Once again ahead of its EU peers, Malta was the first to launch a solid regime for standalone e-Money Institutions. This exciting new growth area has enormous potential and constitutes the next step in the development of Malta’s financial services industry.

Malta’s sophisticated IT infrastructure, coupled with the exponential growth of e-commerce and i-gaming, has driven the creation of the niche e-Money market. Investors have recognised the rapid development of this industry and are using Malta in increasing numbers to set up a base for financial institutions providing electronic money and payment services globally.

e-Money institutions (EMI) fall under the scope of the Financial Institutions Act, and Malta transposed the EU electronic money institutions Directive regulating e-Money institutions into Maltese law in June 2011. As a result, the required initial capital has been lowered from €1 million to €350,000, offering a unique opportunity to newcomers and smaller operators to access the market. By the end of 2014, Malta issued seven EMI licences.

Already possessing strong infrastructure set-ups which are typically required for an EMI, the technology and telecommunication industries are showing considerable interest in EMI licensing – and with the increasing use of phones and computers in daily payment transactions, it is no surprise that synergies between tech entities and e-money institutions will continue to grow. Another trend in setting up e-Money institutions is arising from the ranks of major players in transport and retail business.

Holders of e-money wallets are not exposed to the credit risk of the e-money issuer in the same way that a depositor would be exposed to the credit risk of a bank. The EU Directives provide that the EMI has to safeguard and segregate the funds representing e-money issued, and each EMI is liable for any shortfall. These principles are further protected in Maltese law by virtue of the Financial Institutions Act (Safeguarding of Funds) Regulations. Malta has pursued the set-up of e-Money institutions for a number of years now, and with the right ingredients for the success of an e-industry in place, the country is positioning itself as a top EU jurisdiction for e-money operators to develop and grow in coming years.
Benefits of e-Money Institutions in Malta

- E-Money institutions can benefit from a reduced capital requirement compared to credit institutions
- 250+ i-gaming companies established in Malta require payment services
- With its state-of-the art telecoms infrastructure, Malta is attracting a wider range of eCommerce companies
- Operational costs are significantly lower than in most European countries

Key Features of e-Money Institutions

**Permitted Activities:** In addition to issuing electronic money, e-Money institutions are entitled to engage in the following activities:

- The provision of certain payment services
- The granting of credit related to certain payment services. Provided that any such credit shall not be granted from the funds received in exchange of electronic money and held in accordance with the prescribed safeguarding requirements
- The provision of operational services and closely related ancillary services, in respect of the issuing of electronic money or to the provision of payment services referred to above
- The operation of payment systems
- Business activities other than the issuance of electronic money, with regards to the applicable law regulating such activities.

**Licensing Timeframe:** Three months

Licensing Requirements

- Initial capital need to amount to €350,000
- There have to be at least two individuals who will effectively direct the business of the e-money institution in Malta
- Must prove prudent conduct, fit and proper persons, integrity and professionalism, adequate flows of information, and the possibility of consolidated supervision

**Licence Application:** Applications must be submitted to the MFSA on the appropriate forms. The application procedure consists of two processes, the analysis of the business plan (including financial projections) and the due diligence exercises on directors, senior managers and shareholders. Institutions need to submit the following documents:

- Programme of operations
- Proposed level initial capital
- A copy of the Memorandum and Articles of Association of the institution or the deed of partnership
- Audited financial statements for the last three years
- A business plan including the structure, organisation and management systems of the institution
- Description of the internal control mechanisms
- Description of the structural organisation
- Measures concerning safeguarding of funds where applicable
- Where applicable the identity of the statutory auditors and audit firms
- Identity of all directors, controllers and managers of the institution
- Identity of all shareholders with qualifying shareholding or partners
- Identity of the individuals who will be effectively directing the business of the prospective institution
- Applicant’s legal status and the address of his head office.

**Regulatory Fees:** Authorisation application fees are one-time fees and non-refundable irrespective of whether the application is accepted or refused.

- Application: €3,500

**Annual supervision fee:** Equivalent to 0.0002 of the total assets as reported at the end of the preceding year in the balance sheet, but never less than €2,500.