



Safeguarding Rules: Moving Toward a Prescriptive, CASS-Like Regime

1

From Principles to Prescription

Historically, whilst the bigger players had to comply with regulatory requirements and reporting, small or unregistered payment service providers had flexibility in how they demonstrated compliance. Safeguarding rules for e-money institutions (EMIs) and payment service directive (PSD) firms were principle-based. But that's about to change.

The introduction of CASS 15 changes that landscape. This new framework aligns safeguarding requirements for EMIs and PSD firms much more closely with the **highly prescriptive CASS rules** that investment firms already follow. For many firms, this represents a fundamental operational shift.

2

CASS 15 in Context: The Bigger Regulatory Picture

CASS 15 does not exist in isolation. It sits alongside, and clarifies, the existing high-level safeguarding requirements found in primary legislation and across the [FCA Handbook](#).

For comprehensive compliance, firms must consider a range of interconnected rules, including:

PRIN

The FCA's Principles for Businesses.

SYSC

Senior Management Arrangements, Systems and Controls (with **SYSC 18** requiring a Senior Manager to oversee safeguarding).

SUP

The FCA's Supervision manual.

Together, these elements create a layered regulatory environment where safeguarding requirements are both broad and prescriptive.

3

Mapping Risks, Controls, and Processes

A central pillar of CASS compliance is the **risk and control mapping** exercise. This involves a line-by-line review of rules, mapping risks to controls and embedding them in operational processes. Its purpose is to demonstrate to auditors and regulators that the firm understands and manages its obligations in a structured way. fundamental operational shift.

The matrix must demonstrate that:

Risks are identified

All potential threats to client funds and assets are clearly documented.

Controls are designed and implemented

Each risk has a specific, proportionate control.

Processes are integrated

Controls are embedded in day-to-day operations, not treated as stand-alone.

Accountability is assigned

Roles and responsibilities are clearly allocated.

4

The CASS Resolution Pack

Under CASS 15, firms must maintain a [CASS Resolution Pack](#). This ensures that, in the event of insolvency, an administrator can quickly identify, value, and return client funds and assets.

The resolution pack must include:

Descriptions of safeguarding processes.

Lists of safeguarding accounts and custodians.

Bank acknowledgement letters confirming designated safeguarding accounts.

Reconciliation records and supporting documentation.

The earlier risk and control mapping exercise underpins this pack, providing the necessary blueprint.

5

Breach Reporting

CASS 15 requires **all safeguarding breaches** to be identified, recorded, and reported – regardless of materiality. This includes breaches discovered internally and those identified by auditors. Firms must therefore establish a robust breach management and escalation process.

6

Key Requirements Introduced by CASS 15

CASS 15 introduces several important obligations for EMIs and PSD firms:

Enhanced Books and Records

More detailed documentation and frequent reconciliations, often daily.

Strengthened Governance

Appointment of a Senior Manager (SMF18) with oversight responsibilities.

Robust Audit Trail

Line-by-line mapping and control matrices providing evidence for external audits.

Improved Safeguarding Practices

Ensuring funds are properly segregated and protected at all times.

7

Beyond Box-Ticking: The CASS Safeguarding Audit

Auditors will provide a **formal assurance opinion** on a firm's safeguarding compliance. This is not a box-ticking exercise. Instead, it is a detailed assessment of how safeguarding is embedded into the firm's systems and governance.

Auditors typically request evidence in the following areas:

Risk & Control Matrix (RCM):

Verification that risks and mitigating controls are fully documented.

Daily Reconciliations:

Review of samples to confirm accuracy, methodology, and resolution of discrepancies.

CASS Resolution Pack:

Confirmation that it is complete, accurate, and up-to-date.

Governance Documentation:

Minutes, committee charters, and role definitions (especially SMF18).

Breach Log:

Review of all safeguarding breaches, their escalation, and reporting to the FCA.

Policies & Procedures:

Evidence of robust processes covering safeguarding, third-party appointments, and fund return processes.

Client Terms of Business:

Confirmation that agreements clearly describe how customer funds are protected.

8

From Compliance to Culture: Embedding Safeguarding

The move from a principle-based to a prescriptive safeguarding regime marks a step change for EMIs and PSD firms. By adopting CASS-style requirements, the FCA is signalling that safeguarding needs to be transparent, documented, and demonstrably effective.

Success under this regime requires firms to:

Implement thorough rules mapping and control frameworks.

Establish strong governance and oversight.

Maintain an up-to-date CASS Resolution Pack.

Be audit-ready with detailed evidence of compliance.

In short, safeguarding must be part of the **firm's DNA**, not just a compliance checklist.

Take Action with Confidence

Navigating the new FCA safeguarding rules requires clarity and precision. **Ruleguard** is the leading CASS compliance platform, trusted by firms across financial services to manage regulatory obligations with confidence. If your firm is preparing for these changes, now is the time to ensure your systems and controls are fit for purpose.

 0800 408 3845

 marketing@ruleguard.com

 www.ruleguard.com

