The Electronic Money Institution

The short overview of the latest financial trends and tendencies
The EMI (Electronic Money Institution)

Fintech industry is experiencing a period of expansion as numerous advanced startups are joining the ranks of this market. Now that the market offers a large number of EMI options it is important to remember that not all EMIs have the same business model or scale of technological capabilities. Some EMIs offer more advanced functions than others with state-of-the-art mobile solutions, apps and online options, while other EMIs offer very basic services.

How do EMIs Surpass Traditional Banks?

EMI licensed businesses can offer a range of e-finance services and solutions to both private and corporate clients. The EMIs offer the same services that traditional banks offer but with the addition of innovative extra features.

Choosing an EMI

With so many EMIs continuing to enter and conquer the marketplace, it can be challenging to choose the one that meets your business or personal banking needs. EMIs vary greatly in terms of business models they use, as well as methods of operation and existing selection of banking services. So, in each individual case there is a distinct and unique service range and relevant fees provided. The best advice is to draft a precise list of your essential requirements and choose an EMI that can best meet and satisfy the needs of your business.

3 benefits of EMIs

1. State-of-the-Art Solutions
2. Enhanced Risk Protection and AML Procedures
3. Understanding the Internet, digital world and global online environment
More on benefits of EMIs

1. State-of-the-Art Solutions

In the Fintech world you will find modern banking systems, an upgraded design, improved user interface, and overall superior user experience. The cutting edge systems and general innovation of EMI companies is a step above conventional banking. Not only will the user find the experience easier and more user-friendly, but also enjoy the new technologies that are implemented, such as fingerprint and face login authentication. With EMIs you can usually have one login process to cover a whole range of services.

2. Enhanced Risk Protection and AML Procedures

EMIs are a relatively recent development in the financial industry and as such, they have modern internal systems with the ability to conduct online monitoring and detect any suspicious activity. This sophisticated and advanced feature is rarely encountered in traditional banking systems. There is a complex set of rules regarding Anti-Money Laundering which all financial services providers must abide by. Financial institutions, which are unable to audit customer account activity are putting their license in jeopardy.

3. Understanding the Internet, digital world and global online environment

In order to meet the financial needs of modern clients, financial institutions need to have an understanding of the new types of start-up business that exist on the market. Traditional banking institutions have less (or none at all) understanding of new start-up businesses and their needs in the digital space of the online world. EMIs, on the other hand, are built to deal with and satisfy the needs of modern-day businesses, providing an innovative and top-level user experience. The EMI start-ups are recent, ambitious and highly motivated, just like the modern corporate clients, and therefore can identify with this new generation of businesses and recognize their needs much better than old-school banking institutions.
Why are EU Countries Enthusiastic about Fintech?

In the last years there have been several innovative advances in the European Union’s e-commerce industry. The main aim has been to increase the EU’s overall economic fortune and make the region’s financial industry a competitive actor in the world of digital finance.
The legal requirements for becoming a payment institution are tailored to the specific business model of handling or initiating payments and are therefore lower than those for becoming a bank.

As a result of the Payment Services Directive’s (PSD) objective to harmonise the EU payments industry, payment institutions can obtain a “passport” to offer and promote their services not only in the country where they are headquartered. They can obtain the permission to offer their payment services in a cross-border dimension, meaning in other EU member-states, and establish branches there. This is not only an incentive for new players to enter the European market and expand across the EU. It is also an opportunity for established businesses to take advantage of economies of scale, achieve efficiency gains, introduce standardisation and implement cost savings.

Obtaining authorization as a payment institution strengthens the market leadership position of firms providing payment services. Having a payment institution status ensures a greater level of security to the existing and potential clients. A payment institution license is only granted when the regulator is fully satisfied with the way that the institution has met the necessary requirements.

Requirements for the licence may include:

- **Sufficient level of capital.**
- **Properly implemented controls.**
- **Proper governance with reliable systems and risk monitoring and management.**

The regulator must also be sure that the authorized payment institution:

- **Effectively communicates its identity, its point of contacts and the services it offers.**
- **Conducts due diligence on its clients and safeguards its clients’ funds.**
- **Has risk mitigation measures in place, covering and preventing potential fraud and money laundering cases.**
Consumers who have previously used non-banks for payment services can now feel certain that their provider has been properly authorized and registered, and is being supervised by the financial authorities in the home country of the provider.

Payment institutions must follow EU regulations, including the ones on anti-money laundering, fraud prevention, terrorist financing etc., and must operate in accordance with all applicable laws and regulations as an international payment service provider. This provides customers of payment institutions with certainty that their provider offers trustworthy solutions, and that their payments are processed in a safe and secure manner.

Consumers greatly benefit from the availability of “passported” cross-border services, which are harmonised and standardised within the EU financial environment. Payment institutions have also been able to develop innovative solutions such as cards and prepaid products. They are offering online and mobile payment solutions, e-wallets and international remittance services on a scale larger than traditional banks.

As a result, there is an increase in competition among banks, payment institutions and e-money issuers, which inevitably creates more options and new possibilities for the consumer choice of provider. At the same time, clients are now more likely to demand higher standards of quality, greater convenience of payments execution and faster turnaround times.
Contact us

Concentrate on your bright FinTech ideas and let us do the rest!

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