

A man in a white shirt is smiling and talking to a woman with long blonde hair wearing a patterned top. They are in a modern office with large windows and a glass wall. The man's reflection is visible in the glass.

**BKL**

# FINTECH ROUNDTABLE INSIGHTS

13 November 2024

**BOVILL  
NEWGATE**

Smart Finance, Sure Future:

# BALANCING INNOVATION AND COMPLIANCE

## Your hosts...



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PAYMENTS PRACTICE  
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As a group of fintech enthusiasts and innovators, across a range of businesses, we came together to share our insights for EMIs and PSPs navigating regulations as they grow.

# SAFEGUARDING AND COMPLIANCE

CP24/20 is the FCA's consultation on changes to the safeguarding regime for payments and e-money firms, running September to December 2024.



## Enhanced reporting:

The FCA now require firms to implement more rigorous reporting mechanisms to ensure compliance with safeguarding regulations.



## Reconciliation challenges:

Under the requirements proposed in CP24/20, firms will face greater challenges in reconciling accounts daily, especially with high transaction volumes, and will need tech solutions to manage this.



## Executive responsibility:

A company director may be required by the FCA to take on executive responsibility for safeguarding.



## Regulatory scrutiny:

During the application process to become an API or EMI, FCA scrutiny of safeguarding measures can be intense.



**Develop a safeguarding audit process to ensure compliance with FCA requirements.**

**Upgrade safeguarding processes and controls in preparation for the new safeguarding rules and requirements.**

# SAFEGUARDING ACCOUNTS

£18bn

£5bn

According to the FCA, e-money issuer safeguarding accounts were holding around £18bn in 2023, with payment firms accounting for another £5bn.

- **Obtaining accounts:**  
Obtaining a safeguarding account is difficult due to banks' reluctance to take on perceived risks in the payments and e-money sector.
- **Regulatory requirements:**  
To meet stringent regulatory requirements, including detailed documentation and compliance measures, firms must obtain safeguarding accounts.
- **Impact on operations:**  
Challenges in obtaining a bank account for safeguarding purposes can lead to delays in the application process for firms seeking regulatory approval as a PSP or EMI.
- **Banking relationships:**  
Building strong relationships with banks is key to navigating the process and ensuring ongoing compliance.



**Bovill Newgate can help your firm to manage safeguarding arrangements: building processes and controls, conducting readiness reviews and testing your firm's operational ability to meet regulatory standards**



# CONSUMER DUTY



The FCA's Consumer Duty rules for financial services firms came into force for new and open products in July 2023, and for closed products in July 2024.

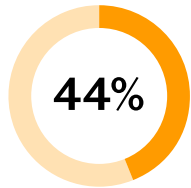
- **Balancing act:**  
In requiring firms to prioritise consumer protection, Consumer Duty poses challenges in balancing compliance and business growth.
- **Regulatory scrutiny:**  
Fast-growing firms face increased regulatory scrutiny, which can impact their operations and growth strategies.
- **Compliance officers:**  
Having knowledgeable compliance officers is crucial for firms to navigate Consumer Duty.
- **Early integration:**  
Integrating compliance into business strategies from the outset can make compliance less challenging later on.



Bovill Newgate can help your firm to implement the Consumer Duty via a wide range of services, including its fair value assessment framework, reviews and training.



# IMPACT OF BREXIT



According to the EY Financial Services Tracker, since the EU Referendum, 44% of the largest UK FS firms have announced plans to move some UK operations and/or staff to the EU.

- **Increased costs:**  
Post-Brexit, the increased costs associated with cross-border payments include higher transaction fees and compliance costs.
- **Additional regulation:**  
UK firms now face more hurdles when operating in the EU, including separate licences and different regulatory standards within the local jurisdiction.
- **Market isolation:**  
Some EU-based payment processors and banks are now reluctant to do business with UK entities.
- **Strategic adjustments:**  
To navigate the post-Brexit landscape, firms are seeking new partnerships and exploring alternative payment methods.



Bovill Newgate can provide specialist regulatory advice on local EU regulatory requirements. BKL can supply local advice via the DFK International network of accountancy firms.

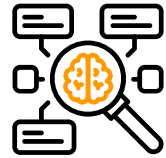
# OUTSOURCING

The FCA's rules on building operational resilience took effect in March 2022, with the transitional period running to March 2025.



## Operational resilience:

When outsourcing critical functions to third-party providers, maintaining operational resilience is crucial.



## Due diligence:

Firms must conduct and document thorough due diligence when selecting third-party providers, including assessing their compliance capabilities and operational resilience.



## Regular monitoring:

Regular documented monitoring of third-party providers is essential to ensure ongoing compliance and to promptly address any issues that may arise.



## Regulatory expectations:

Regulators expect firms to have robust outsourcing arrangements in place, including clear documentation and oversight mechanisms.



Create an outsourcing Management Information pack to be produced monthly for testing and reporting to your Board. BKL and Bovill Newgate can help you to create this.

# CHANGE IN CONTROL

If you're an individual or firm wanting to acquire or increase control in an FCA-regulated firm, you must notify the FCA (a Section 178 notice) and get their approval first.

- **Regulatory approval:**  
FCA approval is crucial to ensuring that the new controllers meet the FCA's standards and that the firm's operations remain compliant.
- **Challenges:**  
Extensive documentation and scrutiny are among the challenges involved in navigating the Change in Control process.
- **Misconceptions:**  
Change in Control is wrongly considered a fast-track method to enter the regulated sector.
- **Conditional approval:**  
The FCA can now issue conditional approvals, allowing transactions to proceed only if certain conditions are met, adding complexity to the process.



BKL and Bovill Newgate can help you to manage Change in Control applications, including reviews and updates to your financial projections and business plans.





# FRAUD

On 7 October 2024, new reimbursement protections for authorised push payment (APP) fraud came into force from the Payment Systems Regulator (PSR).

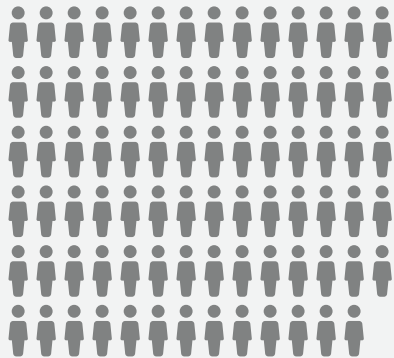
- **Holding payments:**  
When a bank holds money over a suspicion of fraud, the delays affect customers and put pressure on businesses.
- **Greater risk:**  
Businesses that process high volumes of daily transactions are more at risk of APP fraud.
- **Quick action:**  
To manage the impact on businesses, reasonable suspicions of fraud need to be investigated quickly.
- **Fraud management:**  
Without a strong appreciation of compliance, a firm's need for fraud management tools may be overlooked at board level.



**BKL and Bovill Newgate can help you to meet your firm's obligations regarding APP fraud reimbursement and other relevant rules. We can also help you to strengthen your anti financial crime measures.**



# COMPLIANCE CULTURE

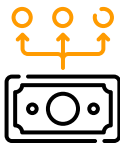


In 2023/24, the FCA commissioned 83 Skilled Person Reports (known as Section 166), up from 45 in 2022/23.



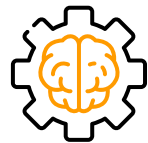
## Culture matters:

A strong compliance culture is essential for ensuring regulatory adherence and mitigating risks within firms. Regulated firms need to be “setting the standard” with compliance culture rather than being “just compliant”.



## Challenges:

Maintaining a compliance culture is challenging in fast-growing firms, where expansion can outpace the development of compliance frameworks.



## Role of officers:

Compliance officers are critical to fostering a compliance culture and ensuring that regulatory requirements are met.



## Board involvement:

Having compliance expertise at board level is crucial for effective governance and oversight of compliance activities.



Bovill Newgate are experienced at providing Section 166 support to firms, both as a Skilled Person and as an adviser to those undergoing the process.

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# THANK YOU

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