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Safeguarding briefing

AFEP

Alison Donnelly

Director

Professional experience

- Leads the fscom team of compliance maturity specialists in advising the non-bank payments sector.
- Personal successes include leading the application process for major payment and e-money institutions such as Revolut, the Currencycloud and Tripadvisor and providing expert advice on perimeter issues, safeguarding and the consumer duty.
- Alison has built a team of experts who also provide practical, commercially-sound advice these areas as well as on open banking, strong customer authentication, wind-down planning, AML/CTF, fraud-controls and technology risk controls.
- FSA's/FCA's e-money policy expert, leading the Electronic Money Directive project and policy lead on the negotiation of the second Payment Services Directive.
- The Consumer Council's financial needs expert, who assisted in the Competition Commission's inquiry into the competitiveness of the big four banks in Northern Ireland.

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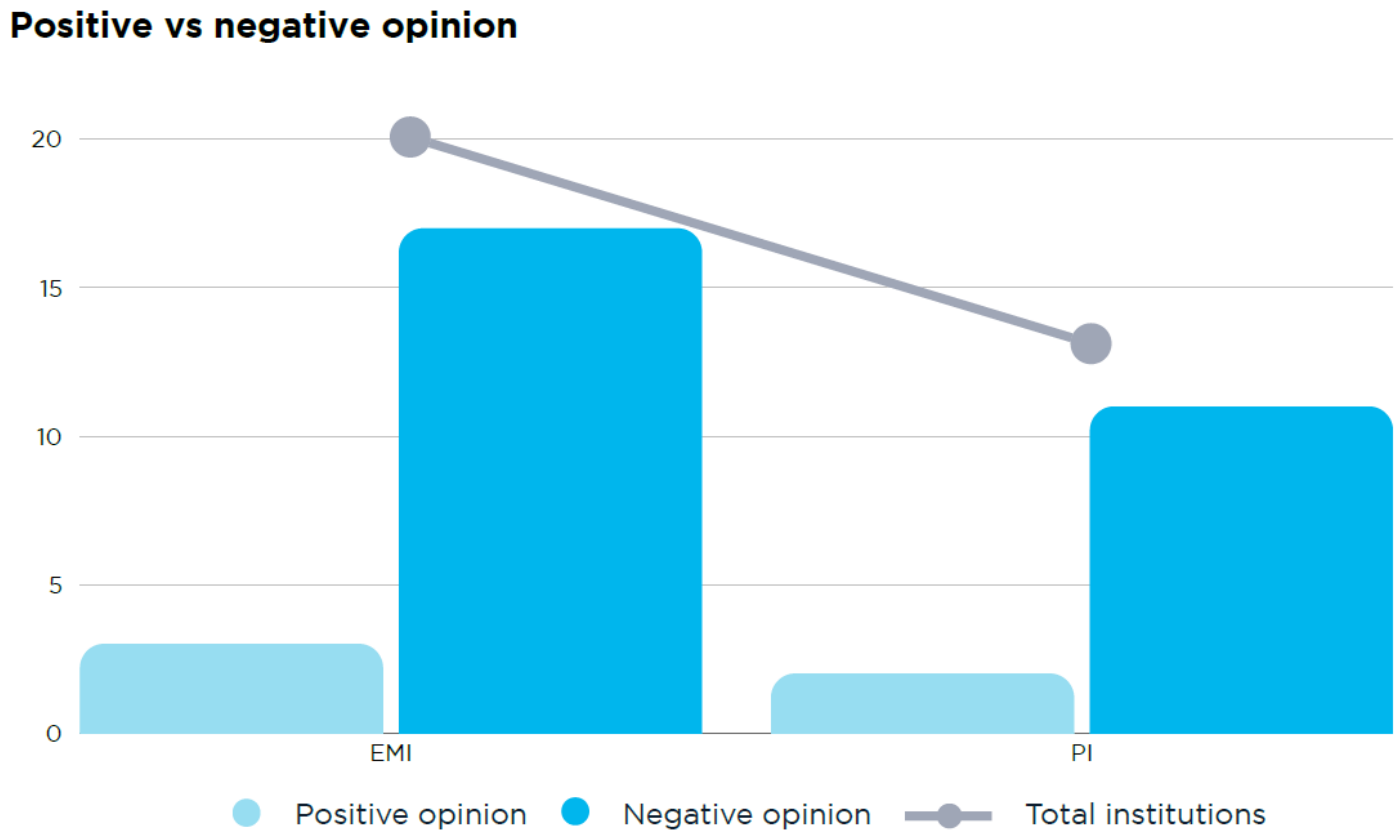
Safeguarding basics

Benchmarking compliance



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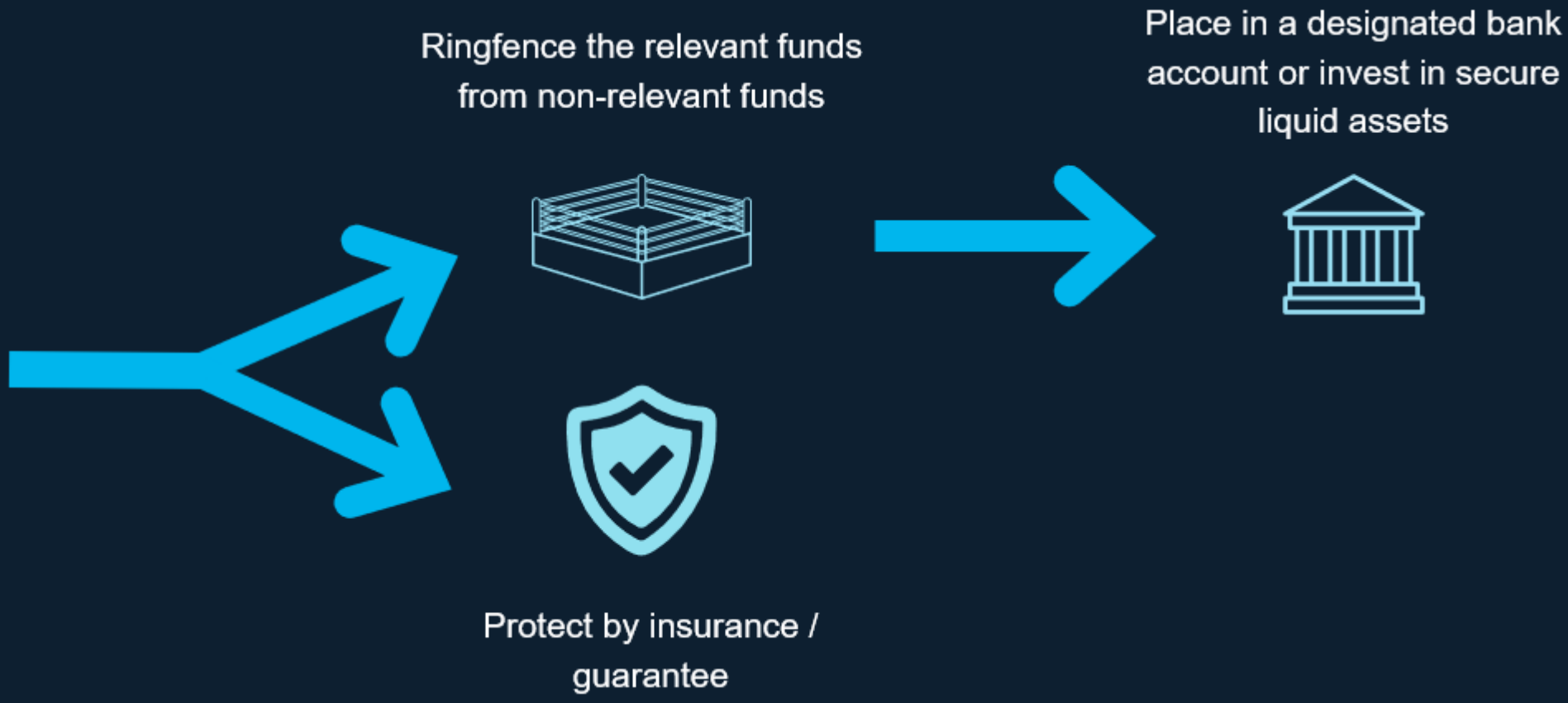
The ‘how to’



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What are ‘relevant funds’?

Funds received for making payments

EMIs may have up to five days to safeguard the funds where payment is made by a payment instrument

Funds received in exchange for e-money

Where it’s not clear how much will be for e-money/a payment service, the PI/EMI may make a reasonable estimate

Funds received via a branch, agent or third party service provider

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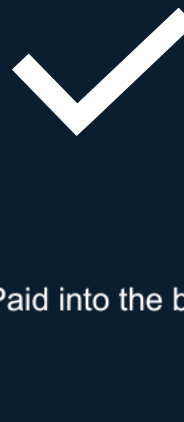
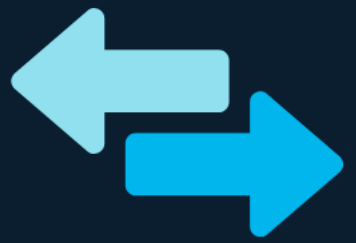
When can safeguarding stop?



Paid into the beneficiary's bank account

Put into the beneficiary's hands

?



Paid via another account

Paid via another PSP

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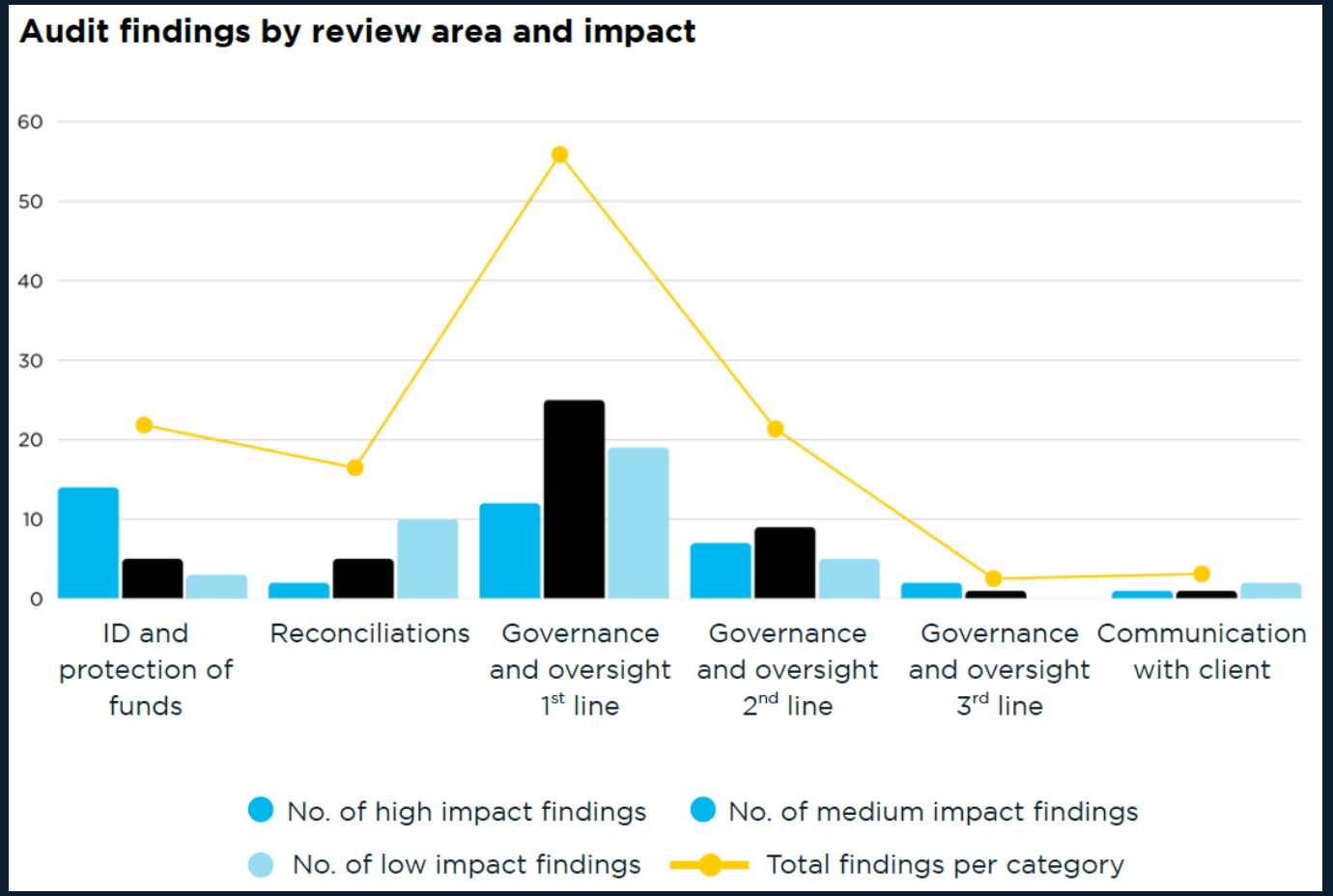
Reconciliations

Benchmarking of compliance



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Benchmarking of compliance

Underlying reason	No. of audits affected
No clear internal reconciliation or explanation for using external data sources	9
Lack of appropriate detail in the books and records presented	5
Inadequate governance or record approval	3

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Reconciliations

Internal reconciliation

- Compares internal records and accounts.
- Checks whether the *safeguarding resource* was equal to its *safeguarding requirement*, as at the reconciliation point.
- Checks whether the amount of *relevant funds/assets it is meant to hold is the same as the amount actually held in the appropriate accounts.*
- *Enables the* prompt identification and resolution of any discrepancies.

CASS 15.8.10R

External reconciliation

- Compares internal records and accounts against external records and accounts of all relevant third parties.
- Enables the prompt identification and resolution of any discrepancies.

CASS 15.8.39R

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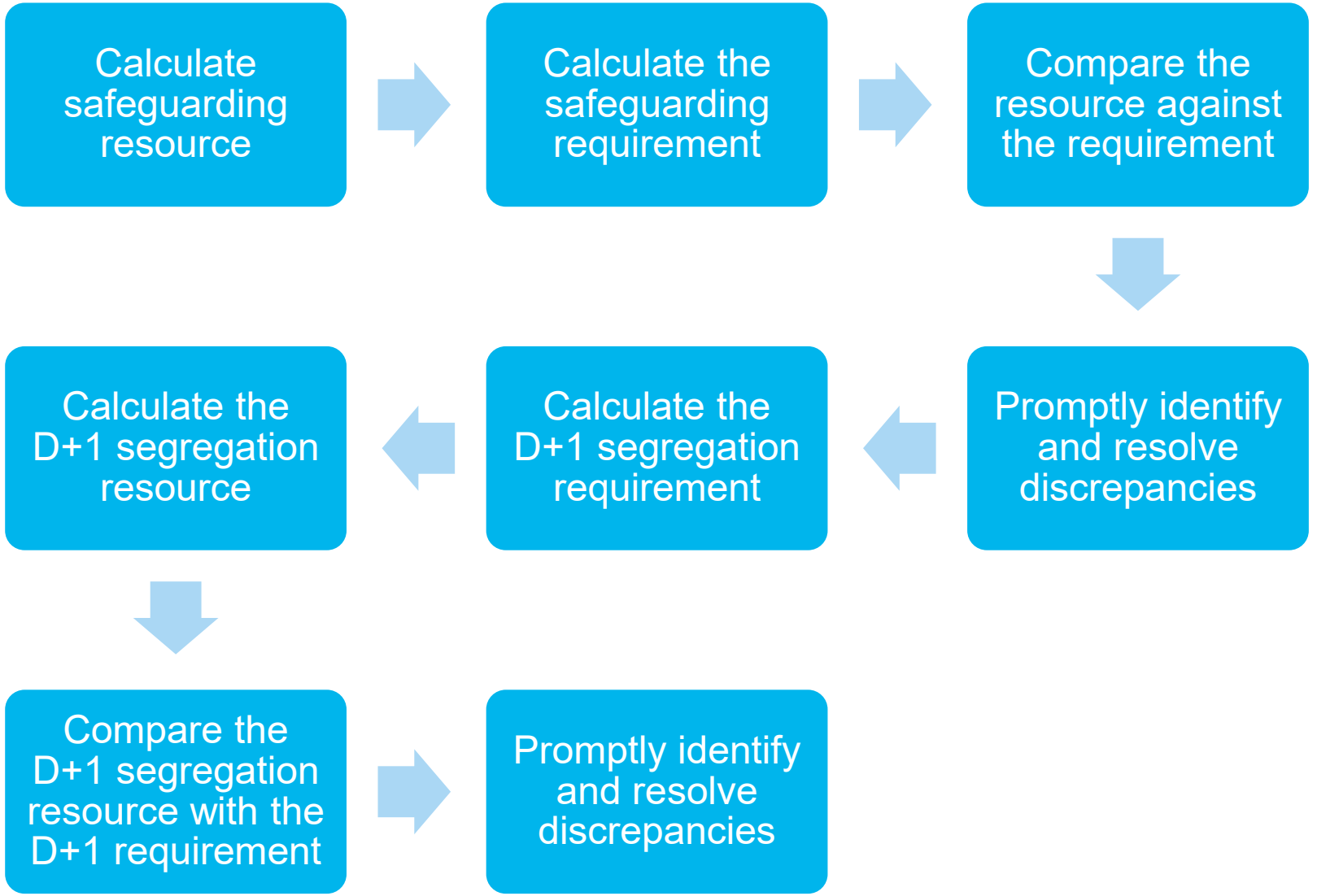
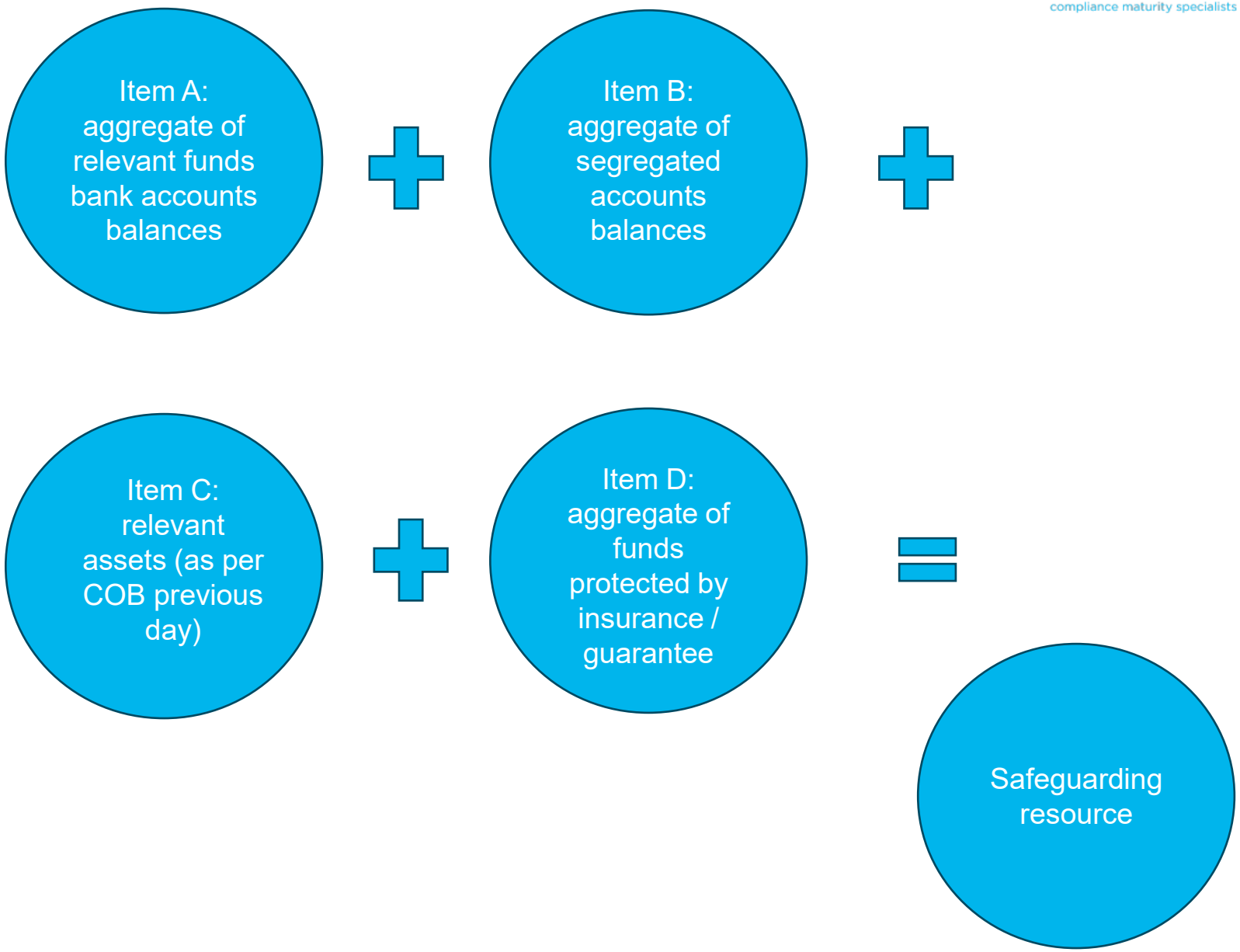
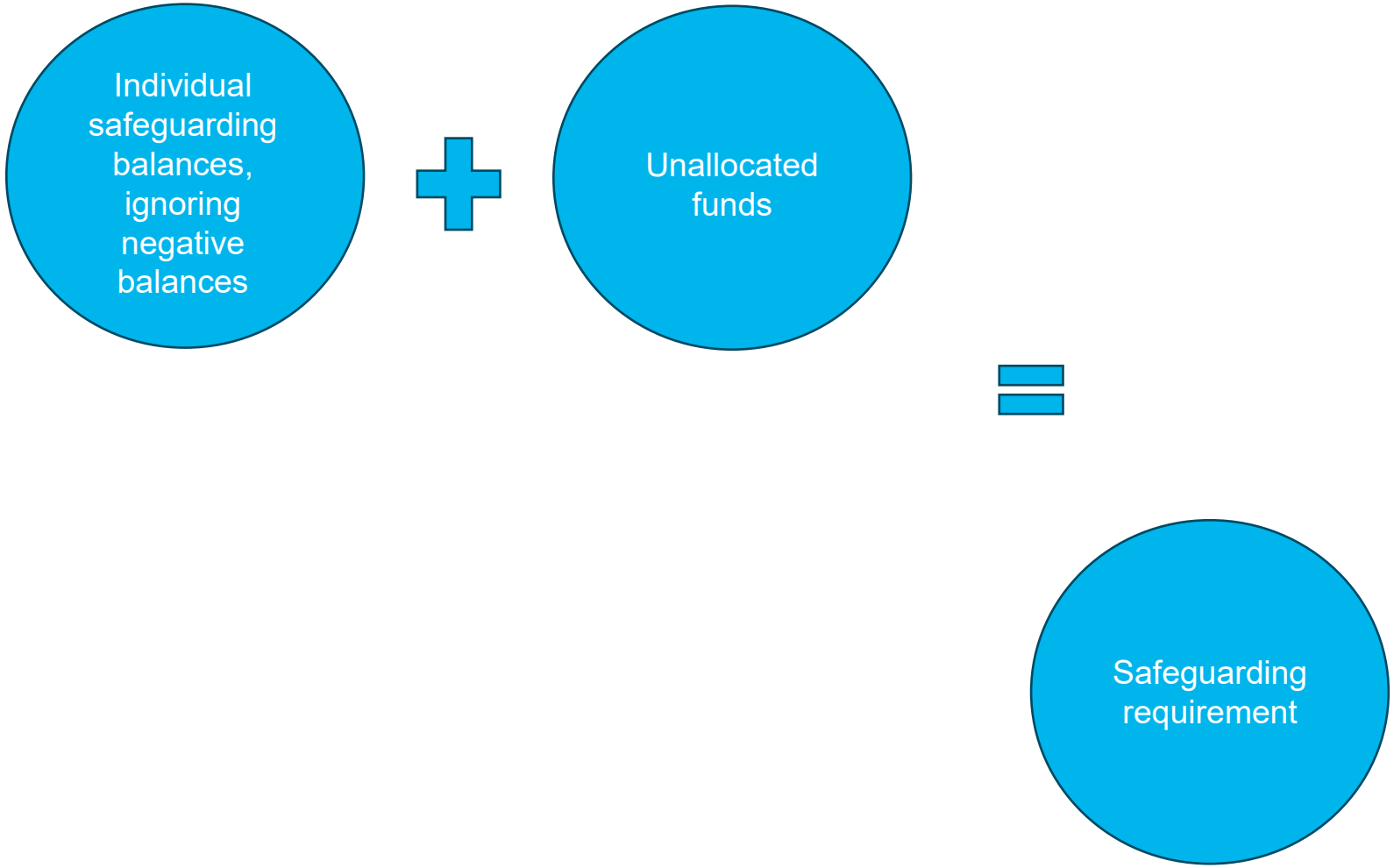
Internal reconciliation



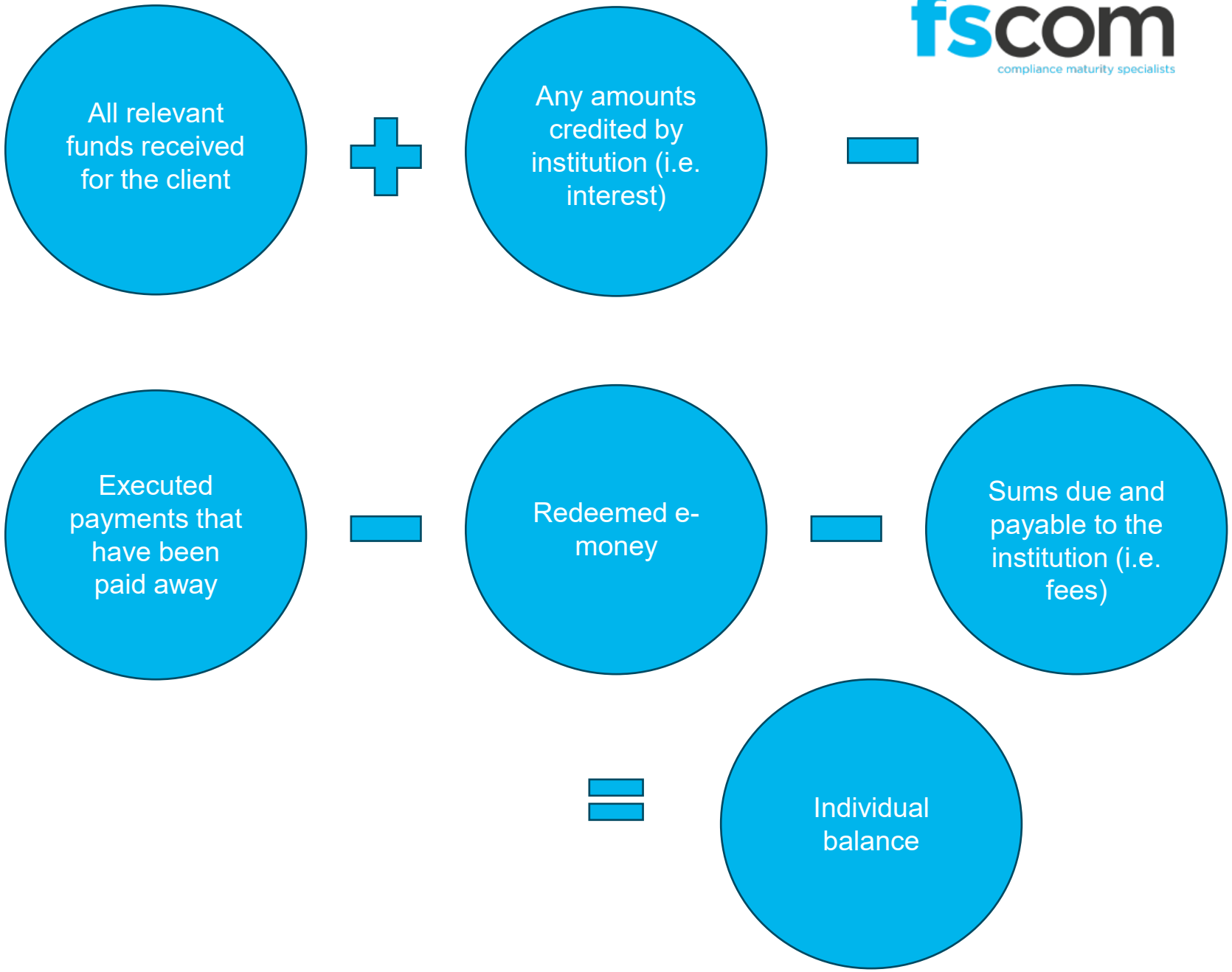
Calculate safeguarding resource



Calculate safeguarding requirement



Calculate individual client balances



D+1 segregation

Definition

D+1 segregation requirement:

the total amount of *relevant funds* that should be held by a *safeguarding institution* in accordance with regulation 21(2) of the *Electronic Money Regulations* or regulation 23(6) of the *Payment Services Regulations*.

D+1 segregation resource:

the sum of items A and C of a *safeguarding institution's safeguarding resource* (see *CASS* 15.8.26R).

The calculation is not required if:

- all funds are held in a relevant bank account; or
- all funds were, before the last internal safeguarding reconciliation, invested in relevant assets.

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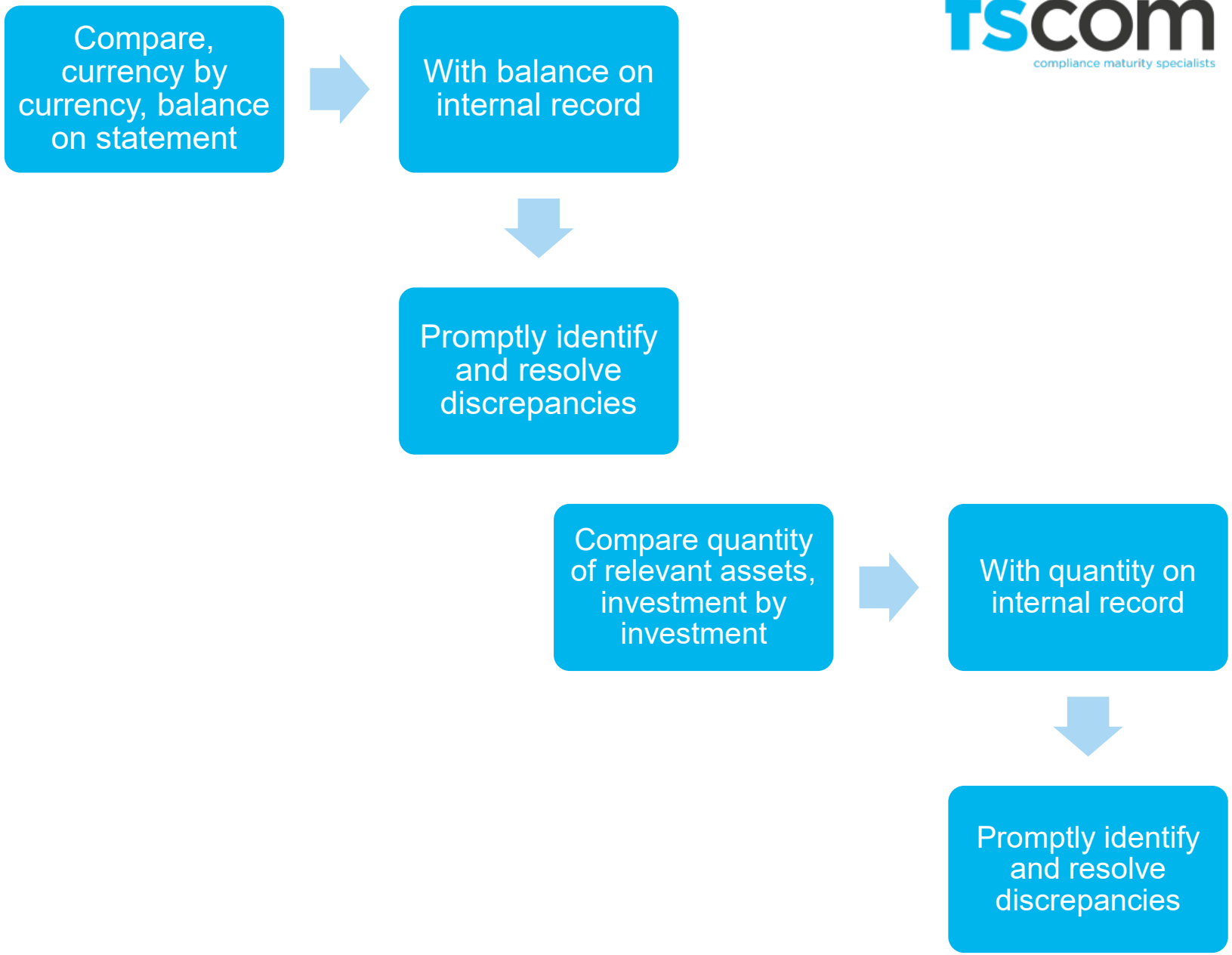
External reconciliation



Record keeping

- The time and date it carried out the reconciliation.
- The actions it took in carrying out the relevant process.
- The outcome of its calculation of its safeguarding requirement and, where relevant, safeguarding resource.
- Where relevant, the outcome of its comparison of its D+1 segregation requirement and D+1 segregation resource.

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Have a compliance question?

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