

KEEPING UP WITH **FINTECH** AN INITIAL GUIDE

EXPLAINER #3 - ELECTRONIC MONEY AGENTS AND DISTRIBUTORS

ELECTRONIC MONEY AGENTS AND DISTRIBUTORS

Electronic Money Institutions (EMIs) may outsource some of their operational functions. This explainer will examine the two types of entities allowed to conduct services on behalf of EMIs.

OUTSOURCING

An EMI must notify the UK Financial Conduct Authority (FCA) if it intends to enter into a contract with another person/entity to carry

out any operational function relating to the distribution or redemption of electronic money or the provision of payment services.¹

WHO CAN CARRY OUT THESE OPERATIONAL FUNCTIONS? ELECTRONIC MONEY (E-MONEY) AGENTS OR DISTRIBUTORS

An **e-money agent** is a person/entity who acts on behalf of an EMI in the provision of payment services, as well as distribution or redemption of e-money.² Note that e-money agents must be registered by the EMI under the FCA's Financial Services Register in order to provide payment services on behalf of the EMI.³ The EMI must inform the FCA of the payment services that the e-money agent is appointed to provide.

On the other hand, an **e-money distributor** is a person/entity who distributes or redeems e-money on behalf of an EMI but does not provide payment services.⁴ Because of the limited operational function of an e-money distributor, they do not need to be registered by the EMI under the Financial Services Register. Instead the EMI must inform the FCA of the identity of their e-money distributor.⁵

1. Regulation 26(1), Electronic Money Regulation (EMR) 2011.
2. Regulation 2, EMR 2011.
3. Regulation 34, EMR 2011.
4. Regulation 2, EMR 2011.
5. PERG 3A: Guidance on the scope of the Electronic Money Regulation 2011.

IS THERE A LIMIT AS TO HOW MANY E-MONEY AGENTS AND DISTRIBUTORS AND EMI CAN HAVE?

There is no limit as to the number of e-money agents or distributors through which an EMI may operate. However, it is important that the EMI is able to monitor the operations of each of these entities to ensure that they are complying

with regulations and operating within the limits imposed by the EMI. As the principal, the EMI is responsible for the actions of its agents and distributors, as if it had carried on that business itself.

WHAT TO WATCH OUT FOR AS A CONSUMER

- E-money agents offering payment services which the EMI did not authorise or which even the EMI itself is not authorised to provide.
- E-money agents acting outside the policies and procedures set out by the EMI.
An example of this would be an e-money

agent allowing an individual/company involved in exchange or trading of cryptocurrencies to open an account.

Although there is no prohibition under the regulations, the EMI itself under its own policies may not allow this type of individual/company to open an account with them.

When in doubt, refer to the FCA register <https://register.fca.org.uk/s/> to find the principal EMI.

FOR MORE INFORMATION PLEASE CONTACT

**STEPHEN ROSEN**

**Partner - Head of Banking and
Financial Disputes**

+44 20 7468 7208 +44 7770 986494

stephen.rosen@collyerbristow.com

**NIGEL BRAHAMS**

Partner

+44 20 7470 4434 +44 7958 466786

nigel.brahams@collyerbristow.com

collyerbristow.com

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