

Applying for FCA authorisation as an Electronic Money Institution

How to ensure a successful application outcome

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Introduction

The Financial Conduct Authority is the UK's regulator for financial services and supervises more than 59,000 firms across banking, payments, e-money, investments, consumer credit, insurance, mortgages, and cryptoassets. For firms wishing to issue electronic money and provide payment services in the UK, the FCA is the gateway, and Authorised Electronic Money Institution (EMI) status is the standard licence for any firm issuing more than €5 million in outstanding electronic money on average over six months.

Created by statute, the FCA's three operational objectives are:

- Protect consumers
- Enhance market integrity
- Promote competition in the interests of consumers

For electronic money institutions specifically, the regulatory framework is set by the Electronic Money Regulations 2011 (EMR 2011), which implemented the Second E-Money Directive (2009/110/EC) into UK law, alongside the Payment Services Regulations 2017 (PSRs 2017) for the payment services aspects of an EMI's activity. Although the UK has left the European Union, the substance of the EMR 2011 remains the governing framework for UK electronic money institutions. The FCA supplements these regulations with detailed guidance set out in its Approach Document on Payment Services and Electronic Money.

To be authorised as an electronic money institution, an applicant firm must meet the conditions for authorisation in the EMR 2011 and satisfy the FCA that the firm has the systems, controls, capital, governance, and senior management in place to operate safely from day one. The bar is high, and the FCA has progressively tightened its assessment standards through 2025 and 2026.

What an Authorised Electronic Money Institution can do

An EMI authorised by the FCA may issue electronic money and provide payment services.

Electronic money includes e-wallets, prepaid cards, virtual IBANs where the balance constitutes electronic money, and stored value accounts. The defining test under the EMR 2011 is that the monetary value is electronically stored, represents a claim on the issuer, is issued on receipt of funds, and is accepted by a person other than the issuer.

An EMI may also provide any combination of the eight payment services set out in Schedule 1 of the PSRs 2017:

1. Services enabling cash to be placed on a payment account
2. Services enabling cash withdrawals from a payment account
3. Execution of payment transactions, including direct debits, card payments, and credit transfers
4. Execution of payment transactions where funds are covered by a credit line
5. Issuing of payment instruments or acquiring of payment transactions
6. Money remittance
7. Payment initiation services (PIS)
8. Account information services (AIS)

Typical users of the EMI regime include e-wallet providers, prepaid card issuers, virtual IBAN platforms, Banking-as-a-Service providers, foreign exchange firms with stored balances, fintech marketplaces, digital banks operating without a banking licence, and crypto exchanges issuing fiat wallets.

An EMI may not take deposits or lend on its own account, which require authorisation as a credit institution.

What has changed in 2026

The UK electronic money regime has been reshaped in 2025 and 2026 by several developments that applicant firms must address in full.

CASS 15 safeguarding (PS25/12). The FCA's new safeguarding regime, introduced by Policy Statement PS25/12, came into force on 7 May 2026. It replaces the previous CASS 7 safeguarding rules for electronic money institutions and payment institutions, and introduces materially tighter operational requirements including daily reconciliation, monthly FCA returns, annual statutory CASS 15 audits, and a 48-hour resolution pack capability under CASS 10. All applications submitted in 2026 must reflect the CASS 15 standard.

FCA service targets. The FCA's published service target for complete applications has been reduced to four months in 2026, from the previous six months. Incomplete applications are now targeted at ten months. The statutory clock remains three months for complete files and twelve months for incomplete ones.

Consumer Duty. The Consumer Duty came into force in 2023 and applies in full to electronic money institutions providing services to retail customers. Applicant firms must demonstrate how the four-outcomes framework — fair value, product design, consumer understanding, and customer support — has been embedded in their proposition.

APP fraud reimbursement. Since 7 October 2024, mandatory reimbursement for victims of authorised push payment (APP) fraud applies to all firms participating in Faster Payments

and CHAPS, including electronic money institutions. Applicants must demonstrate how this obligation is operationalised.

Operational resilience. The FCA's operational resilience framework continues to apply, and electronic money institutions must identify important business services, set impact tolerances, and demonstrate they can remain within tolerance during severe but plausible disruption.

Every application submitted from May 2026 onward must address these developments in substance, not just by reference.

The conditions for authorisation

The EMR 2011 set out the conditions an applicant firm must satisfy. In practice, the FCA's assessment focuses on the following.

Body corporate in the UK. The firm must be a body corporate with its head office and registered office in the UK. Head office means the location of the senior management who take day-to-day decisions. The FCA will not accept virtual offices or correspondence addresses.

Governance and internal controls. The firm must have robust governance arrangements, including a clear organisational structure, well-defined responsibilities, effective risk management, internal control mechanisms, and adequate accounting procedures.

Initial capital. The minimum initial capital for an Authorised EMI is €350,000, regardless of the scope of payment services or electronic money issuance permissions sought. This is a fixed requirement under the EMR 2011 and is significantly higher than the tiered capital requirements for Authorised Payment Institutions.

Ongoing own funds. After authorisation, the firm must at all times maintain own funds equal to the higher of (a) the initial capital requirement of €350,000 and (b) the amount calculated under Method D of Schedule 2 to the EMR 2011, which is 2% of the average outstanding electronic money. For EMIs also providing payment services unrelated to electronic money issuance, additional own funds calculated under Methods A, B, or C may apply.

Safeguarding. The firm must have adequate measures in place to safeguard customer funds. Under CASS 15, this requires either the segregated client account method or the insurance/comparable guarantee method, supported by daily reconciliation, governance, and audit arrangements.

Fit and proper directors and managers. Directors and persons responsible for the management of the electronic money institution must be of good repute and possess appropriate knowledge and experience to issue electronic money and provide payment services. Each individual will be assessed under the FCA's fit and proper test, covering honesty and integrity, financial soundness, and competence and capability.

Money Laundering Reporting Officer. The firm must appoint a UK-resident MLRO with appropriate seniority and experience, and must comply with the Money Laundering Regulations 2017, as amended in 2019.

Qualifying shareholders. Any person holding 10% or more of the firm's capital or voting rights must be assessed as fit and proper. The FCA will conduct background checks on each qualifying shareholder.

Business plan and financial forecasts. The firm must submit a complete business plan with three-year financial forecasts demonstrating the firm can meet its liabilities as they fall due, including projected electronic money issuance, payment volumes, customer numbers, and capital adequacy under stressed scenarios.

Being ready, willing, and organised

The FCA expects applicant firms to be ready, willing, and organised at the point of application. This is the FCA's own formulation and is consistently applied across all authorisation streams.

Ready. The firm should be able to commence regulated activity from the day authorisation is granted. Policies must be tailored to the firm's actual business model. Senior managers must be in place. Systems must be operational. Documents must be reviewed, signed off internally, and reflect the firm as it will operate, not as it might one day operate.

Willing. The firm must engage with the FCA openly and constructively throughout the process. Requests for information should be answered promptly and in substance. Deficiencies in the application should be acknowledged and addressed rather than defended.

Organised. The firm should have the necessary arrangements, supporting documentation, and operational readiness to deliver its products and services if authorised today. The test is operational, not theoretical.

The application process

Applications are submitted on the FCA's Connect system. The application file for a UK EMI will typically include:

- Application forms and personal details for each director, senior manager, and MLRO
- A complete business plan with three-year financial forecasts
- Programme of operations describing each electronic money product and payment service to be provided
- Organisational structure and governance documentation
- Safeguarding plan compliant with CASS 15
- Anti-money laundering and counter-terrorist financing framework
- IT and operational resilience documentation

- Outsourcing and third-party arrangements
- Capital adequacy calculation under EMR 2011 Schedule 2
- Risk management framework
- Information on technology, payment scheme connectivity, and card processing infrastructure where applicable

The FCA's case officer will typically issue requests for further information once the application has been assigned. The volume and depth of these requests is a strong signal of how well the application was prepared at submission. A well-prepared application file should be capable of approval with limited remediation.

The FCA application fee for an Authorised EMI is £5,000, paid at submission. The Small EMI application fee is £1,000.

Application rejections and incomplete applications

The FCA has progressively tightened its approach to inadequate applications. Where an application is judged to be incomplete or fails to meet minimum standards on submission, the FCA may either reject the application or treat it as incomplete, extending the assessment period to twelve months and consuming the application fee in either case.

Where the FCA case officer concludes that authorisation should not be granted, the firm has the opportunity to make representations. If the case officer's recommendation stands, the firm may refer the matter to the Regulatory Decisions Committee. Withdrawal of an application before formal rejection is also an option in some circumstances.

The most common reasons for rejection or delay are:

- Business model and proposed electronic money products are not clearly aligned with the requested permissions
- Senior managers and key personnel do not have demonstrable relevant experience
- Policies are templated rather than tailored to the firm
- Financial forecasts are insufficiently substantiated, particularly projections of outstanding electronic money and own funds adequacy
- Safeguarding arrangements are not compliant with the current CASS 15 standard
- Operational and IT resilience documentation is generic
- Outsourcing arrangements lack adequate oversight provisions

Steps to avoid delays or rejection

1. Ensure the business plan and proposed services align precisely with the requested permissions, and that financial forecasts are supported by defensible assumptions, including realistic projections of outstanding electronic money.

2. Confirm that senior managers and the MLRO have demonstrable, relevant experience in electronic money and payment services, and that this is documented in their statements of responsibilities and CVs.
3. Tailor every policy and procedure to the firm's actual operating model. Do not submit templated documents.
4. Demonstrate operational readiness — systems, vendors, banking relationships, safeguarding accounts, and reconciliation infrastructure must be in place or in advanced contracting.
5. Build the safeguarding plan and reconciliation framework to the CASS 15 standard from the outset, calibrated for daily reconciliation of electronic money float.
6. Engage with the FCA case officer openly. Respond to requests for information substantively and on time.

About Buckingham Capital Consulting

Buckingham Capital Consulting is a specialist consultancy. We have advised firms across UK and European financial services on regulatory licensing and ongoing compliance since 2013. Our work spans payments, electronic money, banking, and cryptoassets.

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