

## EPIF feedback in response to European Commission's Inception Impact Assessment pertaining to the revision of the Directive on Administrative Cooperation (DAC) to include e-money and crypto-assets

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### ABOUT EPIF (EUROPEAN PAYMENT INSTITUTIONS FEDERATION)

**EPIF**, founded in 2011, represents the interests of the non-bank payment sector at the European level. We currently have over 190 authorised payment institutions and other non-bank payment providers as our members offering services in every part of Europe. **EPIF** thus represents roughly one third of all authorized Payment Institutions ("PI") in Europe. All of our members operate online. Our diverse membership includes a broad range of business models, including:

- Three-party Card Network Schemes
- E-Money Providers
- E-Payment Service Providers and Gateways
- Money Transfer Operators
- Acquirers
- Digital Wallets
- FX Payment Providers and Operators
- Payment Processing Services
- Card Issuers
- Independent Card Processors
- Third Party Providers
- Payment Collectors

**EPIF** seeks to represent the voice of the PI industry and the non-bank payment sector with EU institutions, policy-makers and stakeholders. We aim to play a constructive role in shaping and developing market conditions for payments in a modern and constantly evolving environment. It is our desire to promote a single EU payments market via the removal of excessive regulatory obstacles.

We wish to be seen as a provider for efficient payments in that single market and it is our aim to increase payment product diversification and innovation tailored to the needs of payment users (e.g. via mobile and internet).

## Introduction

EPIF welcomes the public consultation on the European Commission's Inception Impact Assessment pertaining to a proposal for a Council Directive amending Directive 2011/16/EU as regards measures to strengthen existing rules and expand the exchange of information framework in the field of taxation to include crypto-assets and e-money.

## The nature of the European e-money sector

E-money institutions as well as e-money are regulated through the E-Money Directive (2009/110/EC) as well as by the second Payment Services Directive (2015/2366/EU). Moreover, European e-money issuers are already subject to strict AML and KYC requirements and are already subject to reporting obligations where they have reasons to believe their products are being used for the purposes of tax evasion.

The purpose and scope of the E-Money Directive is to create the regulatory and supervisory framework for the issuance, redemption and use of e-money for payment purposes. E-money, as defined by EU legislation, is a means of payment rather than a means of storing value – both as regards to the overall value stored on average on an e-money instrument, as well as the timeframe over which this value is stored on an e-money instrument.

E-money is largely being used in the European market for low value transactions and often clearly defined payment purposes. Classical use cases are online purchases of goods and services or payments on public transport networks. Given their very specific use cases, e-money products importantly contribute to financial inclusion. E-money products are therefore unlikely to give rise to significant risks of being used to shelter capital.

EPIF therefore maintains that **reporting obligations should only apply in those use cases where the holder of e-money clearly intends to use e-money instruments as a means of storing large amounts of capital and/or over a longer timeframe. The best way to determine this is by establishing clear reporting thresholds to demarcate between those accounts used for storing money and those used for transactional purposes.**

EPIF calls on the European Commission to consider e-money being exempted if the issuer implements policies and procedures either to prevent a customer deposit in excess of a specific amount (e.g. EUR 15k) or to ensure that any customer deposit in excess of that amount cannot be held by the customer for more than a specific timeframe (e.g. 30 or 60 days). This threshold would be easy to communicate to customers and would ensure that no one is holding excessive amounts of funds in e-money accounts.

## Data collection by national authorities

EPIF strongly agrees with the European Commission Inception Impact Assessment that only the data necessary to perform the risk analysis and facilitate tax control of e-money should be collected.

EPIF acknowledges the concerns that e-money products could be used to hold assets however stresses that e-money customers do not, in principle, use e-money accounts as deposits. The success of e-money products lies in the convenience to on-board and use the product to transact in a fast and cheap way in a short period of time.

In addition, there is a clear demarcation between active customers and customers that register but ultimately do not use the product.

**EPIF therefore calls on the European Commission to take a proportionate approach to the inclusion of e-money in scope of the Directive on Administrative Cooperation (2011/16/EU), in light of the particularities of e-money products, and consider excluding reporting obligations on low value transactions, which would be extremely burdensome for the e-money industry let alone a significant obstacle to new innovative solutions in the sector. EPIF also calls for a single home country reporting mechanism regarding the data collection by national authorities.**