

Electronic money: granting of a single license and home Member State prudential supervision of these institutions

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PURPOSE: to coordinate and harmonise Member States' laws, regulations and administrative provisions relating to the taking up, pursuit and prudential supervision of the business of electronic money institutions. **COMMUNITY MEASURE:** Directive 2000/46/EC of the European Parliament and the Council. **CONTENT:** This Directive introduces a technology-neutral legal framework that harmonises the prudential supervision of electronic money institutions to the extent necessary for ensuring their sound and prudent operation and their financial integrity in particular. The introduction of a separate prudential supervisory regime for electronic money institutions is justified and desirable because the issuance of electronic money does not constitute in itself, in view of its specific character as an electronic surrogate for coins and banknotes, a deposit-taking activity if the received funds are immediately exchanged for electronic money. The prudential supervisory regime seeks to preserve a level playing field between electronic money and other credit institutions issuing electronic money and thus, to ensure fair competition among a wider range of institutions to the benefit of bearers. Amongst others, the Directive provides that a bearer of electronic money may, during the period of validity, ask the issuer to redeem it at par value in coins and bank notes or by a transfer to an account free of charges other than those strictly necessary to carry out that operation. The contract between the issuer and the bearer shall clearly state the conditions of redemption. The contract may stipulate a minimum threshold for redemption and the threshold may not exceed EUR 10. As regards initial capital and ongoing own funds requirements, where an electronic money institution has not completed a six months' period of business, including the day it starts up, it shall have own funds which are equal to or above 2% of the higher of the current amount or the six months' target total amount of its financial liabilities related to outstanding electronic money. As regards limitations of investments, electronic money institutions shall have investments of an amount of no less than their financial liabilities related to outstanding electronic money in certain assets. The Directive also contains provisions relating to verification of specific requirements by the competent authorities and sound and prudent operation. As regards waiver, Member States may allow their competent authorities to waive the application of some or all of the provisions of this Directive and the application of Directive 2000/12/EC to electronic money institutions in certain cases. Finally, electronic money institutions subject to this Directive which have commenced their activity in accordance with the provisions in force in the Member States in which they have their head office before the date of entry into force of this Directive (or an earlier date) shall be presumed to be authorised. **ENTRY INTO FORCE:** 27/10/2000 **DEADLINE FOR TRANSPOSITION:** 27/04/2002.