

# PCV

Pelagias  
Christodoulou  
Vrachas

LAW FIRM | EST. 1920



## ELECTRONIC MONEY INSTITUTION ("EMI") LICENSE IN CYPRUS

---

JUNE 2024



## Introduction

Cyprus can be described as an emerging hub for financial innovation and excellence. At the crossroads of Europe, Asia, and Africa, Cyprus offers a strategic advantage for businesses aiming to expand their reach in the global market. This booklet serves as your comprehensive guide to establishing and operating an Electronic Money Institution (EMI) in Cyprus, navigating through the dynamic landscape of digital finance with confidence and compliance.

Cyprus stands out not only for its favourable tax regime and robust legal framework but also for its commitment to fostering a thriving financial services sector. The regulatory environment, spearheaded by the Central Bank of Cyprus, aligns with the European Union's directives, ensuring that EMIs operate with transparency, security, and efficiency.

Whether you are a fintech startup looking to leverage the latest technological advancements or an established financial entity aiming to diversify your portfolio, Cyprus provides the infrastructure, expertise, and regulatory clarity essential for success.

Our aim through this booklet is to equip you with the knowledge and tools needed to set up a compliant, secure, and robust Electronic Money Institution. Let this booklet be your roadmap to unlocking the potential of your EMI in Cyprus, driving innovation and growth in the ever-evolving world of digital finance.





## Regulatory Requirements

In the Republic of Cyprus, the regulatory framework governing the issuance and management of electronic money (e-money) is defined by the Electronic Money Laws of 2012 and 2018 (the “Law”). The Law integrates important EU Directives into National Laws, paving the way for a regulated e-money market in Cyprus.

Specifically, they implement Directive 2009/110/EC to ensure that Electronic Money Institutions adhere to sound business practices and supervisory standards, as well as the Second Payment Services Directive (“PSD2”) of 2015, which aims to enhance payment services across the EU.

For Organisations aiming to offer e-money services in Cyprus must be authorised by the Central Bank of Cyprus (CBC) or any EU member state. This authorisation is contingent upon the organisation's compliance with the regulations for establishing and providing services as outlined in the Law.

The procedure for obtaining authorisation as an EMI is outlined in the laws of 2018 to 2023 on the Provision and Use of Payment Services and Access to Payment Systems.

Applicants must provide a thorough application to the CBC, containing all the necessary details as outlined in sections 3 to 8.



## Submission Requirements

For the purpose of obtaining an authorisation as an Electronic Money Institution, interested persons must submit the application to the CBC accompanied by the following information and documents:

- Detailed program of operations, setting out in particular the issue of electronic money and the type of any possible payment services envisaged
- Business plan including a forecast budget calculation for the first three financial years, which demonstrates that the applicant is able to employ the appropriate and proportionate systems, resources and procedures to operate soundly
- Evidence that the legal person applying for authorisation holds the required initial capital of at least EUR 350.000
- Measures to safeguard the funds of electronic money users
- Governance arrangements and internal control mechanisms, including administrative, risk management and accounting procedures, which demonstrates that are proportionate, appropriate, sound and adequate
- Internal control mechanisms established for compliance with the Prevention and Suppression of Money Laundering Activities Laws of 2007 and 2010



- Description of the participation of the applicant in a national or international payment system as well as the intended arrangements for outsourcing of operational activities, the intended use of agents and branches and the intended use of natural or legal persons for the distribution and redemption of electronic money
- The identity of the persons that have, directly or indirectly, control of the applicant, including the identity of the natural persons that hold, directly or indirectly, shares or voting rights in one or more legal persons that have control of the applicant, as well as details on the size of the actual participation of these persons and their suitability, taking into account the need to ensure the sound and prudent management of an Electronic Money Institution
- The identity of directors and persons responsible for the management of the EMI and, where relevant, persons responsible for the management of the issue of electronic money and the provision of payment services activities, as well as evidence that they are of good repute and possess appropriate knowledge and experience to issue electronic money and perform payment services. In particular copy of clean criminal record report, no bankruptcy report, description of professional and academic qualifications, managerial or board positions held in other legal persons, previous employments and experience in the issue of electronic money and the provision of payment services





- The identity of statutory auditors
- Draft agreement between the electronic money issuer and the electronic money holder and the draft framework agreement
- The process for filing, monitoring, tracking and restricting access to sensitive payment data
- The procedure for monitoring, handling and following up on security incidents and security-related customer complaints
- Security policy document, including a description of the IT infrastructure and a detailed risk assessment of the EMI

## **Timeframe & Applicable Fees**

Within three (3) months of receiving a duly completed application for authorisation as an Electronic Money Institution, the CBC shall decide on the application and notify the organisation. Applicants shall pay an amount of EUR 5.000 at the time of submitting their application to CBC to operate as an EMI.

Where the EMI wishes to extend its existing operating authorisation to additional payment services (Services 1-7 of Annex I of the Law) it shall pay the amount of EUR 1.000 for each additional service requested or EUR 500 if the additional service is service 8 of Annex I of the Law.



## Payment Service Provider Directive 2 (“PSD2”)

Key provisions of PSD2 include:

- **Strong Customer Authentication (SCA):** To combat fraud in online payments, PSD2 mandates the implementation of SCA. This requirement ensures that electronic payments are performed with multi-factor authentication, offering a higher level of security and reducing the risk of unauthorised transactions.
- **Open Banking and Third-Party Providers (TPPs):** PSD2 paves the way for open banking by allowing TPPs to access customers’ account information, with their explicit consent. This access enables the development of new and innovative financial services, such as financial management tools or streamlined payment methods, enhancing the overall user experience.
- **Enhanced Consumer Rights:** PSD2 emphasise on consumer rights, requiring payment service providers to thoroughly inform users about their rights and obligations.
- **Security Measures:** Under PSD2, payment service providers are required to adopt robust security measures to safeguard customer data and transactions. This includes the use of secure communication channels and encryption, enhancing the integrity and confidentiality of financial data.



## HOW PCV LLC CAN ASSIST YOU?

- We will be happy to assist you with the preparation of EMI application and advising you as to which is the most suitable EMI structure option for your business
- Provide guidance, drafting and reviewing of all supporting documentation and questionnaires needed in the preferred EMI structure option
- File an application with CBC and accompany all relevant documents for the filing and follow-up of the application until final approval
- Ongoing legal support for any matter in relation to the EMI

For more information, please do not hesitate to contact our Financial Services Department, at [info@pelaghiaslaw.com](mailto:info@pelaghiaslaw.com).