



MODULE	PS: Payment Service Requirements
CHAPTER	PS-2: Safeguarding of Client Money

PS-2.1 Safeguarding Requirements

PS-2.1.1

This Chapter is applicable to all PSPs that receive client money during the course of providing payment services. PSPs that offer solely, account issuance service (i.e. not combined with any other payment service such as e-money issuance), account information services and payment initiation service that do not hold client money will not be subject to this Chapter.

PS-2.1.2

Licensees must ensure that any client money received from, or on behalf of, a customer is deposited into a segregated account with a retail bank, no later than the next business day. Such funds must not be commingled with any other operational account. Client money comprises any money that a licensee holds on a fiduciary basis, as intermediary in the course of carrying on regulated services, towards the execution of transactions on behalf of its customers.

PS-2.1.3

The client money must be safeguarded in one of the following methods:

- (a) By depositing the relevant money in a trust account with a retail bank; or
- (b) Insurance from a regulated insurance firm which is fully liable to the customer for the client money; or
- (c) A guarantee given by a retail bank for the amount of the client money.

In the case of cross-border operations, the PSPs must place client money attributable to the overseas operations in a bank rated AA- or above.

PS-2.1.4

Where a PSP chooses to safeguard client money using a guarantee from a bank or an insurance policy from an insurance firm, it must meet the following:

- (a) Before obtaining a guarantee or insurance cover from the bank or insurance firm:
 - i. Assess, and satisfy itself of, the suitability of the bank or insurance firm as the case may be with respect to the giving of the guarantee or providing the insurance cover; and
 - ii. Give written notice to the bank or insurance firm and obtain an acknowledgment that the guarantee or insurance cover is being obtained by the PSP for the purpose of complying with Paragraph 2.1.3;

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PS-2.1 Safeguarding Requirements (continued)

(b) Ensure that:

- i. The guarantee states that in the event of the insolvency of the PSP, the bank assumes a primary liability to pay a sum equal to the amount of the client money held by the PSP at the end of the business day immediately preceding the date the PSP becomes insolvent and in case of an insurance cover it is considered claimed at the point of insolvency of the PSP; and
 - ii. There is no other condition or restriction on the immediate paying out of money by the bank or insurance firm to a separate account held by the PSP, in the event of the insolvency of PSP;
- (c) Disclose in writing to the customer that the client money is being safeguarded by a guarantee or insurance cover given by the bank or insurance firm for the client money; and
- (d) Assess, and satisfy itself of, the suitability of the bank or the insurance firm, as the case maybe, on an annual basis subsequent to obtaining the guarantee or insurance;
- (e) PSPs must retain adequate records in relation to the basis on which the PSP satisfied itself of the suitability of the bank or insurance firm for at least five years.

PS-2.1.5

A licensee must inform the CBB in advance of any material change in measures taken for safeguarding client money.

Contractual Arrangements

PS-2.1.6

An agreement must be established between the PSP and the bank holding the client money. This contract should clearly define the roles, responsibilities, and limitations of both parties regarding the handling of client money.

Controls and Restrictions

PS-2.1.7

Licensees must ensure that it has established and implemented adequate policies, procedures and systems for compliance with client money safeguarding requirements, including but not limited to those related to prevention of misuse and fraud. Licensees must ensure that the client money is reported as a separate balance sheet item in the licensee's financial statements specifying also the nature and purpose for which such funds are held on behalf of its customers.



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PS-2.1 Safeguarding Requirements (continued)

PS-2.1.8 For the purposes of PS-2.1.6, controls and restrictions may include but are not limited to the following:

- (a) Each payment channel (e.g., E-Commerce, Fawri, Apple Pay, kiosks) should have a dedicated sub-account;
- (b) Follow pre-approved methods and channels (no ad-hoc or manual fund movements allowed);
- (c) Payment user customers should be whitelisted;
- (d) Fund flows should be rule-based, API driven, end user traceability;
- (e) Payments should be initiated by the customer;
- (f) Only automated, agreed-upon modes of transfer are permitted;
- (g) Fund transfers should include purpose codes for classification and compliance;
- (h) Suspicious transaction monitoring: systems must flag unusual or suspicious activity;
- (i) PSPs must perform daily reconciliations of all accounts and transactions;
- (j) Settlements should be made on a gross basis; and
- (k) PSPs should not place a lien or pledge on the segregated funds.

PS-2.1.9

A licensee must comply with the following requirements with respect to the safeguarding and management of client money:

- (a) Maintain adequate segregation of duties in relation to the operation of client money accounts;
- (b) Establish and maintain internal controls and systems to ensure the daily reconciliation of client money balances held with the bank against the corresponding client ledgers; and
- (c) Designate a member of senior management as the responsible person for the oversight and operation of client money accounts.

PS-2.1.10

Licensees holding client money in the course of carrying out payment services must appoint independent auditors to perform an audit of client money every 6 months and submit the report to the CBB as required in Paragraph BR-1.1.6.