

Knight Frank LLP – Residential Lettings - Client Money Handling Procedures

What are Client Monies?

The RICS Client Money Handling – 1st Edition October 2019, defines Client Money as money of any currency (whether in the form of Cash, Cheque or Electronic Transfer) that,

- A RICS regulated firm holds for or receives on behalf of another person, including money held by a regulated firm as stakeholder; and
- Is not immediately due and payable on demand to the RICS regulated firm for its own account; but
- Excluding fees paid in advance for professional work agreed to be performed, and clearly identifiable as such, unless the fees are for works undertaken as a property agent as defined by the rules of the RICS Client Money Protection Scheme for Property Agents.

How and where client money is held

As part of the Royal Institute of Chartered Surveyors (RICS) professional statement (Client money handling, effective from 1 January 2020), and internal due diligence, client money held or received by Knight Frank LLP is either banked into a general clients' bank account, a designated discrete account, or held in a client-controlled bank account.

A general clients' bank account is a Knight Frank Client Bank Account which holds pooled client money belonging to more than one client.

A discrete bank account is a client-named bank account which holds client money belonging to a single client. All landlord and tenant monies are kept separate.

Within the Residential Lettings team, funds are mainly received from five sources, these are:

1. From the Landlord. These may be:
 - a. Float
 - b. Property Management Works (for managed properties);
 - c. Check-out fees;
 - d. Knight Frank Fees;
 - e. Fees for Income & Expenditure Reports;
 - f. Non-Managed Landlord Commission fees;
 - g. Ad hoc works instructed
2. From the Tenant. These may be:
 - a. Rent
 - b. Rent Deposit
 - c. Move-In monies
 - d. Knight Frank Fees
 - e. Dilapidations
 - f. As a result of requests for funding from Property Manager (for works, etc.)
3. From Suppliers. These may be:
 - a. Refund of overpayments
 - b. Refunds where we have paid the incorrect Supplier;

- c. Council Tax Refunds
4. HMRC. These may be:
 - a. NRL Refunds
 - b. Tax Return Refunds
5. Insurance Claims
6. Bank interest received.

All Client money held or received by the Knight Frank Lettings department is held into either a general client bank account (which holds pooled client money for multiple clients), or a designated discrete account (which is a bank account set up to hold client money for a single client - the name of the client will be incorporated into the account name).

Client monies are held separately from Knight Frank's own monies, are easily identifiable and immediately available. Each client's money is recorded in individual client ledgers to maintain segregation of funds. Client money is held in an appropriate banking institution, with a minimum rating of A-/A3/A-, regulated in the UK and authorised by the Prudential Regulatory Authority (PRA), the Bank of England and the Financial Conduct Authority (FCA).

Pooled client money account

All client monies are held within client bank accounts at HSBC UK Bank Plc. A list of these Client Accounts is maintained by the Head of Lettings Accounts and the Treasury team.

Such money is held separately from any monies held for any other clients or for Knight Frank LLP. The bank will not be able to use any money held in the client bank account to settle any sum owed to it by Knight Frank LLP or any other third party. The bank will also not be able to combine any client money bank account with any other account nor have any right of set-off or counterclaim against money on the client money bank account. Knight Frank LLP have exclusive control over client money.

Access to funds

Members of the Residential Lettings Accounts Team have access to funds, based on their individual roles, which are set out in the banking mandates & system access and approval controls.

All relevant staff within the Residential Lettings Accounts Team have the ability to view bank statements and interrogate online platforms to identify payments and receipts, this is through the HSBCNet online portal.

Due to the nature of the payments being made by the Residential Lettings Accounts Team on behalf of clients, two different type of payments are completed.

1. Bulk Payments – these are multiple payments, generated via our Qube SLM system. This allows for multiple payments to be made to different beneficiaries (Suppliers/Landlords/Tenants).

There is a segregation between users who can input/authorise bulk payments:

Creator/Inputter.

Accounts Assistants are authorised to upload bulk payments from Qube SLM into HSBCNet.

Authoriser – Payment Release.

Two members of the Accounts Assistants team, who are not able to upload payment files, are able to carry out the first authorisation in HSBCNet. Two authorisations are always required for BACS payments.

A log of BACS approvals maintained by the Head of Lettings Accounts. The second authorisers are either the Accounts Manager, Head of Lettings Accounts, or the Head of Lettings.

2. Internal/External Individual Payments – these can be rents paid to Landlords, returns to Tenants, Supplier Payments, or Internal Transfers within Knight Frank. These payments are typically either CHAPS, Faster Payments, or ICT's (for internal transfers). The payments are processed through HSBCNet. There is a charge to the Client for CHAPS payments.

There is a segregation between users who can input/authorise bulk payments:

Creator/Inputter.

Accounts Assistants are authorised to input payments into HSBCNet.

Authoriser – Payment Release.

Two members of the Accounts Assistants team, who are not able to create payments, are able to carry out the first authorisation in HSBCNet.

These first authorisers can authorise payments up to £25,000 with no further authorisation required. Above £25,000 a second authoriser is required.

The second authorisers are either the Accounts Manager, Head of Lettings Accounts, or the Head of Lettings.

A log of CHAPS approvals is maintained by the Head of Lettings Accounts.

Internal Cash Transfers require one authoriser up to £25,000, and two for amounts exceeding £25,000

Timescales for payment of cash into a client account

All cash and cheques received by post are logged and banked on the day of receipt, where possible, and allocated to the appropriate client money account. All unidentified funds are reviewed as soon as possible and fall into one of three categories:

- Suspense Account – Funds have been received from either Landlords, Tenants, Suppliers, or HMRC, but there is no record of what they relate to and to whom they should be allocated;
- Unallocated Landlord Funds – These are monies, which have been received and which can be attributed to a specific landlord, but there is no charge to set this against;
- Unallocated Tenant Funds – These are monies, which have been received and which can be attributed to a specific Tenant, but there is no charge to set this against.

We would not allocate funds to a Landlord or Tenant's account without confirmation from the Property Manager that these funds are known and should be allocated. The exception to this is where funds have been received from overseas and the FX rates cause an over payment of a particular charge.

If confirmation is not received from the Property Manager, the funds will be posted to the Suspense Account.

These unidentified funds are reviewed on a regular basis.

Controls for authorisation of payments from a client account

A withdrawal from a client account can only be made after a specific authority has been approved by a signatory in accordance with the bank mandate or the firm's procedures and systems. All payment requests must be accompanied by supporting evidence that has been checked and authorised. Segregation of duties in the client accounting function is in place to prevent data tampering within the payment process.

How interest and bank charges are handled

The client bank account is an interest bearing, instant access account and Knight Frank will cover transactional banking and account maintenance charges associated with the day-to-day operation of such account (not including overdrawn penalties which will be borne by the Client).

Knight Frank is entitled to retain any interest earned through the aggregation of various client accounts to offset general bank charges and administration costs associated with operating the bank accounts. This is agreed, in writing with the Client, in line with the RICS rules.

Payment of invoices

There is a twice-weekly payment run, via BACS, which includes Supplier payments.

The BACs file is generated by the Accounts Assistants team and is subject to online authorization via the HSBCNet system.

Urgent payments can be made outside of the payment runs but may incur additional administration charges.

Reconciliation of accounts

Bank accounts are reconciled on a daily basis. The pooled account is reconciled using a three-way reconciliation between the bank, general ledger and individual client ledgers, as required by the RICS. A senior staff member

signs and dates the reconciliation to confirm compliance.

Unidentified Payments

Should we receive any funds that we are unable to identify, we will do our best to understand which client they relate to and upon identification, reimburse the client as soon as possible if necessary. Any unidentified funds we will endeavor to identify with the Agents. If someone claims the payment, upon proof of payment we will allocate it accordingly. If within 3 months, no one has claimed the monies, despite all avenues of investigation having been exhausted (emails, letters, calls, etc.), we will ask the bank to return the payment. If it is not possible to return the payment, we will hold on to it for 3 years at which point we will donate it to a registered charity of our choice.

Information provided to clients about monies held on their account

Reporting and frequency requirements are agreed and documented with the client.