

Payments and Digital Assets Authorisations Video Transcript - Governance

Ocean Sin

Governance is the foundation of a compliant culture, and it allows you to grow orderly and sustainably. And the consequences of not getting it right could be real and costly. My name's Ocean Sin, and I'm a lead associate in the Payments and Digital Assets Department authorisations in the FCA. And I'm very pleased to be joined with Sana today with me.

Sana Sainani Dayal

My name is Sana Sainani Dayal. I'm a manager within the Payments and Digital Assets Department in authorisations at the FCA.

Ocean Sin

Sana, what is governance?

Sana Sainani Dayal

At its core, governance encompasses people, structure, and mind and management. And you mentioned earlier about when things go wrong, and when things go wrong, that's when it's generally about, how did people react? Did they make the right decisions? Were they made at the right time? And were the right people leading the firm at the time? And these are the sort of things we want firms to really consider at the beginning.

Ocean Sin

You start your responses [sic] with people. What is our expectations on [sic] people?

Sana Sainani Dayal

Well, it centres around the knowledge and experience of the individuals, but also their understanding of the firm as well. So for example, when they're onboarding a proposed MLRO, does that individual understand the firm's obligations under the MLRs? Does that individual understand the key AML risks and issues relating to the firm, its business models, and product and services? And we test this. We interview proposed senior management for their knowledge and their experience.

Ocean Sin

So following up from people, how do we assess a structure in governance?

Sana Sainani Dayal

Well, we expect firms to have a proportionate governance structure to the scale and complexity of their proposed business model. For example, if you're an EMI, you may require a full suite of senior management, and that's everything from a chief executive officer to a chief technology officer, and alongside with that board membership and non-executive directors. However, if you're a small payments institution, you may not require that same level of governance oversight. That being said, you still need to ensure your senior management has the right skills and experience to maintain the firm's regulatory obligations.

Ocean Sin

What is mind and management?

Sana Sainani Dayal

We want you to be aware of issues when they happen and how they happen. And we understand payments and e-money firms are part of wider groups that operate across multiple jurisdictions. However, in our experience, this sort of structure doesn't give these individuals the ability to be aware of the immediate issues and crises that are impacting the UK businesses at the time. It's really important for key decision makers to be based in the UK.

Ocean Sin

Before we close this, can you give some tips for all of our applicant firms about governance?

Sana Sainani Dayal

Going alongside with our earlier themes, I talked about people and structure. Firstly, it's important to demonstrate clear lines of responsibilities and clear escalation lines as well. And it goes back to that point of being aware of issues when they occur. Secondly, it's really important for you to know your business. So for example, if you've got hybrid business model which includes an e-money and a crypto element to it, it's important not to overburden your senior management with dual lines of responsibilities. And it's also important to ensure that there are clear lines of communication. And thirdly, if your

business model includes agents and distributors, you should ensure that you have clear oversight as part of your governance approach.

Ocean Sin

Well, thank you so much, Sana. There is a lot of information for all of us to digest, and there are [sic] additional information on our website and within our approach document. So please do read them before you submit an application with us.

Read: [Payment Services and Electronic Money – Our Approach \(PDF\)](#)

Read: [Applying to become an e-money or payments institution](#)