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Dear Sir

Response to *Providing Assurance on Client Assets to the Financial Conduct Authority*

EY welcomes the consultation by the Financial Reporting Council (FRC) of the above new assurance standard and is pleased to submit its comments on the standard proposed by the FRC.

We believe an assurance standard on the Financial Conduct Authority's (FCA) client asset regime (CASS) has the potential to deliver significant enhancements to both the quality of reporting to the FCA and the overall protection of client assets. However, given the inherent complexities relating to the client assets regime, in finalising the proposed auditing standard, matters of detail will, of course, need to be given careful consideration by the FRC. In particular:

- The draft standard implies an extension to the scope of the work being performed by the CASS auditor. The scope of the CASS auditor's work is set by SUP15 of the FCA Handbook as well as the CASS rules. The draft standard implies a scope on the CASS auditor covering areas such as the Client Money and Assets Return (CMAR) as well as an assessment of the firm's culture. The exact scope of the CASS auditor's work would benefit from clarity.
- The applicability of CASS to a firm can be complex with the interaction of the Regulated Activities Order, the FCA's PREG guidance and other such rules. The standard as drafted at present implies that it is the auditor's responsibility to assess the CASS applicability of the firm and to perform the audit if needed. There is an issue of getting the balance right between management's responsibilities and the auditors' obligations. The proposed standard potentially raises the risk of passing the burden of compliance from management to the auditor.
- The draft standard is largely silent on CASS 5 (for insurance intermediaries) with most of its focus on CASS 6 and 7. Additional guidance for CASS 5 firms on the application of this standard would be helpful to the CASS auditors and the firms affected.
- In many instances the proposed standard refers to "materiality" but remains silent on the assessment an auditor should consider in determining materiality and does not provide a description of what is considered material in the context of CASS. Without more guidance in this area, there is a real risk that the proposed standard may not achieve its objective to improve client asset assurance engagements.

- We believe it would be helpful for the standard to provide further examples of the procedures that the FCA expect firms to conduct in order to satisfy themselves in arriving at a reasonable assurance opinion.

We set out in Appendix I, our responses to the questions raised in the consultation document.

Although not included in this consultation paper, we would also ask the FCA to give due thought to two additional areas where industry inconsistencies have arisen namely:

- Scope of CASS for branches with particular focus on global custodians.
- Clarity on applicability of CASS for Trustee and Depositary companies in addition to the recent AIFMD amendments.

We believe that clarity from the FCA would be welcomed in both these areas.

Should you wish to discuss our responses in detail, please do not hesitate to contact me.

Yours faithfully

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Providing Assurance on Client Assets to the Financial Conduct Authority

Appendix 1 – response to specific questions

Q1: *Will the proposed Standard achieve its Objectives?*

Do you believe that the proposed Standard will meet the objectives set out in paragraph 19 of the Introduction and, in particular, improve the quality of client asset assurance engagements? If not, why not?

We generally believe that the proposed Standard is a significant step towards achieving the objectives set out in paragraph 19 of the Introduction and in particular the improvement of the quality of client asset assurance engagements.

We believe that further guidance and clarifications may be necessary to achieve the stated objectives, which we note below.

i) Appointment of an independent CASS auditor

The FRC states that a core role of the Standard is to improve the quality of CASS Audits. Whilst we accept that in many instances, the CASS Auditor will be the same as the Statutory Auditor, the Standard should explicitly clarify that the CASS Auditor can be different from the Statutory Auditor (this is referred to in the Introduction to the Consultation but is not repeated within the Standard itself). For example, there are several places within the Standard where it is implied that the Standard should be applied by the Statutory Auditor rather than the CASS Auditor.

ii) Application to all regulated firms (CASS 1)

The Standard needs to make it clear that the CASS Auditor is only required to complete a CASS Audit where the scope of a regulated firm's permissions means that the entity falls under the group of entities that are required to comply with CASS (as defined by CASS 1).

In particular, paragraph 17 states that a limited assurance Client Assets Report should be issued for all companies without the regulatory permission to hold client or assets without clarifying that no report is required where the firm falls outside of the scope of CASS 1.

In addition, paragraph 13 indicates that the CASS Auditor has the responsibility to review all permissions held by a firm to validate that the permissions are consistent with the underlying activities of the firm. Given the broad range of possible regulatory permissions, this requirement seems excessive to the core requirement of the CASS Auditor to validate compliance with the requirements of CASS.

iii) Insurance intermediaries (CASS 5) & Debt Management Firms (CASS 11)

The Standard currently appears to be written with a focus more specifically towards the sections of the CASS Sourcebook that apply to investment firms rather than CASS 5 (as applied to insurance intermediaries) or CASS 11 (as applied to Debt Management Firms). In a number of places the concepts and language used in the Standard do not read across to the requirements of CASS 5 or CASS 11 but the Standard does not always make this clear.

In relation to CASS 5, whilst we appreciate that equivalent concepts may exist within the CASS 5 framework, our concern is that this may cause confusion for auditors and practitioners who do not work with all subsections of the Sourcebook. We understand this to be a large section of the industry.

We recommend that the FRC makes it clear where concepts do not apply specifically to CASS 5 or CASS 11 and that the FRC includes further wording or additional sections to make the differences explicit.

One of the Standards primary objectives is to improve the quality of CASS audits. Within the investment firm sector the profile of CASS audits has been raised in recent years through a combination of increased oversight from the FCA, the imposition of Section 166 reviews and fines together with enhanced focus and challenge from insurance intermediary firms and debt management firms as well as auditors. The Standard will assist in improving the quality of CASS audits through increasing the pressure on audit firms to deliver in this area but this will need to be balanced with pressure on the insurance intermediary firms to improve governance and internal processes.

iv) Mandate and collateral rules

The Standard focuses on procedures to be performed by the CASS Auditor to demonstrate compliance with the Custody Assets (CASS 6) and Client Money (CASS 7) rules with little consideration given to the procedures the CASS Auditor should consider to assess compliance with the Mandate Rules (CASS 8) or the Collateral Rules (CASS 3). Whilst the requirements for compliance with the Collateral Rules may be inferred from Client Money and Custody requirements, we believe there should be additional guidance on the Mandate Rules in order to ensure consistency across CASS Auditors with respect to the interpretation of the FCA's rule requirements.

Q2: *Effective date*

The proposed Standard is effective for reports to the FCA with respect to client assets covering periods commencing on or after 1 January 2016, with early adoption permitted. Do you believe that it would be appropriate to mandate the application of the Standard for earlier reporting periods to achieve the objectives set out in paragraph 19 for reporting periods commencing before 1 January 2016?

We agree with the proposed adoption for periods commencing on or after 1 January 2016 assuming the Standard will be finalised at an appropriate time before this date. This would provide CASS Auditors with sufficient time to (a) make the significant changes brought about by the Standard, (b) develop and deliver staff training and (c) reschedule and rephrase the audit programmes accordingly.

For these reasons, we do not consider it appropriate to mandate the application of the standard for periods commencing before 1 January 2016 (or the date of issue of the final version of the Standard if later).

Q3: *Content of proposed Standard*

The proposed Standard includes within a single document requirements relating to:

- a. Reasonable assurance engagements;
- b. Limited Assurance engagements;
- c. Special Reports; and
- d. Non statutory Client Money Trusts.

The FRC considered other possible approaches involving issuing a number of separate and shorter Standards. On balance, however, the FRC concluded that including all the requirements in a single document was likely to be the most helpful to practitioners and to mitigate the risk of practitioners, who perform relatively few engagements, from failing to select a relevant Standard to complete. Do you agree with including all requirements in a single Standard? If not, why not and what alternative structure for the Standards would you prefer?

We agree with the FRC's conclusion and make the following suggestions:

i) Special reports

Relative to the prescriptive requirements for the completion of a Reasonable Assurance Audit Report, the Standard does not provide a significant amount of guidance regarding the considerations that should be taken into account by a CASS Auditor that is required to complete a 'special report' (despite a 'special report' also being a reasonable assurance engagement).

Given the complexity of the underlying subject matter, we believe the Standard should provide specific guidance on the specific procedures that should be considered in this area in order to

provide the level of assurance required by the FCA. In addition, additional guidance is needed in order to ensure a greater level of consistency in the scope and format of procedures undertaken by the CASS Auditor prior to issuing a 'special report'.

ii) Determining application of CASS 5

We believe it would be useful for the Standard to provide specific guidance on the matters to be considered by the CASS Auditor in determining whether a firm is an insurance intermediary, whether it falls within the scope of the CASS 5 rules and whether it requires a CASS 5 audit opinion. The only reference to any of these requirements within the wording of the proposed Standard is a footnote to paragraph 14 regarding the potential application of an exemption.

The determination of each of these matters has proved to be a significant challenge for firms and, therefore, guidance to CASS Auditors on this matter is important to ensure that compliance is effectively monitored. Detailed information is often required to determine whether a firm meets the various requirements that necessitate the need for the CASS Auditor to complete a CASS Audit in accordance with CASS 5. We suggest that the Standard should include:

- Procedures that are relevant to determine if a firm is an insurance intermediary.
- Procedures that are relevant to an insurance intermediary that has the permission to hold but claims not to hold client money.
- Procedures that are relevant to an insurance intermediary which does not have the permission to hold client money and claims to holder insurer money under agency / risk transfer arrangements.
- Expectations in respect of CASS auditors in relation to insurance intermediaries that hold client money without the appropriate permissions.

iii) Content and format of audit reports

Whilst we appreciate the desire to have a standardised reporting format in order to enable consistency and comparability of CASS Audit reports, a number of scenarios can be envisaged that fall outside of the specific template audit reports listed in the Appendices to the Standard. In this context, we recommend that the Standard should provide CASS Auditors with a greater degree of flexibility to deviate from the specific templates; particularly where alternative wording would provide the FCA with a more accurate and meaningful report. As currently drafted, the Standard implies that a deviation from the prescribed templates would only be possible with prior agreement from the FCA. This seems too onerous and restrictive for the CASS Auditor and will add further timing issues in meeting deadlines.

Appendix 4 provides wording to be used where a firm holds client assets in the name of a nominee company. In our view, the wording used in this section lacks clarity and should be more clearly defined. In addition, we believe that the CASS Auditor should be allowed the flexibility to tailor the wording according to the specific basis upon which reconciliations are maintained on behalf of the nominee.

iv) Clarification of obligations with respect to the Client Money and Assets Return

Paragraph 15 of the Standard appears to place a requirement on the CASS Auditor to consider if all categories of client assets are being “reported by the Firm to the FCA”. This wording implies that the CASS Auditor has a requirement to validate the completeness and accuracy of a firm’s Client Money and Assets Return (CMAR). In addition, the Standard requires that the auditor should report any discrepancies to the FCA “promptly” implying that the matter would not be included within the CASS Audit Report but would be a matter that the FCA would deem relevant to report with respect to the CASS Auditors wider duty to report to the FCA (as defined by paragraphs 58 to 66 of the Standard).

Given that the above requirements would represent a significant change in the scope of work required to be performed by a CASS Auditor, we recommend that the Standard clarifies expectations in this regard.

Q4: Proportionality of requirements

The proposed Client Asset Assurance Standard contains a combination of requirements (basic principles and essential procedures indicated by paragraphs in bold type) and guidance (application and other explanatory material). Do you consider the extent of the requirements to be proportionate to Client Asset Assurance Engagements which require the CASS auditor to make a direct report to the Financial Conduct Authority rather than reporting on an assertion by management? If not, why not? Please specify any requirements you believe to be unnecessary and any additional requirements that you believe should be included? In both cases please provide your reasoning.

i) Risk based approach

The Standard introduces the concept of CASS Assurance Engagement Risk. Whilst we welcome the view that the CASS Auditor should take a risk based approach in defining the scope of procedures that are required to complete a CASS Audit, in our view, the Standard contains insufficient guidance for the application of this risk based approach in practice.

In Paragraph 69, the Standard defines CASS Assurance Engagement Risk as being made up of 4 core components; inherent risk, control risk, detection risk and evaluation risk. However, these concepts are only defined in generic terms with insufficient guidance with respect to the extent of procedures that the CASS Auditor is required to perform to reach a judgement on each of these areas. There is also no guidance on the relative weighting of each of these areas in determining an overall assessment of CASS Assurance Engagement Risk. We believe this does not assist the CASS audit to reduce CASS Assurance Engagement Risk to an “acceptable level” so as to allow the CASS Auditor to conclude that adequate procedures have been performed to support conclusions reached in the CASS Audit opinion.

In addition, the Standard prescribes many mandatory procedures that (by definition) the CASS Auditor must perform in order to reach a conclusion on CASS Assurance Engagement Risk (please refer to paragraphs 72 to 80). Whilst these procedures represent useful guidance, and we would expect certain of these procedures to be performed on each CASS Audit in order to assess engagement risk, the mandatory requirement to perform all procedures is potentially too onerous and may restrict the CASS Auditors ability to apply judgement in the extent of procedures that are required to assess engagement risk.

Finally, in defining the extent of procedures required for reasonable and limited assurance engagements, the Standard makes no reference to the definition of “reasonable assurance” and “limited assurance” provided in International Standard on Assurance Engagements 3000 (“ISAE 3000”). Given that ISAE 3000 is recognised as the global benchmark for the performance of assurance engagements and has a widely accepted definition of “reasonable assurance” and “limited assurance”, we suggest that there should be a specific reference in the Standard to the basis upon which the definition adopted in the Standard and the scope of

procedures are consistent and aligned with the over-arching guidance in the ISAE 3000 standard.

ii) Guidance on execution of testing procedures

Having assessed the CASS Assurance Engagement Risk, the Standard states that the “nature and extent of the CASS Auditors’ work will be a matter of judgement” (see Paragraph 68). However, the guidance given in the Standard (see paragraphs 94 to 115) regarding the nature and extent of testing procedures is too generic; particularly relative to the prescriptive requirements of the Risk Assessment Procedures.

The guidance does not prescribe minimal sample testing sizes or thresholds, does not address the concept of materiality in the application of engagement risks or identification of a potential deficiency and does not list procedures that would be expected to be performed on all engagements (or provide guidance on specific procedures that may be relevant in certain high risk or common risk areas).

As a result, the extent of core procedures performed by different CASS Auditors to mitigate CASS Assurance Engagement Risk will lack consistency and could potentially lead to a diverse range of different approaches across the industry. The Standard needs to define what constitutes a “reasonable level of testing” to mitigate engagement risk relative to the FCA’s concept of “zero materiality” in the reporting of CASS rule breaches and draft more specific guidance that clarifies expectations on the potential level of testing to be performed. We believe the Standard should address this potential gap in order to achieve its core objective of promoting the quality of CASS Audits.

iii) Limited assurance engagements

The Standard lists a number of procedures that are prescribed for all Limited Assurance engagements. Whilst these procedures may be required under certain scenarios, the scope of these procedures appears to be detailed and may be onerous for most Limited Assurance engagements. We suggest that, rather than mandating each of these procedures to be performed for all engagements, the procedures are listed as guidance for the CASS Auditor to consider in order to select those procedures that would be most relevant to mitigate engagement risk in the context of the specific circumstances of each firm that requires a CASS Audit.

Certain of the required procedures are more prescriptive than the procedures that are mandated for a Reasonable Assurance engagement. For example, the Standard suggests that a review of underlying contracts is required to be performed for all Limited Assurance engagements. Whilst we would suggest that procedures of this type should be mandated for all Reasonable Assurance engagements, we recommend that a review of this type would not be required on all Limited Assurance engagements.

In addition, in our view the definition of a Limited Assurance engagement in Paragraph 10 of the Standard lacks clarity. This definition should be refined in order to provide the CASS Auditor with greater clarity of the scope of procedures that are required with respect to engagements of this type.

iv) Use of control reports

Many firms (or their outsource service providers) issue independently verified internal control reports (such as a SOC 1 or AAF 01/06 report). These internal control reports often contain controls that are directly relevant to or support the controls and processes that a CASS Auditor would consider for testing in the completion of a CASS Audit. However, the Standard does not make any reference to the ability of the CASS Auditor to make use of these control reports in order to reach an opinion on a firm's CASS compliance.

Given that these reports are widespread and potentially important sources of assurance evidence, we would expect the Standard to provide some guidance on the basis upon which these control reports can be used by the CASS Auditor; including the extent to which conclusions reached in an internal control report can be used to support the opinion issued by a CASS Auditor.

v) Walkthrough requirements

As currently drafted, Paragraph 10 of the Standard suggests that an understanding of underlying processes and controls should be obtained by performing a walkthrough that involves tracing "a few transactions" of a particular control. This is not consistent with the requirements of a walkthrough under Auditing and other Assurance standards where a review of a single instance of a particular control is considered to be sufficient in order to evidence completion of a walkthrough procedure.

We recommend that the Standard is re-worded in order to align the requirements of a walkthrough with Auditing and Assurance standards. Alternatively, greater explanation should be provided to explain the basis upon which "a few transactions" are required to be reviewed in order to assess the design effectiveness of a particular control.

vi) IT considerations

Given the complexity and volume of transactions involved in many client money and asset processes, transaction processing (and related controls) is usually dependent on a number of IT systems. As a result, we would expect an assessment of the effective operation of IT Controls to be an integral part of the testing that is required to be performed by a CASS Auditor. However, the Standard does not make any specific reference to the scope of work that is expected to be performed by a CASS Auditor in relation to IT systems.

We recommend that specific reference is made to IT considerations in the Standard in order to ensure that CASS Auditors adopt a consistent approach that meets with the expectations of the regulator in this regard.

vii) Responsibility for assessment of governance culture & risk assessment processes (Output and reporting responsibilities)

The Standard mandates that the scope of the CASS Auditors work for a Reasonable Assurance engagement includes an assessment of the firm's governance structure, culture and ethical behaviour (Paragraph 83) and risk assessment processes (Paragraph 85). Whilst we would consider these procedures to be important aspects of the CASS Auditors assessment of the potential risk of non-compliance within a firm's CASS framework, Paragraph 86 appears to mandate the identification and assessment of any significant deficiency in internal control as a result of these procedures.

The Standard does not provide any guidance on how the CASS Auditor is expected to report their findings in this regard nor does it provide any guidance on the types of issues that may give rise to a "significant deficiency". We recommend that the purpose of the CASS Auditors review of a firm's governance and risk assessment processes is clarified within the Standard; including the articulation of any expectations on the CASS Auditor to report any deficiencies to the regulator or to firm's management.

viii) Document retention period

Paragraph 49 of the Standard refers to the need for the CASS Auditor to retain the documentation used to form the basis of the CASS Audit opinion for the period of time required by the regulator. We recommend that the Standard incorporates a specific time period in order to avoid any misinterpretation of documentation retention requirements by the CASS Auditor.

ix) Right to report to the FCA

The Standard clarifies the CASS auditor's rights and duties to report to the FCA. In particular, paragraph 66 explains that the CASS Auditor may wish to seek legal advice before making a report to the FCA before including the caveat that obtaining legal advice may be time consuming and detrimental to the FCA's objectives. Whilst we appreciate the purpose of this section is to assist the FCA in achieving its objectives, the Standard should be designed to provide meaningful and helpful guidance to the CASS Auditor in this regard. This particular section does not seem to be written in a context that provides helpful guidance to the CASS Auditor in the event that a situation arose in which legal advice was required. We recommend that further guidance be provided to clarify this position.

Q5: *Engagement Quality Control Review*

The proposed Standard requires Engagement Quality Control Review to form an integral part of all reasonable assurance engagements. The FRC is of the view that the CASS engagement leader will typically be required to make a number of important judgments concerning the nature, extent and timing of assurance procedures and that the CASS engagement leader should be subject to engagement quality control review throughout the course of the engagement. Do you agree?

We support the mandatory use of an Engagement Quality Control Review (“the EQCR”) for Reasonable Assurance engagements. The Standard mandates an EQCR on the basis that “segregation of client assets is in the public interest”. Whilst we disagree that segregation of client assets is in the public interest, this rationale seems could be simplified to reflect that an EQCR is an important internal control in managing the CASS Auditor’s risk when issuing a reasonable assurance opinion to the regulator.

The scope of procedures to be performed by the EQCR focuses repeatedly on “significant judgements” arising from the scope of the work. Whilst areas of judgement and interpretation of the CASS requirements may exist for certain engagements, we doubt that these judgements would be common place (particularly in smaller and less complex entities). Therefore, we recommend that the description of the role of the EQCR is refined to include procedures such as challenge over the completeness of business functions identified by the engagement team as giving rise to client money, validation of the sufficiency and relevance of the procedures performed to mitigate engagement risk and clarification of breaches identified (both by the CASS Auditor and by the firm).

The definition of an EQCR provided in paragraph 10 should be refined to provide greater clarity over the skill set and seniority of the individual (or individuals) that would be expected to perform the EQCR. We recommend that the identification of an appropriate EQCR is left to the judgement of the CASS Auditor with guidance provided in the Standard regarding the risk based judgements to be considered (with high risk engagements requiring a more experienced individual to perform the role than less risky engagements).

Q6: Ethical requirements

The proposed Standard requires CASS auditors to comply with the FRC Ethical Standards for Auditors (concerning the integrity, objectivity and independence of the auditor) and the ethical pronouncements established by the CASS auditor's professional body. Do you agree with this proposal? Please provide your reasoning whether you agree or disagree with the proposal.

i) Application of Ethical Standards

In performing a CASS Audit engagement, the Standard mandates compliance with the FRC's Ethical Standards for Auditors ("the Ethical Standards"). We note that the Ethical Standards apply directly to the audit of financial statements rather than being designed to apply to assurance engagements more broadly. As a result, all aspects of the Ethical Standards that are applicable to financial statements audit may not be relevant to the role as the CASS Auditor (particularly in scenarios where the CASS Auditor and the Statutory Auditor are different firms). We recommend that the Standard provides a more detailed analysis of those components of the Ethical Standards that it considers should apply directly to CASS Auditors whilst also providing guidance on any aspects that can be carved out for the purpose of the provision of CASS Audit services.

For example, whilst much of the Ethical Standards, could be relevant to the role of a CASS Auditor, we note that the Ethical Standards place restrictions on the matters such as financial interests, business relationships and non-audit services that may not be as directly relevant to the CASS Auditor as to the Statutory Auditor.

In addition, the Ethical Standards provide guidance on the prohibition of a range of non-audit services that are relevant in the context of a statutory audit due to the wide range of the role. Whilst we would encourage the Standard to incorporate provisions relating to an assessment of the potential threats and safeguards of any service provided to a firm, we would expect the scope of services that are permissible to be significantly different for the CASS Auditor.

We would also note that the notion of independence implied by the Ethical Standards is incongruent with Paragraph 40 of the Standard which suggests that part of the professional scepticism exercised by the CASS Auditor in relation to the reliability of data should be a review of "findings derived from other areas of work undertaken with the same firm". In applying the Ethical Standards, we would expect that a fundamental safeguard to the CASS Auditors independence would be the ability to have independent engagement teams with "Chinese Walls" operating between the CASS team and any other project team.

Q7: Requirements relating to training of CASS auditors

Paragraph 55 of the Contextual Material seeks to explain the implications for the training of CASS auditors of the mind-set required to complete CASS assurance engagements. The mind-set for performing a financial statement audit is different to the mind-set for performing a CASS engagement and, therefore, it may be dangerous to have audit staff perform a CASS engagement absent adequate training. The proposed Standard (see paragraph 36), therefore, includes explicit requirements for the CASS audit team to include staff who have received training in various aspects of CASS audits. Do you agree that the Standard should include requirements for staff training? If not, why not?

We agree with the requirement for specific relevant training for individuals in the CASS engagement team given the different requirements of a CASS Audit engagement that can vary significantly dependent on complexity and business sector.

Q8: Communicating deficiencies in internal control to management and the governing body

In contrast to an auditor's report on financial statements a reasonable assurance CASS auditor's report is required (with some exceptions) to include a schedule of Rule Breaches. As a result of this requirement some contend that it is unnecessary for the CASS auditor to report deficiencies in internal control to both management of the firm and the firm's governing body both during the CASS audit and on its completion. The FRC, however, is of the view that matters may come to the CASS auditor's attention which whilst not being Rule Breaches per se are none the less of sufficient import to warrant reporting to both management and the firm's governing body. These requirements are set out in paragraphs 137 to 140 of the proposed Standard. Do you agree with the FRC's approach? If not, why not?

Whilst we concur with the principle that the CASS Auditor should be in a position to share control observations arising from its work with management and those charged with governance, we do not necessarily agree that this should be mandated as part of the Standard.

Paragraph 139 suggests that the CASS Auditor should write to those charged with governance on a timely basis regarding any control observations. The scope and extent of such reporting obligations would have to be carefully defined in the Standard. For example, it should be made clear that a firm would not be required to file a "nil return" if no control observations were identified. It should also be clear that the control observations noted could not be considered an exhaustive list.

By providing the CASS Auditor with the opportunity to report matters as control observations as a result of the relevant requirement in the proposed Standard, there is a risk that matters that

should have been identified as breaches and reported as such to the regulator may be “downgraded” and reported instead as control observations for the private consideration of management.