

# Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Directive	1998/0252(COD) Procedure completed
Electronic money: granting of a single license and home Member State prudential supervision of these institutions Repealed by <a href="#">2008/0190(COD)</a>	
Subject 2.50.04.02 Electronic money and payments, cross-border credit transfers 2.50.10 Financial supervision 4.60.06 Consumers' economic and legal interests	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs		17/01/2000
		PPE-DE <a href="#">KAUPPI Pii-Noora</a>	
	Former committee responsible		
	<b>JURI</b> Legal Affairs, Citizens' Rights		04/11/1998
		ELDR <a href="#">THORS Astrid</a>	
Council of the European Union	Former committee for opinion		
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy		10/11/1998
		PSE <a href="#">TORRES MARQUES Helena</a>	
Council of the European Union	Council configuration	Meeting	Date
	Fisheries	<a href="#">2273</a>	16/06/2000
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2225</a>	29/11/1999

Key events			
21/09/1998	Legislative proposal published	COM(1998)0461	Summary
09/10/1998	Committee referral announced in Parliament, 1st reading		
25/03/1999	Vote in committee, 1st reading		Summary
25/03/1999	Committee report tabled for plenary, 1st reading	<a href="#">A4-0156/1999</a>	
15/04/1999	Debate in Parliament		
15/04/1999	Decision by Parliament, 1st reading	T4-0323/1999	Summary

29/11/1999	Council position published	<a href="#">12004/2/1999</a>	Summary
20/01/2000	Committee referral announced in Parliament, 2nd reading		
22/03/2000	Vote in committee, 2nd reading		Summary
22/03/2000	Committee recommendation tabled for plenary, 2nd reading	<a href="#">A5-0080/2000</a>	
10/04/2000	Debate in Parliament		
11/04/2000	Decision by Parliament, 2nd reading	<a href="#">T5-0135/2000</a>	Summary
16/06/2000	Act approved by Council, 2nd reading		
18/09/2000	Final act signed		
18/09/2000	End of procedure in Parliament		
27/10/2000	Final act published in Official Journal		

### Technical information

Procedure reference	1998/0252(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
	Repealed by <a href="#">2008/0190(COD)</a>
Legal basis	EC Treaty (after Amsterdam) EC 047-p2-a1; Rules of Procedure EP 050
Stage reached in procedure	Procedure completed

### Documentation gateway

Legislative proposal	<a href="#">COM(1998)0461</a>	21/09/1998	EC	Summary
Economic and Social Committee: opinion, report	<a href="#">CES0069/1999</a> <a href="#">OJ C 101 12.04.1999, p. 0064</a>	27/01/1999	ESC	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0156/1999</a> <a href="#">OJ C 219 30.07.1999, p. 0006</a>	25/03/1999	EP	
Text adopted by Parliament, 1st reading/single reading	T4-0323/1999 <a href="#">OJ C 219 30.07.1999, p. 0369-0420</a>	15/04/1999	EP	Summary
Council position	<a href="#">12004/2/1999</a> <a href="#">OJ C 026 28.01.2000, p. 0001</a>	29/11/1999	CSL	Summary
Commission communication on Council's position	<a href="#">SEC(2000)0069</a>	19/01/2000	EC	Summary
Committee recommendation tabled for plenary, 2nd reading	<a href="#">A5-0080/2000</a> <a href="#">OJ C 040 07.02.2001, p. 0007</a>	22/03/2000	EP	
Text adopted by Parliament, 2nd reading	<a href="#">T5-0135/2000</a> <a href="#">OJ C 040 07.02.2001, p. 0019-0035</a>	11/04/2000	EP	Summary
Commission opinion on Parliament's position at 2nd reading	<a href="#">COM(2000)0333</a>	29/05/2000	EC	Summary
Follow-up document	<a href="#">SEC(2006)1049</a>	19/07/2006	EC	Summary

## Additional information

European Commission

[EUR-Lex](#)

## Final act

[Directive 2000/46](#)

[OJ L 275 27.10.2000, p. 0039](#) Summary

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

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**PURPOSE:** to propose a European and Council directive on the taking up, the pursuit and the prudential supervision of the business of electronic money institutions. **CONTENT:** the main elements of the proposal are as follows: 1) a limited scope of application is suggested, restricting harmonisation regulation to "electronic money institutions", i.e. non-bank providers of e-money services. Electronic money is defined to cover prepaid cards and network money but only if issuance is within a 3-party system, i.e. if the electronic monetary value is accepted as a means of payment by undertakings other than the issuing institution(s). The business of electronic money institutions, other than the issuance of electronic money, is restricted to the provision of closely related financial and non-financial services. The provision of non-financial services delivered through the electronic device is permitted; 2) because of the specific nature of e-money institutions, application of some of the 40 articles of the First and Second banking directives is fully or partly waived. Yet, for the taking up and pursuit of business, e-money institutions are subject to the same conditions as credit institutions, notably with respect to: - prior authorisation; - minimum capital requirements (on a reduced basis); - fit and proper management; - sound and prudent operation; - initial and ongoing owner control. Except for the Money Laundering Directive and the Consolidated Supervision Directive, other EU banking legislation does not apply to e-money institutions unless this is specifically provided for. The proposal also provides that the contractual arrangements must specify if the stored value is redeemable and, if so, the specific contractual conditions; 3) the proposal sets ongoing own funds requirements of 2% of the higher of the institution's current amount or the average of the preceding 6 months total amount of unredeemed e-money issued by the institution in question and not below the initial capital requirement of 500,000 ECU; 4) limitations on investments are proposed, that reflect the need for prudent investment policy of issuers of e-money, to contain in particular the exposure to liquidity risks of issuers. Accordingly, the proposal requires that funds received in exchange for issued electronic money should be invested only in highly liquid assets which attract a 0% credit risk weighting in accordance with the Solvency Ratio Directive. Hedging of market risks by highly liquid exchange-traded derivative instruments subject to a 0% credit risk capital charge would also be allowed. In addition, electronic money institutions may invest in other highly liquid debt instruments and have ancillary liquidity in the form of sight deposits held with Zone A credit institutions. However, such investments are subject to a ceiling of 20 times the institutions' own funds and subject to large exposure limitations at least as stringent as those imposed on banks; 5) competent authorities are required to verify compliance by e-money institutions with the above-mentioned provisions on on-going own funds requirements and limitations on investments at least twice a year; 6) Member States may waive certain provisions of the proposal for e-money institutions underpinning relatively small schemes, provided that the overall unredeemed e-money does not exceed ECU 10 million and the storage device has a capacity of ECU 150 of maximum loading amount. 7) finally, provision is made for a grandfathering as regards the authorisation requirement for e-money institutions already operating at the date of the coming into force of national provisions implementing the European regulation.?

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The Parliament approved its opinion drafted by Ms. Astrid Thors (ELDR, Finland) on the Commission's proposal, subject to a number of amendments. Several of these amendments seek to clarify the definition of 'monetary value'. The Parliament also inserted a new Article which deals with redeemability of coins and bank notes.?

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The common position follows the main approach of the Commission proposal. Like the Commission's proposal, the Common Position aims at striking a balance between the need to make provision for the financial integrity of electronic money institutions and the protection of consumers, as well as the need to ensure that the development of electronic money schemes is not hampered by excessive regulation. The balance in the common position is achieved by introducing a more restrictive legal framework than that proposed by the Commission on certain issues while introducing a more flexible framework on other points. The Council considers that all the amendments made to the Commission proposal are fully in line with the objectives of the proposed Directive. The common position includes the substance of the amendments to the enacting terms of the Directive proposed by the European Parliament and the related changes to the recitals.?

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In adopting the report by Mrs. Piia-Noora KAUPPI (EPP-ED, S), the European Parliament approves the legislative resolution on the Council's common position for adopting a European Parliament and Council Directive on the taking up, the pursuit and the prudential supervision of the business of electronic money institutions. This report was subject to two amendments which relate to redeemability which should always be understood to be at par value.?

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The 2 amendments involve no change of substance but merely clarify a point which was already included in the common position: electronic money not used by the bearer must be redeemed at par value, i.e. with no depreciation against the value expressed in the issuing currency. These 2 amendments concern in particular: - the addition of a new recital 9a to read: "Redeemability should always be understood at par value"; - amendment, to the same end, of Article 3(1) to read: 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". In conclusion, the amendments involve no change of substance, therefore, the Commission can accept them.?

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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.?

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This report fulfils the mandate set out in Article 11 of the ?EMD? Directive (the e-Money Directive). The Commission is of the view that six years after its adoption, and some four years since its implementation in the Member States, there is a case for a fundamental overhaul of the Directive.

The purpose of the proposed reforms will be to improve legal certainty firstly by refining the definition of e-Money and secondly by clarifying the scope of ?business entry? under a much more proportionate regulatory regime. The end goal should be to create a more business-friendly and streamlined regulatory framework for issuing e-Money, in line with the stated objectives of the Directive.

The Commission has outlined those specific area where change is both necessary and appropriate. It has lowered the initial capital requirements and widened the scope of activities permitted under an e-Money licence. Further, the Commission is of the view that a better balance needs to be struck between financial stability, on the one hand, and the need to assist the market to reach its full potential, on the other. Prior to proposing new measures, it is necessary to conduct an impact assessment with a view to determining an appropriate set of measures in line with the risks posed by institutions involved in the e-Money business.

On a final point, the Commission is fully aware of the need to ensure coherence and consistency with the Payment Services Directive (PSD), which is currently under negotiation. From a purely legislative point of view, the ideal would be to incorporate the e-Money Directive into the PSD. Accordingly, the Commission is proposing that it will await the adoption of the PSD before adopting a new proposal. Such an approach will enable further consideration to be given to an appropriate prudential regime for ELMIs and take account of negotiations currently underway on the PSD.