



**Transact Network Limited**  
26 Main Street  
Victoria House  
Gibraltar

17<sup>th</sup> June 2011

Dear Sirs,

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**Transact Network Limited – Security of Customer Funds**

**1. INTRODUCTION**

We strive to ensure our customer's funds are as safe, if not safer, as funds they deposit with established credit institutions (banks). Unlike a bank, Transact Network does not lend out your funds to its other customers nor do we offer credit to our customers with all of the risks that follow from such activities. In addition, as well as the legal requirement to safeguard your funds in the event of insolvency, we pay for additional voluntary protection of your funds against events of fraud.

**2. ABOUT TRANSACT NETWORK**

Transact Network Limited is a registered company in Gibraltar, Company Registration No. 96561. Authorised and regulated as an e-money issuer by the Gibraltar Financial Services Commission. Registered Office: Suite 51, Victoria House, 26 Main Street, Gibraltar. Transact Network is an authorised financial institution permitted to issue e-money and provide payment services across the European Economic Area.

**3. TRANSACT NETWORK'S PARTNERS**

Transact Network works with a range of marketing, distribution, resale and retail partners for own brand and co-branded payment products. In addition Transact Network sponsors certain Program Managers who manage payment programs under Transact Network's supervision. In some circumstances Transact Network may delegate certain functions (e.g. collection of documentation for identification, customer service) to its partners.

**4. TRANSACT NETWORK'S RESPONSIBILITIES**

Regardless of its contractual arrangements with Partners, as the authorised and regulated entity **Transact Network is always ultimately responsible for:**

- Issuing e-money devices
- Conversion of funds into e-money
- Managing payment accounts and safeguarding customer funds
- Meeting payment liabilities to customers including holding sufficient additional regulatory capital as a percentage of its liabilities ("Own Funds")
- Accounting for payment liabilities and auditing accounts (we are audited by independent auditors)
- Processing of card transactions (with trusted and approved third party processors)

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- Card Scheme System ("CSS") sponsorship, compliance and collateral requirements - e.g. Visa and MasterCard
- Risk & regulatory responsibility
- AML/KYC/Counter-terrorism compliance including suspicious transaction reporting
- Managing regulatory concerns with European regulators and assisting European regulators, police and other agencies with counter-terrorism, AML and fraud queries on a regular basis
- Customer issues and complaints

## 5. ADDITIONAL CONSUMER PROTECTION

### 1. Safeguarding of funds by law

As well as the requirements for regulatory capital (Own Funds), Transact Network is required, under the 2<sup>nd</sup> e-money Directive (2009/110/EC), to ring-fence and safeguard customer funds in the event of insolvency.

### 2. CSS collateral requirements

Transact Network currently fund additional collateral requirements with both MasterCard and Visa that cover any Transact Network solvency or systemic banking or payments risks (so that MasterCard or Visa can settle cardholder liabilities) - these collateral requirements grow as Transact Network issues more CSS branded cards.

### 3. Insurance


#### 1. State Insurance - Financial Services Compensation Schemes

E-money is not currently covered under traditional state-backed guarantee schemes that offer a capped guaranteed return in the event of insolvency affecting customer funds for qualifying investments and financial services.

#### 2. Market Insurance

Transact Network currently has the following insurances underwritten at the premier World insurance brokerage centre (Lloyds of London):

- Fraud: Transact Network has an insurance policy for up to €5m of cover for financial loss, data restoration and data security costs arising from unauthorised transactions. We will continue to ensure that our level of cover rises with the amount of funds that we hold.

  
 .....  
 Colin Greaves  
 Chief Executive Officer  
 Transact Network Limited

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