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Permission to become a Payment Institute

This memo will provide for a brief description of the main requirements to obtain a permission to handle electronic payments. To handle said payments the company must be authorized as a payment institution (in Danish “Betalingsinstitut”). The permission will be granted when the following requirements have been met:

MEMORANDUM

1. The Company must be established as either a Danish private limited company (ApS) or a Danish public limited company (A/S) and the company must be organized with both a board of directors and an executive management. The price for establishing the companies would be between DKK 5,000 – 10,000 (670-1.340 EUR).
2. The company must have its head office in Denmark,
3. The Danish FSA will do an assessment of the company, in which they must find that the company is able to conduct a safe operation. They will base their assessment on the operational and financial risks to which the company undertakes in connection with its business. It is assessed whether the company has a clear organizational structure with well defined, transparent and consistent lines of responsibility. At the same time it is assessed if the company has effective procedures to identify, manage, monitor and report on risks, proper internal control procedures and good administrative and accounting procedures.
4. The company meets the requirements for initial capital in for a payment institution (between EUR 20,000-125,000)
5. Members of the Board of Directors and, where appropriate, management responsible for the company's payment service activities meet certain requirements (fit and proper).

6. Qualified owners (i.e. owners that directly or indirectly control more than 10% of the shares in the company), will not discourage prudent and sound management of the company.
7. There is not close connection between the company and other companies or individuals that could make complicate the oversight of the company by the Danish FSA. A close connection is any company directly or indirectly controlling more than 20% of the shares in the company.
8. The company's business processes, administrative procedures, organization, accounting procedures, auditing measures and controls and safeguards must be deemed to be sound. This means that the company must have effective governance arrangements, a clear organizational structure with well defined, transparent and consistent lines of responsibility, sound administrative and accounting procedures, written procedures for all significant areas of activity, effective processes to identify, manage, monitor and report on the risks it is or might be exposed to, the resources that are necessary for the proper implementation of its business, and these resources must be applied appropriate for the separation of functions related to the management and prevention of conflicts of interest and have adequate internal control procedures and adequate control and security measures in the IT area.
9. The company must have taken appropriate steps to protect the funds of payment service users, if the company has other business than handling the payments.

Application to get the above mentioned permission shall contain the information necessary for the FSA's assessment of whether the conditions are met, including:

1. Information about the company's legal form, with a copy of the memorandum, Memorandum and Articles of Association,
2. Information about the address of the company's headquarters,
3. An overview of the company's current and planned business activities, including a description of the planned payment
4. A business plan with a budget forecast for the first 3 years as well as the latest audited financial statements (if possible),

5. Information about the company's organizational structure, intended use of agents and branches, a description of outsourcing arrangements, and of its participation in a national or international payment system
6. Information about planned cross-border payment services business and establishment in another country within the European Union or in a country which the Union has concluded an agreement for the financial area,
7. Evidence that the company has the required initial capital,
8. Information on officers, directors and, where appropriate, management responsible for the company's payment service activities, documenting that the requirements are met (fit and proper)
9. Information on the persons directly or indirectly holding more than 10% of the shares in the company, the size of these holdings and evidence of their suitability taking into account the need to ensure the sound and prudent management of the payment institution,
10. Information on close connection with other companies
11. Information about the company's business processes, administrative procedures, organization, accounting procedures, auditing measures and controls and safeguards, including a description of the internal control, the company has adopted to meet the obligations under the law on prevention of money laundering and financing of terrorism, the European Parliament and of the Council on information on the payer accompanying transfers of funds, and
12. A description of the measures taken to protect the funds that belong to the users of payment if the company carries on other activities

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As set out above the financial sector in Denmark (as well as the rest of the EU) is heavily regulated and as such it is a long and somewhat troublesome process to obtain the necessary permission.

The successful application will require that the company have all the above mentioned processes in place and has a board of directors, management and other nec-

essary organization in place – and that this organization have the required knowledge and experiences.

Copenhagen, 26 February 2015

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