E-Money Institutions, Agents and Distributors

Electronic money institutions (EMIs) have proven to be an efficient, reliable and inexpensive alternative to traditional brick-and-mortar banks. E-money landscape includes not only e-money institutions themselves, but also e-money agents and e-money distributors. Involving agents and distributors increases competition, broadens access to financial services, and provides these third parties with a lower-barrier path into the e-money market compared to setting up a licensed EMI. These entities operate under a principal-agent model, acting on behalf of a licensed EMI. This document explains the differences between **EMIs**, **agents**, and **distributors** — including their licensing, responsibilities, and business models

E-Money Institutions

In the European Union the regulatory basis for the e-money institutions has been laid down at the EU level while national regulations specify concrete details. In the United Kingdom e-money institutions are regulated by the The Electronic Money Regulations 2011.

- **Entity Type/Location**. An e-money institution should be a company incorporated in the same country where a application for the EMI license is going to be made.
- **Licensing**. An application for the EMI license is submitted by the applicant to the National Supervisory Authority.
- **Capital Requirements**. In the European Union and the United Kingdom, an e-money institution applicant is required to hold at the time of authorisation initial capital of not less than 350,000 EUR.
- **Allowed Activities**. E-Money institutions can be authorised to issue e-money, to execute payment transactions, to perform money remittance, to provide payment initiation and account information services.
- **KYC/AML Checks**. Defining and implementing KYC/AML strategy as well as complying with KYC/CTF/AML regulatory requirements is the responsibility of the e-money institution.
- **Time to Market**. Creating a e-money institution is a long and complicated process requiring obtaining a license, setting up legal and compliance department, IT and customer support, connecting to payment schemes and card issuers. It usually takes 2-3 years to setup a new e-money institution.

E-Money Registered Agents

In the European Union e-money registered agents are defined in the EU regulations while the details are provided at the national level. It should be noted that the definitions and requirements to the e-money registered agents vary significantly in Europe. In the United Kingdom such agents are called 'EMD Agents' while in Lithuania there are two agent types introduced: 'Electronic money institution intermediaries' and 'Persons distributing e-money of an EMI established in the Republic of Lithuania'.

- **Entity Type/Location**. An e-money registered agent can be a natural person or a legal entity registered / incorporated in any country. However, the National Regulatory Authority and the agent's principal can have additional requirements on the agents.

- **Licensing**. An e-money registered agent is not required to obtain a license. However, such is agent should be registered with the National Regulatory Authority. A registration application is submitted to the National Supervisory Authority by their principal EMI after the applicant satisfies the principal's requirements.
- **Capital Requirements**. There are no capital requirements for e-money registered agents.
- **Allowed Activities**. E-money registered agents can perform all the activities for which the principal EMI has been authorised, except for issuing e-money. In particular this means that e-money registered agents can't open customer e-money accounts itself, the customer accounts belong to the principal EMI.
- **KYC/AML Checks**. An e-money registered agent can define and implement its own KYC/AML strategy, however final decisions on KYC/AML matters are made by the principal EMI.
- **Time to Market**. Creating an e-money registered agent requires approval from the National Supervisory Authority, but the requirements are less strict and the application process is guided by the principal EMI. Moreover, a e-money registered agent can delegate some of its functions and responsibilities to the principal EMI. It usually takes several months to setup a new e-money registered agent.

E-Money Distributors

E-money distributors (also called introducers or referral agents) are regulated neither at the European Union's nor at the national levels. Their activities are approved by their principal EMIs only.

- **Entity Type/Location**. An e-money distributor can be a natural person or a legal entity registered / incorporated in any country. However, the principal EMI can have additional requirements on the distributors.
- **Licensing**. An e-money distributor is not required to obtain a license, this activity is a subject for the principal EMI approval.
- **Capital Requirements**. There are no capital requirements for e-money distributors.
- **Allowed Activities**. E-money distributors can distribute and/or redeem e-money but cannot provide payment services. E-money distributors might include corner shops or petrol stations that sell prepaid e-money products.
- **KYC/AML Checks**. An e-money distributor relies on the principal EMI's KYC/AML strategy, decisions on KYC/AML matters are made by the principal EMI.
- **Time to Market**. Creating an e-money distributor does not require licensing, a e-money distributor can delegate all its activities except for sales and marketing to the principal EMI. It usually takes several weeks to setup a new e-money distributor.

Based on the previous sections, the table below highlights the key differences between EMIs, agents, and distributors — including licensing models, capital needs, who issues the e-money, and how each entity approaches compliance and market entry.

	E-Money Institutions	E-Money Registered Agents	E-Money Distributors
Entity Type/Location	company incorporated locally additional requirements by the National Supervisory Authority	natural or legal person additional requirements by the principal and the National Supervisory Authority	natural or legal person additional requirements by the principal
Licensing	issued by the National Supervisory Authority	no licence required registered with the National Supervisory Authority application submitted by the principal	no licence required subject for the principal approval
Capital Requirements	350,000 EUR initial capital	none	none
E-Money Issued By	the EMI itself	the principal	the principal
KYC/AML Checks	performed by the EMI itself	can be done by the agent and the principal fall under the principal's responsibility	rely on the principal fall under the principal's responsibility
Sales and Marketing	own brand, own team	own brand, own team	principal brand, own team
Time to Market	1-3 years	several months	several weeks