EGALITI

KEEPING MONEY SAFE

SAFEGUARDING

EGALITI

Protecting Client Funds

Under the FCA Electronic Money Regulations established in 2011 (“EMR 2011”), regulated entities are able to provide accounts to clients and receive funds into those accounts from the banking system.

Unlike bank account protection which protects accounts under the so-called FSCS scheme up to £85,000 per account holder, 100% of money that is received into EMR regulated accounts is “safeguarded” while it is in the account and temporarily ‘unsafeguarded’ when the money is in transit to another bank.

An example flow showing how the safeguarding process keeps client funds safe:

Client sends £1m to an Egaliti Account

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£1m received from the sending UK bank via the Faster Payment System (FPS) which all banks and Egaliti is connected to

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£1m of received funds added to a centralised safeguarding account for all clients at one of the largest banks in London

FCA Regulatory Stipulations

1. Why do you need to safeguard?

Safeguarding requirements are in place to protect customer funds if the payment service provider (PSP) becomes insolvent.

All firms must have well-managed safeguarding arrangements in place.

2. What should you safeguard?

You must safeguard ‘relevant funds’. This includes:

-customer money held for a payment transaction, OR- customer money held in exchange for e-money.

See our approach publication for the full definition. Fca.org.uk/payment- services-e-money

3. When must you safeguard?

Safeguarding should start immediately once you have received the relevant funds. It should continue until the funds are paid out to the payee or the payees’ PSP.

FCA Regulatory Stipulations

4. How should you safeguard?

-Funds must be placed in a separate account for your working capital and other funds, OR- covered by an insurance policy or guarantee.

-Reconciliation should happen as often as possible.

5. How do I show that I am safeguarding correctly?

-Your records should show compliance with all aspects of safeguarding obligations.

-You should log every decision made about your safeguarding, and the systems and controls in place.