

EPA Proposed Safeguarding Letter for EMIs

This letter provides a general template to help you develop your communications to your clients. It is important that you tailor your communication to suit your particular e-money products and services, clients and safeguarding arrangements. This template does not constitute any form of legal advice and should not be relied upon or treated as a substitute for specific advice relevant to particular circumstances and is not intended to be relied on you in making (or refraining from making) any specific decisions. This template letter has not been endorsed or otherwise approved by the Financial Conduct Authority or any other regulator.

For those using segregation method

Dear [customer]

It's important to us that you are aware that we, [X Limited], are an authorised Electronic Money Institution (EMI), regulated by the Financial Conduct Authority (FCA) in the UK under the Electronic Money Regulations 2011 for the issuance of electronic money and the provision of payment services. We have addressed some questions you might be asking below.

What is e-money?

When you send us money [to top up your account balance/load your wallet/load your card] we give you the value to spend in your account/wallet/card. The money held [in your account/wallet/on your card] is known as 'electronic money' or 'e-money'. While this may sound similar to what a bank does when funds are received into a current account, we are not a bank and therefore:

- we do not take your money as a deposit to use for our own purposes or lend to other customers; and
- your e-money is not covered by the Financial Services Compensation Scheme (FSCS).

How do you protect my money?

To ensure your money is safe we follow a process known as 'safeguarding' which is a regulatory requirement for all EMIs. In this process we keep your money separate from our own money and place it in a safeguarding account with [a bank]. We have to have an independent expert check that we are meeting our safeguarding obligations every year and the expert's report confirming this is available to the FCA on request.

In the event of us going out of business, an insolvency practitioner would be appointed to return the funds we have safeguarded to our customers. This means you would get most of

your money back, except for the costs deducted by the insolvency practitioner for distributing the money to our customers.

How does FSCS cover differ from safeguarding?

FSCS protects consumers together with small businesses, limited companies and charities (that meet its eligibility criteria) when certain authorised financial services firms (such as an UK authorised bank) fail and they cannot return your money to you. FSCS is a service funded by those financial service firms who are covered by it. FSCS provides compensation only up to £85,000 per eligible person, per bank, building society or credit union or up to £170,000 for joint accounts. This means if you have money in multiple accounts with banks, building societies or credit unions that are part of the same group (and share a banking licence) the FSCS treats them as one bank.

Whereas all the funds held in an e-money account are safeguarded and the full value (minus administrative costs applied by the insolvency practitioner) will be returned to you in the event that we go out of business. Because of the insolvency procedure, it may take longer (as compared to an FSCS claim) for your money to be returned to you.

You can find more information about using a non-bank payment service provider on the [FCA's website](#).

If you have any questions, please contact us on...

For those using segregation method and guarantee

Dear [customer]

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To ensure your money is safe we follow a process known as 'safeguarding' which is a regulatory requirement for all EMIs. In this process we either keep your money separate from our own money and place it in a safeguarding account with [a bank] or cover it with a [a guarantee]/[an insurance policy]. We have to have an independent expert check that we are compliant with our safeguarding obligations every year and the expert's report confirming this is available to the FCA on request.

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In the event of us going out of business, an insolvency practitioner would be appointed to return the funds we have safeguarded to our customers. This means you would get most of your money back, except for the costs deducted by the insolvency practitioner for distributing the money to our customers.

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