

PAYMENTS AND ELECTRONIC MONEY (SAFEGUARDING) INSTRUMENT 2025**Powers exercised**

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”), including as applied by Schedule 3 to the Electronic Money Regulations 2011 (SI 2011/99) and Schedule 6 to the Payment Services Regulations 2017 (SI 2017/752):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 138C (Evidential provisions);
 - (d) section 139A (Power of the FCA to give guidance); and
 - (e) section 340 (Appointment);
 - (2) regulations 49 (Reporting requirements) and 60 (Guidance) of the Electronic Money Regulations 2011 (SI 2011/99);
 - (3) regulations 109 (Reporting requirements) and 120 (Guidance) of the Payment Services Regulations 2017 (SI 2017/752); and
 - (4) the rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act, including that provision as applied by the Electronic Money Regulations 2011 and the Payment Services Regulations 2017.

Commencement

- C. This instrument comes into force on 7 May 2026.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex B
Client Assets sourcebook (CASS)	Annex C
Supervision manual (SUP)	Annex D

Citation

- E. This instrument may be cited as the Payments and Electronic Money (Safeguarding) Instrument 2025.

By order of the Board
31 July 2025

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

Insert the following new definitions in the appropriate alphabetical position. All text is new and is not underlined.

<i>authorised custodian</i>	(in accordance with regulation 21(7) of the <i>Electronic Money Regulations</i> and regulation 23(18) of the <i>Payment Services Regulations</i>) a <i>person</i> authorised for the purposes of the <i>Act</i> to safeguard and administer <i>investments</i> .
<i>D+1 segregation requirement</i>	the total amount of <i>relevant funds</i> that should be held by a <i>safeguarding institution</i> in accordance with regulation 21(2) of the <i>Electronic Money Regulations</i> or regulation 23(6) of the <i>Payment Services Regulations</i> .
<i>D+1 segregation resource</i>	the sum of items A and C of a <i>safeguarding institution's safeguarding resource</i> (see CASS 15.8.26R).
<i>designated system</i>	(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) has the meaning given in regulation 2(1) of the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SI 1999/2979).
<i>electronic money asset pool</i>	an <i>asset pool</i> relating to the issuance of <i>electronic money</i> and the provision of related <i>payment services</i> .
<i>electronic money distributor</i>	(in accordance with the definition of 'distributor' in regulation 2(1) of the <i>Electronic Money Regulations</i>) a <i>person</i> who distributes or redeems <i>electronic money</i> on behalf of an <i>electronic money institution</i> but who does not provide <i>payment services</i> on its behalf.
<i>external safeguarding reconciliation</i>	the reconciliation described in CASS 15.8.47R.
<i>funds</i>	(in CASS 15, SUP 3A and SUP 16.14A) (in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) banknotes and coins, scriptural money and <i>electronic money</i> .
<i>individual safeguarding balance</i>	the total amount of all <i>funds</i> the <i>safeguarding institution</i> should be safeguarding for a particular <i>client</i> (see CASS 15.8.31R).
<i>insolvency event</i>	(in accordance with regulation 22(3) of the <i>Electronic Money Regulations</i> and regulation 23(18) of the <i>Payment Services Regulations</i>)

Regulations) any of the following procedures in relation to a *safeguarding institution*:

- (a) the making of a winding-up order;
- (b) the passing of a resolution for voluntary winding-up;
- (c) the entry of the institution into administration;
- (d) the appointment of a receiver or manager of the institution's property;
- (e) the approval of a proposed voluntary arrangement (being a composition in satisfaction of debts or a scheme of arrangement);
- (f) the making of a bankruptcy order;
- (g) in Scotland, the award of sequestration;
- (h) the making of any deed of arrangement for the benefit of creditors or, in Scotland, the execution of a trust deed for creditors;
- (i) the conclusion of any composition contract with creditors;
- (j) the making of an insolvency administration order or, in Scotland, sequestration, in respect of the estate of a deceased person;
- (k) the entry of the institution into special administration under the *PEMII Regulations*; or
- (l) the entry of the institution into special administration under the *IBSA Regulations*.

insurance or guarantee method the method of safeguarding *relevant funds* described in regulation 22 of the *Electronic Money Regulations* or regulation 23(12) and (13) of the *Payment Services Regulations*.

internal safeguarding reconciliation the reconciliation described in CASS 15.8.10R.

non-standard method of internal safeguarding reconciliation the method of internal safeguarding reconciliation described in CASS 15.8.36R to CASS 15.8.38R

PEMII Regulations the Payment and Electronic Money Institution Insolvency Regulations 2021 (SI 2021/716).

reconciliation day a *business day* that is not:

	(a) a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in any part of the <i>United Kingdom</i>; or (b) where a reconciliation requires anything to be done by reference to a market outside the <i>United Kingdom</i>, any <i>day</i> on which that market is not normally open for business.
<i>relevant assets</i>	assets held by a <i>safeguarding institution</i> for the purposes of regulation 21(2)(b) of the <i>Electronic Money Regulations</i> or regulation 23(6)(b) of the <i>Payment Services Regulations</i> .
<i>relevant assets account</i>	an account held at an <i>authorised custodian</i> which holds <i>relevant assets</i> for the purposes of regulation 21(2)(b) of the <i>Electronic Money Regulations</i> or regulation 23(6)(b) of the <i>Payment Services Regulations</i> .
<i>relevant funds</i>	in accordance with regulation 20(1) of the <i>Electronic Money Regulations</i> and regulation 23(1) of the <i>Payment Services Regulations</i> : (a) funds received in exchange for <i>electronic money</i> that has been issued; (b) sums received from, or for the benefit of, a <i>payment service user</i> for the execution of a <i>payment transaction</i>; and (c) sums received from a <i>payment service provider</i> for the execution of a <i>payment transaction</i> on behalf of a <i>payment service user</i>.
<i>relevant funds bank account</i>	an account held at an <i>approved bank</i> or the Bank of England which: (a) holds <i>relevant funds</i> for the purposes of regulation 21(2)(a) of the <i>Electronic Money Regulations</i> or regulation 23(6)(a) of the <i>Payment Services Regulations</i>; or (b) is an account of the type described in regulation 21(4A) of the <i>Electronic Money Regulations</i> or regulation 23(9) of the <i>Payment Services Regulations</i> (Bank of England settlement accounts).
<i>relevant funds regime</i>	the <i>relevant funds rules</i> , regulations 20 to 24 of the <i>Electronic Money Regulations</i> and regulation 23 of the <i>Payment Services Regulations</i> .
<i>relevant funds rules</i>	CASS 15.
<i>relevant institution</i>	a <i>person</i> required to appoint an auditor under SUP 3A as specified in SUP 3A.1.1R(1)(a).
<i>safeguarding account acknowledgement letter</i>	a letter in the form of the template in CASS 15 Annex 1.

<i>safeguarding institution</i>	<i>persons</i> required to safeguard <i>relevant funds</i> under regulation 20 of the <i>Electronic Money Regulations</i> or regulation 23 of the <i>Payment Services Regulations</i> (including <i>persons</i> that opt-in to those requirements).
<i>safeguarding requirement</i>	the total amount a <i>safeguarding institution</i> is required to safeguard (see CASS 15.8.29G and CASS 15.8.30R).
<i>safeguarding resource</i>	the total amount safeguarded by a <i>safeguarding institution</i> (see CASS 15.8.26R).
<i>safeguarding return</i>	a return containing the information specified in SUP 16 Annex 29BR.
<i>segregation method</i>	the method of safeguarding <i>relevant funds</i> described in regulation 21 of the <i>Electronic Money Regulations</i> or regulation 23(5) to (11) of the <i>Payment Services Regulations</i> .
<i>standard method of internal safeguarding reconciliation</i>	the method of <i>internal safeguarding reconciliation</i> described in CASS 15.8.26R to CASS 15.8.35R.
<i>unique identifier</i>	(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a combination of letters, numbers or symbols specified to the <i>payment service user</i> by the <i>payment service provider</i> and to be provided by the <i>payment service user</i> in relation to a <i>payment transaction</i> in order to identify unambiguously one or both of: (a) another <i>payment service user</i> who is a party to the <i>payment transaction</i>; (b) the other <i>payment service user's payment account</i>.
<i>unrelated payment services asset pool</i>	an <i>asset pool</i> relating to the provision of <i>payment services</i> that are not related to the issuance of <i>electronic money</i> .

Amend the following definitions as shown.

<i>acknowledgement letter</i>	(1) (in CASS 7) a <i>client bank account acknowledgement letter</i> (a letter in the form of the template in CASS 7 Annex 2R), a <i>client transaction account acknowledgement letter</i> (a letter in the form of the template in CASS 7 Annex 3R) or an <i>authorised central counterparty acknowledgement letter</i> (a letter in the form of the template in CASS 7 Annex 4R). (2) <u>(in CASS 10A, CASS 15 and SUP 16 Annex 29BR) a <i>safeguarding account acknowledgement letter</i> (a letter in the form of the template in CASS 15 Annex 1).</u>
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*acknowledgement
letter fixed text* ...

(3) ...

(4) (in CASS 15) the text in the *acknowledgement letter* in CASS 15 Annex 1 that is not in square brackets.

*acknowledgement
letter variable text* ...

(3) ...

(4) (in CASS 15) the text in the *acknowledgement letter* in CASS 15 Annex 1 that is in square brackets.

approved bank

(1) (except in *COLL* and *CASS 15*) (in relation to a *bank* account opened by a ~~firm~~ *firm*):

...

(2) (in *COLL*) any person falling within (a–c) and a *credit institution* established in an *EEA State* and duly authorised by the relevant *Home State regulator*.

(3) (in CASS 15) (in accordance with the definition of ‘authorised credit institution’ in regulation 21(7) and (8) of the *Electronic Money Regulations* and regulation 23(18) and (19) of the *Payment Services Regulations*):

(a) a *person* authorised for the purposes of the *Act* to carry on the activity of *accepting deposits*;

(b) the central bank of a state that is a member of the *OECD* (‘an *OECD* state’);

(c) a *credit institution* that is supervised by the central bank or other banking regulator of an *OECD* state; or

(d) a *credit institution* that:

(i) is subject to regulation by the banking regulator of a state that is not an *OECD* state;

(ii) is required by the law of the country or territory in which it is based to provide audited accounts;

(iii) has minimum net assets of £5m (or its equivalent in any other currency at the relevant time);

(iv) has a surplus of revenue over expenditure for the last 2 financial years; and

(v) has an annual report which is not materially qualified,

that is not part of the same group as the safeguarding institution.

asset pool

(1) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) an asset pool within the meaning of Regulation 3 of the *RCB Regulations*.

(2) (in *CASS 15*) (in accordance with regulation 24(4) of the *Electronic Money Regulations* and regulation 23(18) of the *Payment Services Regulations*):

(a) any relevant funds segregated in accordance with the segregation method;

(b) any relevant funds held in a relevant funds bank account;

(c) any funds that are received into a relevant funds bank account held at the Bank of England upon settlement in respect of transfer orders that have been entered into a designated system on behalf of payment service users, whether settlement occurs before or after the insolvency event;

(d) any relevant assets held in a relevant assets account; and

(e) the proceeds of an insurance policy or guarantee held for the purpose of the insurance or guarantee method.

business day

(1) (except in *CASS 10A*, *CASS 15*, *SUP 3A*, *SUP 16.14A*, *DISP 1.6.2A* and *DISP 2.8*) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the *United Kingdom*):

...

...

(3) (in *CASS 10A*, *CASS 15*, *SUP 3A*, *SUP 16.14A*, *DISP 1.6.2A* and *DISP 2.8*) (in accordance with regulation 2(1) of the *Payment Services Regulations*) any day on which the relevant payment service provider is open for business as required for the execution of a payment transaction.

CASS resolution pack

those documents and records which are specified in *CASS 10.2* and *CASS 10.3* or, in relation to *safeguarding institutions*, in *CASS 10A.2* and *CASS 10A.3*.

[*Editor's note:* The definition of 'director' takes into account the changes introduced by the Prospectus Instrument 2025 (FCA 2025/30), which comes into force on 19 January 2026.]

<i>director</i>	(1) (except in <i>COLL</i>, <i>DTR</i>, <i>UKLR</i>, <i>PRM</i> and <i>MAR 5-A</i>) (in relation to any of the following (whether constituted in the <i>United Kingdom</i> or under the law of a country or territory outside it)): ... (c) (in <i>SYSC</i>, <i>APER</i>, <i>COCON</i>, <i>MIPRU 2</i> (Responsibility for insurance distribution and <i>MCD</i> credit intermediation activity), <u><i>CASS 10A</i> (Payment services and electronic money: resolution pack)</u>, <u><i>CASS 15</i> (Payment services and electronic money: relevant funds)</u>, <u><i>SUP 3A</i> (Payment services and electronic money)</u>, <i>SUP 10A</i> (FCA Approved persons in Appointed Representatives) and <i>SUP 10C</i> (FCA senior managers regime for approved persons in SMCR firms) a <i>partnership</i>; (d) (in <i>SYSC</i>, <u><i>CASS 10A</i> (Payment services and electronic money: resolution pack)</u>, <u><i>CASS 15</i> (Payment services and electronic money: relevant funds)</u>, <u><i>SUP 3A</i> (Payment services and electronic money)</u>, <i>SUP 10A</i> (FCA Approved persons in Appointed Representatives) and <i>SUP 10C</i> (FCA senior managers regime for approved persons in SMCR firms) a <i>sole trader</i>;
<i>fund</i>	(except in <i>CASS 15</i> , <i>SUP 3A</i> and <i>SUP 16 Annex 29BR</i>) an <i>AIF</i> or a <i>collective investment scheme</i> .
<i>governing body</i>	the board of <i>directors</i> , committee of management or other governing body of a <i>firm</i> , <u><i>safeguarding institution</i></u> , <u><i>relevant institution</i></u> or <i>recognised body</i> , including, in relation to a <i>sole trader</i> , the <i>sole trader</i> .
<i>group</i>	(1) (except as specified in this definition) as defined in section 421 of the <i>Act</i> (Group) (in relation to a <i>person</i> ("A")) A and any <i>person</i> who is: (3B) ... (3C) <u>(in <i>CASS 10A</i> and <i>CASS 15</i>) (in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a group of:</u>

- (a) undertakings linked to each other by a relationship referred to in Article 22(1), (2) or (7) of Directive 2013/34/EU of the European Parliament and of the Council of 26th June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC; or
- (b) undertakings as defined in Articles 4 to 7 of Commission Delegated Regulation (EU) No. 241/2014 of 7th January 2014 supplementing Regulation (EU) 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions, which are linked to each other by a relationship referred to in Article 113(6) of the UK CRR.

internal controls the whole system of controls, financial or otherwise, established by the management of a *firm* or safeguarding institution in order to:

- (a) carry on the business of the *firm* or institution in an orderly and efficient manner;
- ...
- (c) safeguard the assets of the *firm* or institution and other assets for which the firm is responsible; ~~and~~
- (d) secure as far as possible the completeness and accuracy of the *firm's* or institution's records (including those necessary to ensure continuous compliance with the requirements or standards under the *regulatory system* relating to the adequacy of the *firm's* or institution's financial resources); ~~and~~
- (e) (in CASS 15 and SUP 3A) minimise the risk of the loss or diminution of relevant funds or relevant assets through fraud, misuse, negligence or poor administration.

material outsourcing

- (1) (except in relation to a *Solvency II firm* and in SUP 3A) *outsourcing* services of such importance that weakness, or failure, of the services would cast serious doubt upon the *firm's* continuing satisfaction of the *threshold conditions* or compliance with the *Principles*.
- (2) ...
- (3) (in SUP 3A) the outsourcing of an operational function that satisfies the criteria in regulation 25(3) of the *Payment Services*

Regulations or regulation 26(3) of the Electronic Money Regulations.

<i>mixed remittance</i>	a remittance that is part <i>client money</i> <u>or relevant funds</u> and part other money <u>or funds</u> .
<i>regulatory system</i>	(1) ... (2) in <i>PRIN</i> and in <i>BCOBS</i>, <i>CASS 15</i> and <i>SUP 3A</i> in addition to (1), the arrangements for regulating <i>payment service providers</i> and <i>electronic money issuers</i> in or under the <i>Payment Services Regulations</i> and <i>Electronic Money Regulations</i>, including conditions of authorisation or registration set out in those regulations, the <i>Principles</i> and other <i>rules</i>, codes and guidance, including any relevant provisions of an <i>onshored regulation</i>.
<i>requirement</i>	a requirement included in: (a) a firm's <i>Part 4A permission</i> under section 55L(3) of the <i>Act</i> (Imposition of requirements by the FCA), section 55M(3) of the <i>Act</i> (Imposition of Requirements by the PRA) or section 55O of the <i>Act</i> (Imposition of requirements on acquisition of control); <u>or</u> (b) <u>a safeguarding institution's</u> authorisation or registration under <u>Part 2 of the Electronic Money Regulations</u> or <u>Part 2 of the Payment Services Regulations</u>.
<i>senior manager</i>	an <i>individual</i> other than a <i>director</i>: (a) who is employed by: (i) a <i>firm</i> <u>or safeguarding institution</u>; or (ii) a <i>body corporate</i> within a <i>group</i> of which the <i>firm</i> <u>or safeguarding institution</u> is a member; (b) to whom the <i>governing body</i> of the <i>firm</i> <u>or safeguarding institution</u>, or a member of the <i>governing body</i> of the <i>firm</i> <u>or safeguarding institution</u>, has given responsibility, either alone or jointly with others, for management and supervision; ...
<i>shortfall</i>	... (3) ... (4) <u>(in relation to relevant funds) the amount by which the safeguarding resource is lower than the safeguarding requirement.</u>

skilled person

a *person* appointed to make a report required by section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the ~~Act~~ Act, including as applied by the *Payment Services Regulations* or the *Electronic Money Regulations*, for provision to the *appropriate regulator* and who must be a person:

...

Annex B

Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text.

2 **Interpreting the Handbook**

...

2.2 **Interpreting the Handbook**

...

Purpose

2.2.36 G ...

- (9) In relation to persons with *temporary EMI authorisation*, *temporary PI authorisation* and *temporary RAISP authorisation*, the specified directions, *rules* and *guidance* in FEES 4A, 7C and 13A apply to them. In addition, in relation to those *persons*, *rules* and *guidance* in DISP, SUP, CASS, PRIN and BCOBS apply to them as they apply to *electronic money institutions*, *payment institutions* and *registered account information service providers* that are authorised or registered in the UK.

...

...

Annex C

Amendments to the Client Assets sourcebook (CASS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless stated otherwise.

1 Application and general provisions

1.1 Application and purpose

Application

- 1.1.1 R *CASS applies to a firm, electronic money institution or payment institution as specified in the remainder of this chapter.*

...

1.2 General application: who? what?

General application: who?

...

- 1.2.2 R ...

- 1.2.2A R *This chapter, CASS 10A and CASS 15 apply to an electronic money institution, a payment institution or a credit union with respect to:*

(1) the issuance of electronic money; and

(2) the provision of payment services.

...

Investments and money held under different regimes

- 1.2.11 R ...

(3) ...

(4) A firm must not keep funds in respect of which CASS 15 applies in a client bank account held for the purpose of any other chapter of CASS.

...

1.3 General application: where?

- 1.3.1 G ...

- 1.3.1A G *The territorial scope of CASS 15 is set out in CASS 15.1.3R.*

...

1.5 Application: electronic media and E-Commerce

Application to electronic media

...

1.5.3 G ...

1.5.3A G In this section, references to a *firm* should be read as including a *safeguarding institution*.

...

Insert the following new chapter, CASS 10A, after CASS 10 (CASS resolution pack). All the text is new and is not underlined.

10A Payment services and electronic money: resolution pack**10A.1 Application, purpose and general provisions**

Application

10A.1.1 R This chapter applies to a *safeguarding institution* when it receives or holds *relevant funds* in accordance with CASS 15.

Purpose

10A.1.2 G The purpose of the *CASS resolution pack* is to ensure that a *safeguarding institution* maintains and is able to retrieve information that would:

- (1) in the event of its insolvency, assist an insolvency practitioner in achieving a timely return of *relevant funds* held by the *safeguarding institution* to its *clients*;
- (2) in the event of a *firm*'s resolution, assist the Bank of England or *FSCS*; and
- (3) in either case, assist the *FCA*.

General provisions

10A.1.3 R A *safeguarding institution* must maintain and be able to retrieve, in the manner described in this chapter, a *CASS resolution pack*.

10A.1.4 G A *safeguarding institution* is required to maintain a *CASS resolution pack* at all times when CASS 10A.1.1R applies to it.

10A.1.5 G (1) The *rules* in this chapter specify the types of documents and records that must be maintained in a *safeguarding institution's*

CASS resolution pack and the retrieval period for the pack. The *safeguarding institution* should maintain the component documents of the *CASS resolution pack* in order for them to be retrieved in accordance with *CASS 10A.1.7R* and should not use the retrieval period to start producing these documents.

- (2) The contents of the documents that constitute the *CASS resolution pack* will change from time to time (for example, because reconciliations must be included in the pack).
- (3) A *safeguarding institution* is only required to retrieve the *CASS resolution pack* in the circumstances prescribed in *CASS 10A.1.7R*.

10A.1.6 R For the purpose of this chapter, a *safeguarding institution* will be treated as satisfying a *rule* in this chapter requiring it to include a document in its *CASS resolution pack* if a member of that *safeguarding institution's group* includes that document in its own *CASS resolution pack*, provided that:

- (1) that *group* member is subject to the same *rule*; and
- (2) the *safeguarding institution* is still able to comply with *CASS 10A.1.7R*.

10A.1.7 R In relation to each document in its *CASS resolution pack*, a *safeguarding institution* must:

- (1) put in place adequate arrangements to ensure that an administrator, receiver, trustee, liquidator or analogous officer appointed in respect of it, or any material part of its property, is able to retrieve each document as soon as practicable and in any event within 48 hours of that officer's appointment; and
- (2) ensure that it is able to retrieve each document as soon as practicable, and in any event within 48 hours, where it has taken a decision to do so or as a result of an *FCA* or Bank of England request.

10A.1.8 R Where documents are held by members of a *safeguarding institution's group* in accordance with *CASS 10A.1.6R*, the *safeguarding institution* must have adequate arrangements in place with its *group* members which allow for delivery of the documents within the timeframe referred to in *CASS 10A.1.7R*.

10A.1.9 E (1) For the purpose of *CASS 10A.1.7R*, the following documents and records should be retrievable immediately:

- (a) the document(s) identifying the institutions referred to in *CASS 10A.2.1R(2)* and *CASS 10A.2.1R(4)*;

- (b) any *acknowledgement letters* referred to in CASS 10A.2.1R(3);
 - (c) a copy of each policy or guarantee referred to in CASS 10A.2.1R(5);
 - (d) the document identifying *individuals* pursuant to CASS 10A.2.1R(10); and
 - (e) the most recent *internal safeguarding reconciliation* and *external safeguarding reconciliation* records referred to in CASS 10A.3.1R(1)(c).
- (2) Where a *safeguarding institution* is reliant on the continued operation of certain systems for the provision of component documents in its *CASS resolution pack*, it should have arrangements in place to ensure that these systems will remain operational and accessible to it after its insolvency.
- (3) Contravention of (1) or (2) may be relied upon as tending to establish contravention of CASS 10A.1.7R.
- 10A.1.10 G Where a *safeguarding institution* anticipates that it might be the subject of an insolvency order, it is likely to have sought advice from an external adviser. The *safeguarding institution* should make the *CASS resolution pack* available promptly, on request, to such an adviser.
- 10A.1.11 R (1) A *safeguarding institution* must ensure that it reviews the content of its *CASS resolution pack* on an ongoing basis to ensure that it remains accurate.
- (2) In relation to any change of circumstances that has the effect of rendering inaccurate, in any material respect, the content of a document specified in CASS 10A.2.1R, a *safeguarding institution* must ensure that any inaccuracy is corrected promptly and, in any event, no more than 5 *business days* after the change of circumstances arose.
- 10A.1.12 G For the purpose of CASS 10A.1.11R(2), an example of a change that would render a document inaccurate in a material respect is a change of institution identified pursuant to CASS 10A.2.1R(2).
- 10A.1.13 G A *safeguarding institution* may hold in electronic form any document in its *CASS resolution pack* provided that it continues to be able to comply with CASS 10A.1.7R and CASS 10A.1.11R in respect of that document.
- 10A.1.14 R A *safeguarding institution* must ensure that its *governing body* receives a report in respect of compliance with the *rules* in this chapter at least annually.

- 10A.1.15 R A *safeguarding institution* must notify the *FCA* in writing immediately if it has not complied with, or is unable to comply with, *CASS 10A.1.3R*.

10A.2 Core content requirements

- 10A.2.1 R A *safeguarding institution* must include within its *CASS resolution pack*:
- (1) a master document containing information sufficient to retrieve each document in the institution's *CASS resolution pack*;
 - (2) a document which identifies the institutions the *safeguarding institution* has appointed (including through an *agent* or *electronic money distributor*):
 - (a) for the receipt or holding of *relevant funds*; and
 - (b) for the holding of *relevant assets*;
 - (3) for each institution identified in (2), a copy of each executed agreement, including any side letters or other agreements used to clarify or modify the terms of the executed agreement, between that institution and the *safeguarding institution* that relates to the holding of *relevant funds* or *relevant assets* including any *acknowledgement letters* sent or received pursuant to *CASS 15.7*;
 - (4) a document which identifies the institutions the *safeguarding institution* has appointed to provide insurance or a guarantee in accordance with regulation 22 of the *Electronic Money Regulations* or regulation 23(12) of the *Payment Services Regulations*;
 - (5) for each institution identified in (4), a copy of each executed policy or guarantee, including any side letters or other agreements used to clarify or modify the terms of the executed policy or guarantee;
 - (6) a document which identifies each *agent* or *electronic money distributor* of the *safeguarding institution*;
 - (7) a document which:
 - (a) identifies each member of the *safeguarding institution's group* involved in operational functions related to the *relevant funds regime*; and
 - (b) for each *group* member identified in (a), the type of entity (such as *branch*, *subsidiary* or *nominee company*) the group member is, its jurisdiction of incorporation if applicable, and a description of its related operational functions;

- (8) a document which:
 - (a) identifies each third party which the *safeguarding institution* uses for the performance of operational functions related to the *relevant funds regime*;
 - (b) describes how to gain access to relevant information held by that third party; and
 - (c) describes how to affect a transfer of any *relevant funds* or *relevant assets* held by the *safeguarding institution*, but controlled by that third party;
- (9) a copy of the *safeguarding institution*'s procedures for the management, recording and transfer of the *relevant funds* and *relevant assets* that it holds; and
- (10) a document which identifies:
 - (a) each *senior manager* and *director* and any other *individual* and the nature of their responsibility within the *safeguarding institution* who is critical or important to the performance of operational functions related to any of the safeguarding obligations imposed on the institution by the *relevant funds regime*; and
 - (b) the *individual* to whom responsibility for operational oversight has been allocated under CASS 15.2.4R.

10A.2.2 G For the purpose of CASS 10A.2.1R(10)(a), examples of *individuals* within the *safeguarding institution* who are critical or important to the performance of operational functions include:

- (1) those necessary to carry out *internal safeguarding reconciliations*, *external safeguarding reconciliations* and record checks; and
- (2) those in charge of *client* documentation for business involving *relevant funds* and *relevant assets*.

10A.2.3 R For the purpose of CASS 10A.2.1R(2), a *safeguarding institution* must ensure that the document records:

- (1) the full name of the individual institution in question;
- (2) the postal address, email address and telephone number of that institution; and
- (3) the numbers of all accounts opened by that *safeguarding institution* with that institution.

10A.3 Existing records forming part of the CASS resolution pack

- 10A.3.1 R *A safeguarding institution* must include, as applicable, within its *CASS resolution pack*:
- (1) the records required under:
 - (a) *CASS 15.4.11R* (Appointment of a third party to manage relevant assets) and *CASS 15.6.7* (Selection and appointment of third parties);
 - (b) *CASS 15.8.3R* and *CASS 15.8.8R* (Records and accounts); and
 - (c) *CASS 15.8.9R* (Records and accounts);
 - (2) the policies and procedures referred to in *CASS 15.8.1R* (Policies and procedures); and
 - (3) the standard terms and conditions incorporated into its contracts with *clients*.
- 10A.3.2 G *CASS 10.3.1R* does not change the record keeping requirements of the rules referred to therein.

Insert the following new chapter, *CASS 15*, after *CASS 14* (Temporary permissions regime – client assets rules). All the text is new and is not underlined.

15 Payment services and electronic money: relevant funds

15.1 Purpose and application

General purpose

- 15.1.1 G Regulation 20 of the *Electronic Money Regulations* and regulation 23 of the *Payment Services Regulations* require *safeguarding institutions* to safeguard *relevant funds*. The *rules* and *guidance* in this chapter supplement those requirements.

Who?

- 15.1.2 R This chapter applies to the following *persons* that receive or hold *relevant funds*:
- (1) *authorised payment institutions*;
 - (2) *small payment institutions* that voluntarily safeguard under regulation 23 of the *Payment Services Regulations*;
 - (3) *electronic money institutions*; and
 - (4) *credit unions* that issue *electronic money*.

What? Where?

- 15.1.3 R This chapter applies with respect to the provision of *payment services* or issuance of *electronic money* that is within the scope of the *Payment Services Regulations* or *Electronic Money Regulations*.
- 15.1.4 G *PERG 15* provides guidance on the territorial scope of the *Payment Services Regulations*. *Funds* received by *safeguarding institutions* that relate to transactions that are not in scope of the *Payment Services Regulations* or *Electronic Money Regulations* do not need to be safeguarded and, where the *safeguarding institution* uses the *segregation method*, such *funds* must be kept separate from *relevant funds*.
- 15.1.5 G One of the effects of *CASS 15.1.3R* is that *CASS 15* does not apply where *payment services* are being provided to both the *payer* and the *payee* from outside of the *UK* (eg, a transfer between an account operated by a *PSP* from a branch in Japan to an account operated by another *PSP* from a branch in Hong Kong). *Funds* received for these transactions should not be mixed with *relevant funds*, even if *funds* are routed through a correspondent *PSP* in the *UK*.
- 15.1.6 G (1) *Electronic money institutions* and *credit unions* may execute *payment transactions* that are not related to the issuance of *electronic money*. They must safeguard *relevant funds* relating to such transactions separately to *relevant funds* relating to the issuance of *electronic money*, and should apply the provisions of *CASS 15* accordingly.
- (2) Paragraph (1) will be relevant where the *safeguarding institution* provides *payment services* that are independent from its *electronic money* products. The requirement to separately safeguard *relevant funds* will not apply where the *safeguarding institution* simply transfers funds from an *electronic money* account, such as where a customer uses *electronic money* to pay a bill.

Opt in to the relevant funds regime

- 15.1.7 R If a *small payment institution* makes an election pursuant to regulation 23(16) of the *Payment Services Regulations* to voluntarily safeguard, the *rules* and *guidance* in this chapter will apply to the *small payment institution* as if it were an *authorised payment institution*.
- 15.1.8 R If a *small electronic money institution* or a *credit union* makes an election pursuant to regulation 23(16) of the *Payment Services Regulations*, as applied by regulation 20(6) of the *Electronic Money Regulations*, to voluntarily safeguard, the *rules* and *guidance* in this chapter will apply to the *small electronic money institution* or *credit union* as if it were an *authorised electronic money institution*.

15.2 Organisational requirements

Protection of relevant funds

- 15.2.1 R A *safeguarding institution* must, when holding *relevant funds*, maintain adequate arrangements to safeguard the *client's* rights and prevent the use of *relevant funds* for its own account.
- 15.2.2 G An effect of CASS 15.2.1R is that a *safeguarding institution* should consider how to clearly identify *relevant funds* that are not held in a *relevant funds bank account*. That includes those segregated in accordance with regulation 21(1) of the *Electronic Money Regulations* or regulation 23(5) of the *Payment Services Regulations* but not yet placed in a *relevant funds bank account*. The word 'safeguarding' should be included in account names wherever possible.
- 15.2.3 R A *safeguarding institution* that is also a *firm* subject to other chapters of CASS must ensure it has adequate policies and procedures in place to identify and determine under which activity it is holding *funds*.

Requirement to have adequate oversight

- 15.2.4 R A *safeguarding institution* must allocate to a single *director* or *senior manager* of sufficient skill and authority responsibility for:
- (1) oversight of the institution's operational compliance with the *relevant funds regime*; and
 - (2) reporting to the institution's *governing body* in respect of that oversight.

Allocation of relevant funds receipts

- 15.2.5 R (1) A *safeguarding institution* must allocate any *relevant funds* it receives to an individual *client*:
- (a) promptly and in a way that enables it to meet its obligations under the *Payment Services Regulations* and, where relevant, its obligations under the *Electronic Money Regulations*; and
 - (b) in any case, no later than the end of the *business day* following the *day* of receipt (or where, after the receipt of *funds*, it has identified that the *funds*, or some of them, are *relevant funds* under CASS 15.2.9R, no later than the end of the *business day* following that identification).
- (2) Pending a *safeguarding institution's* allocation of a *relevant funds* receipt to an individual *client* under (1), it must record the received *relevant funds* in its books and records as 'unallocated relevant funds'.
- 15.2.6 G CASS 15.2.1R requires a *safeguarding institution* to promptly identify the *client* to whom a *relevant funds* receipt relates. Once identified, the receipt of *relevant funds* must be recorded and allocated to the *client* in the *safeguarding institution's* accounts. Where the crediting of these accounts

amounts to the crediting of a *payment account*, it must be carried out within the time periods required by the *Payment Services Regulations*.

- 15.2.7 G Where the *safeguarding institution* receives *relevant funds* on behalf of a *payee* who does not have a *payment account* with the *safeguarding institution*, the *relevant funds* may need to be allocated immediately so that they can be made available to the *payee* immediately after they have been credited to the *safeguarding institution's* account in accordance with regulation 87 of the *Payment Services Regulations*.
- 15.2.8 G Where the receipt of *relevant funds* relates to the issuance of *electronic money*, the *relevant funds* may need to be allocated without delay so that the *safeguarding institution* can comply with its obligation to issue *electronic money* without delay under regulation 39 of the *Electronic Money Regulations*.

Unidentified receipts of funds

- 15.2.9 R If a *safeguarding institution* receives *funds* (whether in a *relevant funds bank account* or another account) which it is unable to immediately identify as *relevant funds* or other *funds*, it must:
- (1) take all necessary steps to identify the *funds* as either *relevant funds* or other *funds*; and
 - (2) record the *funds* in its books and records as 'unidentified relevant funds' while it performs the necessary steps under (1).
- 15.2.10 G CASS 15.2.5R and CASS 15.2.9R recognise that it might not always be possible to identify whether *funds* are *relevant funds* and, if they are, the *client* to which they relate. Where a *safeguarding institution* is able to identify that the *funds* have been received from a *client* to execute a *payment transaction* or in exchange for *electronic money* but is unable to identify the *client* entitled to the *funds* it has received (for example, because they do not have the correct *unique identifier*), the *funds* must still be treated as *relevant funds* and recorded as 'unallocated relevant funds'.
- 15.2.11 G If a *safeguarding institution* is unable to identify *funds* that it has received as either *relevant funds* or other *funds*, it should consider whether it would be appropriate to return the *funds* to the *person* who sent them (or, if that is not possible, to the source from where it was received – for example, the bank).
- 15.2.12 G A *safeguarding institution* should have regard to its obligations under the *Electronic Money Regulations* and *Payment Services Regulations* when considering whether to return funds under CASS 15.2.11G.
- 15.2.13 G Where a *payment service user* provides an incorrect *unique identifier*, the *safeguarding institution* will also need to consider the steps it is required to take under regulation 90 of the *Payment Services Regulations*.

15.3 The segregation method

- 15.3.1 G (1) The segregation method is the method of safeguarding *relevant funds* described in regulation 21 of the *Electronic Money Regulations* or regulations 23(5) to (11) of the *Payment Services Regulations*.
- (2) An effect of regulation 20(6) of the *Electronic Money Regulations* is that where an *electronic money institution* or *credit union* receives *relevant funds* for the execution of *payment transactions* that are not related to the issuance of *electronic money*, it must keep those *funds* segregated from *relevant funds* relating to the issuance of *electronic money*.

Mixed remittance

- 15.3.2 R A *safeguarding institution* that receives *mixed remittances* must maintain a written policy for the purpose of demonstrating its approach to complying with regulation 20(3) of the *Electronic Money Regulations* and regulation 23(2) of the *Payment Services Regulations*.

Segregation in a different currency

- 15.3.3 R A *safeguarding institution* that segregates *relevant funds* in a different currency from that in which they were received or in which the *safeguarding institution* is liable to the relevant *client* must ensure that the amount held is adjusted each *day* on which it performs an *internal safeguarding reconciliation* to an amount at least equal to the original currency amount (or currency in which the *safeguarding institution* has its liability to its *clients*, if different), calculated at the previous *day's* closing spot exchange rate.

15.4 Segregation: secure, liquid assets

- 15.4.1 G (1) Regulation 21(2)(b) of the *Electronic Money Regulations* provides that *safeguarding institutions* may invest *relevant funds* received in exchange for *electronic money* in secure, liquid, low-risk assets. Assets are liquid if approved as such by the *FCA*.
- (2) Regulation 23(6)(b) of the *Payment Services Regulations* provides that *safeguarding institutions* may invest *relevant funds* received for the execution of payment transactions unrelated to the issuance of *electronic money* in such secure, liquid assets as the *FCA* may approve.
- 15.4.2 G Subject to CASS 15.4.3G, the *FCA* has approved the following assets for the purposes of regulation 21(2)(b) of the *Electronic Money Regulations* and regulation 23(6)(b) of the *Payment Services Regulations*:
- (1) items that fall into one of the categories set out in Article 114 of the *UK CRR* for which the specific risk capital charge is no higher than 0%; or

- (2) units in a *UCITS* which invests solely in the assets in (1).
- 15.4.3 G The *FCA* may, in exceptional circumstances, determine that an asset falling within *CASS* 15.4.2G is not secure and liquid.
- 15.4.4 R Where a *safeguarding institution* wishes to seek approval of assets that do not fall within *CASS* 15.4.2G, it must submit an application in writing to the *FCA* that demonstrates:
- (1) how the consumer protection objective of safeguarding will be met by investing in the assets in question; and
 - (2) how liquidity risks will be managed.
- 15.4.5 R A *safeguarding institution* must take reasonable steps to ensure that investment in *relevant assets* conforms with the general principles and conditions in *CASS* 15.4.6R and *CASS* 15.4.7R.
- 15.4.6 R The general principles which must be followed are:
- (1) there must be a suitable spread of *investments*;
 - (2) investments must be made in accordance with an appropriate liquidity strategy;
 - (3) the investments must be in accordance with an appropriate credit risk policy;
 - (4) any foreign exchange risks must be prudently managed; and
 - (5) the policies and procedures for complying with the general principles in (1) to (4) must be reviewed at least annually.
- 15.4.7 R The general conditions which must be satisfied in the segregation of *relevant assets* are:
- (1) subject to (2), any redemption of an *investment* must be by payment into a *relevant funds bank account* of the *safeguarding institution*; and
 - (2) where a *safeguarding institution* appoints a third party to manage the *relevant assets*, the mandate should provide for the proceeds from the sale of any *relevant assets* to be promptly reinvested in other *relevant assets* or paid into the *safeguarding institution's relevant funds bank account*.

Appointment of a third party to manage relevant assets

- 15.4.8 R A *safeguarding institution* may only appoint a third party to manage *relevant assets* if the third party is a *firm* with *permission* to carry out the *regulated activity* of *managing investments*.

- 15.4.9 R A *safeguarding institution* that appoints a third party to manage *relevant assets* must:
- (1) exercise all due skill, care and diligence in the selection, appointment, and periodic review of the third party and the arrangements for managing the *relevant assets*;
 - (2) ensure that the mandate given to the third party prevents the third party from making investment decisions that are inconsistent with the *Electronic Money Regulations*, the *Payment Services Regulations* or the requirements in this chapter; and
 - (3) ensure that the arrangements with the third party require the third party to provide the *safeguarding institution* with information on the number of *relevant assets* held. Such information should be provided or made available at least every *business day* and relate to the close of business on the previous *business day*.
- 15.4.10 R When a *safeguarding institution* makes the selection, the appointment and conducts the periodic review of the third party it must take into account the expertise and market reputation of the third party with a view to ensuring the protection of *clients'* rights.
- 15.4.11 R (1) A *safeguarding institution* must make a record of:
- (a) the grounds upon which it satisfies itself as to the appropriateness of its selection and appointment of a third party under CASS 15.4.8R and CASS 15.4.9R; and
 - (b) each periodic review of its selection and appointment of a third party under CASS 15.4.8R, its considerations and conclusions.
- (2) A record under (1) must be made on the date the selection is made or the review completed (as the case may be).
- 15.4.12 R A *safeguarding institution* that appoints a third party pursuant to CASS 15.4.8R remains responsible for ensuring that the *relevant funds* are only invested in accordance with the *relevant funds regime*.
- 15.4.13 G A *safeguarding institution* is not required to appoint a third party to manage *relevant assets* but, if it does, it must comply with CASS 15.4.8R.

15.5 The insurance or guarantee method

Application

- 15.5.1 R This section applies when a *safeguarding institution* elects to protect some or all *relevant funds* using the *insurance or guarantee method*.

Using an insurance policy

- 15.5.2 R A *safeguarding institution* can protect *relevant funds* through an insurance policy if the policy complies with the conditions in CASS 15.5.4R.

Using a guarantee

- 15.5.3 R A *safeguarding institution* can protect *relevant funds* through a guarantee if the guarantee complies with the conditions in CASS 15.5.4R.

General conditions: insurance policy and guarantee

- 15.5.4 R The conditions are:

- (1) the proceeds of the insurance policy or guarantee must be payable upon an *insolvency event* of the *safeguarding institution*;
- (2) there must be no condition or restriction on the prompt paying out of the insurance or guarantee, other than the certification of the *insolvency event*;
- (3) a certification requirement for the purposes of (2) must be no more onerous than is practically necessary;
- (4) the terms of the insurance policy or guarantee must provide for the proceeds of the insurance policy or guarantee to be promptly paid into a *relevant funds bank account* of the *safeguarding institution*; and
- (5) the terms of the insurance policy or guarantee must not permit or enable the provider to cancel the policy or guarantee prior to its expiry, unless:
 - (a) such cancellation is due to the non-payment of the premium; and
 - (b) the provider has given the *safeguarding institution* and the FCA at least 3 *months*' notice of its decision to cancel the policy or guarantee.

- 15.5.5 G (1) An effect of CASS 15.5.4R is that the insurance policy or guarantee must pay out the full amount of any claim regardless of why the *insolvency event* occurs. This includes, but is not limited to, where the *insolvency event* is caused by:
- (a) any fraud or negligence on the part of the *safeguarding institution* or any of its directors, employees or agents; or
 - (b) something outside the control of the *safeguarding institution*.
- (2) CASS 15.5.4R also means that there must be no level below which the insurance policy or guarantee does not pay out.

- (3) CASS 15.5.4R(4) requires the proceeds of an insurance policy or guarantee to be payable into a *relevant funds bank account*. In practice, this means that the *safeguarding institution* will need to maintain such an account at least for the full term of the insurance policy or guarantee.

15.5.6 G A *safeguarding institution* may use more than one insurance policy or guarantee, or a combination of insurance policies and guarantees. However, the effect of the condition in CASS 15.5.4R(2) is that the terms of each insurance policy or guarantee must not enable the insurer or guarantor to refuse to pay out, in whole or in part, on the basis that *relevant funds* are covered by another insurer or guarantor.

Notification

15.5.7 R A *safeguarding institution* must notify the FCA at least 2 months before it intends to:

- (1) rely on the *insurance or guarantee method* for the first time;
- (2) change the amount of cover provided by its insurance policies or guarantees; or
- (3) change its insurer or guarantor.

15.5.8 R The notification under CASS 15.5.7R must set out:

- (1) the *person* providing the insurance policy or guarantee;
- (2) how the insurance policy or guarantee complies with the conditions in CASS 15.5.4R;
- (3) when the insurance policy or guarantee expires, and if it renews automatically;
- (4) whether the *safeguarding institution* has alternative arrangements in place instead of renewal;
- (5) an assessment by the *safeguarding institution* as to whether the use of the *insurance or guarantee method* or the change to the safeguarding arrangements will lead to any increase in operational risk;
- (6) an explanation of how the assessment in (5) was carried out; and
- (7) a statement as to how the *safeguarding institution* will mitigate any increased operational risk.

15.5.9 G The assessment referred to in CASS 15.5.8R(5) should consider operational risks such as:

- (1) the insurance policy or guarantee not being extended or renewed, and the *safeguarding institution* not:
 - (a) being able to find an alternative insurer or guarantor; or
 - (b) having sufficient liquid assets to safeguard using the *segregation method* on the expiry of the insurance policy or guarantee; and
- (2) adverse impacts on the institution's short-term liquidity caused by restrictions on accessing *funds* that would otherwise be available if they were protected using the *segregation method*, contrary to regulation 6(5) of the *Electronic Money Regulations* and regulation 6(6) of the *Payment Services Regulations*.

Expiration of the insurance policy or guarantee

- 15.5.10 R A *safeguarding institution* must:
- (1) decide whether it intends to continue to use the *insurance or guarantee method* in good time and at least 3 *months* before the expiry of its existing insurance policy or guarantee; and
 - (2) notify the *FCA* of its decision.
- 15.5.11 G If a *safeguarding institution* decides to continue to use the *insurance or guarantee method*, but there are changes to the insurer or guarantor, or to the amount of the cover, it will also need to comply with CASS 15.5.7R.
- 15.5.12 G A *safeguarding institution* should decide whether to continue using the *insurance or guarantee method* in good time before the expiry of the policy or guarantee. In practice, this means that a decision should be made while there is sufficient time to enable the *safeguarding institution* to make alternative arrangements to meet its obligations to customers. The greater the amount of cover provided by the *insurance or guarantee method*, the sooner a decision should be made. The *safeguarding institution* should keep the *FCA* informed at all stages in accordance with *Principle 11*.
- 15.5.13 R CASS 15.5.14R applies where a *safeguarding institution*:
- (1) has less than 3 *months* remaining on an insurance policy or guarantee taken out for the purposes of safeguarding by the *insurance or guarantee method*; and
 - (2) does not have a replacement for, or renewal of, the insurance policy or guarantee in place.
- 15.5.14 R The *safeguarding institution* must:
- (1) make a plan as to how it will use the *segregation method* to safeguard the *funds* that would have been protected by the insurance policy or

guarantee if that policy or guarantee had been renewed or replaced;
and

(2) provide the *FCA* with the plan referred to in (1).

15.5.15 G If the *safeguarding institution* is a *small payment institution*, *small electronic money institution* or a *credit union* that voluntarily safeguards under regulation 23 of the *Payment Services Regulations* (including as applied by regulation 20(6) of the *Electronic Money Regulations*) it may, alternatively, cancel its election to safeguard.

15.5.16 G (1) If a *safeguarding institution* is unable to use the *segregation method* to protect *funds* that were previously covered by an insurance policy or guarantee, it should consider its financial position and take any appropriate steps (such as placing itself into administration) in good time before the lapse of the policy or guarantee so that a claim can be made.

(2) Where a *safeguarding institution* is required to safeguard, it is a condition of its authorisation or registration that it takes adequate measures for the purpose of doing so. If it does not have adequate measures in place to protect *relevant funds* in good time before the expiry of an insurance policy or guarantee, the *FCA* may consider whether it is appropriate to use its supervision powers to protect the interests of *clients*, including, but not limited to, its powers to apply to court to appoint an insolvency practitioner.

15.6 Selection and appointment of third parties

15.6.1 R (1) A *safeguarding institution* must exercise all due skill, care and diligence:

- (a) in the selection, appointment, and periodic review of third parties that provide:
 - (i) accounts where *relevant funds* are received, deposited or otherwise held;
 - (ii) accounts where *relevant assets* are deposited or otherwise held; or
 - (iii) insurance or a guarantee for the purpose of the *insurance or guarantee method*; and
- (b) in the arrangements for the holding or protection of *relevant funds* or *relevant assets*.

(2) The *safeguarding institution* must consider the need for diversification as part of its due diligence under (1).

- 15.6.2 G *Safeguarding institutions* should ensure that their consideration of a third party focuses on the specific legal entity in question and not simply that *person's group* as a whole.
- 15.6.3 R When a *safeguarding institution* makes the selection, the appointment and conducts the periodic review of a third party, it must take into account:
- (1) the expertise and market reputation of the third party with a view to ensuring the protection of *clients' rights*; and
 - (2) any legal or regulatory requirements or market practices relating to the holding of *relevant funds* or *relevant assets* or the provision of insurance or a guarantee that could adversely affect *clients' rights*.
- 15.6.4 G In complying with CASS 15.6.3R, a *safeguarding institution* should consider, as appropriate, together with any other relevant matters:
- (1) the capital of the third party;
 - (2) the amount of *relevant funds* or *relevant assets* placed, insured or guaranteed as a proportion of the third party's capital and (where relevant) *deposits*;
 - (3) the extent to which *relevant funds* or *relevant assets* that the *safeguarding institution* deposits or holds with any third party would be protected under a deposit protection scheme or other compensation scheme;
 - (4) the creditworthiness of the third party;
 - (5) to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the third party and *affiliated companies*; and
 - (6) the arrangements referred to in CASS 15.2.1R (Protection of relevant funds).
- 15.6.5 R A *safeguarding institution* must:
- (1) periodically review whether it is appropriate to diversify (or further diversify) the third parties with which it deposits, holds, invests, insures or guarantees some or all of the *relevant funds* it is required to safeguard; and
 - (2) whenever it concludes that it is appropriate to do so, make adjustments accordingly to the third parties it uses and to the amounts of *relevant funds* or *relevant assets* deposited or held with them or covered by them.

- 15.6.6 G In complying with the requirement in CASS 15.6.5R to periodically review whether diversification (or further diversification) is appropriate, a *safeguarding institution* should have regard to:
- (1) whether it would be appropriate to deposit *relevant funds* in *relevant funds bank accounts* opened at a number of different *approved banks*;
 - (2) whether it would be appropriate to limit the amount of *relevant funds* or *relevant assets* the *safeguarding institution* holds with third parties that are in the same *group* as each other;
 - (3) whether risks arising from the *safeguarding institution's* business model create any need for diversification (or further diversification);
 - (4) the market conditions at the time of the review;
 - (5) the outcome of any due diligence carried out in accordance with CASS 15.6.1R; and
 - (6) the arrangements referred to in CASS 15.2.1R (Protection of relevant funds).
- 15.6.7 R (1) A *safeguarding institution* must make a record of:
- (a) the grounds upon which it satisfies itself as to the appropriateness of its selection and appointment of a third party under CASS 15.6.1R;
 - (b) each periodic review of its selection and appointment of a third party under CASS 15.6.1R, its considerations and conclusions; and
 - (c) each periodic review that it conducts under CASS 15.6.5R, its considerations and conclusions.
- (2) A record under (1) must be made on the date the selection is made or the review completed (as the case may be).

15.7 Acknowledgement letters

- 15.7.1 G The main purposes of an *acknowledgement letter* are:
- (1) to put third parties on notice of a *safeguarding institution's client's* interests in *relevant funds* or *relevant assets* that have been deposited or invested with them;
 - (2) to ensure that a *relevant funds bank account* or *relevant assets account* has been opened in accordance and in compliance with the *relevant funds regime*, and is distinguished from any account containing *funds* or assets that are not *relevant funds* or *relevant assets*; and

- (3) to ensure that a third party understands and agrees that it will not have any recourse or right against *funds* or assets standing to the credit of a *relevant funds bank account* or *relevant assets account* in respect of any liability of the *safeguarding institution* to the third party (or a *person* connected to the third party), except to the extent provided for by the *Electronic Money Regulations* or the *Payment Services Regulations*, as the case may be.

Requirement for, and content of, safeguarding account acknowledgement letters

- 15.7.2 R CASS 15.7.3R does not apply to the type of *relevant funds bank account* specified in regulation 21(4A) of the *Electronic Money Regulations* or regulation 23(9) of the *Payment Services Regulations* (Bank of England settlement accounts).
- 15.7.3 R For each *relevant funds bank account*, a *safeguarding institution* must complete and sign a *safeguarding account acknowledgement letter* clearly identifying the *relevant funds bank account* and send it to the *approved bank* with which the *relevant funds bank account* is, or will be, opened, requesting the bank to acknowledge and agree to the terms of the letter by countersigning it and returning it to the *safeguarding institution*.
- 15.7.4 R For each *relevant assets account*, a *safeguarding institution* must complete and sign a *safeguarding account acknowledgement letter* clearly identifying the *relevant assets account* and send it to the *firm* with which the *relevant assets account* is, or will be, opened, requesting the *firm* to acknowledge and agree to the terms of the letter by countersigning it.

Safeguarding account acknowledgement letters template

- 15.7.5 R In drafting *acknowledgement letters* under CASS 15.7, a *safeguarding institution* must use the template in CASS 15 Annex 1.
- 15.7.6 R When completing an *acknowledgement letter*, a *safeguarding institution*:
 - (1) must not amend any of the *acknowledgement letter fixed text*;
 - (2) subject to (3), must ensure the *acknowledgement letter variable text* is removed, included or amended as appropriate; and
 - (3) must not amend any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*.
- 15.7.7 G CASS 15 Annex 2 contains *guidance* on using the template for *acknowledgement letters*, including *guidance* on when and how *safeguarding institutions* should amend the *acknowledgement letter variable text* that is in square brackets.

Countersignature of safeguarding account acknowledgement letters

- 15.7.8 R (1) If, on countersigning and returning the *acknowledgement letter* to a *safeguarding institution*, the relevant *person* has also made amendments to:
- (a) any of the *acknowledgement letter fixed text*; or
 - (b) any of the *acknowledgement letter variable text* in a way that would alter or otherwise change the meaning of the *acknowledgement letter fixed text*,
- the *acknowledgement letter* will have been inappropriately redrafted and no longer comply with CASS 15.7.6R.
- (2) Amendments made to the *acknowledgement letter variable text* in the *acknowledgement letter* returned to a *safeguarding institution* by the relevant *person* will not have the result that the letter has been inappropriately redrafted if those amendments:
- (a) do not affect the meaning of the *acknowledgement letter fixed text*;
 - (b) have been specifically agreed with the *safeguarding institution*; and
 - (c) do not cause the *acknowledgement letter* to be inaccurate.
- 15.7.9 R A *safeguarding institution* must use reasonable endeavours to ensure that any *individual* that has countersigned an *acknowledgement letter* that has been returned to the *safeguarding institution* was authorised to countersign the letter on behalf of the relevant *person*.
- 15.7.10 R A *safeguarding institution* must retain each countersigned *acknowledgement letter* it receives from the date of receipt until the expiry of a period of 5 years starting on the date on which the last account to which the *acknowledgement letter* relates is closed.
- 15.7.11 R A *safeguarding institution* must also retain any other documentation or evidence it believes is necessary to demonstrate that it has complied with each of the applicable requirements in this section (such as any evidence it has obtained to ensure that the *individual* that has countersigned an *acknowledgement letter* that has been returned to the *safeguarding institution* was authorised to countersign the letter on behalf of the relevant *person*).
- Review and replacement of safeguarding account acknowledgement letters
- 15.7.12 R A *safeguarding institution* must periodically (at least annually, and whenever it becomes aware that something referred to in an *acknowledgement letter* has changed) review each of its countersigned *acknowledgement letters* to ensure that they remain accurate.

- 15.7.13 R Whenever a *safeguarding institution* finds a countersigned *acknowledgement letter* contains an inaccuracy, the *safeguarding institution* must promptly draw up a replacement *acknowledgement letter* and request that the new *acknowledgement letter* is duly countersigned and returned by the relevant *person*.
- 15.7.14 G Under CASS 15.7.13R, a *safeguarding institution* should draw up a replacement *acknowledgement letter* whenever:
- (1) there has been a change in any of the parties' names or addresses or a change in any of the details of the relevant account(s) as set out in the letter; or
 - (2) it becomes aware of an error or misspelling in the letter.
- 15.7.15 R If a *safeguarding institution's relevant funds bank account* or *relevant assets account* is transferred to another *person*, the *safeguarding institution* must promptly draw up a new *acknowledgement letter* under CASS 15.7 and request that the new *acknowledgement letter* is duly countersigned and returned by the relevant *person*.

15.8 Records, accounts and reconciliations

Policies and procedures

- 15.8.1 R A *safeguarding institution* must establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the *safeguarding institution* (including in relation to any services provided through an *agent* or *electronic money distributor*) with the *relevant funds regime*.
- 15.8.2 G In complying with the requirement in CASS 15.8.1R, a *safeguarding institution* should establish and maintain policies and procedures that include (but are not limited to):
- (1) the frequency and method of the reconciliations the *safeguarding institution* is required to carry out under this section;
 - (2) the resolution of reconciliation discrepancies under this section; and
 - (3) the frequency at which the *safeguarding institution* is required to review its arrangements in compliance with this chapter.

Records and accounts

- 15.8.3 R (1) A *safeguarding institution* must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish between *relevant funds* and other *funds*.
- (2) Where an *electronic money institution* or *credit union* provides payment services that are unrelated to the issuance of *electronic*

money, the provisions of CASS 15.8 shall be read as if they apply separately to the institution's *unrelated payment services asset pool* and to its *electronic money asset pool*.

- 15.8.4 G An effect of CASS 15.8.3R(1) is that a *safeguarding institution* that provides services that are not *payment services* or the issuance of *electronic money* must ensure it has adequate policies and procedures in place to identify and determine when it is holding *relevant funds* and when it is holding or in receipt of *funds* relating to its other activities.
- 15.8.5 G The effect of CASS 15.8.3R(2) includes that:
- (1) the *safeguarding institution* will need to carry out a separate reconciliation of its *unrelated payment services asset pool* and of its *electronic money asset pool*; and
 - (2) an *electronic money institution* or *credit union* must ensure it has adequate policies and procedures to distinguish between *relevant funds* received or held for the provision of payment services unrelated to the issuance of *electronic money* and *relevant funds* it receives in exchange for *electronic money*.
- 15.8.6 R A *safeguarding institution* must maintain its records and accounts in a way that ensures their accuracy and, in particular, their correspondence to the *relevant funds* held for *clients*.
- 15.8.7 G (1) The requirements in CASS 15.8.3R and CASS 15.8.6R are for a *safeguarding institution* to keep internal records and accounts of *relevant funds*. Therefore, any records falling under those requirements should be maintained by the *safeguarding institution* and are separate to any records the *safeguarding institution* may obtain from any third parties, such as those with which it may have deposited *relevant funds*.
- (2) A *safeguarding institution* may use data that is received from third parties for the purpose of creating and maintaining such records where no other method could reasonably be employed (for example, where funds are applied automatically to client balances via application programming interfaces).
 - (3) A *safeguarding institution's* records must cover all *relevant funds* held by an institution, including those not held in *relevant funds bank accounts*.
- 15.8.8 R (1) A *safeguarding institution* must maintain records so that it is able to determine the total amount of *relevant funds* it should be holding for each of its *clients* promptly and at any time.
- (2) A *safeguarding institution* must ensure that its records are sufficient to show and explain its transactions and commitments for its *relevant funds*.

- (3) Unless otherwise stated, a *safeguarding institution* must ensure that any record made under this chapter is retained for a period of 5 years starting from the later of:
 - (a) the date it was created; or
 - (b) if it has been modified since the date it was created, the date it was most recently modified.

- 15.8.9 R For each *internal safeguarding reconciliation* and *external safeguarding reconciliation* the *safeguarding institution* conducts, it must ensure that it records:
- (1) the time and date it carried out the relevant process;
 - (2) the actions it took in carrying out the relevant process;
 - (3) the outcome of its calculation of its *safeguarding requirement* and, where relevant, *safeguarding resource*; and
 - (4) where relevant, the outcome of its comparison of its *D+1 segregation requirement* and *D+1 segregation resource*.

Internal safeguarding reconciliations

- 15.8.10 R An *internal safeguarding reconciliation* requires a *safeguarding institution* to carry out a reconciliation of its internal records and accounts:
- (1) to check whether:
 - (a) its *safeguarding resource* was equal to its *safeguarding requirement*, as at the reconciliation point (see CASS 15.8.21R); and
 - (b) the amount of *relevant funds* and *relevant assets* it is required to hold in *relevant funds bank accounts* and *relevant assets accounts* is held in such accounts (see CASS 15.8.35R); and
 - (2) to promptly identify and resolve any discrepancies in accordance with CASS 15.8.50R and CASS 15.8.51R.
- 15.8.11 R A *safeguarding institution* that uses the *insurance or guarantee method* to protect *relevant funds* (whether alone or in combination with the *segregation method*) and does so using an insurance policy or guarantee that is unlimited in the amount of cover it provides:
- (1) does not need to carry out an *internal safeguarding reconciliation*; but
 - (2) must carry out a daily calculation of its *safeguarding requirement* and record:

- (a) the date it carried out the calculation;
 - (b) the actions the *safeguarding institution* took in carrying out the calculation; and
 - (c) the outcome of its calculation.
- 15.8.12 G Where an *electronic money institution* or *credit union* provides *payment services* that are unrelated to the issuance of *electronic money*, the provisions of CASS 15.8 apply to the *safeguarding institution's unrelated payment services asset pool* and *electronic money asset pool* separately, in line with CASS 15.8.3R(2).
- 15.8.13 R A *safeguarding institution* is not required to carry out the reconciliation described in CASS 15.8.10R(1)(b) (the comparison in CASS 15.8.35R) if all of its *relevant funds*:
 - (1) are held in a *relevant funds bank account*; or
 - (2) were, before the last *internal safeguarding reconciliation*, invested in *relevant assets*.
- 15.8.14 G The purpose of CASS 15.8.10R(1)(b) is to check that the right amount of *relevant funds* has been paid into a *relevant funds bank account* or invested in *relevant assets*. If all *relevant funds* are received into a *relevant funds bank account* or were invested in *relevant assets* before the last reconciliation, this step is not required.
- 15.8.15 R In carrying out an *internal safeguarding reconciliation*, a *safeguarding institution* must use the values contained in its internal records and ledgers (eg, the *payment accounts* it operates, its cash book or other internal accounting records) rather than the values contained in the records it has obtained from banks and other third parties with which it has placed *relevant funds* or *relevant assets* (eg, bank statements).
- 15.8.16 G In accordance with CASS 15.8.7G(2), CASS 15.8.15R does not prevent a *safeguarding institution* from using data obtained from third parties to create and maintain its internal records where no other method could reasonably be employed.
- 15.8.17 G An *internal safeguarding reconciliation* should:
 - (1) be one of the steps a *safeguarding institution* takes to arrange adequate protection for *relevant funds* when the *safeguarding institution* is responsible for them;
 - (2) be one of the steps a *safeguarding institution* takes to satisfy its obligations under regulation 27 of the *Electronic Money Regulations* or regulation 31 of the *Payment Services Regulations* (as the case may be) and CASS 15.2 (Organisational requirements: relevant funds) to ensure the accuracy of the *safeguarding institution's* records; and

- (3) check whether the amount of *relevant funds* recorded in the *safeguarding institution's* records as being safeguarded meets the *safeguarding institution's* obligations to its *clients* under the *relevant funds regime*.

Frequency of internal safeguarding reconciliations

- 15.8.18 R CASS 15.8.19R to CASS 15.8.23R do not apply to a *safeguarding institution* that has entered special administration under the *PEMII Regulations*.
- 15.8.19 R Subject to CASS 15.8.11R and CASS 15.8.23R, a *safeguarding institution* must perform an *internal safeguarding reconciliation* as frequently as necessary and no less than once each *reconciliation day*.
- 15.8.20 G CASS 15.8.19R requires a minimum of one *internal safeguarding reconciliation* to be performed each *reconciliation day*. It does not prevent a *safeguarding institution* from deciding it is appropriate to perform *internal safeguarding reconciliations* on *business days* that are not *reconciliation days* due to the nature, volume and complexity of its business.
- 15.8.21 R (1) A *safeguarding institution* must select reconciliation point(s) for every day on which it performs *internal safeguarding reconciliations*.
- (2) The reconciliation point(s) must be at the same time(s) for every *day* on which the *safeguarding institution* carries out *internal safeguarding reconciliations*.
- (3) Each *internal safeguarding reconciliation* must be based on the records of the *safeguarding institution* as at the corresponding reconciliation point.
- 15.8.22 R A *safeguarding institution* must record, as part of the policies and procedures required by CASS 15.8.1R:
- (1) the reconciliation point(s) referred to in CASS 15.8.21R; and
- (2) the frequency with which it performs *internal safeguarding reconciliations*.
- 15.8.23 R (1) Following an *insolvency event*, the *safeguarding institution* must:
- (a) perform an *internal safeguarding reconciliation* that relates to the time of the *insolvency event* as soon as reasonably practicable after the *insolvency event*; and
- (b) perform further *internal safeguarding reconciliations* as regularly as required under (2), based on the records of the *safeguarding institution* as at the close of business on the

business day before the *day* on which the reconciliation takes place.

- (2) A *safeguarding institution* must determine when and how often to perform an *internal safeguarding reconciliation* under (1)(b) so as to ensure that:
 - (a) the *safeguarding institution* remains in compliance with CASS 15.8.3R to CASS 15.8.9R (Records and accounts); and
 - (b) the correct amounts of *relevant funds* are returned to *clients*.

- 15.8.24 G (1) The reference point for the *internal safeguarding reconciliation* under CASS 15.8.23R(1)(a) should be the precise point in time at which the *insolvency event* occurred.
- (2) When a *safeguarding institution* decides whether it is necessary at any particular point in time to perform an *internal safeguarding reconciliation* under CASS 15.8.23R(1)(b), it should have particular regard to the need to maintain its books and accounts in order to ensure that its *asset pools* are correctly composed and maintained.
- (3) Depending on the circumstances of the *safeguarding institution* and the scale, frequency and nature of activity after an *insolvency event* that affects *relevant funds*, a *safeguarding institution* may conclude that it is necessary to perform *internal safeguarding reconciliations* each *business day* for a period of time after the *insolvency event*.

Internal safeguarding reconciliation: process

- 15.8.25 R In carrying out its *internal safeguarding reconciliation* a *safeguarding institution* may:
- (1) follow the *standard method of internal safeguarding reconciliation* set out in CASS 15.8.26R to CASS 15.8.35R; or
 - (2) if it complies with the requirements in CASS 15.8.37R and CASS 15.8.38R follow a *non-standard method of internal safeguarding reconciliation*.

Standard method of internal safeguarding reconciliation: safeguarding resource

- 15.8.26 R The *safeguarding resource* is the sum of:
- (1) the aggregate balance of *funds* held in the *safeguarding institution's relevant funds bank accounts* (less any *funds* that are not *relevant funds* held in an account of the type described in regulation 21(4A) of the *Electronic Money Regulations* or regulation 23(9) of the *Payment Services Regulations* (Bank of England settlement accounts)) ('item A');

- (2) the aggregate balance of *relevant funds* that have been segregated but not placed in a *relevant funds bank account* or invested in *relevant assets* ('item B');
- (3) the aggregate value of *relevant assets* held in the *safeguarding institution's relevant assets accounts* based on the *safeguarding institution's* records as at the close of business on the previous *business day* ('item C'); and
- (4) the aggregate value of *relevant funds* that the *safeguarding institution* has protected using the *insurance or guarantee method* ('item D').

15.8.27 G Item B should include all relevant funds that have been segregated but are not held in a *relevant funds bank account* – for example, funds held as cash, funds held by agents and funds held in a segregated account that is not a *relevant funds bank account*.

15.8.28 R In determining item C, a *safeguarding institution* must ensure that any valuation of the *relevant assets* is performed impartially and with all due skill, care and diligence.

Standard method of internal safeguarding reconciliation: safeguarding requirement

15.8.29 G The *safeguarding requirement* is the total amount a *safeguarding institution* is required to safeguard.

15.8.30 R The *safeguarding requirement* is the sum of:

- (1) *individual safeguarding balances* calculated in accordance with CASS 15.8.31R, ignoring any negative balances; and
- (2) any amounts received but unallocated to an individual *client* under CASS 15.2.5R (Allocation of relevant funds receipts).

Standard method of internal safeguarding reconciliation: individual safeguarding balance

15.8.31 R A *safeguarding institution* must calculate a *client's individual safeguarding balance* in a way which captures the total amount of all *funds* the *safeguarding institution* should be safeguarding for that *client*.

15.8.32 G A *safeguarding institution* may calculate either:

- (1) one *individual safeguarding balance* for each *client*, based on the totality of all the *payment services* or *electronic money* products provided to that *client*; or
- (2) multiple *individual safeguarding balances* for each *client*, based on the individual *payment services* or *electronic money* products provided to that *client*.

- 15.8.33 R When calculating an *individual safeguarding balance* for each *client*, a *safeguarding institution* must:
- (1) include:
 - (a) all *relevant funds* received by the *safeguarding institution* for the *client*; and
 - (b) any amounts credited to the *client's* account by the *safeguarding institution* (for example, interest due and payable to a *client* on a *payment account*); and
 - (2) deduct:
 - (a) any payments executed for the *client* (provided the *funds* have been paid to the *payee* or the *payee's payment service provider*);
 - (b) any *electronic money* that has been redeemed; and
 - (c) any sums due and payable by the *client* to the *safeguarding institution* (eg, any fees and charges which are due and, under the *framework contract*, may be deducted from the *funds* held by the *safeguarding institution*).

- 15.8.34 G For the purpose of CASS 15.8.33R(2)(c), a *safeguarding institution* must not take into account any payment or sums due and payable by the *client* to the extent those payments or sums create a negative balance on an account operated by the *safeguarding institution* for the *client*.

Standard method of internal safeguarding reconciliation: D+1 comparison

- 15.8.35 R In accordance with CASS 15.8.10R(1)(b), and subject to CASS 15.8.13R, a *safeguarding institution* must:
- (1) compare its:
 - (a) *D+1 segregation requirement*; and
 - (b) *D+1 segregation resource*; and
 - (2) promptly identify and resolve any discrepancies in accordance with CASS 15.8.51R.

Non-standard method of internal safeguarding reconciliation

- 15.8.36 R A *non-standard method of internal safeguarding reconciliation* is a method of *internal safeguarding reconciliation* which does not meet the requirements of the *standard method of internal safeguarding reconciliation*.

- 15.8.37 R (1) Before using a *non-standard method of internal safeguarding reconciliation*, a *safeguarding institution* must:
- (a) establish and document in writing its reasons for concluding that the method of *internal safeguarding reconciliation* it proposes to use will check whether:
 - (i) the amount of *relevant funds* recorded in the *safeguarding institution's* records as being safeguarded meets the *safeguarding institution's* obligation to its *clients* under the *relevant funds regime*; and
 - (ii) the amount of *relevant funds* recorded in the *safeguarding institution's* records as being held in a *relevant funds bank account* or invested in *relevant assets* and held in a *relevant assets account* meets the *safeguarding institution's* obligation to its *clients* under the *relevant funds regime*; and
 - (b) obtain a written report prepared by an independent auditor of the *safeguarding institution* in line with a *reasonable assurance engagement* and stating the matters set out in (2).
- (2) The written report in (1)(b) must state whether, in the auditor's opinion:
- (a) the method of *internal safeguarding reconciliation* which the *safeguarding institution* will use is suitably designed to enable it to check whether:
 - (i) the amount of *relevant funds* recorded in the *safeguarding institution's* records as being safeguarded meets the *safeguarding institution's* obligation to its *clients* under the *relevant funds regime*; and
 - (ii) the amount of *relevant funds* recorded in the *safeguarding institution's* records as being held in a *relevant funds bank account* or invested in *relevant assets* and held in a *relevant assets account* meets the *safeguarding institution's* obligation to its *clients* under the *relevant funds regime*; and
 - (b) the *safeguarding institution's* systems and controls are suitably designed to enable it to carry out the method of *internal safeguarding reconciliation* the *safeguarding institution* will use.
- (3) A *safeguarding institution* using a *non-standard method of internal safeguarding reconciliation* must not materially change its method of undertaking *internal safeguarding reconciliations* unless:

- (a) the *safeguarding institution* has established and documented in writing its reasons for concluding that the changed methodology will meet the requirements in (1)(a); and
- (b) an auditor of the *safeguarding institution* has prepared a report that complies with the requirements in (1)(b) and (2) in respect of the *safeguarding institution's* proposed changes.

- 15.8.38 R A *safeguarding institution* must take reasonable steps to ensure that the auditor it appoints to prepare the report in CASS 15.8.37R(1)(b) has the required skills, resources and experience to perform their functions under the *regulatory system* and:
- (1) is eligible for appointment as an auditor under Chapters 1, 2 and 6 of Part 42 of the Companies Act 2006;
 - (2) if appointed under an obligation in another enactment, is eligible for appointment as an auditor under that enactment; or
 - (3) in the case of an *overseas relevant institution*, is eligible for appointment as an auditor under any applicable equivalent laws of that country or territory.

External safeguarding reconciliations

- 15.8.39 R A *safeguarding institution* must conduct reconciliations between its internal records and accounts and those of:
- (1) the banks with which the *safeguarding institution* holds a *relevant funds bank account*;
 - (2) the *persons* with which the *safeguarding institution* holds any other account in which *relevant funds* are held; and
 - (3) the *authorised custodians* with which the *safeguarding institution* holds a *relevant assets account*, and any third party that manages *relevant assets* on behalf of the *safeguarding institution*.
- 15.8.40 G (1) The purpose of an *external safeguarding reconciliation* is to ensure the accuracy of a *safeguarding institution's* internal records and accounts against those of any third parties that hold *relevant funds* or hold or manage *relevant assets*.
- (2) The records used for *external safeguarding reconciliations* should, so far as possible, relate to the same point in time as the reconciliation point(s) used for *internal safeguarding reconciliations* (see CASS 15.8.21R).
- (3) If the records and accounts used for *external safeguarding reconciliations* cannot be aligned with the reconciliation point(s) referred to in (2), the policies and procedures referred to in CASS

15.8.1R should set out how the *safeguarding institution* will ensure its *external safeguarding reconciliations* achieve the purpose in (1).

Frequency of external safeguarding reconciliations

- 15.8.41 R CASS 15.8.42R does not apply to a *safeguarding institution* following an *insolvency event*.
- 15.8.42 R A *safeguarding institution* must perform an *external safeguarding reconciliation*:
- (1) as frequently as necessary and no less than once each *reconciliation day*; and
 - (2) as soon as reasonably practicable after the date to which the *external safeguarding reconciliation* relates.

Frequency of external safeguarding reconciliations after an insolvency event

- 15.8.43 R CASS 15.8.44R to CASS 15.8.46R do not apply to a *safeguarding institution* that has entered special administration under the *PEMII Regulations*.
- 15.8.44 R Following an *insolvency event*, a *safeguarding institution* must perform an *external safeguarding reconciliation* that relates to the time of the *insolvency event* as soon as reasonably practicable after the *insolvency event*, based on the next available statements or other forms of confirmation after the *insolvency event* from:
- (1) the banks with which the *safeguarding institution* holds a *relevant funds bank account*;
 - (2) the *persons* with which the *safeguarding institution* holds any other account in which *relevant funds* are held; and
 - (3) the *authorised custodians* with which the *safeguarding institution* holds a *relevant assets account*, and any third party that manages *relevant assets* on behalf of the *safeguarding institution*.
- 15.8.45 G The reference point for the *external safeguarding reconciliation* under CASS 15.8.44R should be the precise point in time at which the *insolvency event* occurred.
- 15.8.46 R When determining the frequency with which it will undertake further *external safeguarding reconciliations* after an *insolvency event*, a *safeguarding institution* must have regard to:
- (1) the frequency, number and value of transactions which the *safeguarding institution* undertakes in respect of *relevant funds*;
 - (2) the risks to which the *relevant funds* are exposed, such as the nature, volume and complexity of the *safeguarding institution's* activities

and where and with whom the *relevant funds* are held or invested;
and

- (3) the need to be able to verify that:
 - (a) *relevant funds* within an *asset pool* have not been incorrectly distributed, transferred or dissipated; and
 - (b) the proceeds of any payments and transactions that settle after the *insolvency event* and which involve *relevant funds* have been received correctly.

External safeguarding reconciliations: method

15.8.47 R An *external safeguarding reconciliation* requires a *safeguarding institution* to:

- (1) compare:
 - (a) the balance, currency by currency, as recorded by the *safeguarding institution*, with the balance on that account as set out in the most recent statement or other form of confirmation issued by the *person* with which those accounts are held, for:
 - (i) each *relevant funds bank account*; and
 - (ii) any other account in which *relevant funds* are held; and
 - (b) the quantity of *relevant assets, investment by investment*, as recorded by the safeguarding institution for each account held with an *authorised custodian*, with the quantity set out in the most recent statement or other form of confirmation issued by the *authorised custodian*; and
- (2) promptly identify and resolve any discrepancies between those balances in accordance with *CASS 15.8.56R* and *CASS 15.8.57R*.

15.8.48 G The reconciliation described in *CASS 15.8.47R(1)(b)* requires a *safeguarding institution* to reconcile the quantity of *relevant assets*, rather than the value of those assets. The *relevant assets* should be compared by asset type. For example, the *safeguarding institution* should compare its records of the number of units in a particular *UCITS* against the number of units as set out in the statements provided by the custodian of the units or issuer (as the case may be).

15.8.49 G Insurance policies and guarantees are not subject to the *external safeguarding reconciliation*. However, *safeguarding institutions* using the *insurance or guarantee method* are reminded of their obligations in *CASS 15.5* and the need to ensure that any insurance policy or guarantee provides appropriate cover at all times.

Reconciliation discrepancies

- 15.8.50 R When a discrepancy arises between a *safeguarding institution's safeguarding resource* and its *safeguarding requirement*, the *safeguarding institution* must determine the reason for the discrepancy and, subject to CASS 15.8.52R, ensure that:
- (1) any *shortfall* is paid into a *relevant funds bank account* or invested in *relevant assets* as soon as possible and, in any case, by the end of the *day* on which the reconciliation is performed; or
 - (2) any excess is withdrawn from an account holding *relevant funds* or *relevant assets*.
- 15.8.51 R (1) If a *safeguarding institution's D+I segregation resource* is lower than its *D+I segregation requirement*, the *safeguarding institution* must:
- (a) determine the reason for the discrepancy; and
 - (b) subject to CASS 15.8.52R, ensure that sufficient *relevant funds* are paid into a *relevant funds bank account* or invested in *relevant assets* to address the difference as soon as possible and, in any case, by the end of the *day* on which the reconciliation is performed.
- (2) If it is not possible to use *relevant funds* to comply with (1), the *safeguarding institution* must use its own funds to do so, even if this leads to a discrepancy between its *safeguarding requirement* and *safeguarding resource*.
- 15.8.52 R Following an *insolvency event*, a *safeguarding institution* is not required to make a payment, investment or withdrawal under CASS 15.8.50R or CASS 15.8.51R insofar as the legal procedure for the *insolvency event* restricts it from doing so.
- 15.8.53 G CASS 15.8.50R and CASS 15.8.51R set out some of the steps that a *safeguarding institution* must carry out to ensure that it is segregating the right amount of *relevant funds*, and that it is holding the right amount of *relevant funds* in *relevant funds bank accounts* or as *relevant assets*. Where discrepancies are identified, *safeguarding institutions* are required to make payments, investments or withdrawals to remedy those discrepancies.
- 15.8.54 G CASS 15.8.51R(2) makes provision for a *safeguarding institution* that has a deficiency in its *D+I segregation resource* but is unable to access *relevant funds* to remedy it. Such lack of access could be, for example, because of a delay in the release of *relevant funds* by a third party. In such circumstances, the *safeguarding institution* must top-up the shortfall from its own *funds*, even where this leads to a surplus in the *safeguarding resource*. The discrepancy will be resolved by subsequent reconciliations.

- 15.8.55 G Where the discrepancy identified under CASS 15.8.50R or CASS 15.8.51R has arisen as a result of a breach of the requirements in this chapter, the *safeguarding institution* should ensure it takes sufficient steps to avoid a reoccurrence of that breach.
- 15.8.56 R If any discrepancy is identified by an *external safeguarding reconciliation*, the *safeguarding institution* must investigate the reason for the discrepancy and take all reasonable steps to resolve it without undue delay, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and that of the *safeguarding institution*.
- 15.8.57 R If a *safeguarding institution* is unable to immediately resolve a discrepancy identified by an *external safeguarding reconciliation*, and one record or set of records examined by the *safeguarding institution* during its *external safeguarding reconciliation* indicates that there is a need to have a greater amount of *relevant funds* or *relevant assets* than is the case, the *safeguarding institution* must assume, until the matter is finally resolved, that that record or set of records is accurate and, subject to CASS 15.8.58R, pay its own *funds* into a *relevant funds bank account* or invest them in *relevant assets*.
- 15.8.58 R Following an *insolvency event*, a *safeguarding institution* is not required to pay its own *funds* into a *relevant funds bank account* or invest them in *relevant assets* under CASS 15.8.57R insofar as the legal procedure for the *insolvency event* restricts it from doing so.
- 15.8.59 G (1) CASS 15.8.52R and CASS 15.8.58R recognise that, following an *insolvency event*, a *safeguarding institution* is required to investigate discrepancies, but the extent to which it is able to resolve discrepancies may be limited by insolvency law, for example.
- (2) CASS 15.8.52R and CASS 15.8.58R would not prevent any transfers being made in accordance with regulations 13 or 14 of the *PEMII Regulations*.

Notification requirements

- 15.8.60 R A *safeguarding institution* must inform the *FCA* in writing without delay if:
- (1) its internal records and accounts of *relevant funds* are materially out of date, inaccurate or invalid so that the *safeguarding institution* is no longer able to comply with the requirements in CASS 15.8.3R, CASS 15.8.6R or CASS 15.8.8R(1);
 - (2) it will be unable to, or materially fails to, conduct an *internal safeguarding reconciliation* in compliance with CASS 15.8.10R and CASS 15.8.19R;
 - (3) it will be unable to, or materially fails to, pay any shortfall into a *relevant funds bank account* or invest it in *relevant assets*, or

withdraw any excess from an account holding *relevant funds* or *relevant assets* so that the *safeguarding institution* is unable to comply with CASS 15.8.50R or CASS 15.8.51R after having carried out an *internal safeguarding reconciliation*;

- (4) it will be unable to, or materially fails to, conduct an *external safeguarding reconciliation* in compliance with CASS 15.8.39R and CASS 15.8.42R;
- (5) it will be unable to, or materially fails to, identify and resolve any discrepancies under CASS 15.8.56R and CASS 15.8.57R after having carried out an *external safeguarding reconciliation*; or
- (6) it becomes aware that, at any time in the preceding 12 months, the amount of *relevant funds* safeguarded was materially different from the total aggregate amount of *relevant funds* the *safeguarding institution* was required to safeguard under the *Electronic Money Regulations* or the *Payment Services Regulations*.

15.8.61 G *Safeguarding institutions* are reminded that the auditor of the *safeguarding institution* must confirm in the report submitted to the FCA under SUP 3A.9 (Duties of auditors: notification and safeguarding report) whether the *safeguarding institution* has maintained systems adequate to enable it to comply with the *relevant funds regime*.

15 Annex 1 Safeguarding account acknowledgement letter template

15 Annex R
1.1

[*Editor's Note*: The use of italics in the following safeguarding account acknowledgement letter template indicate text to be completed in the template and are not indicative of terms in the Glossary of Definitions.]

[*Letterhead of safeguarding institution, including full name and address of safeguarding institution*]

[*name and address of approved bank or authorised custodian*]

[*date*]

Safeguarding Account Acknowledgement Letter (pursuant to the rules of the Financial Conduct Authority)

We refer to the following [account[s]] which [*name of safeguarding institution*], regulated by the Financial Conduct Authority (Firm Reference Number [FRN]), ('us', 'we' or 'our') [has opened or will open] [and/or] [has deposited or will deposit] with [*name of approved bank or authorised custodian*] ('you' or 'your'):

[insert the account title[s], the account unique identifier[s] (eg, sort code and account number, deposit number or reference code) and (if applicable) any abbreviated name of the account[s] as reflected in the firm's systems]

([collectively,] the 'Safeguarding Account[s]').

For [each of] the Safeguarding Account[s] identified above you acknowledge that we have notified you that:

- (1) we are under an obligation to keep [money] [or] [assets] we hold to meet the claims of our clients separate from other [money] [or] [assets];
- (2) we have opened, or will open, the Safeguarding Account for the purpose of depositing [money] [or] [assets] with you to meet the claims of our clients; and
- (3) we hold all [money] [or] [assets] standing to the credit of the Safeguarding Account to meet the claims of our clients.

For [each of] the Safeguarding Account[s] above you agree that:

- (4) you do not have any interest in, or recourse or right against [money] [or] [assets] in the Safeguarding Account in respect of any sum owed to you, or owed to any third party, on any other account (including an account we use for our own [money] [or] [assets]) except as permitted by [regulation 24(1) of the Electronic Money Regulations 2011] [or] [regulation 23(14) of the Payment Services Regulations 2017]. This means, for example, that you do not have any right to combine the Safeguarding Account[s] with any other account and any right of set-off or counterclaim against [money/assets] in the Safeguarding Account, except following an insolvency event (as defined in [regulation 22 of the Electronic Money Regulations 2011] [or] [regulation 23 of the Payment Services Regulations]), and:
 - (a) to the extent that the right of set-off or counterclaim relates to your fees and expenses in relation to the operation of the Safeguarding Account; or
 - (b) if all the claims of our clients have been paid;
- (5) you will title, or have titled, the Safeguarding Account as stated above and that this title is different to the title of any other account containing [money] [or] [assets] belonging to us or to any third party; and
- (6) you are required to release on demand all [money] [or] [assets] standing to the credit of the Safeguarding Account upon proper notice and instruction from us or a liquidator, receiver, administrator, or trustee (or similar person) appointed for us in bankruptcy (or similar procedure), in any relevant jurisdiction, except:

- (a) to the extent that you are exercising a right of set-off or security right as permitted by [regulation 24(1) of the Electronic Money Regulations 2011] [or] [regulation 23(14) of the Payment Services Regulations 2017]; or
- (b) until the fixed term expires, any amounts held under a fixed term deposit arrangement which cannot be terminated before the expiry of the fixed term,

provided that you have a contractual right to retain such [money] [or] [assets] under (a) or (b) and that this right is notwithstanding paragraphs (1) to (3) above and without breach of your agreement to paragraph (4) above.

We acknowledge that:

- (7) you are not responsible for ensuring compliance by us with our own obligations in respect of the Safeguarding Account[s].

You and we agree that:

- (8) the terms of this letter will remain binding upon the parties, their successors and assigns, and, for clarity, regardless of any change in any of the parties' names;
- (9) this letter supersedes and replaces any previous agreement between the parties in connection with the Safeguarding Account[s], to the extent that such previous agreement is inconsistent with this letter;
- (10) if there is any conflict between this letter and any other agreement between the parties over the Safeguarding Account[s], this letter will prevail;
- (11) no variation to the terms of this letter shall be effective unless it is in writing, signed by the parties and permitted under the rules of the Financial Conduct Authority;
- (12) this letter is governed by the laws of [*insert appropriate jurisdiction*] [*safeguarding institutions may optionally use this space to insert additional wording to record an intention to exclude any rules of private international law that could lead to the application of the substantive law of another jurisdiction*]; and
- (13) the courts of [*insert same jurisdiction as previous*] have non-exclusive jurisdiction to settle any dispute or claim from or in connection with this letter or its subject matter or formation (including non-contractual disputes or claims).

Please sign and return the enclosed copy of this letter as soon as possible.

For and on behalf of [*name of safeguarding institution*]

x _____

Authorised Signatory

Print Name:

Title:

ACKNOWLEDGED AND AGREED:

For and on behalf of [*name of bank/custodian*]

x _____

Authorised Signatory

Print Name:

Title:

Contact Information: [*insert signatory's phone number and email address*]

Date:

15 Annex 2 **Guidance notes for acknowledgement letters**

Introduction

- 15
Annex
2.1 G This annex contains guidance on the use of the template *acknowledgement letter* in CASS 15 Annex 1.

General

- 15
Annex
2.2 G Under CASS 15.7.3R and CASS 15.7.4R, *safeguarding institutions* are required to request duly signed and countersigned *acknowledgement letters* for their *relevant funds bank accounts* and *relevant assets accounts*.
- 15
Annex
2.3 G For each account a *safeguarding institution* is required to complete, sign and send to the *approved bank* or *authorised custodian* ('the counterparty') an *acknowledgement letter* identifying that account in the form set out in CASS 15 Annex 1 (Safeguarding account acknowledgement letter template).
- 15
Annex
2.4 G When completing an *acknowledgement letter* using the appropriate template, a *safeguarding institution* is reminded that it must not amend any of the text which is not in square brackets (*acknowledgement letter fixed text*). A *safeguarding institution* should also not amend the non-italicised text that is

in square brackets. It may remove or include square bracketed text from the letter, or replace bracketed and italicised text with the required information, in either case as appropriate. The notes below give further guidance on this.

Clear identification of relevant accounts

- 15
Annex
2.5
- G A *safeguarding institution* is reminded that for each *relevant funds bank account* or *relevant assets account* it needs to request an *acknowledgement letter*. As a result, it is important that it is clear to which account or accounts each *acknowledgement letter* relates. As a result, the template in CASS 15 Annex 1 requires that the *acknowledgement letter* includes the full title and at least one unique identifier, such as a sort code and account number, deposit number or reference code, for each account.
- 15
Annex
2.6
- G The title and unique identifiers included in an *acknowledgement letter* for an account should be the same as those reflected in both the records of the *safeguarding institution* and the relevant counterparty, as appropriate, for that account. Where a counterparty's systems are not able to reflect the full title of an account, that title may be abbreviated to accommodate that system, provided that:
- (1) the account may continue to be appropriately identified in line with the requirements of CASS 15 (for example, 'account' may be shortened to 'acct' etc); and
 - (2) when completing an *acknowledgement letter*, such letter must include both the long and short versions of the account title
- 15
Annex
2.7
- G A *safeguarding institution* should ensure that all relevant account information is contained in the space provided in the body of the *acknowledgement letter*. Nothing should be appended to an *acknowledgement letter*.
- 15
Annex
2.8
- G In the space provided in the template letter for setting out the account title and unique identifiers for each relevant account, a *safeguarding institution* may include the required information in the format of the following table:

[Editor's Note: The use of italics in the following table indicate text to be completed in the template and are not indicative of terms in the Glossary of Definitions.]

Full account title	Unique identifier	Title reflected in [<i>name of counterparty</i>] systems
[<i>Safeguarding Institution Relevant Funds Bank Account/Relevant Assets Account</i>]	[<i>00-00-00 12345678</i>]	[<i>SI Relevant Funds A/C</i>]

15
Annex
2.9 G Where an *acknowledgement letter* is intended to cover a range of accounts, some of which may not exist as at the date the *acknowledgement letter* is countersigned by the counterparty, a *safeguarding institution* should set out in the space provided in the body of the *acknowledgement letter* that it is intended to apply to all present and future accounts which:

- (1) are titled in a specified way; and
- (2) which possess a common unique identifier or which may be clearly identified by a range of unique identifiers (eg, all accounts numbered between XXXX1111 and ZZZZ9999).

For example, in the space provided in the template letter in CASS 15 Annex 1 which allows a *safeguarding institution* to include the account title and a unique identifier for each relevant account, a *safeguarding institution* should include a statement to the following effect:

[*Editor's Note:* The use of italics in the following table indicate text to be completed in the template and are not indicative of terms in the Glossary of Definitions.]

'Any account open at present or to be opened in the future which contains the term ['relevant funds'] [*insert appropriate abbreviation of the term 'relevant funds' as agreed and to be reflected in the approved bank's systems*] in its title and which may be identified with [the following [*insert common unique identifier*]] [an account number from and including [XXXX1111] to and including [ZZZZ9999]] [*clearly identify range of unique identifiers*].'

Signatures and countersignatures

15
Annex
2.10 G A *safeguarding institution* should ensure that each *acknowledgement letter* is signed and countersigned by all relevant parties and *individuals* (including where more than one signatory is required).

15
Annex
2.11 G An *acknowledgement letter* that is signed or countersigned electronically should not, for that reason alone, result in a breach of the rules in CASS 15.7. However, where electronic signatures are used, a *safeguarding institution* should consider whether, taking into account the governing law and choice of competent jurisdiction, it needs to ensure that the electronic signature and the certification by any person of such signature would be admissible as evidence in any legal proceedings in the relevant jurisdiction in relation to any question as to the authenticity or integrity of the signature or any associated communication.

Completing a safeguarding account acknowledgement letter

- 15
Annex
2.12 G A *safeguarding institution* should use at least the same level of care and diligence when completing an *acknowledgement letter* as it would in managing its own commercial agreements.
- 15
Annex
2.13 G A *safeguarding institution* should ensure that each *acknowledgement letter* is legible (eg, any handwritten details should be easy to read), produced on the *safeguarding institution's* own letter-headed paper, dated and addressed to the correct legal entity (eg, where the counterparty belongs to a group of companies).
- 15
Annex
2.14 G A *safeguarding institution* should also ensure each *acknowledgement letter* includes all the required information (such as account names and numbers, the parties' full names, addresses and contact information, and each signatory's printed name and title).
- 15
Annex
2.15 G A *safeguarding institution* should similarly ensure that no square brackets remain in the text of each *acknowledgement letter* (eg, after having removed or included square bracketed text, as appropriate, or having replaced square bracketed and italicised text with the required information as indicated in the template in CASS 15 Annex 1) and that each page of the letter is numbered.
- 15
Annex
2.16 G A *safeguarding institution* should complete an *acknowledgement letter* so that no part of the letter can be easily altered (eg, the letter should be signed in ink rather than pencil).
- 15
Annex
2.17 G In respect of the *acknowledgement letter's* governing law and choice of competent jurisdiction (see paragraphs (12) and (13) of the template *acknowledgement letter* in CASS 15 Annex 1), a *safeguarding institution* should agree with the counterparty and reflect in the letter that the laws of a particular jurisdiction will govern the *acknowledgement letter* and that the courts of that same jurisdiction will have jurisdiction to settle any disputes arising out of, or in connection with, the *acknowledgement letter*, its subject matter or formation.
- 15
Annex
2.18 G If a *safeguarding institution* does not, in any *acknowledgement letter*, utilise the governing law and choice of competent jurisdiction that is the same as either or both:
- (1) the laws of the jurisdiction under which either the *safeguarding institution* or the counterparty are organised; or
 - (2) as is found in the underlying agreement/s (eg, banking services agreement) with the relevant counterparty,
- the institution should consider whether it is at risk of breaching CASS 15.6.1R or CASS 15.6.3R.

Authorised signatories

- 15
Annex
2.19 G A *safeguarding institution* is required under CASS 15.7.9 to use reasonable endeavours to ensure that any *individual* that has countersigned an *acknowledgement letter* returned to the *safeguarding institution* was authorised to countersign the letter on behalf of the relevant counterparty.
- 15
Annex
2.20 G If an *individual* that has countersigned an *acknowledgement letter* does not provide the *safeguarding institution* with sufficient evidence of their authority to do so, the *safeguarding institution* is expected to make appropriate enquiries to satisfy itself of that *individual's* authority.
- 15
Annex
2.21 G Evidence of an *individual's* authority to countersign an *acknowledgement letter* may include a copy of the counterparty's list of authorised signatories, a duly executed power of attorney, use of a company seal or bank stamp, and/or material verifying the title or position of the *individual* countersigning the *acknowledgement letter*.
- 15
Annex
2.22 G A *safeguarding institution* should ensure it obtains at least the same level of assurance over the authority of an *individual* to countersign the *acknowledgement letter* as the *safeguarding institution* would seek when managing its own commercial arrangements.

Third party administrators

- 15
Annex
2.23 G If a *safeguarding institution* uses a third party administrator (TPA) to carry out the administrative tasks of drafting, sending and processing an *acknowledgement letter*, the text '[Signed by [*Name of Third Party Administrator*] on behalf of [*safeguarding institution*]]' should be inserted to confirm that the *acknowledgement letter* was signed by the TPA on behalf of the *safeguarding institution*.
- 15
Annex
2.24 G In these circumstances, the *safeguarding institution* should first provide the TPA with the requisite authority (such as a power of attorney) before the TPA will be able to sign the *acknowledgement letter* on the *safeguarding institution's* behalf. A *safeguarding institution* should also ensure that the *acknowledgement letter* continues to be drafted on letter-headed paper belonging to the *safeguarding institution*.

Naming

- 15
Annex
2.25 G A *safeguarding institution* must ensure that each of its accounts is designated in accordance with regulation 21(3)(a) of the *Electronic Money Regulations* and regulation 23(7)(a) of the *Payment Services Regulations*.
- 15
Annex
2.26 G All references to the term 'Relevant Funds Bank Account[s]' or 'Relevant Assets Account[s]' in an *acknowledgement letter* should also be made consistently in either the singular or plural, as appropriate.

Amend the following as shown.

TP 1 Transitional Provisions

TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
(16)	...	...	...	...	...
(17)	The changes to the <u>Glossary in Annex A</u> and to <u>CASS in Annex C of the Payment Services and Electronic Money (Safeguarding) Instrument 2025</u>	<u>R</u>	If an <u>insolvency event happens before the rules in column 2 come into force, the changes listed in column 2 do not apply to the safeguarding institution.</u>	<u>Indefinitely</u>	<u>7 May 2026</u>
(18)	<u>CASS 15.4.9R(1)</u> and <u>CASS 15.6.1R(1)</u>	<u>R</u>	If a <u>safeguarding institution has an appointment referred to in the rules in column (2) in place when those rules come into force, it must carry out a review of that appointment within 3 months of those rules coming into force.</u>	<u>Indefinitely</u>	<u>7 May 2026</u>
(19)	<u>CASS 15.5.2R</u> and <u>CASS 15.5.3R</u>	<u>R</u>	The <u>rules listed in column 2 do not apply to an insurance policy or guarantee obtained in accordance with regulation 22 of the Electronic Money Regulations and/or regulation 23 of the Payment Services Regulations, as</u>	<u>Indefinitely</u>	<u>7 May 2026</u>

			applicable, before <u>those rules</u> come into force. Those <u>rules</u> do apply to <u>any renewal or extension of the policy or guarantee.</u>		
(20)	<u>CASS 15.4.11R(1)(a) and CASS 15.6.7R(1)(a)</u>	<u>R</u>	The <u>rules</u> listed in column 2 do not apply to <u>appointments made before they come into force.</u>	<u>Indefinitely</u>	<u>7 May 2026</u>
(21)	<u>CASS 15.7.2R to CASS 15.7.11</u>	<u>R</u>	The <u>rules</u> listed in column 2 do not apply to an account for which a <u>safeguarding institution</u> has an <u>acknowledgement letter in the form set out in Annex 6 of the document titled 'Payment Services and Electronic Money – Our Approach' dated November 2024 (version 6) when they come into force.</u>	<u>Indefinitely</u>	<u>7 May 2026</u>
(22)	<u>CASS 15.7.12R to CASS 15.7.15R</u>	<u>R</u>	The <u>rules</u> listed in column 2 apply to <u>acknowledgement letters referred to in row (21) as they apply to acknowledgement letters referred to in CASS 15.7.</u>	<u>Indefinitely</u>	<u>7 May 2026</u>

Sch 1 Record keeping requirements

...

Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
CASS 10.1.3R	...	...	...	...
<u>CASS 10A.1.3R</u>	<u>A safeguarding institution's CASS resolution pack</u>	<u>The records set out in CASS 10A.2 and CASS 10A.3</u>	<u>When CASS 10A comes into force</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
...				
CASS 13.11.13R	...	...	...	...
<u>CASS 15.2.5R(2)</u>	<u>Unallocated relevant funds</u>	<u>Balance of unallocated relevant funds</u>	<u>Pending allocation of relevant funds to individual clients</u>	<u>Until relevant funds allocated to individual clients</u>
<u>CASS 15.2.9R(2)</u>	<u>Unidentified relevant funds</u>	<u>Balance of unidentified relevant funds</u>	<u>When a safeguarding institution is unable to identify whether funds are relevant funds</u>	<u>Until funds identified as either relevant funds or other funds</u>
<u>CASS 15.4.11R(1)</u>	<u>Use of third party to manage relevant assets</u>	<u>Grounds upon which the safeguarding institution chose the third party, and periodic reviews of appointment and selection</u>	<u>When selection made or review completed</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.6.7R(1)</u>	<u>Use of third parties for safeguarding purposes</u>	<u>Grounds upon which the safeguarding institution chose the third party, and periodic</u>	<u>When selection made or review completed</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>

		<u>reviews of appointment and selection</u>		
<u>CASS 15.7.10R</u>	<u>Acknowledgement letters</u>	<u>Countersigned acknowledgement letters</u>	<u>When received</u>	<u>Five years from when the last account the letter relates to is closed</u>
<u>CASS 15.7.11R</u>	<u>Requirements relating to acknowledgement letters</u>	<u>Documentation or evidence to demonstrate compliance with requirements</u>	<u>When identified</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.3R(1)</u>	<u>Relevant funds and other funds</u>	<u>Such records and accounts as are necessary to enable a safeguarding institution to distinguish between relevant funds and other funds</u>	<u>Maintain up to date records</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.8R(1)</u>	<u>Relevant funds</u>	<u>Such records as are sufficient to allow a safeguarding institution to determine the total amount of relevant funds it should be holding for each of its clients</u>	<u>Maintain up to date records</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.8R(3)</u>	<u>Default record keeping requirement for CASS 15</u>	<u>Refer to the rule concerned</u>	<u>Refer to the rule concerned</u>	<u>Five years from the later of:</u> <u>(1) the date it was created; or</u> <u>(2) the date it was most recently modified.</u>

<u>CASS 15.8.9R</u>	<u>Internal safeguarding reconciliation and external safeguarding reconciliation</u>	The time and date it carried out the relevant process; the actions it took in carrying out the relevant process; the outcome of its calculation of its <u>safeguarding requirement</u> and, where relevant, <u>safeguarding resource</u> ; and, where relevant, the outcome of its comparison of its <u>D+1 segregation requirement</u> and <u>D+1 segregation resource</u>	<u>When reconciliation carried out</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.11R(2)</u>	Daily calculation of <u>safeguarding requirement</u> for a <u>safeguarding institution</u> that uses an insurance policy or guarantee providing unlimited cover	Date of calculation, actions that the <u>safeguarding institution</u> took and the outcome of the calculation	<u>Daily</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.22R(1)</u>	<u>Reconciliation points</u>	The reconciliation point(s) that will be used for <u>internal safeguarding reconciliations</u>	<u>When selected</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.22R(2)</u>	<u>Internal safeguarding reconciliations</u>	The frequency of <u>internal safeguarding reconciliations</u>	<u>When determined</u>	<u>Not specified (see default provision CASS 15.8.8R(3))</u>
<u>CASS 15.8.37R(1)(a)</u>	<u>Non-standard method of internal safeguarding reconciliation</u>	Reasons for concluding the method of <u>internal safeguarding reconciliation</u>		

		<u>satisfies the</u> <u>requirements</u>		
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Annex D

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new section, SUP 3A, after SUP 3 (Auditors). All the text is new and is not underlined.

3A Payment services and electronic money

3A.1 Application

- 3A.1.1 R (1) Subject to (3) and (4), this chapter applies to:
- (a) *relevant institutions*, which means the following, unless they are exempt in accordance with (2):
 - (i) *authorised payment institutions* that are authorised to carry out *payment services* other than *payment initiation services* or *account information services*; and
 - (ii) *electronic money institutions*; and
 - (b) the external auditors of *relevant institutions* appointed in accordance with SUP 3A.3.
- (2) An institution is exempt if it has not been required to safeguard more than £100,000 of *relevant funds* under the *relevant funds regime* at any time for a period of at least 53 weeks.
- (3) SUP 3A.1.3G and SUP 3A.1.4G apply to *safeguarding institutions* that are not *relevant institutions*.
- (4) SUP 3A.8.10G applies to statutory auditors of *safeguarding institutions* (as defined in regulation 25(6) of the *Electronic Money Regulations* and regulation 24(6) of the *Payment Services Regulations*).
- 3A.1.2 G This chapter applies to *relevant institutions* whether they safeguard *relevant funds* through the *segregation method*, the *insurance or guarantee method* or both.
- 3A.1.3 G *Safeguarding institutions* that are not subject to this chapter are still required to have in place adequate arrangements to safeguard *relevant funds* under CASS 15.2.1R and minimise the risk of their loss or diminution under regulation 24(3) of the *Electronic Money Regulations* and regulation 23(17) of the *Payment Services Regulations*. Voluntarily arranging an audit in accordance with this chapter may help ensure they meet these obligations.

- 3A.1.4 G It is the responsibility of a *safeguarding institution's senior management* to determine, on a continuing basis, whether the *safeguarding institution* is exempt in accordance with *SUP 3A.1.1R(2)* and to appoint an auditor if management determines the institution is no longer exempt.

3A.2 Purpose

Purpose: general

- 3A.2.1 G This chapter sets out *rules and guidance* on the role that auditors play in the *FCA's* monitoring of *relevant institutions'* compliance with the requirements and standards in the *relevant funds regime*.
- 3A.2.2 G The *Payment Services Regulations* and the *Electronic Money Regulations*, together with other legislation, such as the Companies Acts 2006, provide the statutory framework for *relevant institutions'* and auditors' obligations.

Rights and duties of auditors

- 3A.2.3 G (1) The rights and duties of auditors are set out in *SUP 3A.8* (Rights and duties of auditors) and *SUP 3A.9* (Duties of auditors: notification and safeguarding report). *SUP 3A.8.10G* refers to statutory auditors' duty to report certain matters to the *FCA* under regulation 24 of the *Payment Services Regulations* and regulation 25 of the *Electronic Money Regulations*.
- (2) An auditor should bear these rights and duties in mind when carrying out safeguarding report work, including whether anything should be notified to the *FCA* immediately.

3A.3 Appointment of auditors

Purpose

- 3A.3.1 G This section requires a *relevant institution* to appoint an auditor and supply the *FCA* with information about its auditor. The *FCA* requires such information to ensure that the *relevant institution* has an auditor.

Appointment by institutions

- 3A.3.2 R A *relevant institution* must:
- (1) appoint an external auditor;
 - (2) notify the *FCA*, without delay, when it is aware that a vacancy in the office of auditor will arise or has arisen, giving the reason for the vacancy. This notification must be submitted by electronic means made available by the *FCA*;
 - (3) appoint an auditor to fill any vacancy in the office of auditor which has arisen;

- (4) ensure that the replacement auditor can take up office at the time the vacancy arises or as soon as reasonably practicable after that; and
- (5) notify the *FCA* of the appointment of an auditor, the name and business address of the auditor appointed and the date from which the appointment has effect. This notification must be submitted by electronic means made available by the *FCA*.

3A.3.3 G *SUP* 3A.3.2R applies to every *relevant institution*. That includes a *relevant institution* which is under an obligation to appoint an auditor under, for example, the Companies Act 2006. The auditor appointed under *SUP* 3A.3.2R does not have to be (but may be) the same auditor as is appointed to fulfil such an obligation. *SUP* 3A.3.2R is made under section 137A of the *Act* (The *FCA*'s general rules), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, in relation to such institutions. It is made under section 340(1) (Appointment), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, in relation to other institutions.

Appointment by the *FCA*

3A.3.4 R (1) This *rule* does not apply to a *relevant institution* that is under an obligation to appoint an auditor imposed by an enactment other than the *Act*.

(2) If a *relevant institution* fails to appoint an auditor within 28 *days* of being required to do so, the *FCA* may appoint an auditor for it on the following terms:

- (a) the auditor is to be remunerated by the institution on the basis agreed between the auditor and institution or, in the absence of agreement, on a reasonable basis; and
- (b) the auditor is to hold office until they resign, or the institution appoints another auditor.

3A.3.5 G *SUP* 3A.3.4R allows, but does not require, the *FCA* to appoint an auditor if the *relevant institution* fails to do so within the 28-day period. When it considers whether to use this power, the *FCA* will take into account the likely delay until the institution can make an appointment and the urgency of any pending duties of the appointed auditor.

3A.3.6 R A *relevant institution* must comply with, and is bound by, the terms on which an auditor is appointed by the *FCA* under *SUP* 3A.3.4R.

3A.4 Auditors' qualifications

Purpose

3A.4.1 G The *FCA* is concerned to ensure that the auditor of a *relevant institution* has the necessary skill and experience to audit the business of the institution to

which they have been appointed. This section sets out the *FCA's rules and guidance* aimed at achieving this.

Qualifications

- 3A.4.2 R Before a *relevant institution* appoints an auditor, it must take reasonable steps to ensure that the auditor has the required skill, resources and experience to perform their functions under the *regulatory system* and that the auditor:
- (1) is eligible for appointment as an auditor under Chapters 1, 2 and 6 of Part 42 of the Companies Act 2006;
 - (2) if appointed under an obligation in another enactment, is eligible for appointment as an auditor under that enactment; or
 - (3) in the case of an *overseas relevant institution*, is eligible for appointment as an auditor under any applicable equivalent laws of that country or territory.
- 3A.4.3 G An auditor which a *relevant institution* proposes to appoint should have skills, resources and experience commensurate with the nature, scale and complexity of the *relevant institution's* business and the requirements and standards under the *regulatory system* to which it is subject. A *relevant institution* should have regard to whether its proposed auditor has expertise in the relevant requirements and standards (which may involve access to *UK* expertise) and possesses or has access to appropriate specialist skill. The *relevant institution* should seek confirmation of this from the auditor concerned as appropriate.

Disqualified auditors

- 3A.4.4 R A *relevant institution* must not appoint as auditor a *person* who is disqualified under Part 22 of the *Act* (Auditors and Actuaries), including as applied by the *Payment Services Regulations* or *Electronic Money Regulations*, from acting as an auditor either for that institution or for a relevant class of institution or *firm*.
- 3A.4.5 G If it appears to the *FCA* that an auditor of a *relevant institution* has failed to comply with a duty imposed on them, it may take disciplinary measures, including disqualification of the auditor, under section 345 of the *Act* as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*. A list of persons who are disqualified may be found on the *FCA's* website (www.fca.org.uk).

Requests for information by the FCA

- 3A.4.6 R A *relevant institution* must take reasonable steps to ensure that an auditor, which it is planning to appoint or has appointed, provides information to the *FCA* about the auditor's qualifications, skills, experience and independence in accordance with the reasonable requests of the *FCA*.

- 3A.4.7 G To enable it to assess the ability of an auditor to audit a *relevant institution*, the *FCA* may seek information about the auditor's relevant experience and skill. The *FCA* will normally seek information in writing from an auditor who has not previously audited a *relevant institution*. The *relevant institution* should instruct the auditor to provide a full reply (and should not appoint an auditor who does not reply to the *FCA*). The *FCA* may also seek further information on a continuing basis from the auditor of a *relevant institution* (see also the auditor's duty to cooperate under *SUP* 3A.8.2R).

3A.5 Auditors' independence

Purpose

- 3A.5.1 G To carry out their duties properly, an auditor needs to be independent of the institution they are auditing so they are not subject to conflicts of interest. Many *relevant institutions* are also subject to requirements under the Companies Act 2006 on auditors' independence.

Independence

- 3A.5.2 R A *relevant institution* must take reasonable steps to ensure that the auditor which it appoints is independent of the institution.
- 3A.5.3 R If a *relevant institution* becomes aware at any time that its auditor is not independent of the institution, it must take reasonable steps to ensure that it has an auditor independent of the institution. The *relevant institution* must notify the *FCA* if independence is not achieved within a reasonable time.
- 3A.5.4 G The *FCA* will regard an auditor as independent if their appointment or retention does not breach the ethical guidance in current issue from the auditor's recognised supervisory body on the appointment of an auditor in circumstances which could give rise to conflicts of interest.

3A.6 Relevant institutions' cooperation with their auditors

- 3A.6.1 R A *relevant institution* must cooperate with its auditor in the discharge of the auditor's duties under this chapter.

Auditor's access to accounting records

- 3A.6.2 G In complying with *SUP* 3A.6.1R, a *relevant institution* should give a right of access at all times to the institution's accounting and other records, in whatever form they are held, and documents relating to its business. A *relevant institution* should allow its auditor to copy documents or other material on the premises of the institution and to remove copies or hold them elsewhere, or give its auditor such copies on request.
- 3A.6.3 G Section 341 of the *Act* (Access to books etc.), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, provides that an auditor of a *relevant institution* appointed under *SUP* 3A.3:

- (1) has a right of access at all times to the *relevant institution's* books, accounts and vouchers; and
- (2) is entitled to require from the *relevant institution's* officers such information and explanations as they reasonably consider necessary for the performance of their duties as auditor.

3A.6.4 G Sections 499 and 500 of the Companies Act 2006 give similar rights to auditors of companies.

3A.6.5 G Section 413 (Protected items) of the *Act*, as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, under which no person may be required to produce, disclose or permit the inspection of protected items, is relevant to SUP 3A.6.1R and SUP 3A.6.3G.

Access and cooperation: agents, distributors, operational outsourcing, employees

3A.6.6 G In complying with SUP 3A.6.1R, a *relevant institution* should take reasonable steps to ensure that each of its *agents* and *distributors* gives the institution's auditor the same rights of access to the books, accounts and vouchers of the *agent* or *distributor* and entitlement to information and explanations from the *agent's* or *distributor's* officers as are given in respect of the *relevant institution* by section 341 of the *Act*, as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*.

3A.6.7 G In complying with SUP 3A.6.1R, a *relevant institution* should take reasonable steps to ensure that each of its suppliers under a *material outsourcing* arrangement gives the institution's auditor the same rights of access to the books, accounts and vouchers of the institution held by the supplier, and entitlement to information and explanations from the supplier's officers as are given in respect of the *relevant institution* by section 341 of the *Act*, as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*.

3A.6.8 G In complying with SUP 3A.6.1R, a *relevant institution* should take reasonable steps to ensure that all its employees cooperate with its auditor in the discharge of its auditor's duties under this chapter.

Provision of false or misleading information to auditors

3A.6.9 G *Relevant institutions* and their officers, *managers* and *controllers* are reminded that, under section 346 of the *Act* (Provision of false or misleading information to auditor or actuary), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, knowingly or recklessly giving false information to an auditor appointed under SUP 3A.3 constitutes an offence in certain circumstances, which could render them liable to prosecution. This applies even when an auditor is also appointed under an obligation in another enactment.

3A.7 Notification of matters raised by auditor

Notification

- 3A.7.1 G A *relevant institution* should consider whether it should notify the *FCA* under *Principle 11* if it receives a written communication from its auditor commenting on *internal controls*.

3A.8 Rights and duties of auditors

Purpose

- 3A.8.1 G The auditor of a *relevant institution* has various rights and duties that enable or require them to obtain information from the institution and pass information to the *FCA* in specified circumstances. This section imposes or gives *guidance* on those rights and duties.

Cooperation with the FCA

- 3A.8.2 R An auditor of a *relevant institution* must cooperate with the *FCA* in the discharge of its functions under the *Payment Services Regulations* and the *Electronic Money Regulations*.
- 3A.8.3 G The *FCA* may ask the auditor to attend meetings and to supply it with information about the institution. In complying with *SUP 3A.8.2R*, the auditor should attend such meetings as the *FCA* requests and supply it with any information the *FCA* may reasonably request about the *relevant institution* to enable the *FCA* to discharge its functions under the *Payment Services Regulations* and the *Electronic Money Regulations*.
- 3A.8.4 R An auditor of a *relevant institution* must give any *skilled person* appointed by the institution or the *FCA* all assistance that person reasonably requires (see section 166(7) of the *Act* (Reports by skilled persons), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*).

Auditor's independence

- 3A.8.5 R An auditor of a *relevant institution* must be independent of the institution in performing their duties in respect of that institution.
- 3A.8.6 R An auditor of a *relevant institution* must take reasonable steps to satisfy themselves that they are free from any conflict of interest in respect of that institution from which bias may reasonably be inferred. An auditor must take appropriate action where this is not the case.
- 3A.8.7 G *SUP 3A.5.4G* explains that an auditor whose appointment does not breach the ethical guidance in current issue from the auditor's recognised supervisory body will be regarded as independent by the *FCA*.

Auditors' rights to information

- 3A.8.8 G *SUP 3A.6.1R* requires a *relevant institution* to cooperate with its auditor. *SUP 3A.6.3G* refers to the rights to information which an auditor is granted

by the *Act*, as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*. SUP 3A.6.4G refers to similar rights granted by the Companies Act 2006.

Communication between the FCA, the relevant institution and the auditor

- 3A.8.9 G Within the legal constraints that apply, the *FCA* may pass on to an auditor any information which it considers relevant to the auditor's function. An auditor is bound by the confidentiality provisions set out in Part XXIII of the *Act* (Public record, disclosure of information and cooperation), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, in respect of confidential information received from the *FCA*. An auditor may not pass on such confidential information without lawful authority – for example, if an exception applies under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001 (SI 2001/2188), as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, or with the consent of the *person* from whom that information was received and (if different) to whom that information relates.

Auditors' statutory duty to report

- 3A.8.10 G (1) Statutory auditors of *safeguarding institutions* are subject to regulation 24(3) of the *Payment Services Regulations* and regulation 25(3) of the *Electronic Money Regulations*. Those regulations require statutory auditors to communicate matters of material significance to the *FCA*.
- (2) A failure to safeguard *relevant funds* will usually be of material significance, so should be communicated to the *FCA*. This is especially the case where an institution claims not to be required to safeguard *relevant funds* at all.
- (3) Sections 342(3) and 343(3) of the *Act*, as applied by the *Payment Services Regulations* and the *Electronic Money Regulations*, provide that an auditor does not contravene any duty by giving information or expressing an opinion to the *FCA*, if they are acting in good faith and reasonably believe that the information or opinion is relevant to any functions of the *FCA*. These provisions continue to have effect after the end of the auditor's term of appointment.

Termination of term of office

- 3A.8.11 R An auditor must notify the *FCA* without delay if they:
- (1) are removed from office by a *relevant institution*;
- (2) resign before their term of office expires; or
- (3) are not reappointed by a *relevant institution*.

- 3A.8.12 R If an auditor ceases to be, or is formally notified that they will cease to be, the auditor of a *relevant institution*, they must notify the *FCA* without delay:
- (1) of any matter connected with the ceasing of their appointment which the auditor thinks ought to be drawn to the *FCA*'s attention; or
 - (2) that there is no such matter.

3A.9 Duties of auditors: notification and safeguarding report

Auditor's safeguarding report: content

- 3A.9.1 R An external auditor of a *relevant institution* must prepare a safeguarding report addressed to the *FCA* which:
- (1) states the matters set out in *SUP* 3A.9.2R;
 - (2) specifies the matters to which *SUP* 3A.9.11R and *SUP* 3A.9.12R refer; and
 - (3) is prepared in accordance with the terms of a *reasonable assurance engagement*.

Auditor's safeguarding report

- 3A.9.2 R The auditor's safeguarding report must state whether, in the auditor's opinion:
- (1) the *relevant institution* has maintained systems adequate to enable it to comply with the *relevant funds regime* throughout the period; and
 - (2) the *relevant institution* was in compliance with the *relevant funds regime* at the end of the period covered by the report.
- 3A.9.3 R The auditor's safeguarding report must be:
- (1) in the form prescribed by *SUP* 3A Annex 1; and
 - (2) signed on behalf of the audit firm by the *individual* with primary responsibility for the *relevant institution's* safeguarding report and in that *individual's* own name.
- 3A.9.4 G *SUP* 3A.9.1R provides that an auditor must ensure that a safeguarding report is prepared in accordance with the terms of a *reasonable assurance engagement*. The *FCA* also expects an auditor to have regard, where relevant, to material published by the Financial Reporting Council that deals specifically with the safeguarding report which the auditor is required to submit to the *FCA*. In the *FCA's* view, a safeguarding report that is prepared in accordance with that material is likely to comply with *SUP*

3A.9.1R and SUP 3A.9.2R where that report is prepared for a *relevant institution* within the scope of the material in question.

- 3A.9.5 R (1) An auditor must ensure that the information provided to it by a *relevant institution* in accordance with SUP 3A.10.1G is included in the safeguarding report.
- (2) If by the date at which the report is due for submission in accordance with SUP 3A.9.7R an auditor has not received the information referred to in SUP 3A.10.1G it must submit the report without that information, together with an explanation for its absence.

Auditor's safeguarding report: period covered

- 3A.9.6 R The period covered by an auditor's safeguarding report must end not more than 53 weeks after the later of:
- (1) the date the *relevant institution* first becomes subject to this chapter;
- (2) the date the *relevant institution* becomes subject to this chapter after being exempt in accordance with SUP 3A.1.1R(2); or
- (3) the end of the period covered by the previous report.

Auditor's safeguarding report: timing of submission

- 3A.9.7 R The auditor of a *relevant institution* must deliver their safeguarding report to the *FCA* within 4 *months* of the end of the period covered.
- 3A.9.8 R (1) If an auditor expects that it will fail to comply with SUP 3A.9.7R, it must, no later than the end of the 4-month period in question:
- (a) notify the *FCA* that it expects that it will be unable to deliver a safeguarding report by the end of that period; and
- (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its expected failure to comply with SUP 3A.9.7R.
- (2) If an auditor fails to comply with SUP 3A.9.7R, it must promptly:
- (a) notify the *FCA* of that failure; and
- (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its failure to comply with SUP 3A.9.7R.
- 3A.9.9 G The rights and duties of auditors are set out in SUP 3A.8 (Rights and duties of auditors) and SUP 3A.9 (Duties of auditors: notification and safeguarding report). An auditor should bear these rights and duties in mind when carrying out safeguarding report work, including whether anything should be notified to the *FCA* immediately.

- 3A.9.10 R An auditor must:
- (1) provide the *relevant institution* with a draft of its safeguarding report so it has an adequate period of time to consider the auditor's findings and provide the auditor with comments of the kind referred to in *SUP 3A.10.1G*; and
 - (2) deliver a copy of the final report to the *relevant institution* at the same time as it delivers that report to the *FCA* in accordance with *SUP 3A.9.7R*.

Auditor's safeguarding report: requirements not met or inability to form opinion

- 3A.9.11 R If the auditor's safeguarding report states that one or more of the requirements in *SUP 3A.9.2R* have not been met, the auditor must specify in the report each of those requirements and the respects in which they have not been met.
- 3A.9.12 R
- (1) Whether or not an auditor concludes that one or more of the requirements in *SUP 3A.9.2R* have been met, the auditor must ensure that the safeguarding report identifies each individual regulation or *rule* in respect of which a breach has been identified.
 - (2) If an auditor does not identify a breach of any individual regulation or *rule*, it must include a statement to that effect in the safeguarding report.
- 3A.9.13 R For the purpose of *SUP 3A.9.11R* and *SUP 3A.9.12R*, an auditor must ensure that the information prescribed under those *rules* is submitted using, respectively, Part 1 (Auditor's Opinion) and Part 2 (Breaches Schedule) of *SUP 3A Annex 1*.
- 3A.9.14 G
- (1) The *FCA* expects that the list of breaches will include every breach of a regulation or *rule* in the *relevant funds regime* insofar as that regulation or *rule* is within the scope of the safeguarding report and is identified in the course of the auditor's review of the period covered by the report, whether identified by the auditor or disclosed to it by the *relevant institution*, or by any third party.
 - (2) For the purpose of determining whether to qualify its opinion or express an adverse opinion, the *FCA* would expect an auditor to exercise its professional judgment as to the significance of a breach of a regulation or *rule*, as well as to its context, duration and incidence of repetition. The *FCA* would expect an auditor to consider the aggregate effect of any breaches when judging whether a *relevant institution* had failed to comply with the requirements in *SUP 3A.9.2R*.
- 3A.9.15 R If an auditor is unable to form an opinion as to whether one or more of the applicable requirements in *SUP 3A.9.2R* have been met, the auditor must

specify in the report under *SUP* 3A.9.1R those requirements and the reasons why the auditor has been unable to form an opinion.

Method of submission of reports

- 3A.9.16 R An auditor of a *relevant institution* must submit their safeguarding report by electronic means made available by the *FCA*.

3A.10 Review of auditor's safeguarding report

- 3A.10.1 G A *relevant institution* should ensure that:
- (1) it considers the draft safeguarding report provided to the institution by its auditor in accordance with *SUP* 3A.9.10R(1) in order to provide an explanation of:
 - (a) the circumstances that gave rise to each of the breaches identified in the draft report; and
 - (b) any remedial actions that it has undertaken or plans to undertake to correct those breaches; and
 - (2) the explanation provided in accordance with (1):
 - (a) is submitted to its auditor in a timely fashion and in any event before the auditor is required to deliver a report to the *FCA* in accordance with *SUP* 3A.9.7R; and
 - (b) is recorded in the relevant field in the draft report submitted to it by its auditor.
- 3A.10.2 R A *relevant institution* must ensure that the final safeguarding report delivered to it in accordance with *SUP* 3A.9.10R(2) is reported to the institution's *governing body*.
- 3A.10.3 G The *FCA* expects a *relevant institution* to use the safeguarding report as a tool to evaluate the effectiveness of the systems it has in place for the purpose of complying with the requirements in *SUP* 3A.9.2R. Accordingly, a *relevant institution* should ensure that the report is integrated into its risk management framework and decision-making.
- 3A.10.4 G *SUP* 3A.4.2R provides that a *relevant institution* must take reasonable steps to ensure that its auditor has the required skill, resources and experience to perform its functions. The *FCA* expects a *relevant institution* to keep under review the adequacy of the skill, resources and experience of its auditor and critically assess the content of the safeguarding report as part of that ongoing review.

3A Auditor's safeguarding report

Annex 1

[*Editor's Note:* The use of italics in the following provisions of SUP 3A Annex 1 indicate text to be completed in the Auditor's safeguarding report and are not indicative of terms in the Glossary of Definitions.]

3A R **Independent auditor's report on safeguarding to the Financial Conduct**
Annex **Authority in respect of [*institution name*], firm reference number**
1.1 **[*number*], for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*]**

Part 1: Auditor's Opinion on Safeguarding

We report in respect of [*institution name*] ('the institution') on the matters set out below for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*] ('the period').

Our report has been prepared as required by SUP 3A.9.1R and is addressed to the Financial Conduct Authority ('the FCA') in its capacity as regulator of payment institutions and electronic money institutions under the Payment Services Regulations 2017 and the Electronic Money Regulations 2011.

Basis of opinion

We have carried out such procedure as we considered necessary for the purposes of this report in accordance with [*specify Standard/Guidance used*] issued by the [*specify organisation name*].

This opinion relates only to the period and should not be seen as providing assurance as to any future position, as changes to systems or control procedures may alter the validity of our opinion.

Opinion

In our opinion:

[The institution has maintained] [Except for....the institution has maintained] [Because of....the institution did not maintain] systems adequate to enable it to comply with the relevant funds regime throughout the period since [the last date at which a report was made] [the institution was authorised or registered] [the institution became subject to SUP 3A.10 and we, its auditor, became subject to SUP 3A.9].*

[The institution was] [Except for...the institution was] [Because of....the institution was not] in compliance with the relevant funds regime as at the period end date.*

Other matters

The report should be read in conjunction with the Breaches Schedule that we have prepared and which is appended to it.

[*Signature of the partner/individual with primary responsibility within the audit firm*] [*Typed name of signing individual*]

For and on behalf of [*Name of the audit firm*]

[*Registered office*]

[*Date of report*]

Instructions for Part 1

* If the auditor expresses an adverse opinion (ie, states the institution ‘did not maintain...’ or ‘was not in compliance...’) they must set out the reasons why. This can be done by reference to items in columns A to D in Part 2 of the auditor’s safeguarding report.

If the auditor expresses a qualified opinion (ie, states that ‘except for, the institution has maintained’ or that ‘except for, the institution was in compliance’) they must do so by reference to items in columns A to D in Part 2 of the auditor’s safeguarding report.

3A
Annex
1.2

R Part 2: Identified breaches of the relevant funds regime that occurred during the period

[*Institution name*], firm reference number [*number*], for the period started [*dd/mm/yyyy*] and ended [*dd/mm/yyyy*]

In accordance with SUP 3A.9.13R, Columns A to D are to be completed by and are the responsibility of the auditor. In accordance with SUP 3A.10.1G, Column E should be completed by the institution. The auditor has no responsibility for the content of Column E.

Column A	Column B	Column C	Column D	Column E
Item No.	Regulation or Rule Reference(s)	Identifying party	Breach Identified	Institution’s Comment
1				
...				

Instructions for Part 2:

In Columns A to D of the above schedule, the auditor is to set out all the breaches of the relevant funds regime by the institution that occurred during the period subject to the auditor’s report. These must include the breaches the auditor has identified through its work (such as in the sample testing of

reconciliations) and breaches identified by the institution or any other party (such as those included in the institution's breaches register or identified by the FCA). In Column B, the auditor must specify the provision(s) in the Electronic Money Regulations 2011 or Payment Services Regulations 2017, and/or rule(s) in CASS 15 the breach relates to.

In relation to any breach identified, the auditor must provide in column D any information that it has as respects the severity and duration of the breach identified including, where relevant:

- (1) the number of times the breach occurred;
- (2) the longest duration of a single instance of the breach and the value of that instance;
- (3) the highest value of a single instance of the breach and the duration of that instance;
- (4) the average value of instances of the breach; and
- (5) the average duration of instances of the breach.

The value of a breach is the amount of any shortfall caused by the breach, or the amount of any relevant funds affected or put at risk by the breach.

The auditor must provide a 'nil' return for this part of the report where no breach of the relevant funds regime has been identified.

In Column E, the institution should set out any remedial actions taken (if any) associated with the breaches cited, together with an explanation of the circumstances that gave rise to the breach in question.

Amend the following as shown.

16 Reporting requirements

16.1 Application

...

16.1.1AA G ...

16.1.1AB R SUP 16.14A applies to safeguarding institutions.

...

Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.14A, SUP 16.15, SUP 16.22 and SUP 16.26)

...

16.2 Purpose

16.2.1 G ...

- (3) The *FCA* has supervisory functions under the *Payment Services Regulations* and the *Electronic Money Regulations*. In order to discharge these functions, the *FCA* requires the provision of information on a regular basis. *SUP* 16.13 sets out the information that the *FCA* requires from *payment service providers* to assist it in the discharge of its functions as well as directions and guidance on the periodic reports that are required under the *Payment Services Regulations*. *SUP* 16.14A sets out the requirement for *safeguarding institutions* to submit safeguarding returns under the *Electronic Money Regulations* and the *Payment Services Regulations*. *SUP* 16.15 sets out the information that the *FCA* requires from *electronic money issuers* to assist it in discharging its functions and responsibilities under the *Electronic Money Regulations*.

...

16.3 General provisions on reporting

...

Structure of the chapter

16.3.2 G This chapter has been split into the following sections, covering:

...

(11) ...

(11A) safeguarding return: *safeguarding institutions* (*SUP* 16.14A);

...

...

Insert the following new section, *SUP* 16.14A, after *SUP* 16.14 (Client money and asset return). All the text is new and is not underlined.

16.14A Safeguarding return: safeguarding institutions

Application

16.14A.1 R This section applies to *safeguarding institutions*.

Purpose

- 16.14A.2 G The purpose of the *rules* and *guidance* in this section is to ensure that the *FCA* receives regular and comprehensive information from a *safeguarding institution* about its safeguarding of *relevant funds*.

Safeguarding return

- 16.14A.3 R (1) Subject to (3), a *safeguarding institution* must submit a *safeguarding return* to the *FCA* within 15 *business days* of the end of each month.
- (2) In this *rule*, ‘month’ means a calendar month.
- (3) A *safeguarding institution* is not required to submit a *safeguarding return* in respect of a month during which it becomes a *safeguarding institution*.

Method of submission

- 16.14A.4 R A *safeguarding return* must be submitted by electronic means made available by the *FCA*.

Application of SUP 16.3

- 16.14A.5 R The following provisions apply to the submission of *safeguarding returns* as if references to *firms* were references to *safeguarding institutions*:
- (1) *SUP* 16.3.11R (Complete reporting);
- (2) *SUP* 16.3.13R (Timely reporting), other than paragraph (4); and
- (3) *SUP* 16.3.14R (Failure to submit reports).

Amend the following as shown.

16 Annex 27CD

Authorised Payment Institution Capital Adequacy Return

This annex consists only of one or more forms. Firms are required to submit the returns using the electronic means made available by the FCA.

FSA056 Authorised Payment Institution Capital Adequacy Return

...

Part Three: SUPPLEMENTARY INFORMATION

Safeguarding of relevant funds

Please indicate which method the firm uses to safeguard relevant funds
(Select all that apply and add the appropriate information)

	B	C	D
61	Placed in a separate account with an authorised credit institution	Credit institution name	Country where the account is located
62	Invested in approved secure liquid assets held in a separate account with authorised custodian	Custodian name	Country where the account is located
63	Covered by an insurance policy with an authorised insurer	Insurer name	
64	Covered by a guarantee from an authorised insurer	Insurer name	
65	Covered by a guarantee from an authorised credit institution	Credit institution name	

...

16 **Notes on completing FSA056 (Authorised Payment Institution Capital Adequacy**
Annex **Return – SUP 16 Annex 27CD)**
27D

16 **G FSA056 Authorised Payment Institution Capital Adequacy Return**
Annex
27D.1

...

16 **G INTRODUCTORY MATTERS**
Annex
27D.2

...

16 **G Part One: CAPITAL REQUIREMENT**
Annex
27D.3

...

16 **G Part Two: TOTAL CAPITAL RESOURCES**
Annex
27D.4

...

16 **G Part three: SUPPLEMENTARY INFORMATION**
Annex
27D.5

~~SAFEGUARDING OF RELEVANT FUNDS~~

~~You must select the relevant box(es) to identify the method(s) used by the firm to safeguard relevant funds. At least one of the boxes in ‘Elements 61 to 65’ must be selected.~~

...

16 **G Part Four: PROVIDERS OF ACCOUNT INFORMATION AND/OR**
Annex **PAYMENT INITIATION SERVICES**
27D.6

...

...

16 **Small Payment Institution Return**
Annex
28CD

This annex consists only of one or more forms. Firms are required to submit the returns using the electronic means made available by the FCA.

...

FSA057 Payment Services Directive Transactions

...

Safeguarding of relevant funds

...

If you have answered YES to question 4, Please indicate which method(s) the firm uses to safeguard relevant funds

(Select all that apply and add the appropriate information)

	A	B	C
5	Placed in a separate account with an authorised credit institution	Credit institution name	Country where the account is located
6	Invested in approved secure liquid assets held in a separate account with authorised custodian	Custodian name	Country where the account is located
7	Covered by an insurance policy with an authorised insurer	Insurer name	
8	Covered by a guarantee from an authorised insurer	Insurer name	
9	Covered by a guarantee from an authorised credit institution	Credit institution name	

...

16
Annex
28D **Notes on completing FSA057 (Small Payment Institution Return)**

16
Annex
28D.1 **G FSA057 Payment Services Directive Transactions**

...

16
Annex
28D.2 **G INTRODUCTORY MATTERS**

...

16
Annex
28D.3 **G TRANSACTION AND USER INFORMATION**

...

16
Annex
28D.4 **G SAFEGUARDING OF CLIENT ASSETS**

Element 4A: State whether you voluntarily safeguard relevant funds. Under the PSRs 2017, small PIs can choose to comply with safeguarding requirements in order to offer the same protections over customer funds as authorised PIs must provide. If an SPI does choose to safeguard they will need to apply the same levels of protection as are expected of an authorised PI. We will expect an SPI to tell us if it is choosing to safeguard funds. ~~SPIs that answer ‘No’ to this question should move to the Number of Agents section.~~

~~If you answer ‘Yes’, to this question you must select the relevant box(es) to identify the method(s) used by the firm to safeguard relevant funds and answer the relevant questions relating to this method. At least one of the boxes in elements 5 to 9 must be selected to this question, you will be scheduled to receive the *safeguarding return* that you will need to complete monthly.~~

16
Annex
28D.5 **G NUMBER OF AGENTS**

...

16
Annex
28D.6 **G PAYMENT SYSTEMS**

...

Insert the following new Annex, SUP 16 Annex 29BR, after SUP 16 Annex 29A (Guidance notes for the data item in SUP 16 Annex 29R). All the text is new and is not underlined.

[*Editor's note:* the below table is for illustrative purposes only. The online form in RegData reflects design and user experience considerations.]

16 Annex Safeguarding return 29BR

This annex consists only of one or more forms. *Safeguarding institutions* are required to submit the returns using the electronic means made available by the *FCA*.

[*Editor's note:* insert link to safeguarding return form.]

[*Editor's Note:* The use of italics in the following form indicate instructions for completing the safeguarding return and are not indicative of terms in the Glossary of Definitions.]

Safeguarding return

Section 1 – Safeguarding institution Information

This section should be completed by all safeguarding institutions

1. Name and category of safeguarding institution

Name	
Category ¹	

2. Was the safeguarding institution a relevant institution as specified in SUP 3A.1.1R(1)(a) during the reporting period²?

Yes / No – not in scope / No - exempt

3. If the answer to question 2 was 'no', will the safeguarding institution voluntarily arrange an audit in accordance with SUP 3A.1.3G in respect of the reporting period?

Yes / No

¹ Authorised payment institution (API), small payment institution that has opted into safeguarding (SPI opt-in), electronic money institution (EMI), electronic money institution that provides payment services unrelated to the issuance of electronic money (EMI + UPS), small electronic money institution (SEMI), small electronic money institution that has opted into safeguarding for payment services unrelated to the issuance of electronic money (SEMI opt-in), credit union that issues electronic money (credit union), credit union that issues electronic money and has opted into safeguarding for payment services unrelated to the issuance of electronic money (credit union opt-in). EMI + UPS, SEMI opt-ins and credit union opt-ins should fill out sections 2 to 9 in respect of the issuance of electronic money and related payment services. They should fill out sections 10 to 17 in respect of payment services unrelated to the issuance of electronic money.

² Safeguarding institutions that are not of a type referred to in SUP 3A.1.1R(1)(a) should select 'no – not in scope'. Those that are exempt in accordance with SUP 3A.1.1R(2) should select 'no – exempt'.

4. If the answer to question 2 or 3 was 'yes', and a safeguarding report has previously been submitted in respect of the safeguarding institution in accordance with SUP 3A.9, please complete the following fields:

Date of last auditor's safeguarding report	Name of audit firm ³

Section 2 – Safeguarding

This section should be completed by all safeguarding institutions

5. Was the safeguarding institution required to safeguard relevant funds in accordance with the Electronic Money Regulations or Payment Services Regulations during the reporting period?

Yes / No

6. If the answer to question 5 was 'yes', please fill out the following table:

Method	Please indicate which method(s) were used during the reporting period (select as many as are relevant)	Please indicate which method was used at the time of the last internal safeguarding reconciliation carried out in the reporting period
The segregation method only		

³ The electronic means for submitting the return may contain a pre-populated list of auditors. It is not possible to list all auditors. However, certain auditors may be named for convenience, and the FCA does not in any way recommend or endorse any auditors that are named. If the name of the auditor is inserted in a free text field, please use the full legal name of the firm and not, for example, a trading name.

The insurance or guarantee method only		
A combination of the segregation method and the insurance or guarantee method at the same time		

7. If the answer to question 5 was 'yes', how many clients was the safeguarding institution safeguarding relevant funds for at the end of the reporting period?

8. If the answer to question 5 was 'yes', did the safeguarding institution use a non-standard method of internal safeguarding reconciliation during the reporting period?

Yes / No

Section 3 – Balances

This section should only be completed if the answer to question 5 was 'yes'

Amount of relevant funds safeguarded

9. Highest safeguarding requirement during the reporting period (£)⁴

⁴ Where the safeguarding requirement was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the date of the safeguarding requirement.

10. Lowest safeguarding requirement during the reporting period (£)⁵

Section 4 – Safeguarding relevant funds

This section should only be completed if the answer to question 5 was ‘yes’

Segregated relevant funds

11. If any relevant funds were held in accounts in accordance with the segregation method during the reporting period, please fill out the following table:

Institution where relevant funds were held by the safeguarding institution ⁶	Type of account (relevant funds bank account or other) ⁷	Number of accounts containing relevant funds held with the institution	Total amount of relevant funds held with the institution at the end of the reporting period (£) ⁸	Fixed term or notice period ⁹	Country of incorporation of the institution

⁵ Where the safeguarding requirement was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the date of the safeguarding requirement.

⁶ When filling in the name of the institution use the full legal name and not, for example, a trading name.

⁷ Where relevant funds are held in more than one type of account at an institution, a different row should be used for each type of account. A different row should also be used for each fixed term account and each account with a notice period for making a withdrawal. All accounts categorised as ‘other’ should be treated as the same type of account.

⁸ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. Where more than one row is used for an institution, the figure should be the same for all rows relating to that institution. Any figures expressed in currencies other than GBP should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

⁹ Please use ‘FT’ to indicate a fixed term and ‘NP’ to indicate a notice period. Please put ‘N/A’ if the account is not a fixed term account and there is no notice period for making a withdrawal.

Total	
-------	--

Secure liquid assets

12 If any relevant assets were held during the reporting period, please fill out the following table:

Asset ¹⁰	If the asset is of a type referred to in CASS 15.4.2G, please indicate which paragraph(s) of Article 114 of the UK CRR the asset complies with				Please indicate in this column if the asset is not of a type referred to in CASS 15.4.2G
	2 (ECAI credit assessment corresponding to a risk weight of no more than 0%)	3 (exposure to the ECB)	4 (exposure to HMG or the Bank of England in sterling)	7 (exposure to a third country government or central bank assigned a risk weight of no more than 0% by equivalent competent authorities)	

13. Please fill out the following table in respect of the relevant assets listed in the table in question 12:

¹⁰ This includes units in UCITS, in which case please treat each UCITS as an asset. Please put the name of the UCITS in this column and indicate in the other columns what type(s) of asset(s) the UCITS invests in, selecting as many as are relevant.

Name of custodian. ¹¹	Asset. ¹²	Total value of relevant assets held with the custodian at the end of the reporting period. ¹³
Total		

Insurance policies and guarantees

14. If any relevant funds were protected through an insurance policy in accordance with the insurance or guarantee method during the reporting period, please fill out the following table:

Name of insurer(s) ¹⁴	Maximum amount of cover provided by the policy (£) ¹⁵	Date of expiry of the insurance policy	Total overdue premiums (£). ¹⁶
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¹¹ When filling in the name of the custodian use the full legal name and not, for example, a trading name.

¹² This column should be in the same terms as the column headed 'asset' in question 12. Where more than one asset is held with a custodian, a different row should be used for each asset. The figure in the final column should be the same for all entries relating to the same custodian.

¹³ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. Any figures expressed in currencies other than GBP should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

¹⁴ When filling in the name of the insurer use the full legal name and not, for example, a trading name. Where more than one policy is held with an insurer, list them separately.

¹⁵ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. If an insurance policy is unlimited in the amount of cover it provides the relevant field should be filled out with the safeguarding requirement. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

¹⁶ A premium is overdue if it, or part of it, has not been paid in full and the date it is to be paid by has passed. This column should show the total amount of overdue premiums owed in respect of each policy. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

15. If any relevant funds were protected through a guarantee in accordance with the insurance or guarantee method during the reporting period, please fill out the following table:

Name of guarantor(s) ¹⁷	Amount of cover provided by the guarantee (£) ¹⁸	Date of expiry of the guarantee	Total overdue premiums (£) ¹⁹

Section 5 – Safeguarding resource and requirement

This section should only be completed if the answer to question 5 was ‘yes’

16. Safeguarding resource from the last internal safeguarding reconciliation carried out in the reporting period (£)²⁰

¹⁷ When filling in the name of the guarantor use the full legal name and not, for example, a trading name. Where more than one guarantee is held with a guarantor, list them separately.

¹⁸ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. If a guarantee is unlimited in the amount of cover it provides the relevant field should be filled out with the safeguarding requirement. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

¹⁹ A premium is overdue if it, or part of it, has not been paid in full and the date it is to be paid by has passed. This column should show the total amount of overdue premiums owed in respect of each guarantee. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

²⁰ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. If relevant funds are safeguarded through an unlimited insurance policy or guarantee this should be filled out with the safeguarding requirement. That applies whether or not the segregation method is also used.

17. Please fill out the following table in respect of the components of the safeguarding resource referred to in question 16 (see CASS 15.8.26R):

Component	Total used in the last internal safeguarding reconciliation carried out in the reporting period (£) ²¹
Aggregate balance of funds held in relevant funds bank accounts (less any funds that are not relevant funds in an account of a type described in regulation 21(4A) of the Electronic Money Regulations or regulation 23(9) of the Payment Services Regulations (Bank of England settlement accounts))	
Aggregate balance of relevant funds segregated but not placed in a relevant funds bank account or invested in relevant assets	
Aggregate value of relevant assets	
Aggregate value of relevant funds protected using the insurance or guarantee method	

18. Safeguarding requirement from the last internal safeguarding reconciliation carried out in the reporting period (£)²²

19. Please fill out the following table in respect of the components of the safeguarding requirement referred to in question 18 (see CASS 15.8.30R):

²¹ Where this was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where a non-standard method of internal safeguarding reconciliation was used, totals should only be provided for those components relevant to the method used.

²² If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation.

Component	Total used in the last internal safeguarding reconciliation carried out in the reporting period (£) ²³
Individual safeguarding balances calculated in accordance with CASS 15.8.31R, ignoring any negative balances	
Amounts received but unallocated to an individual client under CASS 15.2.5R (Allocation of relevant funds receipts)	

20. Excess (+) or shortfall (-) of safeguarding resource against safeguarding requirement identified at the end of the reporting period (£)²⁴

21. Adjustments made to withdraw an excess (-) or rectify a shortfall (+) identified in question 20 (£)²⁵

Section 6 – D+1 segregation resource and requirement²⁶

²³ Where this was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where a non-standard method of internal safeguarding reconciliation was used, totals should only be provided for those components relevant to the method used.

²⁴ This should reflect the outcome of the last internal safeguarding reconciliation carried out in the reporting period. It should show the amount by which the safeguarding resource was greater (an excess) or lower (a shortfall) than the safeguarding requirement, before any adjustment was made to correct any excess or shortfall. If it was calculated in currencies other than GBP, it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where an excess or shortfall did not exist, this should be filled out with a '0'.

²⁵ This is the amount of funds withdrawn to correct an excess (-), or used to correct a shortfall (+), reported in question 20. If currencies other than GBP were used, the amount should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

²⁶ Where a non-standard method of internal safeguarding reconciliation was used please only answer the questions relevant to the method used.

This section should only be completed if the answer to question 5 was 'yes'

22. D+1 segregation resource from the last internal safeguarding reconciliation carried out in the reporting period (£)²⁷

23. D+1 segregation requirement from the last internal safeguarding reconciliation carried out in the reporting period (£)²⁸

24. Shortfall of D+1 segregation resource against D+1 segregation requirement identified at the end of the reporting period²⁹

25. Adjustments made to rectify a shortfall identified in question 24.³⁰

²⁷ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation.

²⁸ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation.

²⁹ This should reflect the outcome of the last internal safeguarding reconciliation carried out in the reporting period. It should show the amount by which the D+1 segregation resource was lower (a shortfall) than the D+1 segregation requirement, before any adjustment was made to correct any shortfall. If it was calculated in currencies other than GBP, it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where a shortfall did not exist, this should be filled out with a '0'.

³⁰ This is the amount of funds used to correct a shortfall reported in question 24. If currencies other than GBP were used, the amount should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

Section 7 – Safeguarding reconciliations

This section should only be completed if the answer to question 5 was 'yes'

26. Did the safeguarding institution carry out internal safeguarding reconciliation(s) every reconciliation day during the reporting period?

Yes / No

27. Did the safeguarding institution carry out external safeguarding reconciliation(s) every reconciliation day during the reporting period?

Yes / No

Section 8 – Record keeping

28. Please fill out the following table if the table in question 11 and/or 12 was filled out:

	Number of accounts held at the beginning of the reporting period	Number of new accounts opened during the reporting period	Number of accounts closed during the reporting period	Total number of accounts held at the end of the reporting period (X)	Total number of accounts held at the end of the reporting period covered by an acknowledgement letter (Y)	Explanation of any difference between X and Y
Relevant funds bank accounts other than accounts at the Bank of England referred to in regulation 21(4A) of the Electronic Money Regulations or regulation 23(9) of the Payment Services Regulations						
Relevant assets accounts						

Section 9 – Notifiable CASS breaches

This section should be completed by all safeguarding institutions

29. Did any of the circumstances referred to in CASS 15.8.60R (notification requirements) arise during the reporting period?

Yes / No

30. If yes, did the safeguarding institution comply with the notification requirements?

Yes / No

Section 10 – Safeguarding (unrelated payment services)

This section should be completed by all EMI + UPS, SEMI opt-ins and credit union opt-ins

31. Was the safeguarding institution required to safeguard relevant funds in accordance with regulation 20(6) of the Electronic Money Regulations during the reporting period?

Yes / No

32. If the answer to question 31 was 'yes', please fill out the following table:

Method	Please indicate which method(s) were used during the reporting period (select as many as are relevant)	Please indicate which method was used at the time of the last internal safeguarding reconciliation carried out in the reporting period
The segregation method only		

The insurance or guarantee method only		
A combination of the segregation method and the insurance or guarantee method at the same time		

33. If the answer to question 31 was 'yes', how many clients was the safeguarding institution safeguarding relevant funds for at the end of the reporting period?

34. If the answer to question 31 was 'yes', did the safeguarding institution use a non-standard method of internal safeguarding reconciliation during the reporting period?

Yes / No

Section 11 – Balances (unrelated payment services)

This section should only be completed by EMI + UPS, SEMI opt-ins and credit union opt-ins if the answer to question 31 was 'yes'

Amount of relevant funds safeguarded

35. Highest safeguarding requirement during the reporting period (£)³¹

³¹ Where the safeguarding requirement was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the date of the safeguarding requirement.

36. Lowest safeguarding requirement during the reporting period (£)³²

Section 12 – Safeguarding relevant funds (unrelated payment services)

This section should only be completed by EMI + UPS, SEMI opt-ins and credit union opt-ins if the answer to question 31 was ‘yes’

Segregated relevant funds

37. If any relevant funds were held in accounts in accordance with the segregation method during the reporting period, please fill out the following table:

Institution where relevant funds were held by the safeguarding institution ³³	Type of account (relevant funds bank account or other) ³⁴	Number of accounts containing relevant funds held with the institution	Total amount of relevant funds held with the institution at the end of the reporting period (£) ³⁵	Fixed term or notice period ³⁶	Country of incorporation of the institution

³² Where the safeguarding requirement was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the date of the safeguarding requirement.

³³ When filling in the name of the institution use the full legal name and not, for example, a trading name.

³⁴ Where relevant funds are held in more than one type of account at an institution, a different row should be used for each type of account. A different row should also be used for each fixed term account and each account with a notice period for making a withdrawal. All accounts categorised as ‘other’ should be treated as the same type of account.

³⁵ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. Where more than one row is used for an institution, the figure should be the same for all rows relating to that institution. Any figures expressed in currencies other than GBP should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

³⁶ Please use ‘FT’ to indicate a fixed term and ‘NP’ to indicate a notice period. Please put ‘N/A’ if the account is not a fixed term account and there is no notice period for making a withdrawal.

Total	
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Secure liquid assets

38. If any relevant assets were held during the reporting period, please fill out the following table:

Asset ³⁷	If the asset is of a type referred to in CASS 15.4.2G please indicate which paragraph(s) of Article 114 of the UK CRR the asset complies with				Please indicate in this column if the asset is not of a type referred to in CASS 15.4.2G
	2 (ECAI credit assessment corresponding to a risk weight of no more than 0%)	3 (exposure to the ECB)	4 (exposure to HMG or the Bank of England in sterling)	7 (exposure to a third country government or central bank assigned a risk weight of no more than 0% by equivalent competent authorities)	

39. Please fill out the following table in respect of the relevant assets listed in the table in question 38:

³⁷ This includes units in UCITS, in which case please treat each UCITS as an asset. Please put the name of the UCITS in this column and indicate in the other columns what type(s) of asset(s) the UCITS invests in, selecting as many as are relevant.

Name of custodian ³⁸	Asset ³⁹	Total value of relevant assets held with the custodian at the end of the reporting period ⁴⁰
Total		

Insurance policies and guarantees

40. If any relevant funds were protected through an insurance policy in accordance with the insurance or guarantee method during the reporting period, please fill out the following table:

Name of insurer(s) ⁴¹	Maximum amount of cover provided by the policy (£) ⁴²	Date of expiry of the insurance policy	Total overdue premiums (£) ⁴³
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³⁸ When filling in the name of the custodian use the full legal name and not, for example, a trading name.

³⁹ This column should be in the same terms as the column headed 'asset' in question 38. Where more than one asset is held with a custodian, a different row should be used for each asset. The figure in the final column should be the same for all entries relating to the same custodian.

⁴⁰ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. Any figures expressed in currencies other than GBP should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

⁴¹ When filling in the name of the insurer use the full legal name and not, for example, a trading name. Where more than one policy is held with an insurer, list them separately.

⁴² The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. If an insurance policy is unlimited in the amount of cover it provides the relevant field should be filled out with the safeguarding requirement. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

⁴³ A premium is overdue if it, or part of it, has not been paid in full and the date it is to be paid by has passed. This column should show the total amount of overdue premiums owed in respect of each policy. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

41. If any relevant funds were protected through a guarantee in accordance with the insurance or guarantee method during the reporting period, please fill out the following table:

Name of guarantor(s) ⁴⁴	Amount of cover provided by the guarantee (£) ⁴⁵	Date of expiry of the guarantee	Total overdue premiums (£) ⁴⁶

Section 13 – Safeguarding resource and requirement (unrelated payment services)

This section should only be completed by EMI + UPS, SEMI opt-ins and credit union opt-ins if the answer to question 31 was ‘yes’

42. Safeguarding resource from the last internal safeguarding reconciliation carried out in the reporting period (£)⁴⁷

⁴⁴ When filling in the name of the guarantor use the full legal name and not, for example, a trading name. Where more than one guarantee is held with a guarantor, list them separately.

⁴⁵ The figures in this column should reflect the figures used in the last internal safeguarding reconciliation carried out in the reporting period. If a guarantee is unlimited in the amount of cover it provides the relevant field should be filled out with the safeguarding requirement. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before that reconciliation.

⁴⁶ A premium is overdue if it, or part of it, has not been paid in full and the date it is to be paid by has passed. This column should show the total amount of overdue premiums owed in respect of each guarantee. If this is expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

⁴⁷ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. If relevant funds are safeguarded through an unlimited insurance policy or guarantee this should be filled out with the safeguarding requirement. That applies whether or not the segregation method is also used.

43. Please fill out the following table in respect of the components of the safeguarding resource referred to in question 42 (see CASS 15.8.26R):

Component	Total used in the last internal safeguarding reconciliation carried out in the reporting period (£) ⁴⁸
Aggregate balance of funds held in relevant funds bank accounts (less any funds that are not relevant funds in an account of a type described in regulation 21(4A) of the Electronic Money Regulations or regulation 23(9) of the Payment Services Regulations (Bank of England settlement accounts))	
Aggregate balance of relevant funds segregated but not placed in a relevant funds bank account or invested in relevant assets	
Aggregate value of relevant assets	
Aggregate value of relevant funds protected using the insurance or guarantee method	

44. Safeguarding requirement from the last internal safeguarding reconciliation carried out in the reporting period (£)⁴⁹

45. Please fill out the following table in respect of the components of the safeguarding requirement referred to in question 44 (see CASS 15.8.30R):

⁴⁸ Where this was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where a non-standard method of internal safeguarding reconciliation was used, totals should only be provided for those components relevant to the method used.

⁴⁹ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation.

Component	Total used in the last internal safeguarding reconciliation carried out in the reporting period (£) ⁵⁰
Individual safeguarding balances calculated in accordance with CASS 15.8.31R, ignoring any negative balances	
Amounts received but unallocated to an individual client under CASS 15.2.5R (Allocation of relevant funds receipts)	

46. Excess (+) or shortfall (-) of safeguarding resource against safeguarding requirement identified at the end of the reporting period (£)⁵¹

47. Adjustments made to withdraw an excess (-) or rectify a shortfall (+) identified in question 46 (£)⁵²

Section 14 – D+1 segregation resource and requirement (unrelated payment services)⁵³

⁵⁰ Where this was expressed in currencies other than GBP, that amount should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where a non-standard method of internal safeguarding reconciliation was used, totals should only be provided for those components relevant to the method used.

⁵¹ This should reflect the outcome of the last internal safeguarding reconciliation carried out in the reporting period. It should show the amount by which the safeguarding resource was greater (an excess) or lower (a shortfall) than the safeguarding requirement, before any adjustment was made to correct any excess or shortfall. If it was calculated in currencies other than GBP, it should be converted into GBP using the closing spot exchange rate for the day before the internal safeguarding reconciliation. Where an excess or shortfall did not exist, this should be filled out with a '0'.

⁵² This is the amount of funds withdrawn to correct an excess (-), or used to correct a shortfall (+), reported in question 46. If currencies other than GBP were used, the amount should be converted into GBP using the closing spot exchange rate for the day before the last internal safeguarding reconciliation carried out in the reporting period.

⁵³ Where a non-standard method of internal safeguarding reconciliation was used please only answer the questions relevant to the method used.

This section should only be completed by EMI + UPS, SEMI opt-ins and credit union opt-ins if the answer to question 31 was 'yes'

48. D+1 segregation resource from the last internal safeguarding reconciliation carried out in the reporting period (£)⁵⁴

49. D+1 segregation requirement from the last internal safeguarding reconciliation carried out in the reporting period (£)⁵⁵

50. Shortfall of D+1 segregation resource against D+1 segregation requirement identified at the end of the reporting period.⁵⁶

51. Adjustments made to rectify a shortfall identified in question 50.⁵⁷

⁵⁴ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the *internal safeguarding reconciliation*.

⁵⁵ If this was expressed in a currency other than GBP it should be converted into GBP using the closing spot exchange rate for the day before the *internal safeguarding reconciliation*.

⁵⁶ This should reflect the outcome of the last *internal safeguarding reconciliation* carried out in the reporting period. It should show the amount by which the *D+1 segregation resource* was lower (a shortfall) than the *D+1 segregation requirement*, before any adjustment was made to correct any shortfall. If it was calculated in currencies other than GBP, it should be converted into GBP using the closing spot exchange rate for the day before the *internal safeguarding reconciliation*. Where a shortfall did not exist, this should be filled out with a '0'.

⁵⁷ This is the amount of *funds* used to correct a shortfall reported in question 50. If currencies other than GBP were used, the amount should be converted into GBP using the closing spot exchange rate for the day before the last *internal safeguarding reconciliation* carried out in the reporting period.

Section 15 – Safeguarding reconciliations (unrelated payment services)

This section should only be completed by EMI + UPS, SEMI opt-ins and credit union opt-ins if the answer to question 31 was 'yes'

52. Did the safeguarding institution carry out internal safeguarding reconciliation(s) every reconciliation day during the reporting period?

Yes / No

53. Did the safeguarding institution carry out external safeguarding reconciliation(s) every reconciliation day during the reporting period?

Yes / No

Section 16 – Record keeping (unrelated payment services)

54. Please fill out the following table if the table in question 37 and/or 38 was filled out:

	Number of accounts held at the beginning of the reporting period	Number of new accounts opened during the reporting period	Number of accounts closed during the reporting period	Total number of accounts held at the end of the reporting period (X)	Total number of accounts held at the end of the reporting period covered by an acknowledgement letter (Y)	Explanation of any difference between X and Y
Relevant funds bank accounts other than accounts at the Bank of England referred to in regulation 21(4A) of the Electronic Money Regulations or regulation 23(9) of the Payment Services Regulations						
Relevant assets accounts						

Section 17 – Notifiable CASS breaches (unrelated payment services)

This section should be completed by all EMI + UPS, SEMI opt-ins and credit union opt-ins

55. Did any of the circumstances referred to in CASS 15.8.60R (notification requirements) arise during the reporting period?

Yes / No

56. If yes, did the safeguarding institution comply with the notification requirements?

Yes / No

Amend the following as shown.

16 Annex Authorised electronic money institution questionnaire
30HD

This annex consists only of one or more forms. Firms are required to submit the returns using the electronic means made available by the FCA.

...

FIN060a Authorised Electronic Money Institution Questionnaire

...

~~Section 6: Method of Safeguarding~~

		A	B	C	D
		E-money	Unrelated Payment Services	Credit institution name	Country where the account is located
64	Placed in a separate account with an authorised credit institution				
65	Invested in approved secure liquid assets held in a separate account with an authorised custodian			Custodian name	Country where the account is located
66	Covered by an insurance policy with an authorised insurer			Insurer name	
67	Covered by a guarantee from an authorised insurer			Insurer name	
68	Covered by a guarantee from an authorised credit institution			Credit institution name	

...

16 **Notes on completing authorised electronic money institution questionnaire**
Annex
30I

16 G **FIN060a Authorised Electronic Money Institution Questionnaire**
Annex
30I.1

...

16 G **Section 1: Income Statement**
Annex
30I.2

...

16 G **Section 2: EMRs and PSRs 2017 activity**
Annex
30I.3

...

16 G **Section 3: Net capital resources**
Annex
30I.4

...

16 G **Section 4: Capital requirements for unrelated payment services**
Annex
30I.5

...

16 G **Section 5: Overall capital requirements**
Annex
30I.6

...

16 G **Section 6: ~~Method of Safeguarding~~ [deleted]**
Annex
30I.7

~~You must select the relevant box(es) to identify the method(s) used by the firm to safeguard relevant funds. You must provide separate safeguarding information for relevant funds received in exchange for e-money that has been issued and (where relevant) relevant funds received for the purposes of executing unrelated payment transactions. If you do not provide unrelated payment services you do not need to answer elements 64 to 68.~~

16 G **Section 7: Agents**
Annex
30L.8

...

16 G **Section 8: Payment systems**
Annex
30L.9

...

16 G **Section 9: Providers of account information services or payment
initiation services**
Annex
30L.10

...

16 **Small electronic money institution questionnaire**
Annex
30JD

This annex consists only of one or more forms. Firms are required to submit the returns using the electronic means made available by the FCA.

...

FIN060b Small E-money Institution Questionnaire

...

Section 6: Method of Safeguarding

		A	B	C	D
		Electronic Money	Unrelated Payment Services	Credit institution name	Country where the account is located
38	Placed in a separate account with an authorised credit institution				
				Custodian name	Country where the account is located
39	invested in approved secure liquid assets held in a separate account with an authorised custodian				
				Insurer name	
40	Covered by an insurance policy with an authorised insurer				
				Insurer name	
44	Covered by a guarantee from an authorised insurer				

			Credit institution name
42	Covered by a guarantee from an authorised credit institution		

...

16 **Notes on completing small e-money institution questionnaire**
Annex
30K

16 G **FIN060b Small E-Money Institution Questionnaire**
Annex
30K.1

...

16 G **Section 1: Income Statement**
Annex
30K.2

...

16 G **Section 2: EMRs and PSRs 2017 activity**
Annex
30K.3

...

16 G **Section 3: Capital requirements for e-money**
Annex
30K.4

...

16 G **Section 4: Net capital resources**
Annex
30K.5

...

16 G **Section 6: ~~Method of Safeguarding~~ [deleted]**
Annex
30K.6

~~You must select the relevant box(es) to identify the method(s) used by the firm to safeguard relevant funds. You must provide separate safeguarding information for relevant funds received in exchange for e-money that has been issued and (where relevant) relevant funds received for the purposes of executing unrelated payment transaction.~~

~~If you do not provide unrelated payment services you do not need to answer elements 36 to 42.~~

16 G **Section 7: Agents**
Annex
30K.7

...

...

TP1 Transitional Provisions

...

TP 1.2

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
3C	...	...	...	...	...
<u>3D</u>	<u>SUP 3A.1.1</u>	<u>R</u>	In paragraph (2) for ‘over a period of at least 53 weeks’ substitute ‘since <u>this rule came into force</u> ’.	From 7 May 2026 until 14 May 2027	<u>7 May 2026</u>
<u>3E</u>	<u>SUP 3A.9.7</u>	<u>R</u>	If the period covered ends within 53 weeks of the <u>rule in column 2 coming into force</u> , the <u>safeguarding report must be delivered within 6 months of the end of the period covered</u> .	From 7 May 2026	<u>7 May 2026</u>
...					