

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

Circular to Payment Institutions and Electronic Money Institutions on the ongoing own funds requirements which are required to be calculated in line with paragraph 24 of the Financial Institutions Rule FIR/02 and paragraph 21 of the Financial Institutions Rule FIR/03

Payment Institutions

In accordance with paragraph 24 of the Financial Institutions Rule FIR/02, financial institutions undertaking payment services in terms of the Second Schedule to the Financial Institutions Act, must hold, at all times, own funds calculated in accordance with one of the three methods as laid down therein. Moreover, according to the same paragraph **it is up to the Authority to decide which method should be applied.**

In this context, the Authority has determined that **all financial institutions which are licenced to undertake payment services** in terms of the Second Schedule to the Financial Institutions Act, shall calculate their ongoing own funds requirements in accordance with **Method B** as described further in paragraph 24 of the Financial Institutions Rule FIR/02.

Electronic Money Institutions

In accordance with paragraph 21 of the Financial Institutions Rule FIR/03, the own funds requirements of an electronic money institution for **the licensed activity of issuing electronic money** shall be calculated using **Method D**. This method stipulates that the own funds requirements shall amount to at least 2% of the average outstanding electronic money. Electronic money institutions are required to refer to paragraph 8 of the Financial Institutions Rule FIR/03 which defines “*average outstanding electronic money*”.

Moreover, according to the same paragraph of the aforementioned Rule, in the event that an electronic money institution also undertakes payment services **not related** to the issuance of electronic money,

the own funds requirements for this activity shall be calculated in accordance with one of the three methods **as may be directed by the Authority** and as laid down in paragraph 24 of the Financial Institutions Rule FIR/02. In this context, the Authority has determined that **all electronic money institutions which also undertake payment services not related to the issuance of electronic money**, shall calculate their own funds requirements for this activity in accordance with **Method B**. Therefore such electronic money institutions are required to hold, at all times, own funds requirements that are at least equal to the **sum of the amounts of Method D and Method B**.

Common Note

Payment and electronic money institutions should finally compare the amounts derived from the above mentioned **methods**, to the **initial capital requirement established in the licence letter**. The higher amount between that calculated and the one stipulated in the letter should be the ongoing own funds requirements that apply.

Having said this, payment and electronic money institutions are kindly required to provide the Authority with the own funds requirements calculation as at **31st December 2017**. For this purpose, please find the relative template in the following [link](#). Payment and electronic money institutions are required to complete and submit this template to the Authority by not later than **15th February 2018**.

Going forward, as from the first quarter of 2018, the Authority requires payment and electronic money institutions to complete this template and submit it to the Authority on a quarterly basis together with the filing of the quarterly statutory returns.

The Authority wishes to highlight that it reserves the right to review the methods of calculation of own funds as specified above at any time at its discretion.

Any queries on the own funds calculations can be addressed to Mr. Thomas Naudi, Analyst, Banking Supervision Unit, by email on tnaudi@mfsa.com.mt

Communications Unit

Malta Financial Services Authority

7th November 2017