

E-money and the FCA

E-money firms need to act

On the 18th May 2021, the UK Financial Conduct Authority (FCA) sent a **'Dear CEO' letter** to e-money firms, expressing concern that "many e-money firms compare their services to traditional bank accounts or hold themselves out as an alternative in their financial promotions".

The FCA is concerned that consumers may not be aware that e-money accounts are outside of the UK Financial Services Compensation Scheme (FSCS) and have given e-money businesses six weeks (until the 29th June 2021) to write to customers to clearly explain how their money is protected.

As well as sending the necessary notices to customers, e-money firms should note this renewed focus by the FCA on how e-money products are described and sold to customers. If they have not already done so, they should be looking closely at their regulated business to ensure it is compliant, now and for the future and to make sure that they are not giving customers misleading information.

We understand the challenges you face in the current climate

Management of e-money businesses will appreciate the substantial cross-over among skills and experience necessary to manage their firms: compliance teams need to understand their customer – facing activities; customer – facing teams need to understand complex compliance and regulatory issues and their customers; technology teams need to understand how their systems are used; the list goes on.

You need the right experts on your side to provide timely, unambiguous and straight-talking advice.



Shoosmiths LLP has a client-focused team that always strives to put the clients at the centre of everything that it does."

Legal 500

We work, or have membership with:

- UK Finance
- FLA
- Building Society Association
- PIMFA
- The City UK
- Legal 500
- Chambers and Partners

How we can help

If you're an e-money business your priority should be to put in place a plan to address the FCA's concerns – and we can help you do this. No two businesses are the same. We understand, therefore, that advice cannot and should not be provided in a vacuum or with a 'cookie-cutter'. Our team is happy to have an initial (free of charge) call with you to understand your business and to help formulate this plan. This is our investment in you and your business.

We recognise that you will have existing advisors. In the current circumstances it is advisable to instruct an independent firm to ensure objectivity and reassurance that you are compliant. The challenge is to keep up with regulatory developments (including recent changes to outsourcing rules and 'customer care' duties), where confirmation bias can lead to issues being missed.

We can:

- help create the required notices to customers
- review your customer terms, communications and promotions
- review and create policies and procedures on customer communications and promotions
- help you draft information that is clear, fair and not misleading
- provide reports to the board and management on the firm's current status
- advise on communications with the FCA
- continue to support your business in light of the FCA's current concerns and provide future support regarding your e-money business.

Why Shoosmiths?

Shoosmiths has a national team of dedicated, partner-led FinTech and regulatory (both wholesale and retail) lawyers. We understand the challenges and opportunities faced by incumbent and new entrants to the market. We have extensive dealings, daily, with regulators (at authorisation, supervisory and policy levels), with financial institutions providing services to regulated and unregulated customers in the financial services sector and with all relevant stakeholders (as well as compliance teams).

The members of our team include individuals who have been general counsels and chief operating officers of regulated firms and FinTechs, who have drafted industry guidance on organisational requirements for regulated firms and FinTechs and statements of responsibility and KPIs for managers involved in technology and AI products and services.

Our focus is on providing an exceptional client experience which incorporates open communication, cost transparency and a consistent service as well as ensuring the people you are working with make everything that little bit easier for you.

Key contacts:



Sam Tyfield

Partner

+44 (0) 7887 893 137

sam.tyfield@shoosmiths.co.uk



Luke Stubbs

Partner

+44 (0) 7394 424 940

luke.stubbs@shoosmiths.co.uk



Prakash Kerai

Partner

+44 (0) 7912 476 804

prakash.kerai@shoosmiths.co.uk



Thomas Morrison

Principal Associate

+44 (0) 7926 079 202

thomas.morrison@shoosmiths.co.uk

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