

Electronic Money Institutions (EMI) in Malta

Pioneering E-money Institutions

Malta was one of the first of the EU member countries that allowed standalone e-money institutions. This business model was rendered even more attractive due to certain amendments to the domestic regulatory framework, amongst which was the reduction of initial capital required to set up an e-money institution in Malta.

Benefits of E-money Institutions in Malta

- E-money institutions fall under the scope of the Financial Institutions Act. In June 2011, Malta changed its domestic e-money institution regulatory framework which resulted in a lowering of the required initial capital from €1 million to €350,000. This thus offers the opportunity for newcomers and smaller operators to access the market;
- E-money institutions benefit from lower capital requirements in comparison to credit institutions.
- Having one of the most advanced telecoms network in the EU, Malta is also attracting an increasing amount of e-commerce companies;
- Companies opting to set up in Malta benefit from lower operational costs such as salaries and office rents, in comparison to most European countries.

The Malta Financial Institutions Act defines and sets out the extent to which a company would be deemed as belonging to a group of companies or otherwise as being controlled by another person. In any case, in the event of reasonable doubt as to whether a company would require that a licence be issued in its favour pursuant to the Malta Financial Institutions Act, the matter would be conclusively determined by the MFSA.

Key features of E-money Institutions

Legislation and Regulation:

- Financial Institutions Act; and,
- Financial Institutions Rules

Permitted Activities: Besides issuing electronic money, e-money institutions are also able to:

- Provide certain payment services;
- Operate payment systems;
- Engage in business activities other than the issuance of electric money, yet having regard to the applicable law regulating such activities.

Licensing Requirements:

- Initial capital must total €350,000; and,
- There will have to be a minimum of two individuals that will direct the business from Malta.

Licensing Applications: Applications must be sent to the MFSA, and must include; a business plan and the due diligence exercises on directors, senior managers and shareholders. The following would need to be submitted to the MFSA:

- Program of operations;
- Proposed level of initial capital;
- A copy of the Memorandum and Articles of Association of the institution or the deed of partnership;

- A business plan containing the structure, organisation and management systems of the institution, and a forecast budget calculation (financial projections) for the first 3 financial years of operation as an e-money institution which demonstrates that the applicant is able to employ the appropriate and proportionate systems, resources and procedures to operate soundly;
- Identity of all directors, controllers and managers of the institution;
- Identity of all shareholders with qualifying shareholding or partners; and,
- Applicant's legal status and the address of his head office.

In addition to the above, the MFSA may require the applicant to submit additional information, as it may deem appropriate to determine an application for a licence.

Timeframe

The licence will be determined within three months if receipt of application or submission of any additional information that the MFSA would have requested or, if the application is incomplete or additional information is required, within three months of the furnishing of the outstanding information. In any event an application must be determined within six months of its receipt.

Regulatory Fees

Prescribed statutory costs are listed as follows:

- A one-time licence application fee, amounting to €3,500, is payable to the MFSA on submission of the licence application and is not refundable – irrespective of whether the licence is eventually granted or not;
- A licence holder is also required to pay an annual supervision fee equivalent to 0.0002 of the total assets as reported by the licence holder in the statutory schedules under applicable Financial Institutions Rules and pertaining to the year immediately before the year when the fee is payable. In any case, such supervision fee may not be less than €2,500.

For more information on how Zeta can assist you please contact our Business Development department on bd@zeta-financial.com.

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