

## Client Assurances

Corpay understands that the security of our customers' funds is a vital component of our relationship with every customer, as well as our regulators. At Corpay we always ensure to meet the highest of regulatory standards in protecting any money you have entrusted us with.

Firms which are authorised and regulated in their respective countries must ensure compliance with all applicable legislation, codes, guidelines and obligations on an ongoing basis.

The European Union Payment Services Regulations 2018 (the PSR) and the European Communities Electronic Money Regulations 2011 (the EMR) stipulate that Payment Institutions (PIs) and Electronic Money Institutions (EMIs) must have appropriate and well-managed safeguarding arrangements to ensure customer funds are not subject to any undue claim and that in the event of insolvency, are returned to the customer in full, and in a timely and orderly way. In regulatory terms, the PI/EMI is a Payment Services Provider (PSP) and the underlying client is the Payment Services User (PSU).

Cambridge Mercantile Corp. (UK) Limited is authorised by the Financial Conduct Authority in the United Kingdom as an Electronic Money Institution. Associated Foreign Exchange Ireland Limited is authorised by the Central Bank of Ireland as a Payments Institution.

We have prepared this document for our clients to review and consider before placing any money in the form of client funds with us in order to;

- I. explain certain key features of the relevant Regulations;
- II. provide you with information on our arrangements for safeguarding your client funds; and
- III. set out key risks relating to your client funds.



## Purpose and methodology of Client Asset segregation

There are two methods by which Corpay safeguards client money.

- Insurance method; and
- Segregation of funds.

Under the Insurance Method, client funds are covered by an insurance policy or a comparable guarantee by an 'authorised insurer'. The proceeds of the insurance/guarantee must be payable upon insolvency of the Payment Service Provider and into a safeguarding account. The insurance/guarantee will either cover all relevant funds or part of it with the remaining funds safeguarded under the segregation method.

Both Cambridge Mercantile Corp. (UK) Limited and Associated Foreign Exchange Ireland Limited have safeguarding insurance policies in place.

Alternatively, in the segregation method Corpay is obliged to put in place certain safeguards to help ensure that clients' funds are protected. Corpay is required to;

- hold client funds separate to our own which we do through depositing client funds in client safeguarding accounts with a credit institution which have been appropriately segregated in accordance with the relevant Regulations;
- obtain acknowledgement from the credit institution that the client funds are held in client safeguarding accounts;
- maintain accurate records of each client's entitlement to client funds and conduct daily reconciliations of our internal records against those of the credit institution;
- ensure what we are safeguarding is the correct level of client funds on a daily basis;
- inform you through our terms of business of our arrangements and where relevant obtain consent to the manner in which your funds are held;
- have and apply appropriate risk management processes and systems, including documented policies and procedures to ensure that we are effectively safeguarding your funds;
- carry out counterparty due diligence;



## What are client funds?

Client funds include;

- Any money, to which you are beneficially entitled, which we have received from you or on your behalf. It includes bank transfers paid to us.
- There is no limit to the amount of client funds that can be safeguarded and protected, unlike with a bank where funds deposited are only protected up to £85,000. With Corpay, any amount of relevant funds held will be safeguarded.



## The circumstances in which safeguarding of client funds applies and does not apply

### Do apply:

- To money belonging to you and received by us in respect of activities which are covered under the relevant regulations. This would apply, for example, to funds deposited with Corpay in order to facilitate settlement of foreign exchange contracts, or make payments to a customer's beneficiary.
- Once a bank transfer is received by us except where it is payable to a third party and transmitted by Corpay to that party.

### Do not apply:

- when your funds have been received by us in respect of activities which are not covered under the relevant regulations.
- where funds are transferred to us or are appropriated by us in accordance with the agreed terms of business to discharge your liability to us (for example where you default on your obligation to settle a transaction with us we will appropriate funds we hold as client funds to the extent required to discharge your liability without prejudice to our other rights under the terms of business).
- where we have completed a payment of the client funds to you or a third-party beneficiary nominated by you by written instruction to us.



## Who holds my clients funds, and how?

Your client funds will be held in a pooled client safeguarding account. Under a pooled arrangement, client funds of more than one client are held in the same client safeguarding account. The client safeguarding account will be opened and maintained only with eligible credit institutions. The names of the credit institutions where we deposit client funds are set out below:

- Barclays Bank Ireland plc (Ireland) for customers of Associated Foreign Exchange Ireland Limited;
- Barclays Bank plc (UK) for customers of Cambridge Mercantile Corp. (UK) Limited.

Client funds are protected by rules laid out in the relevant Regulations which include obligations relating to the segregation of client funds from the firm's own funds, accurate record keeping, regular reconciliations between the firm's records and those of the eligible credit institutions and due diligence on the credit institutions where we place client funds to ensure they are of sufficient financial strength.



Transactions in respect of the client safeguarding account will only be undertaken based on an instruction from us and pursuant to our terms of business with you.

Corpay in selecting relevant credit institutions to hold client funds on behalf of its clients undertake an assessment, at least biannually, covering;

- I. the institution's credit standing having reference to external credit ratings (where available);
- II. known service levels for the institution (where we have past experience with the institution);
- III. what your rights would be if the relevant bank were to fail.

Once a credit institution has been selected to hold client funds a funds facilities letter confirming specified details, as set out in the Regulations, will be obtained from the institution prior to lodging any client funds with that institution.



## What are the main risks or limitations to safeguarding client assets?

While obligations are imposed on firms to segregate client funds from a firm's own funds, as well as other requirements, it does not protect or guarantee the value of the client funds.

**Default risk** - risk that the credit institution at which client funds are held becomes insolvent or otherwise fails and defaults on its obligations.

**Operational risk** - risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

**Risk of fraud** - relates to intentional deception made for personal gain or to damage another individual.

**Risk of pooling** - There is a risk that one client's funds will be temporarily used to fund another client's transactions; that Corpay fails to appropriately implement accounting segregation or that the pool may have a deficit.



## Controls in place to mitigate risk

Corpay minimises these risks through its systems and controls including;

- undertaking due diligence and risk assessments of institutions with whom client funds are held;
- ensuring adequate oversight of client funds is maintained through documented procedures and controls to minimise the risk of loss for clients;
- undertaking daily reconciliations of our records and the records of client funds with the credit institution and daily calculations of the client money held for clients as per our records with the client safeguarding resource that should be held with the credit institution;
- ensuring that we have adequate controls on who can authorise payments from the client safeguarding accounts;
- As a regulated entity, we are subject to close scrutiny and review by our regulators to ensure that we have met our regulatory requirements, including detailed requirements in place with regard to the safeguarding of client funds.

Clients should be aware that the information set out in this document in relation to the application of safeguarding requirements by Corpay, when it applies and how client funds are determined and dealt with by Corpay, is not exhaustive. In the event that you have any questions please do not hesitate to call your normal Corpay contact.

**Corpay**<sup>^</sup>

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