**Further to the recent Dear CEO letter to E-money firms, AFEP have worked across the industry with other trade associations to create the below template text for the purpose of helping you develop your own communication to your clients.**

**It is important that you tailor your communication to suit your client base and your own arrangements. This template is not legal advice and simply offered as suggested wording.**

## 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 (the FCA) in the UK under the Electronic Money Regulations 2011 for the issuance of electronic money and the provision of payment services.

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).

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 the money separate from our own money and place it in an account with [a bank]. We have to have an independent expert check that we are compliant with our safeguarding obligations every year, which is available to the FCA on request.

It is important to note that accounts held with EMIs are not within scope of the Financial Services Compensation Scheme (FSCS); your money is safeguarded in an account with a bank instead, as explained above. Unlike with the FSCS, which provides compensation only up to £85,000, as funds held in an e-money account are safeguarded, 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 but it may take longer.

You can find more information about using a non-bank payment service provider on the [FCA’s website](https://www.fca.org.uk/consumers/using-payment-service-providers).

If you have any questions, please contact us on…

## For those using segregation method and guarantee

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 (the FCA) in the UK under the Electronic Money Regulations 2011 for the issuance of electronic money and the provision of payment services.

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).

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 the money separate from our own money and place it in an account with [a bank] or cover it with a guarantee. We have to have an independent expert check that we are compliant with our safeguarding obligations every year, which is available to the FCA on request.

In the event of us going out of business, an insolvency practitioner would be appointed to distribute all funds we safeguard 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.

It is important to note that accounts held with EMIs are not within scope of the Financial Services Compensation Scheme (FSCS); your money is safeguarded in an account with a bank instead, as explained above. Unlike with the FSCS, which provides compensation only up to £85,000, as funds held in an e-money account are safeguarded, 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 but it may take longer.

You can find more information about using a non-bank payment service provider on the [FCA’s website](https://www.fca.org.uk/consumers/using-payment-service-providers).

If you have any questions, please contact us on…