



Comparison of authorisation / registration and operating requirements for UK firms				
Requirements	Electronic Money Institution ("EMI")	Payment Institution ("PI")	Small Electronic Money Institution ("SEMI")	Small Payment institution ("SPI")
FCA Authorisation or Registration	Application for Authorisation	Application for Authorisation	Application for Registration	Application for Registration
<p>What regulated services can be provided under Electronic Money Regulations 2011 ("EMR") and Payment Service Regulations 2017 ("PSR")?</p> <p><i>Refer to the Applications for Authorisation Guide 1 – Permissions, and Guide 2 - Service development.</i></p>	<p>Issuance, redemption and distribution of electronic money as defined in the EMR.</p> <p>Provision of payment services (defined in PSR Schedule 1 Part 1 – see next column). These may be either 'related' to the e-money services or 'unrelated'.</p> <p>EMIs are automatically granted related payment service permissions 1(a) to 1(f) of PSR Schedule 1 Part 1 as part of their e-money authorisation.</p> <p>Permissions for unrelated payment services must be applied for separately (i.e. the services and arrangements described in the application for authorisation or subsequent application for variation of permission.</p>	<p>Provision of payment services defined in PSR Schedule 1 Part 1, comprising:</p> <ul style="list-style-type: none"> a) services enabling cash to be placed on a payment account and all of the operations required for operating a payment account b) services enabling cash withdrawals from a payment account and all of the operations required for operating a payment account; c) the execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider or with another payment service provider: (i) execution of direct debits, including one-off direct debits; (ii) execution of payment transactions through a payment card or a similar device; (iii) execution of credit transfers, including standing orders; d) the execution of payment transactions where the funds are covered by a credit line 	<p>Issuance, redemption and distribution of electronic money as defined in the EMR.</p>	<p>Provision of payment services defined in PSR Schedule 1 Part 1 (a) to (f).</p>



		<p>for a payment service user: (i) execution of direct debits, including one-off direct debits; (ii) execution of payment transactions through a payment card or a similar device; (iii) execution of credit transfers, including standing orders; e) issuing payment instruments or acquiring payment transactions; and f) money remittance.</p> <p><i>Note: Payment service permissions (g) and (h) are addressed below.</i></p>		
Ability to provide Account Information Services (“AIS”) and/or Payment Initiation Services (“PIS”)?	<p>Yes, however the firm must have the required AIS / PIS permissions, as defined in PSR Schedule 1 Part 1, to provide these services:</p> <p>g) payment initiation services; h) account information services.</p> <p>These permissions must be applied for in the application for authorisation or subsequent application for variation of permission</p>		<p>A SEMI or SPI is not permitted to provide AIS or PIS. Would need to become authorised as an EMI or PI and apply for the required AIS / PI permissions.</p> <p>If only looking to provide AIS could become a Registered Account Information Service Provider (“RAISP”) but would need to cease provision of e-money and payment services activities.</p>	
Is there a limit to the level of regulated activities?	No limits.		<p>Average outstanding e-money must not exceed €5 million.</p> <p>If providing unrelated payment services, the monthly average, over a period of 12 months, of the total amount of relevant payment transactions for the unrelated payment services must not exceed €3 million.</p>	<p>The monthly average, over a period of 12 months, of the total amount of relevant payment transactions must not exceed €3 million.</p>
Can unregulated services also be provided?	<p>Yes, per the EMR Regulation 32(1) and PSR Regulation 32(1), although the provision of unregulated services results in the firm being classified as a “Hybrid” institution which can complicate operations, including accounting, governance, risk management arrangements. Typically, it is simpler to provide the unregulated services through a separate company and ensure that the EMI / PI / SEMI / SPI focusses on regulated services only.</p>			



	<p><i>Note: Authorised EMI and PI and Registered SEMI and SPIs that undertake other, non-regulated business must provide a separate set of accounts covering the e-money and payment services element of their business. If the firms accounts are audited and filed at Companies House, these need to be submitted to the FCA at the same time (see reporting requirements below).</i></p>			
Use of Agents and Distributors?	<p>Distributors can be used to 'distribute' e-money.</p> <p>Agents can be used by the EMI to provide 'unrelated' payment services.</p>	<p>Agents can be used by the PI through which payment services can be provided.</p>	<p>Distributors can be used to 'distribute' e-money.</p> <p>Agents can be used by the SEMI to provide 'unrelated' payment services.</p>	<p>Agents can be used by the SPI through which payment services can be provided.</p>
<p>UK Head Office</p> <p><i>Refer to the Applications for Authorisation Guide 4 - Head Office.</i></p>	<p>A UK 'Head Office' must be maintained as a condition of authorisation / registration.</p> <p>The FCA will judge each application on a case-by-case basis, the key issue in identifying the head office of a firm is the location of its central management and control, i.e. (i) the directors and other senior management who make decisions relating to the firm's central direction, and the material management decisions of the firm on a day-to-day basis, and (ii) the central administrative functions of the firm (e.g. central compliance, internal audit).</p>			
<p>Staff organisation and "fitness and propriety" of key staff members.</p> <p><i>Refer to the Applications for Authorisation Guide 3 - Staff organisation structure, and Compliance Arrangements Guide 6 - EMD PSD Individuals.</i></p>	<p>Applications for authorization / registration must include a staff organisation chart detailing the Board and senior manager roles, business functions and reporting lines between them. Committees, if maintained, should also be included.</p> <p>The individuals performing Board (i.e. executive and non-executive director roles) and the senior manager roles that are responsible for the provision of regulated services will need to be assessed by the FCA as "fit and proper" before being able to perform their roles – this requires the completion of an FCA form for each individual and the submission of certain supporting documents.</p> <p>Non-executive directors ("NED") are not required but are increasingly being encouraged.</p>			
	<p>EMD Individuals will need to have their "fitness and propriety" assessed by the FCA at application for authorisation. Once authorised, changes in these individuals will need to be notified and new individuals approved by the FCA.</p> <p>Individuals performing roles that are either directors or key senior managers would be required to be assessed as fit and proper.</p>	<p>PSD Individuals will need to have their "fitness and propriety" assessed at application for authorisation. Once authorised, changes in these individuals will need to be notified and new individuals approved.</p> <p>Individuals performing roles that are directors or key senior managers would be required to be assessed as fit and proper.</p>	<p>The requirements for the directors, managers and persons responsible for the management of e-money and payment services of the SEMI are the same as those for an authorised EMI – EMD Individual Forms must be submitted in an application for registration and ongoing notifications made in relation to changes.</p>	<p>The requirements for the directors, managers and persons responsible for the management of payment services of the SPI are the same as those for an authorised PI – PSD Individual Forms must be submitted in an application for registration and ongoing notifications made in relation to changes.</p>
Initial capital requirement	<p>€350,000 per EMR Schedule 2 Part 1.</p>	<p>Requirements are defined in PSR Schedule 3 Part 2:</p> <ul style="list-style-type: none"> • Nil for payment services PSR Schedule 1 Part 1 (h) 	<p>Where the SEMI generates average outstanding e-money of less than €500,000, there is no initial capital requirement.</p>	<p>No initial capital required</p>



<p>Refer to the Applications for Authorisation Guide 9 - Capital requirements, and Capital Requirements Guide 1 - Overview of capital requirements.</p>	<p>Note: no additional initial capital is required to provide unrelated payment services.</p>	<ul style="list-style-type: none"> • €20,000 for payment services PSR Schedule 1 Part 1 (f) • €50,000 for payment services PSR Schedule 1 Part 1 (g) • €125,000 for payment services PSR Schedule 1 Part 1 (a) to (e) 	<p>Where the average outstanding electronic money exceeds €500,000 it must hold an amount of initial capital at least equal to 2% of the average outstanding electronic money.</p>		
<p>Ongoing (“Own Funds”) calculation</p> <p>Refer to the Capital Requirements Guide 2 - Capital requirements PI, and Capital Requirements Guide 3 - Capital requirements EMI.</p>	<p>Calculation is described in EMR Schedule 2 Part 2, and referred to as Method D. This is used for calculating the capital requirement for both e-money and related payment services.</p> <p>Additionally, if the EMI provides unrelated payment services: Method A, B, or C must also be used for those unrelated payment services. This figure would be added to the Method D figure to provide the total Own Funds requirement.</p> <p>Note: The FCA may adjust the calculated Own Funds requirements +/- 20% depending on their assessment of risk.</p>	<p>Calculations are defined in PSR Schedule 3 Part 2:</p> <ul style="list-style-type: none"> • Method A (based on Fixed Costs) • Method B (based on ‘Relevant Funds’) or • Method C (based on Income). <p>Calculation methods are detailed and the PSR or FCA Guidance should be referred to.</p> <p>Note: The FCA may adjust the calculated Own Funds requirements +/- 20% depending on their assessment of risk.</p>	<p>Where a SEMI generates outstanding electronic money of €500,000 or more it must calculate its own funds requirement as an amount equal to 2% of the average outstanding electronic money.</p>	<p>No ongoing capital required</p>	
<p>Group structure and ownership</p> <p>Refer to the Compliance Arrangements Guide 7 - Qualifying Holdings and Close Links.</p>	<p>A Group Structure Chart should be submitted as part of an application for authorisation / registration that identifies the Qualifying Holdings (also referred to as “Controllers”), their ownership percentages, and Close Links. This should be kept updated by the firm to facilitate the annual reporting requirements for Qualifying Holdings (see below).</p>		<p>Qualifying Holdings Forms to be submitted for all shareholdings of 10% or more (direct or indirect) and entities / individuals that are able to exercise “significant influence” over the management of the firm through their voting power in it or a parent.</p> <p>Proposed changes in Qualifying Holdings must be notified to the FCA in advance of the change:</p> <ul style="list-style-type: none"> • Proposed new Controllers must be approved by the FCA before they become a Controller (i.e. make an investment) 	<p>SEMIs will need to identify their Controllers in the application form but are not required to submit Qualifying Holdings Forms.</p>	<p>The information required for Qualifying Holdings for an application for registration as a SPI is the same as for an application for authorisation as an authorised PI. Qualifying Holdings Forms to be submitted for all shareholdings of 10% or more (direct or indirect) and entities / individuals that are</p>



	<ul style="list-style-type: none"> Existing Controllers must seek approval from the FCA if they intend to acquire, increase or reduce control, or to cease to have control over a PI or an EMI, and this causes them to cross a control threshold (10%, 20%, 30% or 50%, or to acquire a holding that makes it possible to exercise a significant influence over the management of the PI or EMI). <p>The FCA notification process is designed to assess the fitness and propriety of the Controllers (similar to the assessment of EMD / PSD Individuals described above). Acquiring or increasing control without prior FCA approval is a potential criminal offence.</p>		<p>able to exercise “significant influence”.</p> <p>Proposed changes in Qualifying Holdings must be notified to the FCA in advance of the change.</p>	
	<p>Close Links must be identified in an application for authorisation / registration (no forms required in relation to Close Links). Information to be provided should include the name of Close Link, incorporation details, geographic location. Close Links should be included in the Group Structure Chart, which should be kept updated top facilitate the annual reporting requirements for Close Links (see below).</p>			
<p>Safeguarding requirements</p> <p><i>Refer to the Applications for Authorisation Guide 10 - Safeguarding arrangements</i></p>	<p>Safeguarding of customer funds must be undertaken through either (i) Segregation method, or (ii) Insurance / Bank Guarantee method.</p> <p>Funds received for any unrelated payment services must be safeguarded separately from funds received for e-money and related payment services.</p> <p>It is advisable to maintain a specific Safeguarding Policy document to detail the policies and procedures relevant to safeguarding arrangements.</p>	<p>Safeguarding of customer funds through either (i) Segregation method, or (ii) Insurance / Bank Guarantee method.</p> <p>It is advisable to maintain a specific Safeguarding Policy document to detail the policies and procedures relevant to safeguarding arrangements.</p>	<p>SEMIs are subject to the same safeguarding obligations with respect to funds that have been received in exchange for e-money as authorised EMI.</p> <p>SEMI that provide unrelated payment services may choose to safeguard funds received for the execution of payment transactions that are not related to the issuance of e-money.</p>	<p>SPIs can choose to comply with safeguarding requirements in order to offer the same protections over customer funds as authorised PIs. Where a SPI chooses to comply, the safeguarding requirements are the same as those for an authorised PI.</p>
<p>Governance arrangements</p> <p><i>Refer to the Applications for Authorisation Guide 7 - Governance arrangements</i></p>	<p>Governance arrangements must be appropriate, sound and adequate, taking into account a number of factors including: the types of services provided; nature, scale and complexity of the business; volume and size of transactions; diversity of business operations and the degree of risk faced by the business.</p>		<p>EMR 13(6)(a) requires a SEMI to maintain robust governance arrangements, including a clear organisational structure with well-defined, transparent and consistent lines of responsibility which are comprehensive and proportionate to the nature, scale</p>	<p>The SPI application form does not require information on the governance arrangements that will be maintained by an SPI.</p> <p>The PSR does not have a similar requirement to EMR 13(6)(a) in relation to governance</p>



	The operation of regular Board meetings is key to enabling the directors to exercise oversight of the business, develop strategy and approve key decisions. Board meetings should be held from the UK Head Office.	and complexity of electronic money to be issued and payment services to be provided.	arrangements for a SEMI (see previous column). Governance arrangements would however logically be operated, to some extent, as a matter of good practice and to support business development.
Internal Audit <i>Refer to the Governance Arrangements Guide 3 - Internal audit arrangements.</i>	Depending on the nature, scale and complexity it may be appropriate for an EMI or PI to maintain an internal audit function which is separate and independent from the other functions and activities of the firm.	Given the smaller nature, scale and complexity of a SEMI or SPI it is unlikely to be considered appropriate for a SEMI or SPI to maintain an internal audit function.	
Risk management arrangements <i>Refer to the Applications for Authorisation Guide 6 - Risk management arrangements.</i>	Risk management arrangements need to be effective at identifying, managing, monitoring and reporting any risks to which the business might be exposed. An independent risk management function is not required. Applications for authorisation will need to describe its 'enterprise-wide' risk management arrangements and provide a 'risk mapping' (this would sensibly be derived from the firms' Risk Register). Risk management arrangements should be built around the 'three-lines of defence' approach which is frequently referenced in EBA Guidelines (which are applicable to EMI and PI firms). EMI and PI firms need to comply with FCA Operational Resilience requirements which should also be considered in the approach to risk management.	EMR 13(6)(b) requires a SEMI to maintain effective procedures to identify, manage, monitor and report any risks to which it might be exposed, which are comprehensive and proportionate to the nature, scale and complexity of electronic money to be issued and payment services to be provided. The SEMI application form requires information on financial crime controls and business continuity arrangements as part of the risk management section.	The SPI application does not require submission of risk management information although good practice would suggest aligning arrangements with those required for a SEMI. From an operational perspective the maintenance of a Risk Register would be advisable.
Outsourcing arrangements <i>Refer to the Applications for Authorisation Guide 5 - Outsourcing arrangements.</i>	Applications for authorisation need to include a description of the outsourcing arrangements consisting of: a description of the outsourced services, the identity and geographical location of the service provider, and the identity of the person(s) that will be responsible for each of the outsourced functions (i.e. oversight responsibility). The requirements of the EBA Guidelines on Outsourcing must be applied by Authorised PI and EMI firms. Applications for authorisation will need to include copies of (draft) outsourcing agreements.	The application must include a description of how outsourced arrangements are monitored and controlled. EBA Guidelines state that small institutions should at least ensure a clear division of tasks and responsibilities for the	The SPI application does not require information on outsourcing although good practice would suggest aligning arrangements with those required for a SEMI.



	It is advisable to maintain a specific Outsourcing Policy document to detail the policies and procedures relevant to safeguarding arrangements.	management and control of outsourcing arrangements.	
Security Policy	Applications for authorisation / registration require provision of a description of the firms' security policy which must include a detailed risk assessment of the services to be provided, including risks of fraud and illegal use of sensitive and personal information and the mitigation measures to protect users from the risks identified. A copy of the Security Policy document to be submitted to the FCA by applicant firms.		
Procedures to monitor, handle and follow up on security incidents and customer complaints.	EMI and PI firms must notify the FCA as soon as possible if they become aware of a major operational or security incident. Firms must maintain procedures to monitor, handle, and follow up on security incidents and security-related customer complaints, including: (i) the measures and tools to prevent fraud (ii) individuals / bodies responsible for assisting customers in case of fraud, technical issues and/or claim management (iii) reporting lines in case of fraud (iv) procedures for reporting incidents to the FCA, and (v) the monitoring tools and follow up procedures in place to mitigate security risks.	The requirements for reporting of security incidents and customer complaints expected for SPIs or SEMIs are the same as those for an authorised PI or authorised EMI.	
		Information requirements for registration are lower than required for authorisation. The SEMI and SPI application forms require a description of (i) the processes in place to report major operational or security incidents to the FCA; and (ii) the dispute resolution and complaint handling procedures (for both eligible and non-eligible complainants). Requirements for authorisation could therefore be considered as best practice.	
Process in place to file, monitor, track and restrict access to sensitive payments data.	The application requires a description of the processes in place to file, monitor, track and restrict access to sensitive payment data. Sensitive payment data is defined as information, including personalised security credentials, which could be used to carry out fraud.		
	For an EMI and PI, the descriptions will need to include: (i) a description of the flows of SPD (ii) the procedures in place to authorise access to SPD (iii) description of the monitoring tool (iv) access rights policy (v) description of how the collected data is filed (vi) the expected internal and/or external use of the data (vii) IT systems and technical security measures (viii) Individuals and bodies with access to SPD (ix) an explanation of how breaches will be detected and addressed, and (x) the annual internal control program in relation to the safety of the IT systems.	Less detail is required than for an authorised EMI or PI. For SPI and SEMI, the descriptions will need to include: (i) the procedures in place to authorise access to SPD (ii) how the data is used internally and/or externally, and (iii) an explanation of how breaches will be detected and addressed. Requirements for authorisation could be therefore considered as best practice.	
Business Continuity and Disaster Recovery	Applications for authorisation need to describe the business continuity and disaster recovery plans for the business and IT systems, including: (i) A business impact analysis covering business processes and recovery objectives	The SEMI application form requires a description of the business continuity arrangements, including a business impact analysis considering failure in key	The SPI application does not require BCP information although good practice would suggest



	<ul style="list-style-type: none"> (ii) Identification of back up sites and access to key IT infrastructure / software required to recover from disaster / disruption (iii) Explanation of how the firm will deal with significant continuity events and disruptions (iv) Frequency of testing and how results are recorded (v) Description of mitigation measures in case of termination of its regulated services. 	<p>systems, loss of key data, inaccessibility of premises and loss of key persons. Describe frequency of BCP and DRP testing and how results are recorded. Less detail than for authorised EMI is required.</p>	<p>aligning arrangements with those required for a SEMI.</p>	
<p>Statistical data on performance, transactions and fraud</p>	<p>Applications for authorisation require a description of the procedures they have in place for collecting statistical data on fraud that demonstrates how the applicant will ensure it can meet its obligations to report fraud (see REP017 below), including:</p> <ul style="list-style-type: none"> (i) Type of data that is collected (ii) Scope of collection in terms of activities and entities involved (iii) Means, purpose and frequency of collection (iv) Details of supporting documents that describe the processes. 	<p>Less detail is required than for an authorised EMI or PI. The application forms for SPI and SEMI requires a description of the procedures in place for collecting statistical data on performance, transactions and fraud.</p>		
<p>Consumer Duty</p>	<p>The Consumer Duty applies to products and services offered to retail customers, including to micro- enterprises and small charities with an annual turnover of less than £1 million, and to all firms who determine or have a material influence over consumer outcomes - not just those with a direct customer relationship.</p>			
<p>Reporting to the FCA</p> <p><i>Refer to the Compliance Arrangements Guide 8 - Notifications and Reporting</i></p>	<ul style="list-style-type: none"> • FIN060a (FCA Annual Return) • REP-CRIM (Annual financial crime report) if revenue of £5m or more. 	<ul style="list-style-type: none"> • FSA056 Authorised Payment Institution Capital Adequacy Return 	<ul style="list-style-type: none"> • FIN060b Annual Return • FSA065 Total outstanding e-money at 31 Dec 	<ul style="list-style-type: none"> • FSA057 Payment Services Directive Transactions Report
	<ul style="list-style-type: none"> • Complaints Report (DISP 1 Annex 1AD) • REP017 Payments Fraud Reporting • REP018 Operational and Security Risk Reporting • REP020 Quarterly statistics on availability and performance of dedicated interfaces • REP001 Annual Close Links Report • REP002 Annual Controllers Report <p><i>Note: Audited annual financial statements also required to be submitted to the FCA if prepared and submitted to Companies House. All EMI firms are required to have their financial statements audited. PI firms audit requirement will depend on the size of the business per Companies Act requirements.</i></p>			



<p>Notifications to be submitted to the FCA</p>	<p>The FCA need to assess significant or substantial changes against the initial conditions of a firms' authorisation or registration. Notifications of proposed events that are provided in advance of the event happening, e.g. the notification of a proposed new shareholder with a qualifying holding.</p>			
<p>Fees payable to FCA and FOS</p>	<p>FCA Fee Block G10. If providing unrelated payment services also FCA Fee Block G3. FOS Industry Block 11. Money Advisory Service (combined with FCA fees).</p>	<p>FCA Fee Block G3. FOS Industry Block 11. Money Advisory Service (combined with FCA fees)..</p>	<p>FCA Fee Block G11. If providing unrelated payment services also FCA Fee Block G4. FOS fees (flat fee). Money Advisory Service (flat fee).</p>	<p>FCA Fee Block G4. FOS fees (flat fee). Money Advisory Service (flat fee).</p>