyers and practices who receive or deal with money belonging to a Client.
- 1.2 Each Manager of a CLC Practice is jointly and severally responsible with any other Manager of that CLC Practice for compliance with the Accounts Code by the CLC Practice and its employees.
- 1.3 Managers must maintain proper governance, management and supervision of the CLC Practice and ensure appropriate systems, procedures, processes and internal controls are in place to comply with the Accounts Code.
- 1.4 To monitor compliance with the Accounts Code, the CLC may at any time request information which must be delivered at the time and place and in the format requested by the CLC.
- 1.5 The CLC is entitled to seek verification of information from clients, staff, service providers and banks. If requested, the CLC Practice will provide written permission to facilitate the provision of this information.
- 1.6 CLC Practices must comply with anti-money laundering and counter-terrorist financing legislation.

2. Client Account

- 2.1 A Client Account is a current or deposit account in the name of the CLC Practice designated as a 'Client Account' at a Bank or Building Society located in England or Wales.
- 2.2 A Client Account is used to hold Client Money, and must not be used as a banking facility for Clients.
- 2.3 The Client Account and Office Account may only be used for the provision of services regulated by the CLC. Separate bank accounts and separate accounting records must be maintained for any other services which are not CLC-regulated.

3. Client Money

- 3.1 Client Money is any money held or received on behalf of a Client by a CLC Practice incidental to the provision of legal services regulated by the CLC.
- 3.2 Client Money must be paid into Client Account Without Delay.
- 3.3 Client Money must always be immediately available to be applied in accordance with the Client's instructions.
- 3.4 Any shortfall on Client Account must be replaced Without Delay.
- 3.5 The Client side of the Client ledger must not go into debit.
- 3.6 The Office side of the Client ledger must not go into credit.

- 3.7 The CLC Practice must pay money received into the Client Account if there is doubt whether it is wholly Office Money.
- 3.8 Money incorrectly paid into a Client Account must on discovery be transferred out of the Client Account Without Delay.
- 3.9 The CLC Practice must advise the CLC Without Delay of the discovery of any misappropriation of Client funds and must make good any shortfall from its Office Account Without Delay.
- 3.10 Interest earned on Client Money must be credited to the respective Client ledger. The CLC Practice must obtain informed written consent from the Client if it wishes to depart from this requirement.

4. Withdrawals from Client Accounts

- 4.1 The CLC Practice may only withdraw money from a Client Account if:
 - a. it is to make a payment to or on behalf of the Client
 - b. it is to pay an invoice for services provided by the CLC practice which has been properly submitted to the Client
 - c. it is to reimburse the CLC Practice for money paid out of the Office Account on behalf of the Client
 - d. it has been paid into the Client account in error
 - e. it is transferred to another Client Account
 - f. it is in compliance with 4.4.
- 4.2 Payments out of a Client Account must be approved by a duly authorised signatory to the Client Account and may only be made by:
 - a. cheque
 - b. electronic payment (BACS/CHAPS)
 - c. written bank instruction.
- 4.3 Money held in a Client Account must be paid to the Rightful Recipient as soon as there is no longer any proper reason to retain it.
- 4.4 Client Money may be withdrawn from a Client Account under 4.1(f) where there has been no movement on the Client ledger for over 12 months and the CLC Practice has:
 - a. established the identity of the Rightful Recipient
 - b. taken appropriate steps to return the Client Money to the Rightful Recipient (which have been unsuccessful), and
 - c. recorded the steps taken in accordance with requirement 4.4(a)-(b) and retained those records (together with all relevant documentation).
- 4.5 Having satisfied requirements 4.4(a)-(c), the CLC Practice may pay any Aged Balance not exceeding £50 to a nominated charity, to the Office Account, or to the CLC.
- 4.6 The CLC Practice remains liable to repay monies due to the Rightful Recipient unless they have been paid to the CLC, in which case the CLC is liable to pay monies due.

- 4.7 Any withdrawal of an Aged Balance exceeding £50 must be authorised by and paid to the CLC. The CLC will repay the Client Money when demanded by the Rightful Recipient.

5. Accounting Records

- 5.1 The CLC Practice must update their Accounting Records at regular intervals, but not exceeding 30 days from the respective calendar month end.
- 5.2 Accounting Records must be drawn up in accordance with generally accepted accounting practices.
- 5.3 Accounting Records must be compiled by an individual with the appropriate skill and experience.
- 5.4 The accounting system must maintain accurate and chronological records of:
- a. Client Money and Office Money transactions, with sufficient narrative to explain their purpose
 - b. the indebtedness of the CLC Practice to individual Clients
 - c. each Client's total indebtedness to the CLC Practice
 - d. individual transactions on individual Client Account ledgers
 - e. bills of costs which distinguish between costs, disbursements and VAT, and
 - f. the balance on any Client or Office ledger account (current and historic).
- 5.5 Bank reconciliation statements must be produced within seven (7) days of the respective calendar month end.
- 5.6 The reconciliation statement must compare the bank balance, the cash book balance and include a listing of reconciling items. Client bank accounts must also be reconciled to the Client Account listing.
- 5.7 Reconciling items need to be reviewed and cleared on a timely basis.
- 5.8 If accounting or cashiering functions are outsourced, the CLC Practice must have immediate and unrestricted access to its Accounting Records. The CLC Practice must maintain oversight of accounting and cashiering functions and remains responsible for the Accounting Records.
- 5.9 The CLC Practice must retain Accounting Records for no less than six (6) years.

6. Accountant's Report

CLC Practice responsibilities

- 6.1 The CLC Practice must procure the delivery by the Reporting Accountant to the CLC of an Accountant's Report if at any time during an Accounting Period the CLC Practice held or received Client Money.
- 6.2 The Accountant's Report must be delivered by the Reporting Accountant to the CLC within 6 months of the end of the Accounting Period.

6.3 The CLC Practice must immediately notify the CLC of any changes to the identity, address or any other relevant details of the Reporting Accountant.

6.4 The CLC Practice must supply the Reporting Accountant with any and all records and explanations required to exercise their duties.

6.5 The CLC Practice must apply to the CLC for consent to vary the Accounting Period.

Reporting Accountant eligibility

6.6 The Reporting Accountant must be a member of one of the following accounting bodies and must be in good standing at the time of signing the Accountant's Report:

- a. the Institute of Chartered Accountants in England and Wales
- b. the Institute of Chartered Accountants of Scotland
- c. the Institute of Chartered Accountants in Ireland, or
- d. the Association of Chartered Certified Accountants.

6.7 A person may not be a Reporting Accountant if:

- a. the accountant has been found guilty by a professional body of professional misconduct or equivalent
- b. at any time between the beginning of the Accounting Period to which the Accountant's Report relates and the signing of the Accountant's Report, they were either a partner, employee or officer in the CLC Practice to which the Accountant's Report relates, or were employed by the same employer as the Authorised Person for whom the Accountant's Report is given, or
- c. the CLC has disqualified the accountant from completing, signing and delivering an Accountant's Report because it is satisfied that the accountant:
 - i. has failed to exercise due care and skill in the preparation of an Accountant's Report, or
 - ii. has an actual or reasonably apparent conflict of interest.

Reporting Accountant responsibilities

6.8 The Reporting Accountant must be engaged to:

- a. determine whether the Accounts Code has been complied with, by examining:
 - i. internal controls, management oversight and supervision systems
 - ii. monthly Client Account reconciliations
 - iii. Client Account balances, transactions and shortfalls
- b. complete, sign and deliver the Accountant's Report in the form required by the CLC with any supporting schedules to the CLC with a copy to the CLC Practice
- c. report directly and immediately to the CLC without prior reference to the CLC Practice if in the course of the engagement evidence of theft or fraud affecting Client Money is discovered or there is a reasonable belief that Client Money may be at risk
- d. report directly to the CLC if their appointment is terminated after:

- i. the issue of, or indication of the intention to issue, a qualified Accountant's Report
- ii. concerns are raised with the CLC Practice in the course of their retainer
- e. retain the terms of engagement for at least 2 years after delivery of the Accountant's Report, and to provide the CLC with a copy on request.
- f. on request, provide the CLC any further relevant information relating to the compilation of the Accountant's Report.

6.9 By accepting the engagement the Reporting Accountant agrees that:

- a. the CLC will rely upon the content of the Accountant's Report
- b. a duty of care is owed by the Reporting Accountant to the CLC
- c. the Reporting Accountant's liability to the CLC will be limited to the loss and costs suffered by the CLC arising from items the Reporting Accountant has negligently or fraudulently failed to identify and specify in the Accountant's Report
- d. to the extent necessary to enable the Reporting Accountant to comply with the paragraphs 6.9(a)-(c), the CLC Practice waives its rights of confidentiality. The waiver extends to any report made, documents produced or information disclosed to the CLC in good faith and in accordance with these instructions, even though it may subsequently transpire that the Reporting Accountant was mistaken in his belief that there was cause for concern.

7. Third Party Managed Accounts (TPMAs)

7.1 Only a CLC Practice approved by the CLC may enter into arrangements with a Client to use a named TPMA provider.

7.2 Any application to the CLC to use a named TPMA provider must include such information and documentation as the CLC requires.

7.3 Use of a TPMA must not result in the CLC Practice receiving or holding Client funds.

7.4 The CLC Practice must take reasonable steps to ensure that the Client has been informed of and understands:

- a. the terms of the contractual arrangements relating to the use of the TPMA, and
- b. the Client's right to terminate the agreement and dispute payment requests made by the CLC Practice.