

How to Structure Offshore PSPs (EMI/MSB Layers)

— Licensing, Layering, and Regulatory Strategy for High-Risk Payments Businesses

Executive Summary

Offshore Payment Service Providers (PSPs), including Electronic Money Institutions (EMIs) and Money Services Businesses (MSBs), are commonly structured using multi-jurisdictional layering to optimize licensing, banking access, client onboarding, and regulatory segmentation. These structures are especially prevalent in high-risk verticals such as crypto, FX, gaming, remittance, adult services, and non-face-to-face merchant processing.

This guide outlines how to legally and strategically design a layered PSP structure across EMIs, MSBs, agents, and shell layers — balancing compliance, privacy, and operational control.

Key Entities in a Layered PSP Structure

EMI or PI License Holder (Europe/UK):

This is the primary regulated entity authorized to issue IBANs, hold client funds, and perform electronic money operations. It typically sits in jurisdictions like Lithuania, Malta, Cyprus, or the UK — which offer passporting within the EU or FCA-regulated status.

MSB or Money Transmitter (Americas):

A U.S.-registered MSB (via FinCEN), Puerto Rican IFE, or Canadian MSB may serve as the primary layer for USD clearing, money remittance, or crypto-fiat on/off ramping. It supports USD-denominated flows and often supplements the EMI layer.

Operating or Shell Entity (Client-Facing):

This is the company visible to clients — it markets services, signs contracts, and often handles onboarding. Jurisdictions such as the UAE Free Zones, BVI, Seychelles, and Hong Kong are popular for this layer due to their low tax profiles, ease of setup, and reputational neutrality.

Holding or Treasury Company:

Functions include ownership of trademarks, platform IP, treasury operations, and long-term profit retention. Jurisdictions like Nevis, Singapore, Cyprus, or Ireland are often used depending on tax treaty goals and transfer pricing strategy.

Common Objectives of a Multi-Layered PSP Setup

Minimize Regulatory Exposure:

By assigning licenses to one entity and client contact to another, you reduce the direct compliance footprint per jurisdiction.

Access Multiple Banking Corridors:

EMI licenses give access to SEPA and EUR banking; MSBs support USD flows and card processing integrations.

Protect Beneficial Ownership & IP:

A holding layer shields the economic beneficiaries from public visibility while consolidating assets.

Tax Efficiency:

Using tax treaty jurisdictions for holding companies enables favorable withholding tax treatment and transfer pricing.

Illustrative Structure (Narrative Format)

An entrepreneur might establish:

- A Cyprus holding company to own 100% of all group entities and receive consolidated profits.
- A Lithuanian EMI (licensed under the Bank of Lithuania) to issue IBANs and provide card issuance via Visa or Mastercard integrations.
- A Puerto Rico IFE or US MSB for handling USD inflows and outflows to/from U.S. customers or exchanges.
- A UAE Free Zone company as the brand's global front-office, handling marketing, CRM, merchant onboarding, and service agreements.
- Intercompany agreements are executed to define services, pricing, data handling, and liability.

EMI vs. MSB — Strategic Considerations (Narrative)

Electronic Money Institutions (EMIs) are best suited for operating within Europe or the UK, where they can access SEPA, issue e-wallets, and offer full AML-compliant fintech banking solutions. However, EMI licenses come with high capital requirements (typically €250,000+) and regulatory burdens.

Money Services Businesses (MSBs), registered in the U.S. or Canada, offer a more agile entry point into USD corridors. They can legally transmit funds and operate crypto-fiat ramps but often require state-by-state licensing in the U.S. unless using Puerto Rico or an IFE structure.

Each layer plays a complementary role. The EMI may be the regulated license holder, the MSB manages USD flows, and the operating shell signs client agreements and holds operational staff.

Regulatory and Legal Considerations

- **Intercompany Governance:**

Clear SLAs (service-level agreements), transfer pricing documentation, and licensing disclosures must be in place.

- **AML Consistency:**

AML policies must be harmonized across all entities. This includes a central compliance framework and local AML Officers per regulated entity.

- **Bank Approval:**

Each layer must be disclosed to relevant banking partners. Attempting to hide the structure may result in denial or de-risking.

- **Licensing Compliance:**

Each entity must only perform activities allowed under its local license. Unauthorized cross-border activity is a major regulatory red flag.

Operational Safeguards

To succeed and sustain a multi-layer PSP structure, firms should implement:

- Tiered KYC protocols tailored to high-risk verticals
- Real-time transaction monitoring and case management tools
- Cross-border accounting and reconciliation frameworks
- Multiple banking relationships to hedge de-risking risk
- Regular internal audits and compliance testing

Conclusion

A well-structured PSP operation relies on legal separation, regulatory compliance, and functional layering — not shell games. The value is not in secrecy, but in a transparent, well-defended structure that satisfies regulators and satisfies payment partners. EMIs and MSBs offer complementary benefits, and when structured correctly, can unlock robust, scalable financial services platforms for high-risk, global clients.