

EMI vs. MSB vs. PSP — What's the Difference?

Understanding the Licensing Layers in Global Payment Structures

Executive Summary

In the evolving financial services landscape, licensing categories such as Electronic Money Institution (EMI), Money Services Business (MSB), and Payment Service Provider (PSP) often overlap in function yet diverge in regulation, obligations, and scope. For entrepreneurs, fintech founders, and high-risk business operators, understanding the distinctions is essential to ensure regulatory compliance, strategic licensing, and optimal banking access.

HPT Financial Group, through its partners and compliance experts, helps clients evaluate and secure the most appropriate licensing model based on jurisdiction, risk profile, and service intent.

1. EMI — Electronic Money Institution

Regulatory Nature:

An EMI is a licensed financial institution authorized to issue and manage electronic money. It is subject to robust regulatory oversight, typically by financial authorities such as the FCA (UK), BaFin (Germany), or the MFSA (Malta).

Key Functions:

- Issue and redeem e-money accounts
- Provide IBANs and virtual account services
- Offer card issuance (e.g., Mastercard, Visa)
- Hold client funds in safeguarded accounts

Advantages:

- Access to SEPA/SWIFT networks
- Strong credibility with banking partners
- Full control over payment infrastructure
- Ideal for B2B and B2C financial technology providers

Regulatory Burden:

- Capital requirements (typically €350,000+)
- Monthly safeguarding audits
- AML/CTF compliance regime
- Licensed directors, strong governance required

Best Suited For:

Fintech platforms, neo-banks, and digital wallet providers with plans for scale and independent account issuance.

2. MSB — Money Services Business

Regulatory Nature:

An MSB license (primarily in North America) is a regulatory classification under FinCEN (USA), FINTRAC (Canada), and similar authorities. It allows for transmission of money or currency-related services.

Key Functions:

- Currency exchange
- International remittances
- Virtual asset (crypto) handling (depending on license scope)
- Agent network operations (e.g., Western Union)

Advantages:

- Entry point for U.S.-facing operations
- Flexible licensing tiers depending on activities
- Ability to register as an agent of a larger MSB

Regulatory Burden:

- AML program filing with FinCEN
- State-by-state registration in the U.S. (if applicable)
- Transaction monitoring and reporting (e.g., CTR/SAR)

Best Suited For:

Remittance operators, currency exchangers, OTC desks, and fintechs entering the North American market.

3. PSP — Payment Service Provider

Regulatory Nature:

A PSP is typically a company authorized under PSD2 (in the EU) or under equivalent regulatory frameworks to facilitate payment services but without the right to issue e-money.

Key Functions:

- Accept payments on behalf of merchants (card, SEPA, etc.)
- Act as technical facilitators of payments (API-based)
- White-label payment gateway providers
- Connect merchants to acquiring banks

How HPT Assists

HPT Group offers structured solutions for fintech and high-risk clients including:

- EMI Licensing in Lithuania, Malta, UK, and Canada
- MSB Licensing in the USA (FinCEN) and Canada (FINTRAC)
- PSP setup under EU/EEA PSD2 or through white-label partnerships
- Turnkey IBAN issuing platforms through regulated partners
- Agent onboarding under existing EMI or MSB umbrellas

Conclusion

Understanding the precise distinction between EMIs, MSBs, and PSPs is critical for any financial business operator. The right license defines your operational scope, banking access, and regulatory responsibilities. HPT enables clients to build globally scalable, regulatorily sound payment structures with confidence. HPT Group — Building the Infrastructure Behind Modern Financial Services.

Advantages:

- Lower capital requirements compared to EMI
- Fast market entry in EU and offshore jurisdictions
- Partner with EMIs or acquiring banks to offer regulated services

Regulatory Burden:

- AML compliance still required
- Merchant onboarding and due diligence
- Often operates under another institution's license (as an agent or technical partner)

Best Suited For:

Payment gateway startups, e-commerce service platforms, FX/crypto brokers using third-party bank rails.

Comparison Table

Feature	EMI	MSB	PSP
Can Issue IBANs / Wallets	Yes	No	No
Direct SEPA/SWIFT Access	Yes (via central bank/partner)	No	No
Card Issuance	Yes	No	Indirect (via EMI/acquirer)
Client Fund Safeguarding	Mandatory	Conditional	Often via EMI
Cryptocurrency Handling	Regulated separately	Allowed with MSB+Crypto license	Typically not unless licensed
Licensing Timeframe	4–9 months (EU)	2–3 months (USA)	2–4 months (EU/offshore)
HPT Solution Available	Yes	Yes (USA/Canada)	Yes (EU/MENA/Offshore)