Safeguarding regime implementation FAQ

A Helpsheet for Members of The Payments Association

The Regulatory Working Group's Safeguarding Sub-group asked FCA the following questions. The FCA consented to publication of the following written answers.

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Question 1

For mixed remittances (where a portion relates to payment services and another portion does not) that are received, CASS 15.3.2 states a written policy should be maintained demonstrating compliance with regulation 20(3) of the EMR and 23(2) of the PSR. Where the payment portion is unknown in advance, the EMR and PSR state that an estimate should be made using historical data. Where such an estimate can’t be reasonably made, would it be acceptable for the policy to factor in a reasonable time period to allow the safeguarding firm to establish the portion and allocate accordingly?

Answer

The revised draft Approach Document (paragraph 10.21) explains that an institution may make a reasonable estimate based on relevant historical data of the portion that is attributable to e-money/the execution of the payment transaction and so must be safeguarded. The institution would, if asked, need to supply us with evidence that the proportion actually safeguarded was a reasonable estimate to ensure that it is safeguarding at least as much as it ought to. Relevant data might include the portion generally attributable to e-money or payment transactions by the customer in question or by similar customers generally. Institutions which remain uncertain about which data to use can contact their supervision teams to request individual guidance.

Working group comments

The FCA has now published the XML and the XSD data files on the RegData website, but firms can only see a PDF. If firms want the XML data, they still need to navigate to the resource page.

Firms that have existing payment services and then EMI will have historical data and will be able to make assumptions from it. However, not every EMI that offers payment services issues E-money as soon as they launch. They will therefore have a period of time in which they will begin to operationalise. Typically, this happens for new firms that have a new EMI licence.

In previous cases, it has been reasonable to create an estimate based on the forecasts that were put through to the FCA as part of the application.

Firms can utilise their forecasts, which form part of their annual regulatory business plan, and then, as soon as they're undertaking the activity, it would be reasonable to look at it from a historical data point for six months.

Question 2

In CASS 15.8.26 R (2) and CASS 15.8.27 G, regarding ‘Item B’ of the safeguarding resource, does that include wallets, e.g. with PayPal, which are used to receive relevant funds?

Some firms are using PayPal or wallets to receive funds, as the definition of 'resource' is not clarified within the rules - when would those funds be considered received?

Answer

The obligation to safeguard relevant funds starts as soon as the funds are received by the institution. A firm will be treated as receiving funds as soon as it has an entitlement to them (for example, when credited to an account in the institution's name at a bank or other institution – including an e-money account or staged digital wallet). The obligation to put relevant funds in a designated account begins at the end of the business day following the day on which the firm received the funds.

Working group comments

The sub-group interpreted this as the FCA explaining that firms can actually hold these funds either at a bank or other institutions, being other TSPs, including e-money accounts or a staged digital wallet. The obligation to put funds in a debt account begins at the end of the business day following the day. This again is the T +1 rule that's within the PSRs and the EMRs.

Question 3

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." Due to the singular phrasing used in this rule, we seek clarification for firms managing a high volume of accounts (e.g., 200+).

Does the FCA expect a firm to issue 200+ individual acknowledgment letters? Alternatively, is it permissible and proportionate to list multiple bank accounts within a single letter, provided each account is clearly listed and identified in the table per the guidance in CASS 15 Annex 2.8 G, and the bank acknowledges them all by countersigning? We note that the CASS 15 Annex 1.1 template appears to accommodate multiple accounts, as it provides the option to amend the text for a singular "account" or plural "accounts." We would appreciate confirmation that a consolidated letter is acceptable.

Answer

Yes, the same letter can be used for multiple accounts.

Question 4

Should global collection accounts be included in firm's external safeguarding reconciliations under CASS 15.8.39 R (2), even though they do not belong to the firm (i.e. an affiliate may own the bank account in, for example, Singapore, which receives SGD on behalf of a client for a UK safeguarding institution)?

Answer

As outlined above, a firm is treated as having received funds as soon as it has an entitlement to them (for example, when credited to an account in the institution's name at a bank or other institution).

Where a firm receives funds via an affiliate (i.e. the affiliate is providing payment services to the firm), there needs to be an account with the affiliate that is credited as soon as the funds are received into the affiliate's bank account. The account held at the affiliate should be part of the reconciliation (and fall within CASS 15.8.39(2)R).

If an institution is uncertain about when they have an entitlement to the funds, it may wish to contact its supervision team to request individual guidance.

Working group comments

The sub-group questioned how that might manifest itself in the monthly safeguarding return. Effectively, it might fall under the category of other because the safeguarding return only has two categories, which affect whether it is relevant to fund safeguarding.

Question 5

Under the current 7 May 2026 commencement date, several firms will face additional logistical and audit costs due to the 53-week limit on audit periods. To align their first safeguarding audit with their June year-end, these firms would be required to commission a one-off "short period" audit of approximately 7 weeks, which will also place additional time demand on internal resources.

Would the FCA consider a general waiver of the statutory audit requirement to extend the 53-week limit solely for the initial transition year, which would also give the FRC the appropriate time to adopt a suitable audit standard? In terms of the data requests of the number of firms with similar financial year-end periods, the FCA should be able to obtain a full list of firms from the FCA Connect Data Portal as the majority of firms' returns are triggered based on the financial year-end, so the FCA would have a stronger and more reliable indicator of firms affected.

Answer

Our safeguarding rules do not require a firm to align its safeguarding audit period with its financial year end. And the rules allow, but do not require, a firm to commission a short-period audit.

Where an institution is unable to comply with any of the new audit requirements, it should notify its supervision team immediately.