

POLICY ON SAFEGUARDING MEASURES FOR CLIENT FUNDS

FINPAY EDE, SAU





CHANGE CONTROL

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1.INTRODUCTION AND SCOPE OF APPLICATION

The purpose of this document is to determine the appropriate policies and procedures to ensure the protection and security of clients' funds deposited in the Entity, in compliance with applicable regulations.

As established on this matter in Law 21/2011 and RD 778/2012, FINPAY as an entity that provides electronic money issuing services, must adopt appropriate procedures and measures to safeguard the property rights of customers, as well as security systems to preserve the integrity, availability and confidentiality of information of its clients and has a continuity plan business with plans contingency to ensure, in case of interruption of its systems and procedures, maintenance of the service or, when this is not possible, the timely recovery of data and functions for the resumption of its services.

Having said that, this document lists the action measures and internal procedures to be followed in terms of safeguarding client funds.

They remain included within his scope, all the funds that have relationship with the provision of the services of emission of electronic money that performs FINPAY a their customers, mentioning expressly the activities of administration and custody, regardless of the channel by the one that has been generated is operational.

The services that FinPay is authorized to provide in accordance with the Authorization of the Bank of Spain are the following:

- (i) Electronic money. Issuance, distribution and redemption of electronic money (" **Electronic Money Services** ").
- (ii) Payment Services. Execution of payment transactions, including the transfer of funds, through a payment account at the User's payment service provider or another payment service provider , including standing orders (" **Payment Services** ").



2. PROCEDURE AND OBLIGATION TO SAFEGUARD FUNDS

Royal Decree 778/2012, of May 4, on the legal regime of electronic money institutions, establishes in its Art. 16, the requirements for safeguarding clients' funds in the following terms:

Guarantee requirements. 1. Electronic money institutions shall safeguard the assets received in exchange for the electronic money issued or for the provision of payment services not linked to such issuance, subject to the procedure provided for in article 21.1.a) of Royal Decree-Law 19/2018, which prescribes the deposit of said assets in a separate account or the investment in safe and low-risk assets. (...)

(..) the following shall be considered safe, liquid and low-risk assets for the purposes of the provisions of said article: a) Demand deposits in credit institutions subject to prudential supervision and domiciled in Member States of the European Union. The name of these deposits must expressly mention their status as "balances of clients of an "electronic money institution". Electronic money institutions shall ensure that, within the framework of the provisions of article 16 bis of Law 21/2011, of July 26, the conditions of such deposits do not contravene the provisions of article 21.1.a) of Royal Decree-Law 19/2018, of November 23 .

The safeguarding obligation only applies to "protected assets", which are funds deposited by clients.

Such relevant funds are: Amounts received from a user for the issuance of electronic money.



In order to ensure the protection of client funds and cash in the development of the activities contemplated by current regulations, the guiding principles underlying the safeguarding of funds are the following:

- Distinguish the funds own of a customer of the of the rest of funds of customers and of the of FINPAY.
- Ensure the accuracy and correspondence of the electronic money issued and of the funds and cash received from customers.
- Guarantee that the assets of the clients deposited with a third party (ie entity credit) are distinguished of the assets and tools financial of bliss entity of credit and other assets and FINPAY financial instruments, requiring the credit institution to utilization of accounts with a denomination different in his accounting, which allows the safeguard account to be differentiated from other accounts that operate under the general regime.

To comply to The above FINPAY has established in its computer system and an asset account structure that allows for differentiation own funds from client funds, and within these, identifies the funds of each of them through the sub-accounts registered by FINPAY.

This structure of funds for own account and for account of clients, remains in the credit institution that FINPAY uses to support to its customers in such a way that, currently FINPAY has appointed CaixaBank as Entity in which A safeguard account has been opened in your name to carry out your activity as an electronic money issuing entity (hereinafter, the "**Electronic money institution**" or "**Custodian**").

In addition, already the effects of differentiating FINPAY's own funds from those of its clients, FINPAY has opened operational accounts separate from the safeguard accounts for payments and charges relating to the company's normal traffic.



3. SAFEGUARD ACCOUNT

3.1 How to Safeguard Funds

Royal Decree 736/2019, of December 20, establishes measures for payment institutions and electronic money institutions (EMI), developing specific aspects of Law 21/2011 and detailing different options to safeguard customer funds.

Likewise, in Article 21 of Royal Decree-Law 19/2018, of November 23, they specify the ways in which it is possible to safeguard the funds.

In the case of FINPAY, the way to safeguard its clients' funds is:

Asset Segregation

- Funds are held in accounts separate from the entity's own accounts.
- These accounts are opened in authorized credit institutions.
- The entity's accounting must accurately reflect the separation between customer assets and own assets.

3.2 Selection of the depositary entity

Within the framework of the electronic money issuance operation, FINPAY must deposit the funds it holds on behalf of its clients, in accounts opened with a third, to provided that he acts with due competence, care and diligence in the selection, designation and periodic review of such third party or Custodian.

In compliance of the above FINPAY, in the election of the Depositary, has taken into consideration the following:

- Has to be a entity of recognized prestige.
- Has to count with high volumes of custody in its markets of reference.



- Has to count with the enough experience and solvency to worldwide level .
- You must comply with the requirements and market practices related to the holding of such funds.
- The impossibility of sub-depositing client funds in companies in third countries outside the OECD.
- The impossibility of depositing financial instruments in countries that do not sufficiently regulate the safeguarding of financial instruments on behalf of third parties.

The procedure of evaluation and review of the quality of services Depositary It is carried out by the Department Compliance FINPAY Regulations.

The result of the evaluation carried out is elevated to the Department of FINPAY Legal Advice who will be in charge of determine suitability of the Depositary proposed and authorize your choice or the change of Depositary.

The evaluation and review procedure of the quality of the Custodian services It will be done taking into account the provisions of the corresponding contract that FINPAY has signed with each depositary entity.

3.3 Safeguard Account Features

Royal Decree-Law 19/2018, of November 23, on payment services and other urgent financial measures, requires that Payment Service Providers (PS) or Electronic Money Institutions (EMI) protect the funds they receive from third parties in a separate account, in which the funds enjoy an absolute right of separation.

That is, in the event of bankruptcy of the EMI, the funds held in said account will not be considered property of the EMI and its creditors will not be able to use them to collect their debts.



The safeguard account is a special current account whose purpose is to separate the funds of clients who use the services of the EMI. For this reason, in this account :

- Commissions cannot be charged, so the holder must have another current account open at the Credit Institution other than the safeguard account. Commissions accrued in the safeguard account will be debited from this linked account and never from the safeguard account.
- The client's debts with the entity cannot be offset in the safeguard account.
- The holder may only make transfer orders to debit the deposit. He/she may not carry out cash transactions in the office, via ATM, direct debits, issue checks, promissory notes or securities or, in general, any other transactions other than transfer orders.
- They cannot be offered as collateral for asset transactions (pledge).
- The safeguard account will be identified as an account that maintains balances in favor of clients of the electronic money institution, and no amounts that do not correspond to the clients will be credited to it - including any interest that may be generated. the positive balances of the account - Nor will amounts be charged that do not correspond to the clients, regardless of the concept in question.

3.4 Fund Management: Daily Reconciliation

Reconciliation between the funds in the safekeeping account and the equivalent of electronic money is carried out daily in order to detect possible discrepancies and ensure that they are resolved efficiently.



- Reconciliations must be performed for each segregated bank account held by our Entity.
- If a shortfall in client funds is detected during reconciliation, those responsible for this function must identify the reason for the discrepancy and introduce funds to eliminate the shortfall as soon as possible.
- If a surplus is identified, you should identify the reason and withdraw funds to eliminate the surplus as soon as possible.

The reconciliation provided for in this section must be verified by a person other than the person who carried it out.

A record must be kept of each reconciliation carried out.

FINPAY guarantees the accuracy of the internal records of the funds received from its clients, carrying out the processes of conciliation described below:

- Daily reconciliation is carried out information received from the Credit Institution regarding the safeguard accounts, end of checking the Concordance with sub-accounting records established by FINPAY detailing the amount of electronic money issued per client.
- In case of detecting incidents derived from the Comparison of safeguard account balances with the Electronic Money Entity is documented in a report, explaining the differences and resolution dates.

For the above purposes, the Electronic Money Entity maintains records and accounts necessary to distinguish at any time moment and without delay the funds of the customers from FINPAY.



Daily reconciliation is carried out automatically through the platform managed by FINPAY, however, it is monitored to ensure that there are no discrepancies between the funds received and reconciled by the Entity's CTO, Vicent Roca.

3. 5 Communication and continuous monitoring of relevant aspects in the field of Safeguarding.

FINPAY communicates to its clients, through of the Terms and Conditions / General Conditions document, the relevant aspects of the present policy.

Likewise, the procedure of safeguarding of funds FINPAY is listed in he Special Register of entities of money electronic of the Bank from Spain.

Finally, in he case about what A client requires more information regarding some specific point of This policy of safeguarding funds, bliss petition is will channel to through of the FINPAY Customer Service or of the Address Regulatory Compliance.

in case that is produce important changes of the present policy, FINPAY will put bliss circumstance in knowledge of their customers to through its publication in the Web page.

4. ORGANIZATIONAL STRUCTURE AND CONTROLS

FINPAY has a defined control structure for its Safeguard account.

Daily operations are carried out by the people responsible for each area.

Likewise, the Internal Control Body is responsible for periodically supervising the adequacy of the established measures and detecting possible points of improvement that should be considered for presentation to the Management Body.



4.1 Responsible for the coordination and implementation of Fund Safeguarding measures

The Internal Control and Communication Body (ICCB) supervises the safeguard measures on behalf of the Management Body. The functions performed by this Body are:

- Review and monitor the systems and processes implemented to ensure compliance with safeguarding standards.
- Coordinate with the designated persons responsible for the proper application of the Safeguard measures.
- Report any breach of data protection to the CEO of FINPAY EDE.
- Monitor and supervise safeguard agreements.
- Collect and review the results of the annual audit of the safeguard account.
- Consider and make recommendations to the Governing Body on mitigating key safeguarding risks.
- Ensure safeguard mitigation controls are included in the enterprise-wide risk framework.
- Review and assist in updating safeguarding policies and procedures.
- Mitigate the decrease in funds by identifying and subsequently improving controls over payments to clients.

Additionally, the person in charge of supervising on **a daily basis** that the safeguard measures regarding the account opened in a Credit Institution are satisfactorily fulfilled is Raquel López Fuentes (Administration, Finance, Control and Management), who maintains direct contact with the bank to ensure that there are no discrepancies between the deposited and reconciled funds.



4.2 Continuous Supervision: Transparency and Reporting

The ultimate responsibility of the custody and administration of the funds of their customers the assumes FINPAY, with the designated persons being those ultimately responsible for ensuring compliance with this policy.

However, the responsibility of FINPAY, in relation to the sub-deposit, No HE extends to damages, losses or losses that could be produce respect of the funds of customers and/or their performance as consequence of situations bankruptcy either of insolvency of the Depositary, except but would have acted in his selection and supervision according to with the above criteria for make sure the experience and prestige in the Depositary market.

Having said the above, FINPAY has entrusted the deposit of its clients' funds to Credit Institutions such as CaixaBank.

He scheme of deposit that FINPAY maintains with the Entity is he following:

- Account of open safeguard on behalf of FINPAY (In Euro and Currency) to store the customer balances.
- All account of money electronic of FINPAY this associated to a account of open safeguard to name of FINPAY (In Euro and in Foreign Currency).

5. INSOLVENCY MANAGEMENT

If an insolvency event occurs within the meaning of the electronic money institution legislation and the rules governing payment



services and payment systems in relation to the institution, the claims of users of electronic money issuing services and payment services shall be met from assets and protected assets that have been segregated with priority from all other creditors.

No right of offset or security interest may be exercised over the common pool of assets.

Safeguarding allows that, in the event of the company's insolvency, funds in safeguard accounts can be allocated to the clients who have delivered them, so that the liquidator can distribute them accordingly. It is therefore necessary to ensure that reconciliations are carried out to ensure that client funds are correctly accounted for and are subject to the protection provided by safeguarding.

6. CONTINUOUS TRAINING AND AWARENESS

In the security environment of electronic money institutions, employee awareness and training is essential to ensure regulatory compliance, protection of client funds and knowledge of specific responsibilities in handling these funds.

Furthermore, the protection of safeguard funds has become a fundamental pillar to protect the entity against errors, theft, fraud, misuse or loss.

The entity's training program provides for staff training at least twice a year, and more frequently if necessary in the event of new threats or as a result of the implementation of new security measures by the entity.



7. CONCLUSION

FINPAY, as a regulated Electronic money institution, is obliged to comply with current regulations and specific obligations in safeguarding its clients' funds (Law 21/2011, RD 778/2012 and Directive 2009/110/EC), for this reason, this policy is established in order to protect clients' assets in a rigorous and controlled manner.

This protocol includes clear separation of funds, regular reconciliations, careful selection of the custodian and strict restrictions on the safekeeping account.

This set of measures reflects FINPAY's firm commitment to ensuring a higher level of protection for its clients' funds.

The measures established are intended to strengthen regulatory compliance in this area and also contribute to reducing security incidents, preserving the reputation of the entity and protecting the functioning of our operations.