Proposal for Compliance Services

{{client\_name}}

Authorised Electronic Money Institution Application

Dear {{primary\_contact\_name}},

Good speaking with you recently and thank you for the opportunity to support your client with an application to become an Authorised Electronic Money Institution, regulated by the Financial Conduct Authority (“FCA”).

Following our initial correspondence, IQ EQ Compliance Services (UK) Ltd

(“**IQ-EQ Compliance**”) is pleased to provide this proposal to {{client\_name}}, acting on behalf of the Underlying Client (“**The Firm**”). In the event IQ-EQ Compliance is engaged to undertake this project, our client will be the Firm.

This proposal sets out the objectives of the engagement, the scope of services and indicative fees, and how we will meet the obligations of the projects to be undertaken.

We trust that the proposal below accurately describes your requirements.

# BACKGROUND

{{primary\_contact\_name}} of {{client\_name}} is working with the Firm, a {{jurisdiction}}. The Firm has determined that it wishes to seek authorisation from the FCA as an Electronic Money Institution (“EMI”). The Firm wishes to outsource the processing of the application and the related compliance documentation to IQ-EQ Compliance and has requested us to deliver a proposal with this scope.

The intention of The Firm after authorisation is to offer the following regulated payment services: -

**Payment Service 1 -** Services enabling cash to be placed on a payment account and all of the operations required for operating a payment account

**Payment Service 2 -** Services enabling cash withdrawals from a payment account and all of the operations required for operating a payment account

**Payment Service 3 -** The execution of payment transactions, including transfers of funds on a payment account with the user’s payment service provider or another payment service provider

1. execution of direct debits, including one-off direct debits,
2. execution of payment transactions through a payment card or a similar device,
3. execution of credit transfers, including standing orders

**Payment Service 5 -** Issuing payment instruments and acquiring payment transactions

**Payment Service 6 -** Money remittance services

**Payment Service 7 -** Issuing Electronic Money

(the exact scope will be determined as we finalise the Regulated Business Plan)IQEQ Compliance’s indicative proposal is as follows:

**Schedule of Available Services**

IQEQ shall provide the following services to the Firm:

We will assist the Firm with compliance services in relation to the following:

* The preparation and completion of an FCA application for the authorisation of the Firm **as an electronic money institution** (EMI), subject to the Electronic Money Regulations (2011) in relation to the provision of Electronic Money business and the Payment Services Regulations (2017) in relation to the provision of Payment Services business. The permissions being sought by The Firm are as set out in the introduction section above:

In particular, we will assist with the following:

* To write the business plan in conjunction with the Firm and provide those parts of the FCA application not already completed by the Firm, if any
* To complete the financial projections with the assistance of the Firm
* To complete all other parts of the Application pack in conjunction with the Firm
* To oversee the application process to the FCA, whereby IQEQ will work with the Firm to complete the application
* To act as the conduit between the Firm and the FCA in all matters relating to the application process
* To accompany the Firm on all regulatory visits (whether physical or remote), should they prove necessary, in connection with the application process
* To provide assistance to the Firm throughout the period from when the application is submitted to the FCA until such time as the FCA makes its final decision in respect of that application
* To assist, where necessary, the Firm to establish its Client Money safeguarding arrangements, compatible with the expectations of the FCA and in alignment with the forthcoming rules to be set out in chapter 15 of the CASS sourcebook within the FCA Handbook
* To write a Financial Crime Risk Assessment, focusing on Money Laundering/Terrorist Financing risks
* To assist write a Business Wide Risk Assessment
* Work of up to 5 hours to undertake a review of The Firm’s own Information Security Policy document as prepared by the Firm’s senior management/directors
* To provide the following documents to demonstrate effective compliance:
  + Mandatory components of the Compliance Manual
  + A Compliance monitoring programme

In view of the nature of the application, we may require these and other documents and information from the Firm throughout the application process, which we will always inform the Firm of when we become aware that they are needed.

Many of the application forms and supporting documents will require regular input and review by the Firm. Some may require more attention and time from the Firm than others, in particular those involving the proposed business (e.g., business plan, financial projections). All documents and forms will ultimately require a detailed review and approval by the Firm.

The preparation of the application can take a few weeks, depending on how promptly we receive the necessary information from the Firm.

Under normal circumstances we would expect authorisation for straight forward and moderately complex applications to be granted within approximately three to five months following the allocation of a case officer by the FCA, although the FCA has 12 months to make the decision from the date of the submission of the forms.

IQEQ Compliance’s total price charge for assistance and advisory work to The Firm in the drafting of an application to be an EMI on a turnkey basis for the above points of the scope of IQEQ Compliance’s work, the aggregate fixed price chargeable would indicatively range between {{total\_indicative\_price\_range}} (plus VAT, where required)

The aggregate fixed price charge for assistance in respect of those points would be divided into three stages as follows. Please note that payments for Stages One and Two will be payable prior to IQ-EQ Compliance commencing work on each Stage: -

**STAGE ONE** – **Gap Analysis and Validation Stage.**

This stage would allow for IQ-EQ to review all relevant documents prepared to date by The Firm itself and/or by third parties on the Firm’s behalf in support of the FCA application or as part of the application pack to be submitted to the FCA.

In this phase, we will analyse and validate those elements as to their fitness for purpose, identify gaps, areas of completion and areas in need of further development to meet the FCA’s threshold requirements. **{{stage\_1\_price}}** plus VAT (where applicable).

**STAGE TWO - Application Pack and Submission to the FCA.**

This stage would allow for the detailed work of preparing an elegant application in all respects.

NB – The FCA will only accept and process complete applications. A range from **{{stage\_2\_price\_range}}\*** plus VAT (where applicable). \* *Price will be dependent on the outcome of the gap analysis conducted in stage one. We would propose to agree the final stage 2 price with the Firm upon completion of Stage 1 above.*

This stage will address in detail the:

* The business plan, with sufficient detail to allow IQEQ and the regulator to understand:
  + The background to the business,
  + The business activities you will be carrying on as an authorised firm and the opportunities the firm hopes to exploit,
  + The risks faced by the business, and the steps taken to mitigate them.
  + The background, experience and proposed roles of all key staff at the firm.
  + If the firm is currently trading, your latest financial statements including your latest annual and management accounts.
* More complex topics included in the AEMI application process, including:
  + Procedures to monitor, handle and follow up on a security incident and security-related customer complaints
  + Process to file, monitor, track and restrict access to sensitive payment data; this will require significant liaison with your IT provider in order to obtaining an access right policy, if any, a description of IT system and technical security measures implemented, and an annual internal control program for IT systems safety
  + Business continuity arrangement
  + Principles and definitions applicable to the collection of statistical data on performance, transactions & fraud
  + Information and Cyber Security policy - you will need to liaise with your IT provider in such areas as ‘logical security measures and mechanisms’, ‘description of the IT systems’, ‘security of payment processes’ and ‘a list of the main written procedures for your IT systems’ will be necessary.

Please note that we will provide the Firm with a compliance manual as part of the Service, which must be in place upon application but is not a document to be filed with the application to the FCA.

**STAGE THREE – FCA Decision.**

Upon receipt of the decision of the FCA in respect of the application, IQ-EQ will assist with any relevant training required. **{{stage\_3\_price}}** plus VAT (where applicable).

Please also note that our fees do not cover the FCA application fee which is payable to the FCA. We do not guarantee the amount of this fee and the fee may be subject to variation by the FCA. Should the fee increase, any such increase is payable by the Firm and is not covered by our fees.

**IQ-EQ Relevant Experience with AEMI applications and CASS 7**

Of the more than 200 existing FCA investment firms which are clients of IQ-EQ Compliance, approximately 5% are subject to the Client Money rules as set out in chapter 7 of the CASS sourcebook. As part of our normal compliance consultancy engagements, we are undertaking thematic health checks on how clients with these permissions are complying with their CASS obligations, through reviews of their CASS systems and controls infrastructure.

As a result, we are therefore well versed in building and maintaining existing firms’ infrastructures in relation to CASS 7 Holding Client Money permissions.

As the Firm will know, the FCA is in the process of updating its Client Money safeguarding rules for Electronic Money Institutions and Payment Services directive firms.

To date, the FCA has launched a consultation paper on the proposed amendments to the existing client money safeguarding regime. Through the consultation paper the FCA has indicated the direction of travel for the amendments it is proposing to make. These will not exactly mirror the existing CASS 7 rules, however there will be a much closer alignment between the CASS 7 rules and those which will be implemented in a new chapter of the CASS Sourcebook, namely chapter 15 with effect from the beginning of 2026.

As a result, the Firm’s client money safeguarding arrangements will need to be aligned to the obligations set out in chapter 15 of the CASS sourcebook. The industry is imminently awaiting the publication of the new final rules in the FCA’s Policy statement, following which we will be assisting other EMIs and PSDs to comply with the new obligations.

One of our senior consultants, Andrew Welsh, who is a qualified accountant, is in the process of completing a secondment to an Authorised EMI client. He has worked for this firm for five months, sorting out legal, accounting and compliance issues together with other members of the UK Compliance Consultancy team at IQEQ, and in the face of serious scrutiny by the FCA.

Unfortunately, the breadth of the issues uncovered has led to the client recently moving into the Special Administration process, at the behest of the FCA.

We are currently working on one other PSD application, which will be imminently submitted to the FCA. Therefore, we have current in-depth knowledge of the FCA’s attitudes towards the threshold conditions for new applicant firms and the difficulties of finding UK credit institutions willing to open corporate and client money safeguarding accounts for new entrants.