



From Policy to Practice: Implementing Effective Safeguarding Compliance

February 2026



What we will cover today

- 1 Introduction and what the FCA expects in 2026
- 2 Common Gaps found in Firm's Preparedness for the New Regime
- 3 Practical Steps to Embed Compliance into Day-to-Day Safeguarding Processes
- 4 How Boards and Senior Managers should Demonstrate Oversight
- 5 Q&A

Our speakers



Luis Hernandez

Associate Director, Regulatory
Consulting

E luis.hernandez@swgroup.com

T +44 20 4617 5971



Patrick McGovern

Manager, Regulatory
Consulting

E: patrick.mcGovern@swgroup.com

T: +44 (0) 20 3667 5874





**How confident are you
in your firm's current
safeguarding approach?**

On 7 August 2025, the FCA published its final Policy Statement (PS25/12), confirming sweeping changes to the safeguarding regime for payments and e-money Firms.



FCA Safeguarding Reforms – What's Changing?

Two Stage Approach

1. Interim Rules (Supplementary Regime)

- Effective 7 May 2026
- Enhances existing PSRs/EMRs requirements
- Introduction of the new CASS 15 Handbook, covering the enhanced requirements for firms.

2. End-State Rules (Post-Repeal Regime)

- CASS-style framework under FSMA 2023
- Subject to further FCA review

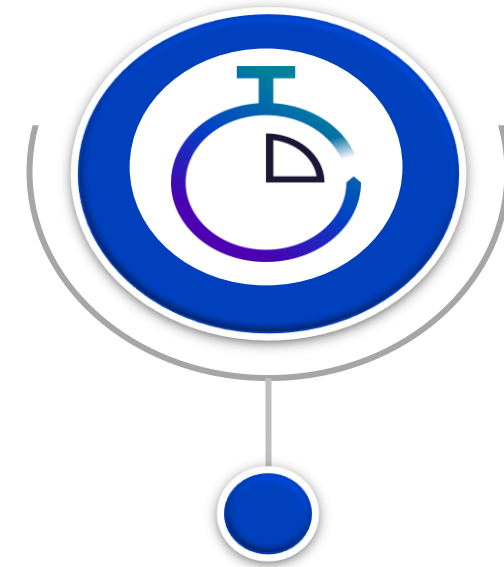
Who is Affected?

- **Authorised Payment Institutions** – except those solely offering payment initiation or account information services.
- **Authorised E-Money Institutions** – including those issuing e-money directly to consumers.
- **Small E-Money Institutions** – which must now meet enhanced safeguarding expectations.
- **Credit Unions** – where e-money issuance is part of their offering.

Timeline for Safeguarding Reforms

7 August 2025: FCA publishes PS25/12 and final guidance

Phase 2: Supplementary Regime Implementation & introduction of new CASS 15 Handbook



Timeline

August 2025

August 25 – April 26

7 May 2026

Post May 2026



Time provided for Firms to make relevant changes ahead of the Supplementary Regime



Phase 3: Future End-State Regime

FCA Safeguarding Reforms – Interim Rules

The introduction of CASS 15 marks a pivotal moment for UK payment and e-money institutions. As the FCA moves to bring safeguarding requirements under the Client Assets Sourcebook (CASS), Firms must prepare for a more structured, auditable, and enforceable regime. Headline changes and expectations include:

Reconciliation & Record Keeping

- Maintain accurate, timely, complete records.
- Segregate Firm and customer funds.
- Implement robust daily reconciliation processes and maintain a resolution pack.

Monitoring & Reporting

- Submit monthly safeguarding returns to FCA.
- Report on fund diversification and account providers.
- Appoint a named individual responsible for safeguarding compliance.

Audit Requirements:

- Extended to most firms, with exemptions for:
 - PISPs, SPIs, credit unions issuing e-money.
 - Firms with <£100k safeguarded funds over 53 weeks.

Safeguarding Practices

- Conduct due diligence on safeguarding account providers.
- Document and apply safeguarding policies consistently.
- Diversify safeguarding arrangements.
- Meet stricter requirements for insurance/guarantee-based safeguarding.





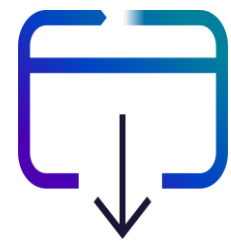
**What's your biggest
safeguarding
challenge?**

Common Gaps found in Firm's Preparedness for the New Regime



Insufficient Readiness for Daily Safeguarding Reconciliations

- Many firms are not yet operationally equipped to meet mandatory daily reconciliation requirements, including proper alignment of internal and external reconciliation points.
- Firms continue to treat reconciliation methodologies as flexible guidance rather than codified rules requiring documentation and independent auditor approval where non-standard methods are used.



Weak or Incomplete Resolution Pack Development

- Numerous organisations have not built a comprehensive CASS 10A-style resolution pack, despite the FCA's requirement that firms must be able to produce detailed safeguarding documentation within tight timelines (e.g., 48 hours).
- Firms underestimate the technical and record-keeping uplift needed to maintain this as a "living document."



Gaps in Safeguarding Audit Preparedness

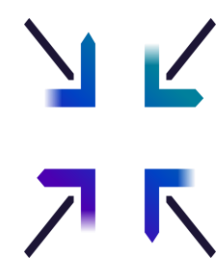
- Firms are underestimating the scope and timelines for annual safeguarding audits, particularly around ensuring auditors are classified as "qualified auditors" under the new regime.
- Many lack clear audit trails and consistent documentation required for a standardised audit output aligned to CASS expectations

Common Gaps found in Firm's Preparedness for the New Regime



Underdeveloped Regulatory Reporting Frameworks

- Some firms have not established robust processes to meet the FCA's mandatory monthly safeguarding return, especially smaller firms concerned about the increased reporting burden.
- Data quality and systems integration gaps remain a real barrier for timely and accurate submissions.



Inadequate Third-Party Oversight & Due Diligence

- Existing due-diligence frameworks often fall short of CASS 15 expectations, particularly around periodic reviews of third parties involved in holding or managing safeguarded funds.
- Firms frequently lack evidence of structured, risk-based assessments or documented suitability reviews.



Underestimation of Operational Change Effort

- Firms often fail to appreciate the scale of systems uplift required for CASS 15 compliance – spanning reconciliations, record-keeping, reporting, and audit readiness.
- Resources are not always prioritised early enough, creating implementation bottlenecks as the May 2026 effective date approaches.



Practical Steps to Embed Compliance into Day-to-Day Safeguarding Processes (1/2)

1

Safeguarding Review & Roadmap Development

Assess your Firm's safeguarding framework against FCA requirements, identifying gaps and opportunities to strengthen compliance. Create tailored roadmap to compliance with the new regime, identifying key items with longer lead times.

2

Invest Early in Systems, Automation & Process Uplifts

Modernise reconciliation, reporting, and document-management tools to prevent operational bottlenecks as the May 2026 CASS 15 deadline approaches. Adopt workflow automation where possible to ensure consistent execution and reduce manual error rates in safeguarding processes.

3

Operationalise the Resolution Pack as a Living Control Tool

Integrate CASS 10A-style resolution pack maintenance into BAU processes, with automated triggers to keep key records (agents, accounts, fund flows, procedures) continuously updated. Conduct periodic "48-hour recovery drills" to verify the firm can reproduce all required materials promptly during an incident.

4

Safeguarding Audit Readiness into Ongoing Oversight

Maintain complete, consistent documentation to streamline the annual qualified safeguarding audit, avoiding a year-end scramble. Introduce quarterly "mini-audits" or thematic reviews to validate control effectiveness ahead of formal assurance cycles.



Practical Steps to Embed Compliance into Day-to-Day Safeguarding Processes (2/2)

5

Strengthen Data Quality & Reporting Workflows

Automate population of the monthly safeguarding return, embedding data-integrity checks and sign-off workflows into standard operations. Align MI dashboards with FCA reporting fields so gaps surface and can be remediated in real time.

6

Formalise Third-Party Oversight

Map all third parties within safeguarding chains and implement structured, risk-based onboarding and periodic review points. Ensure that safeguarding insurance/guarantee arrangements have no conditional restrictions beyond insolvency certification and that this is verified regularly.

7

Elevate Training & Cultural Adoption

Create role-specific training programmes that reinforce safeguarding responsibilities at every operational layer – not just compliance. Incorporate safeguarding behaviours and decision-making principles into team KPIs, onboarding materials, and competency frameworks.

8

Embed “Pre-Audit Hygiene” Checks into Weekly Routines

Conduct weekly sample checks on safeguarding records (e.g., bank confirmations, client-fund movements, agent lists) to maintain audit-ready accuracy throughout the year. Standardise version control and naming conventions to prevent documentation drift, which is a recurring weakness observed under CASS regimes.



**How well does your
Board/Senior
Management currently
understand
safeguarding risks?**



How Boards & Senior Managers can Demonstrate Oversight?

Establish Clear Governance & Accountability Structures

- Assign explicit safeguarding operational and reporting responsibilities as required under CASS15, ensuring senior managers understand their personal accountability for compliance with the new CASS 15 regime.
- Ensure governance committees receive regular safeguarding MI, break reports, and updates on third-party risks, reflecting FCA expectations for structured, auditable oversight.

Direct Oversight of Change Management Impacting Safeguarding

- Require safeguarding risk assessments for all operational, product, and technology changes, ensuring no modifications weaken compliance with CASS 15.
- Ensure that change governance formally signs off safeguarding impacts before implementation.

Oversee Implementation of the Resolution Pack & Reconciliation Framework

- Require periodic demonstrations that the CASS-style resolution pack is complete, accurate, and capable of being produced within the FCA's expected timelines.
- Ensure reconciliation processes meet codified daily requirements and that any non-standard methods are documented and auditor-approved..



How Boards & Senior Managers can Demonstrate Oversight?

Mandate Regular Review of Safeguarding MI & Control Effectiveness

- Boards should receive routine MI on reconciliations, break trends, audit findings, third-party due-diligence results, and monthly regulatory reporting quality, enabling timely challenge.
 - Embed safeguarding metrics within Board and Executive committee agendas to create consistent visibility across the leadership team.
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Drive Audit Readiness & Independent Assurance

- Mandate pre-audit reviews and challenge whether internal documentation is complete, consistent, and sufficient to support the expanded safeguarding audit requirements.
 - Commission periodic independent reviews to assess control effectiveness and operational resilience under the new regime.
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Case Study

Supporting a large EMI to implement the new safeguarding regime

Stage 1 — Gap Analysis

Our review highlighted several practical gaps in the client's safeguarding arrangements, including inconsistent reconciliations, unclear ownership of key activities, outdated policies, limited third-party oversight, and a resolution pack that could not be reliably reproduced. These findings helped the client see where their arrangements fell short of the new CASS 15 expectations and which areas required the earliest uplift.

Practical lessons:

- Daily reconciliations require tighter operational discipline than many firms anticipate.
- Resolution packs only work if maintained as part of BAU.
- Third-party oversight needs a structured, risk-based approach.
- Policies can drift without clear ownership and version control.

Stage 2 — Implementation

Using the findings, the client updated key policies and procedures, strengthened reconciliation and fund-segregation processes, rebuilt the resolution pack, enhanced due-diligence on banks and agents, and began automating reconciliations and monthly returns. We supported by providing targeted guidance and programme-management structure to keep activity coordinated and progressing.

Practical lesson:

A structured delivery plan — supported by specialist input where needed — helps ensure safeguarding enhancements are embedded consistently and sustainably.

Project Management Support

We provided a structured programme management across all workstreams. This included:

- Establishing the workplan, milestones and dependencies.
- Coordinating stakeholders and maintaining delivery pace.
- Providing oversight, challenge and quality assurance and ensuring all activities tracked towards compliance with the May 2026 deadline.



Thank you



Luis Hernandez

Associate Director, Regulatory Consulting

E luis.hernandez@swgroup.com

T +44 20 4617 5971



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Manager, Regulatory Consulting

E: patrick.mcgovern@swgroup.com

T: +44 (0) 20 3667 5874

Future upcoming S&W Events

- Financial Crime Webinar – 27th March
- Non-Financial Misconduct Breakfast – 8th April