

## **Transcript of Val Smith Questions and Answers for Payment Association Discussion**

***There have been significant delays in applicant firms being allocated a case officer. Are there any updates you can provide on when we will see improvements?***

Firstly, we recognise that our response times are not good enough.

This has been in part driven by an increased demand for authorisation. In 2020 alone, we saw a 70% increase in firms seeking authorisation under the Electronic Money Directive and demand across other areas has also increased.

2021 was just as busy.

We are also applying much greater scrutiny to the applications we receive. As Nikhil Rathi our CEO said in his speech last July

‘If you let a bad firm or individual into the system, it takes up the time of supervisors and enforcers, ... livelihoods and health of consumers. Just one decision at the start – not letting them in – could prevent all that.’

However, we are taking steps to address the delays firms have been experiencing.

We are significantly increasing the amount of resource at the gateway, with a total of 100 additional permanent colleagues being recruited.

For payment services, this has resulted in the creation of a second team to deal with applications across the payments and e-money sectors, with total headcount increasing by around 60%.

This additional headcount should improve the speed at which we are able to allocate and assess an increasingly complex caseload.

***What does this mean for firms in the queue?***

We will be providing updates to firms on when they can expect a case officer.

We are also carrying out a high-level assessment of the cases in our queue with the aim of providing some initial feedback that firms can get working on.

All applicant e-money and payment services firms should receive this feedback during the next month.

***You mentioned volumes being one reason why the delays have occurred are there any other reasons?***

As I mentioned, we are applying much greater scrutiny to the applications we receive.

You will have seen the letter we published to the sector in the summer of 2020 setting out the key risks of harm we see from firms.

In order to help address these risks of harm, we are placing much greater focus on four key areas namely, safeguarding, prudential risk management, financial crime controls and the knowledge and experience of key individuals within firms.

This increased focus, naturally means that each individual application takes longer to assess.

***Are there any key issues that have you seen since you have taken this more detailed approach?***

Yes, unfortunately the quality of the applications receive tends to fall some way short of our expectations.

Over the last year, fewer than half of the assessments we have completed have resulted in approval and that number is unfortunately going in the wrong direction.

There are a few key areas that are leading to applications failing.

Firstly, applicants are too often not ready, willing and organised.

For example, applications are submitted missing key documents or in a draft state.

Whilst applicants might be willing to correct mistakes or gaps, we do not believe it is sufficient for an applicant to submit a poor application but show they are willing, with help from Authorisations, to address any deficiencies.

Secondly, we see a lot of applications from firms where they do not have any relevant knowledge and experience in payments or any transferrable skills.

We are testing this through discussions with firms and, unfortunately, far too many firms are unable to answer the questions that would give us the confidence to approve them.

This affects not just small firms, we also see this challenge in larger applicants.

Linked to this, we also see applicants with aggressive growth plans which are not matched with a suitable, planned growth in the control framework of the business.

We see far too many applications that are not bespoke to the firm.

We appreciate that there will be some degree of commonality to certain businesses and therefore a degree of templating may be appropriate. However, we believe this often goes too far. When we talk to firms about the policies they have submitted, they often don't understand the contents as they have not had a hand in creating them.

Finally, we still see firms that are not keeping up to date with FCA publications and our expectations of firms that operate in the payments and e-money sectors.

The most recent and telling example has been the frequency with which firms have either not created a wind-down plan or have submitted one lacking in the key elements that is now set out in the approach document and was previously in the interim guidance published in the summer of 2020.

We take a very dim view of firms that have clearly not done their research before submitting an application.

***What advice would you give to a prospective applicant firm?***

1. Do your research and read the guidance we have published. The approach document provides a whole wealth of detail on what we expect from firms;
2. Get moving on your safeguarding account straight away. We know that opening an account takes a lot of time and firms should get going as soon as they can. We won't approve a firm that needs safeguarding until we have evidence that the account is open; and
3. Ensure your application talks about the whole business model and not just the payments and e-money elements. If we can see there are other aspect to the business beside payments or e-money we will want to understand these in detail because it is about how all of the different aspects of your business work together which may have an impact on your ability to meet the regulatory standard. It is quicker for all of us if the application talks about this upon submission rather than us having to probe.

Thank you I look forward to our next conversation

**End of meeting**