

Electronic Money Regulations



Electronic money is money stored electronically to spend later. This includes pre-paid cards, such as travel money cards and some gift cards, and online accounts used instead of credit or debit cards.



If services such as these are provided, then the firm will need to be authorised or registered with the FCA for the provision of electronic money issuance in the UK.

Passporting

Once authorised, the firm acquires the right to 'passport' that authorisation to other EEA member states, this means that a UK authorisation gives them the right to establish or provide services across the EEA.

Relationship with the Payment Services Directive

As an electronic money institution you are permitted to engage in the provision of payment services as well as other activities, without needing to be separately authorised or registered under the Payment Services Regulations (PSD). The conduct of business requirements of the PSD will still apply if payment services are provided.

Exclusions

Electronic money does not include:

- monetary value stored on instruments that can be used to acquire goods or services only:
 - in or on the electronic money issuer's premises; or
 - under a commercial agreement with the electronic money issuer, either within a limited network of service providers or for a limited range of goods or services.
- monetary value that is used to make payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through such a device, provided that the device operator does not act only as an intermediary between the payment service user and the supplier of the goods and services.

With regards to the second exclusion above, examples of the sorts of goods and services that could meet the “used through” criteria are music, online newspaper or video content, electronic books and mobile phone applications. This is because these products are all capable of being enjoyed through the relevant device they have been delivered to.

Conditions for authorisation

The FCA may refuse the application for authorisation unless certain conditions are met in relation to - holding the amount of initial capital required (at least 350,000 euro); the location of the registered office or head office; the applicant must satisfy the FSA that, taking into account the need to ensure the sound and prudent conduct of the affairs of the institution, it has robust governance arrangements for its electronic money issuance and payment service business, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility, effective procedures to identify, manage, monitor and report any risks to which it might be exposed; and adequate internal control mechanisms.

The FCA must be satisfied that any persons having a qualifying holding in the firm are fit and proper persons.

The firm must comply with a requirement of the Money Laundering Regulations 2007.

Small electronic-money issuer

Small electronic money institutions have less stringent capital requirements than authorised electronic money institutions. You cannot acquire passport rights as a small electronic money institution.

Conditions for registration as a small e-money institution:

In order to be registered as a small electronic money institution only if certain conditions are not met. These include:

- The total business activities of the applicant immediately before the time of registration must not generate average outstanding electronic money that exceeds 5,000,000 euro.

- The monthly average over the period of 12 months preceding the application of the total amount of relevant payment transactions must not exceed 3,000,000 euro.
- The applicant must immediately before the time of registration hold such amount, if any, of initial capital as is required: where the business activities generate average outstanding electronic money of 500,000 euro or more it must hold an amount of initial capital at least equal to 2% of the average outstanding electronic money of the institution.

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