

BANK OF GREECE
THE GOVERNOR

GOVERNOR'S ACT No. 2527/8.12.2003

RE: Rules for the prudential supervision of electronic
money institutions by the Bank of Greece

The Governor of the Bank of Greece, having regard to:

- a) the Statute of the Bank of Greece, in particular Articles 55, paragraph 21, 55A, 55C and 55D thereof;
- b) Article 1 of Law 1266/1982 "Authorities responsible for the conduct of monetary, credit and exchange rate policies, and other provisions", in conjunction with Article 12 of Law 2548/1997;
- c) Law 2076/1992 "Taking up and pursuit of the business of credit institutions, and other related provisions, as amended by Law 3148/2003 "Committee for the Accounting Standardisation and Auditing, replacement and supplementation of provisions on electronic money institutions";
- d) Bank of Greece Governor's Act 2526/8 December 2003 "Codification and supplementation of Bank of Greece Governor's Act 1379/1988, as applicable, regarding the requirements for granting authorisation to a credit institution in Greece" and the Monetary and Credit Committee Decision 505/8/ 1992 on the assessment criteria applied by the Bank of Greece to the establishment of new units by credit institutions, as applicable;
- e) Bank of Greece Governor's Act 2524/2003 "Codification of the provisions of Bank of Greece Governor's Act 2054/18 March 1992, as amended, on the solvency ratio of credit institutions established in Greece";
- f) Bank of Greece Governor's Act 2397/1996 "Capital adequacy of credit institutions", as applicable (last amended by Bank of Greece Governor's Act 2494/2002);
- g) Bank of Greece Governor's Act 2246/1993 "Supervision and monitoring of credit institutions' large exposures", as applicable;
- h) Bank of Greece Governor's Act 1313/1988 on the Bank of Greece reporting requirements on credit institutions, as applicable;

- i) Bank of Greece Governor's Act 2438/1998 "Operation principles and evaluation criteria for the Internal Audit Systems of credit institutions and determination of competence for credit institutions' bodies pertaining to the field of Internal Audit", as applicable;
- j) Bank of Greece Governor's Act 2501/2002 "Informing credit institutions' customers on the terms and conditions applying to their transactions";
- k) Monetary and Credit Committee Decision 595/2/27 June 1997 on imposing sanctions to credit institutions in the event of a delay in submitting supervisory information to the Bank of Greece, as well as Governor's Act 2484/2001 on retaining counterfeit euro banknotes and coins;
- l) Monetary Policy Council Act 50/31 July 2002 "Determining a framework for the supervision of payment systems";
- m) the need to further specify the supervision of electronic money institutions, on the basis of the relevant authorisation under Law 3148/2003;

HAS DECIDED that:

I. Bank of Greece terms and conditions for granting authorisation to an electronic money institution

1. Electronic Money Institutions, as defined in Article 2, paragraph 16, of Law 2076/1992, as applicable, shall, prior to their start of operation, apply to the Bank of Greece for authorisation, complying with the procedure described in Section A of Bank of Greece Governor's Act 2526/8 December 2003;
2. The supporting documents and the feasibility study accompanying the (pertinent to the aforementioned general provisions) application shall also specify the following:
 - a) the type of the electronic device where the monetary value of the electronic money will be stored (e.g. a microchip embedded in a card or a computer memory);
 - b) the procedures and means for the operation of the issuance-distribution-management of the electronic money scheme;
 - c) the maximum storage capacity per electronic device;
 - d) the conditions of, and the threshold for, redemption;
 - e) the anticipated, during the first three (3) years from the Electronic Money Institution's start of operation, performance of the six-month average balance of its total financial liabilities related to outstanding electronic money.

II. Prudential supervision rules applicable to Electronic Money Institutions

A. Acquisition of qualifying holdings

1. Electronic Money Institutions shall obtain relevant permission by the Bank of Greece prior to:

- a) acquiring for the first time a “qualifying holding”, within the meaning of Article 2, paragraph 10, of Law 2076/1992, as applicable, in the share capital of an undertaking conducting operational or other ancillary business related to electronic money issued or distributed by the particular Electronic Money Institution, if the value of this holding exceeds 2% of the Electronic Money Institution’s own funds as recorded at the end of the preceding calendar six-month period;
- b) increasing an existing “qualifying holding”, approved as above, if the cumulative value of this increase within each calendar year exceeds 5% of the Electronic Money Institution’s own funds as recorded at the end of the preceding calendar six-month period.

2. Electronic Money Institutions shall communicate to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) any increases in qualifying holdings for which no prior permission is required, as per the above paragraph, within ten days from the acquisition of such increased holdings.

B. Own funds

For the implementation of Law 2076/1992, as applicable, and the provisions herein, own funds shall be considered as those defined in Bank of Greece Governor’s Act 2053/18 March 1992, as applicable, with the following adjustment:

With respect to the additional items (Tier 2) referred to in Section C, Chapter I, of the above mentioned Act, fixed-term cumulative preferential shares and fixed-term subordinated loans as defined in indents (i) and (ii) of paragraph 4 thereof shall not be taken into consideration.

C. Rules on investments

1. Electronic Money Institutions, in order to conform to the obligation derived from Article 20c, paragraph 1, of Law 2076/1992, as applicable, shall invest exclusively in the following highly liquid assets an amount at least equal to their financial liabilities related to outstanding electronic money:

- a) Cash in hand and cash equivalent items, as well as asset items constituting claims on Zone A central governments and central banks and on the European Communities or claims carrying the explicit guarantee of Zone A central governments and central banks or of the European Communities and a 0% credit risk weighting, in accordance with

Section 6, paragraph 1(a), items 1 to 4 of Bank of Greece Governor's Act 2524/23 July 2003;

b) Sight deposits held with Zone A credit institutions, attracting a 20% weighting, in accordance with Section 6, paragraph 1(b) of the aforementioned Act;

c) Negotiable debt instruments recognised as "qualifying items" with a 20% risk weighting, according to indent (d) of Section D, Chapter A.I of Annex I to Bank of Greece Governor's Act 2397/1996, as amended and partly supplemented with Annex II to Bank of Greece Governor's Act 2494/27 May 2002, provided that:

i) they are not issued by undertakings having a qualifying holding in the Electronic Money Institution, within the meaning of Article 2, paragraph 10, of Law 2076/1992, as applicable, or by undertakings included in the consolidated financial accounts of the former undertakings, in accordance with applicable law;

ii) they are not subordinated securities included in credit institutions' own funds.

2. To ensure sufficient liquidity throughout the operation of the Electronic Money Institution, apart from the obligation stipulated in paragraph 1 above, an amount of at least 20% of the sum of the Institution's total financial liabilities related to outstanding electronic money plus any other outstanding liabilities shall be covered by the Institution's holdings of sight deposits as referred to in paragraph 1, indent (b) above and of securities eligible as collateral for the conduct of the Eurosystem's monetary policy operations.

3. The Bank of Greece reserves the right to amend the rules on Electronic Money Institutions' investments.

4. Without prejudice to the provisions of Article 20c, paragraph 5, of Law 2076/1992, as applicable, on valuation, it is hereby specified that in particular for the calculation of the general position risk and the exchange rate risk, as provided in indents (c) and (d), paragraph 2, Section D of this Chapter, the current market value plus any accrued interest shall be used.

D. Hedging risk arising from investments made by Electronic Money Institutions

1. Large exposures

With respect to Electronic Money Institutions' asset and off-balance sheet items, the provisions of Bank of Greece Governor's Act 2246/1993, as applicable, shall apply with the following exceptions:

a) Indent (c), paragraph 4, of Bank of Greece Governor's Act 2397/1996, as applicable, whereby any excess of limits that arises exclusively from trading book items is allowed, shall not apply.

b) No exposures shall be allowed to natural or legal persons which either have a qualifying holding (within the meaning of Article 2, paragraph 10, of Law 2076/1992, as applicable) in the Electronic Money Institution or are among its five (5) biggest shareholders, or to undertakings controlled by such persons.

2. Hedging market risks

For the implementation of Article 20c, paragraph 3, of Law 2076/1992, as applicable, Electronic Money Institutions:

a) may use interest-rate- and foreign-exchangerelated financial derivatives which are tradable in the stock exchanges located in the European Economic Area, the USA, Canada, Japan, Australia or Switzerland and which are subject to daily margin requirements.

They may also use OTC foreign-exchange forwards with an original maturity of 14 calendar days, provided that the counterparty is a Zone A credit institution;

b) shall calculate the exchange rate risk in all their activities according to the instructions included in Section B, Annex I, of Bank of Greece Governor's Act 2397/1996, as applicable;

c) shall assess their general position risk by currency, in accordance with Table 2A of Annex II of Bank of Greece Governor's Act 2397/1996, as applicable, for their entire portfolio of negotiable debt securities, including their positions in derivatives instruments;

d) shall submit for assessment to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) the methods of market risk calculation and hedging they apply.

The sum total of the above calculations (paragraphs b to d above) shall be deducted from the Electronic Money Institution's own funds, as calculated according to Section B of this Chapter.

E. Rules for the Electronic Money Institutions' internal audit

1. Electronic Money Institutions shall have an internal audit system ensuring the effective and safe operation of electronic money applications, as provided for in Bank of Greece Governor's Act 2438/1998, as applicable.

2. The provisions of Monetary Policy Council Act 50/31 July 2002 "Payment systems oversight" shall also apply to "electronic money schemes".

F. Reporting to the Bank of Greece

1. Electronic Money Institutions shall report to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) on:

a) the total amount of their own funds;

b) the total amount of their financial liabilities related to outstanding electronic money;

- c) the average balance, for the preceding calendar six-month period, of their financial liabilities related to outstanding electronic money;
- d) data related to the general risk from positions in negotiable debt instruments referred to in indents (a) and (c), paragraph 1, of Section IIC hereof and in derivatives instruments, by filling in Table 2A of Annex II of Bank of Greece Governor's Act 2397/1996, as applicable. An appendix to this table shall quote the issuer of the instruments, along with their book and market values.
- e) data referring to their foreign-exchange exposure, by submitting the relevant tables contained in Bank of Greece Governor's Act 2291/1194, according to the instructions set out in Section B of Annex I of Bank of Greece Governor's Act 2397/1996, as amended and supplemented with Section B of Annex I of Bank of Greece Governor's Act 2494/2002.

2. The above mentioned data shall be submitted to the Bank of Greece (Department for the Supervision of Credit and Financial Institutions) within the deadlines stipulated in Bank of Greece Governor's Act 2494/27 May 2002, as applicable.

3. Electronic Money Institutions shall also report to the Bank of Greece other data from their financial statements, according to the specific instructions of the Department for the Supervision of Credit and Financial Institutions.

III. Waiver

1. The Bank of Greece may, by means of an ad hoc decision, waive the application of the provisions of Law 2076/1992, as applicable, and of this Act to an Electronic Money Institution, if it deems that the waiver criteria stipulated in Article 20, paragraphs 1 and 2, of the aforementioned law are met. In any event, this waiver shall be without prejudice to paragraphs 16 and 17 of Article 2 "Definitions", paragraphs 1,2,4 and 5 of Article 4a "Restrictions on electronic money issuance", Article 4b "Redeemability", paragraph 1 of Article 20a "Terms and conditions for the establishment and operation of electronic money institutions", Article 20e "Verification of conformity to the obligations of electronic money institutions" and paragraph 3 of Article 20f "Waiver" of the above mentioned law.

2. The application for granting a waiver to an Electronic Money Institution shall be submitted to the Bank of Greece along with the following particulars:

- a) Any business activity that the Electronic Money Institution is engaged in, other than electronic money issuance;
- b) List with the undertakings affiliated, within the meaning of Article 42e, paragraph 5, of Law 2190/1920, as applicable, to the Electronic Money Institution, wherein the type of affiliation and the business scope of these undertakings shall be detailed. The list shall

also contain separately any affiliated undertakings conducting operational or other ancillary business related to electronic money issued by the Electronic Money Institution;

c) List with the undertakings that accept the electronic money issued by the Electronic Money Institution as a means of payment but do not fall under the above mentioned categories (a) and (b) The list shall also indicate the location of such undertakings, as well as any existing financial or business relationship between them and the Electronic Money Institution-issuer.

d) The particulars set out in paragraph 2, Section I, hereof.

3. Any Electronic Money Institution to which a waiver was granted according to this section shall:

a) Notify the Bank of Greece immediately on any changes in the information submitted as per paragraph 2 of this section.

b) Submit to the Bank of Greece, at the latest within three months from the end of the first and the second calendar six-month periods of each year, a report on the total amount of its financial liabilities related to outstanding electronic money (as on 31 December and 30 June).

c) If the amount of the Electronic Money Institution's financial liabilities related to outstanding electronic money exceeds:

i) the ceiling of three million euro (€3,000,000) for a period of 20 days within each calendar year or the ceiling of four million euro (€4,000,000) for one working day (in the event that the Institution has been granted a waiver according to the provisions of Article 20f, paragraph 1(a), of Law 2076/1992, as applicable) or

ii) the ceiling of eight million euro (€8,000,000) for one working day (in the event that the institution has been granted a waiver according to the provisions of Article 20f, paragraphs 1(b) or 1(c), of Law 2076/1992, as applicable), the waiver shall be revoked and the institution which had been granted a waiver shall thereafter be governed by all the provisions applicable to the authorisation of Electronic Money Institutions.

IV. Establishment in Greece of branches of Electronic Money Institutions having their head office outside the EEA

1. In order for an Electronic Money Institution having its head office outside the EEA to obtain authorisation to establish a branch, the initial capital invested shall be at least equal to the capital required for the establishment of an Electronic Money Institution in Greece (currently amounting to €3,000,000).

2. Bank of Greece Governor's Act 2461/2000, as applicable, shall apply by analogy to the calculation of own funds and to compliance with prudential supervision rules, as established by Law 2076/1992, as applicable, and this Act.

V. Other provisions

1. Electronic Money Institutions shall also be subject to the provisions of Bank of Greece Governor's Acts 2501/2002 and 2484/2001, Monetary and Credit Committee Decision 505/8/1992, as applicable, regarding the establishment of new branches abroad, and

Monetary and Credit Committee Decision 595/2/1997, as well as Presidential Decree 384/1992 on the Chart of Accounts for the Banking Sector.

2. The Monetary Policy and Banking Department of the Bank of Greece is hereby authorised to provide clarifications and instructions related to the application of this Act.

The government budget shall not incur expenses on account of the provisions of the present Act.

The present Act shall be published in the Government Gazette (Issue A).

The Governor

Nicholaos Garganas