



CX Financia

**PROCEDURE TO SETUP A CBC
ELECTRONIC MONEY INSTITUTION LICENSE**



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WHAT IS ELECTRONIC MONEY INSTITUTIONS (EMI)?

An EMI is an institution which is authorized by the competent authorities to issue electronic money. The term electronic money refers to a monetary value which is electronically stored and can be used to make transactions either with the issuer (EMI) or other parties than accept the money. An example of this can be loyalty discount cards that are issued by a brand and accepted by several other brands as a money equivalent of an agreed standard value.



WHY CYPRUS?

There are number of key factors that make Cyprus the strategic decision to establish an EMI in the Republic:

- An efficient legislative framework compliant with EU laws and regulations
- Easier penetration to EU markets
- English is the main Business language
- Strategic geo-location as the crossroad of three continents and a convenient time zone for conducting 24 hour a day business
- An extremely attractive tax regime with an extensive network of double tax treaties, a low corporation tax at 12,5 % and a number of incentives for foreign investors such as no withholding tax on dividend distributions
- Access to a diverse talented workforce
- Business friendly infrastructure with access to a variety of highly qualified professional service providers (e.g. accounting firms, legal firms, consultancy firms etc.)
- High quality of life
- Warm weather all year around.

LEGISLATION

Cyprus regulatory body and authorization authority is the Central Bank of Cyprus (CBC), and it abides by the below Laws and regulations, as they are defined and amendment by CBC:

- The Electronic Money Laws of 2012 and 2018,
- 2009/110/EC of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions,
- (EU) 2015/2366 of 25 November 2015 on payment services in the internal market.

PAYMENT SERVICES

Authorized activities of EMI license, as defined by the law, are:

1. Services enabling cash to be placed on a payment account as well as all the operations required for operating a payment account.
2. Services enabling cash withdrawals from a payment account as well as all operations as required for operating a payment account.
3. Execution of payment transactions, including transfers of funds on a payment account with the user's payment provider or with another payment service provider:
 - a. execution of direct debits, including one-off direct debits;
 - b. execution of payment transactions through a payment card or a similar device;
 - c. execution of credit transfers, including standing orders.
4. Execution of payment transactions where a credit line covers the funds for a payment service user:
 - a. execution of direct debits, including one-off direct debits;
 - b. execution of payment transactions through a payment card or a similar device;
 - c. execution of credit transfers, including standing orders.
5. Issue of payment instruments and/or acquiring of payment transactions.
6. Money remittance.
7. Payment initiation services.
8. Account information services.

Additionally EMIs are permitted to issue electronic money, in addition to the provision of all the payment services listed above. Electronic money is a monetary value represented by a claim on the issuer, which is:

- Electronically-including magnetically-stored (e.g. chargeable internet based account, magnetic card).
- Issued on receipt of funds for the purpose of making payment transactions (conversion of bank money into electronic money).
- Accepted by a natural or legal person other than the electronic money issuer.



LICENSE APPLICATION

TIMEFRAME

It takes around 1-2 months for the preparation of the application package, however this can usually be achieved within 1 month if we are provided with the requested documents in a timely manner.

Upon submission of the application package, CBC will examine it and will usually revert asking for additional information and clarifications, in most cases designating a timeframe within which to reply. Where the CBC is satisfied the application is complete they will consider it and if successful, the company will be given a conditional license.

The Laws stipulates that the CBC must revert within 3 months from the date of the application however the 3 months begin to lapse once and if the application is complete. In other words if the CBC reverts with follow up questions the timeframe will start counting only after they are fully satisfied of the answers. For this reason, the true position in practice is that the timeframe for the conditional license is approximately 6-9 months and will largely depend on the approval of the ultimate beneficial owner of the company.

The conditional license will stipulate certain conditions to be met for the license to be activated. These include renting/buying office space, hiring employees, directors, having the proper software, and any other matters necessary for the EMI to be operational. It used to be the case there was a designated time within which to implement the conditions, namely within 1 year (subject to extensions) but current CBC practices demand that the conditions are met immedi-

ately. For those reasons actions relating to activation must be taken simultaneously with the preparation and filing of the application.

Once the company is ready, an appointment will be booked with CBC for inspection and if the company satisfies the pre-conditions their license will be activated.

Overall it can be expected that a license can be issued in around 1 year or more after submission. This also depends on CBC workload at the time and the readiness of the client to simultaneously take steps towards activation even before the conditional license is issued.

COSTS

In terms of operational costs, a reasonable annual budget for the EMI's operational expenses, including the salaries of employees as well as other operational expenses, (e.g. information technology, telephony, electricity, office rent, external and internal auditors, compliance, other professional fees, consumables, etc.) will be no less than approximately €150,000. The actual amount will depend on numerous factors such as size, operations and remuneration of executive directors



MINIMUM CAPITAL REQUIREMENTS

The Laws stipulate that the initial minimum capital requirement for an EMI is EUR 350,000 and there are also continuous capital requirements, calculated in accordance with the provision of the Law, inter alia, to maintain a balance of at least the initial minimum capital requirement.

ORGANIZATIONAL STRUCTURE

The Board of Directors of the EMI shall consist of at least two executive members and two independent non-executive members who are fit and proper, namely who hold expertise, knowledge and experience in this field. The majority of the members must be Cyprus residents. Additionally designated, Regulatory Compliance Officer, AML Compliance Officer, Chief Information Officer and Risk Manager.

INTERNAL AUDIT

SHAREHOLDERS/ULTIMATE BENEFICIAL OWNERS (“UBOS”)

Shareholders can be either natural persons or legal entities, however, CBC requires to be disclosed and assessed at the UBO level; The UBOs must be of good repute with clean criminal records and must be able to demonstrate financial soundness and the ability to provide financial assistance to the entity if needed; In case of a shareholder which is a group of companies, the CBC must be disclosed of the group structure and the entities relations to the group as well as the EMI

REQUIRED DOCUMENTS

In order to apply for the license, you need to fill in the related application form and submit it to CBC along with the below documents:

- Entity's Incorporation Documents
- A summary issued by the appropriate authority explaining the main legal features of the applicant
- Personal documents from the individuals which will hold a key function (Board of Directors, licensed services) which include certificates of clean criminal record, non-bankruptcy, CV, certified copy of Passport.
- Documents from shareholders and ultimate beneficiary owners (UBOs) evidencing their legitimacy and share acquisition details including evidence of source of funds and shareholding structure chart.
- Detailed Program of Operations
- Organization Structure
- Detailed Business Plan
- Evidence that the applicant holds the required initial capital
- An Internal Operations Manual which must include
 - Measures to safeguard the funds of electronic money users and/or payment services users
 - Description of the governance arrangements and internal control mechanisms
 - Description of the Procedures for monitoring, handling and following up on security incidents and security-related customer complaints
 - Description of the processes for filing,

monitoring, tracking and restricting access to sensitive payment data

- Description of the Business continuity arrangements
- Description of the principles and definitions applicable to the collection of statistical data on performance, transactions and fraud including supporting documentation
- Description of the Internal control mechanisms to comply with obligations in relation to money laundering and terrorist financing (AML/CFT obligations)
- Security policy document
- Proposed Professional Indemnity Insurance or Comparable Guarantee (where relevant)
- Latest Audited Accounts (for existing companies)
- Most recent Management Accounts (for existing companies)



IV. WHAT CAN CX FINANCIA DO FOR YOU?

Our scope of services regarding the duties to be performed by CX Financia to our clients can be described as follows:

SCOPE A- LICENCING

CX Financia can offer premium consulting on gaining EMI authorization utilizing its in-house experts alongside our network of local professionals.

The nature and scope of services to be provided to you shall include, but not be limited to the following:

1. Preliminary advice on the requirements of establishment of an EMI;
2. Incorporation of Cyprus Company ("the Company");
3. Drafting of Memorandum and Articles of Association;
4. Assistance with the opening of a Cyprus Bank Account;
5. License application to the CBC, including but not limited to:
 - a. Complete application forms as provided by CBC.
 - b. Complete checklists required for CBC.
 - c. Provide and complete information by the directors, managerial staff and shareholders with special participation (for example CVs, completed questionnaires as provided by CBC, etc.)
 - d. Completion of Group structure.
 - e. Completion of Organisational structure.
 - f. Obtaining clean criminal records and Certificates of Good Standing for the shareholders (where applicable) with special participation, the Board of Directors and employees of the Company.
6. Submission of the application to CySEC and acting as the promoter of the application, following up on all correspondence.

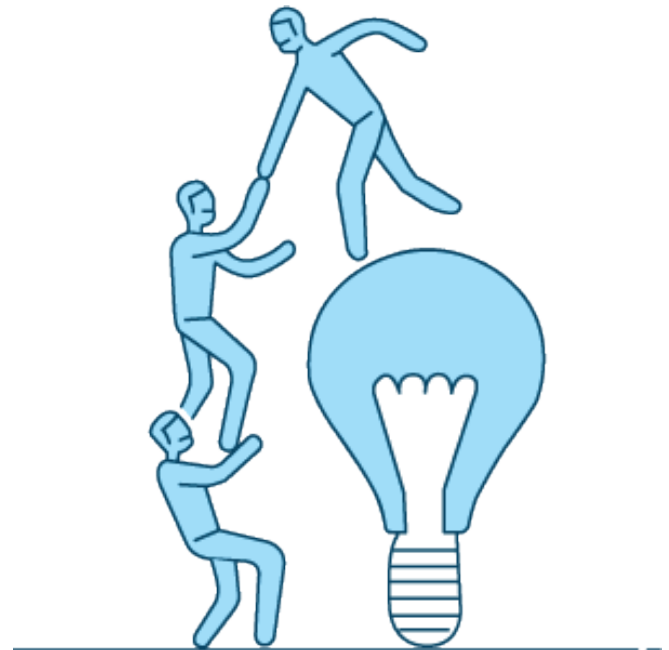
SCOPE B – LEGAL DOCUMENTS

1. Assistance with the preparation of the Company procedures manual for all activities and operations.
2. Assistance with the preparation of business plan.
3. Preparation of KYC policies.
4. Preparation of Anti Money Laundering Manual.
5. Preparation of Internal Controls Manual.
6. Preparation of Terms and Conditions (Client Agreement) and other necessary legal documents

For more details or to request a quote contact us at: info@cxfinancia.com

“WE HELP YOU WITH”

- Establishment and management of International Business Companies
- Financial services licensing consulting and implementation - including pre and post licensing support in compliance risk and AML
- Company maintenance services, accounting, audit and directorship services
- GDPR audit and consultancy
- Legal support
- Due Diligence Work
- Virtual/Real Office, Mail Forwarding and Office support
- International Tax Planning
- Training
- Mediation and arbitration services (Licensed mediator)



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