payments and crypto network

Governance arrangements

A series of guides addressing the subject of governance arrangements for UK authorised Electronic Money Institutions ("EMI") and Payment Institutions ("PI").

Guidance is provided for firms and is not intended as legal advice.

Guide 5: The case for appointing Non-Executive Directors

Background

UK authorised EMI and PI businesses must adhere to the regulatory requirements defined in the Electronic Money Regulations 2011 ("EMR") and the Payment Service Regulations 2017 ("PSR") as well as associated guidance from the UK's Financial Conduct Authority ("FCA").

Whilst the EMR and PSR do not require the appointment of Non-Executive Directors ("NEDs") there are increasing signs that the FCA expect firms to have at least considered how NEDs would support the requirement to maintain *"robust governance arrangements"*. Specifically, recent Dear CEO Letters that have been sent to firms within the FCA's 'payments portfolio' have made references to the subject of "leadership" and, most recently (in their February 2025 letter) they state that governance arrangements *"should provide effective and independent challenge to business and operational decisions, with non-executive directors playing a crucial role"*. It could be argued that only by appointing NEDs could you achieve the ability to have "independent challenge" built into your governance arrangements.

It is likely that the FCA are going to increasingly expect the appointment of NEDs and over time make their appointment a requirement (as it is in other non-UK jurisdictions). Given that context, what should you consider when deciding whether the appointment of NEDs (or at least one NED) is appropriate for your firm?

Advantages of appointing Non-Executive Directors

Investing in the right board-level talent is broader than just a governance exercise — it is a strategic decision with a tangible impact on growth, resilience, and long-term value creation. Here are some reasons for establishing NED roles within your firm.

- **Strategic input** – the payments landscape is highly competitive, start-ups and scale-ups alike need to use every possible edge to build credibility, navigate complex regulatory environments, and deliver scalable, innovative solutions that meet the requirements of this rapidly evolving market. As firms strive to expand their market share or develop their services, an experienced, well-connected and seasoned NED can provide valuable strategic input at an early stage.

- **Industry knowledge and contacts** – non-executive directors often have deep relevant experience that can help to inform the decision-making of the executive team. If recruited from within the payments industry, NEDs should have experience that is highly relevant to strategic decision making, insights into regulatory expectations and industry best practice. Obviously, firms are free to recruit NEDs from outside the payments industry, e.g. to support areas such as IT security and technical requirements.

- **Risk management and regulatory navigation** – payments firms operate within the regulated financial services market and must ensure that they maintain compliance with the changing regulatory environment and manage risk in an appropriate and effective manner. The high level of innovation that characterizes the payments industry continues to drive the rapid development of regulation. Compliance with regulatory requirements is critical in maintaining the authorized / regulated status of your firm (the primary intangible asset of the firm). A NED with payments expertise can bring significant value by contributing to the direction of the governance, risk management, and compliance activities.

- **Credibility and investor confidence** - for payment firms, especially early-stage startups, credibility is as important as service quality. Investors and payment partners (e.g. banking service providers and acquiring partners) are more likely to engage with firms whose Board includes professionals from the payments industry, including NEDs. The appointment of NEDs who have industry experience or profile should signal to prospective investors and partners that the firm appreciates the importance of strong governance arrangements.

- **Objective governance and independent perspective** – incorporating NEDs into your Board structure will significantly strengthen governance arrangements, primarily through the introduction of independent perspectives that should facilitate objective decision-making. The introduction of NEDs will also support the ability of your firm to maintain Board-level Committees, for example an Audit Committee or Remuneration Committee. The maintenance of Board-level Committees is not a regulatory requirement, however should be contemplated by larger fintech firms.

- **Commercial connections and partnership opportunities** – NEDs often have extensive networks within their particular industry which could be leveraged by firms. These connections could certainly provide initial access to potential relationships with partners such as banks, auditors, card schemes, acquirers, and payment gateways. These networks could facilitate initial discussions and potential strategic collaborations.

- **Service development and vetting** – NEDs with experience in the payments industry should be able to add value to service development discussions to support your firm evolve within this innovative industry, e.g. anticipating future trends and providing insights into how how your firm can leverage opportunities.