Aurum Solutions

GUIDE

The CASS Specific Reconciliation & Automation Guide

How to strengthen CASS compliance across CASS 6, 7, 15, 16, and 17

TLDR:

- CASS rules protect customer money and assets across investments, client money, payments, stablecoins, and cryptoassets.
- Reconciliation proves safeguarding by matching what you owe customers with what you hold. Any gap is a break which you must investigate and resolve.
- Reconciliation delivers proof of correct segregation, early error detection and audit-ready records.
- As firms scale, complexity rises with more systems, data, and volume. Manual processes struggle due to:
    1. Fragmented data
    2. High transaction volumes
    3. Weak audit trails

- Excel often fails at scale. Automation improves:
    1. Accuracy
    2. Efficiency
    3. Scalability
    4. Consistency

- Automated solutions give you a centralised control environment, clear audit trails, standardised processes and support for reporting and oversight.
- The result:
    1. Stronger CASS compliance across 6, 7, 15, 16, and 17
    2. Clear safeguarding visibility
    3. Confidence during audits and regulatory review

Introduction

Financial firms hold customer money and assets as part of their core operations. This could be:

- Money waiting to be invested
- Funds moving through a payment system
- Investments like shares held in custody

This money belongs to customers, not the firm, and so the FCA expects it to be carefully protected, enforcing the CASS regime to ensure this.This requires regular reconciliations, prompt resolution of discrepancies, and clear record maintenance to evidence compliance. Each set of CASS rules reflects the different ways that firms hold money:

- CASS 6 → protects investments
- CASS 7 → protects client money
- CASS 15 → protects customer funds in payment/EMI firms
- CASS 16 → protects stablecoin
- CASS 17 → protects crypto assets

The safeguarding and separation required under the rules ensures that client money is clearly identifiable and not used for things other than its intended purpose, and is protected if the firm fails, as well as being easier to track and check.

Where reconciliation fits in

If segregation is about where money should be, reconciliation is about proving it is actually there.

For example, a payment firm may process thousands of transactions daily. At the end of the day, their internal systems show £10m owed to customers but their bank accounts may show £9.8m held. This £200k difference is a break.

Where this gap occurs, the firm must investigate the root cause, correct the underlying data or movement, and document the resolution. Persistent or recurring breaks indicate a need for broader control improvements.

Why reconciliation is critical

Reconciliation provides evidence that the correct amount of client money or assets is segregated and held in appropriate accounts or with third parties. It demonstrates that the firm remains in control of those assets and can identify discrepancies before they develop into material shortfalls, with this evidence forming a core part of regulatory reporting and audit review.

How reconciliation works in practice across CASS regimes

To understand reconciliation, think of it as a daily control process that integrates multiple systems and data sources.

Step 1: Build the internal view

The firm first works out what it should be holding for clients.
This comes from internal systems such as:

- Client ledgers → how much each client is owed
- Transaction or asset management systems → payments, trades, asset movements
- General ledger (GL) → overall accounting records

The firm then performs an internal reconciliation process to check that these systems agree with each other:

- Add up all client balances
- Compare to totals in the general ledger
- Confirm nothing is missing or duplicated

This answers: “Do our own records make sense?”
This step helps identify:

- Posting errors
- Missing transactions
- System mismatches

Step 2: Compare to the real world

Next, the firm checks its internal view against external records.
This data typically comes from:

- Bank statements → actual cash held
- Custodian reports → investments held
- Payment providers → funds in transit
- Blockchain data → on chain balances and wallet activity

The firm then performs an external reconciliation process to compare:

- Internal totals (what it thinks it has) – taken from one side of the internal reconciliation
- External balances (what is actually held)

This answers: “Does reality match our records?”

Step 3: Investigate differences

If the numbers don’t match, there is a break.
Common reasons include:

- Timing differences (e.g. payments not yet settled)
- Fees or charges not recorded
- Operational errors

Firms must:

- Investigate quickly
- Fix the issue
- Keep a record of the resolution

What these steps mean in practice: CASS 6, 7, 15, 16 & 17

Although the reconciliation process follows the same core steps, what it tells us and how it is applied differ slightly across the CASS regimes.

CASS 6 (Custody Assets)

- Step 1 (Internal view) → Confirms what assets the firm believes it holds for each client
- Step 2 (External comparison) → Confirms those assets are actually held with custodians or third parties
- Step 3 (Breaks) → Highlights missing, duplicated, or incorrectly recorded assets

What this tells us:

- That client investments exist and are correctly recorded
- That ownership is clear and supported by third-party records

CASS 7 (Client Money)

- Step 1 (Internal view) → Calculates how much money the firm owes to clients
- Step 2 (External comparison) → Confirms this matches the balance in client bank accounts
- Step 3 (Breaks) → Identifies shortfalls (not enough money) or excesses

What this tells us:

- That the correct amount of money is segregated
- That client funds are fully covered at all times

CASS 15 (Safeguarding – EMIs)

- Step 1 (Internal view) → Calculates total customer balances (what is owed to users)
- Step 2 (External comparison) → Confirms funds are held in safeguarding accounts
- Step 3 (Breaks) → Identifies differences due to timing, processing, or errors

What this tells us:

- That customer funds are properly safeguarded
- That fast-moving payment flows are accurately tracked and covered

CASS 16 (Stablecoin)

- Step 1 (Internal view) → Calculates total stablecoins in circulation, representing the firm's liability to holders
- Step 2 (External comparison) → Confirms reserve assets held with banks, custodians, or on-chain wallets match the value of issued stablecoins
- Step 3 (Breaks) → Identifies shortfalls, excesses, or timing differences between issued stablecoins and reserve assets

What this tells us:

- That stablecoins in circulation are fully backed by reserve assets of equivalent value
- That reserve assets are held in designated safeguarding accounts, separate from firm funds

CASS 17 (Cryptoassets)

- Step 1 (Internal view) → Calculates total cryptoassets owed to clients, mapped to wallets, asset types, and client ownership
- Step 2 (External comparison) → Verifies wallet balances on-chain and with third-party custodians match internal records
- Step 3 (Breaks) → Flags missing tokens, duplicated entries, incorrect wallet attribution, or timing issues from pending transactions

What this tells us:

- That client cryptoassets exist and are verifiable on the blockchain
- That client entitlements match assets held in designated wallets
- That assets are segregated from the firm's own holdings

An important consideration:

Reconciliation sits at the centre of CASS compliance. It connects safeguarding in theory with control in practice. When done well, it gives firms clear visibility over client assets, confidence in their processes, and the ability to evidence decisions under scrutiny.

However, maintaining this level of control through manual processes becomes challenging as, in practice:

- Data comes from multiple systems (ledgers, banks, payment providers)
- Formats are often inconsistent
- Volumes can be very high (especially for EMIs)

Automation combats this challenge and supports reconciliation at scale.

Why automation is important:

Automation adds significant value by making these processes:

- More accurate – reducing the risk of human error in calculations and matching
- More efficient – removing manual effort and speeding up daily processes
- More scalable – handling large volumes of transactions without increasing workload
- More consistent – applying the same rules and logic every time

Why not just use Excel?

Many firms initially manage reconciliations using spreadsheets like Excel. While this can work at a small scale, it becomes increasingly difficult as complexity and volume grow.

Common challenges with Excel-based processes include:

- Manual dependency – heavy reliance on individuals increases risk of error and key-person dependency
- Limited scalability – spreadsheets struggle with large data volumes and multiple data sources
- Version control issues – difficulty ensuring everyone is working from the correct and latest file
- Lack of audit trail – harder to evidence changes, investigations, and approvals to regulators
- Inconsistent processes – different users may apply logic differently

Why firms choose automated solutions instead

An automated system addresses these challenges by:

- Providing a centralised and controlled environment for reconciliation
- Creating a clear audit trail of data, breaks, and resolutions
- Ensuring standardised logic is applied consistently
- Supporting regulatory reporting and oversight
- Reducing operational risk and reliance on manual intervention
- As firms grow, automation is not just a convenience; it becomes a necessity to maintain control, compliance, and confidence in safeguarding processes.

Automation via the Aurum Safeguarding Control Centre

Aurum's automated safeguarding reconciliation solution is designed to support these requirements by:

- Bringing together internal and external data into one place
- Standardising and matching records automatically
- Identifying breaks quickly and clearly
- Supporting reporting, audit, and regulatory requirementsthrough immutable logs
- This allows firms to move from a reactive process to a more controlled, reliable, and transparent way of managing client funds.

Conclusion

Ultimately, as regulatory scrutiny increases and firms scale, reconciliation moves from a back-office process to a core control function. The quality, timeliness, and auditability of this process directly influence a firm's ability to demonstrate compliance.

If you're looking to automate your safeguarding across CASS 6,7,15, 16 or 17, get in touch with our team today.

Book a demo