

Electronic money is electronically, including magnetically, stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a natural or legal person other than the electronic money issuer. It is a type of legal tender within the meaning of § 1(55) of the Payment Services and Payment Systems Act (PSPSA), together with banknotes, coins and cash in accounts.

The scope of the term “electronic money” excludes monetary value stored on specific pre-paid instruments, such as store cards, petrol cards, membership cards, public transport cards, meals vouchers or vouchers for services. The reason is that such instruments can be used only in a limited way, as they allow the holder to purchase goods or services only in the premises of the issuer or within a limited network of service providers under direct commercial agreement with a professional issuer, or only to acquire a limited range of goods or services.

Furthermore, the definition does not cover monetary value that is used to purchase digital goods or services, where, by virtue of the nature of the good or service, the operator adds intrinsic value to it, e.g. in the form of access, search or distribution facilities, provided that the good or service in question can be used only through a digital device, such as a mobile phone or a computer, and provided that the telecommunication, digital or information technology operator does not act only as an intermediary between the payment service user and the supplier of the goods and services. This is a situation where a mobile phone or other digital network subscriber pays the network operator directly and there is neither a direct payment relationship nor a direct debtor-creditor relationship between the network subscriber and any third-party supplier of goods or services delivered as part of the transaction.

Electronic money issuers issue electronic money at par value on the receipt of funds and have the obligation to redeem, at any moment and at par value, the monetary value of the electronic money held. The conditions of redemption, including any fees relating thereto, are to be stated in the contract between the issuer and the holder.

Electronic money issuers are banks, the European Central Bank and the national central banks of the Member States, and electronic money companies. The terms and conditions for the authorization and operation of electronic money companies are set out in the PSPSA and Regulation No 16 of 29 March 2018 on the issuance of licenses and authorizations, on the

entries into the register under Article 19 of the Payment Services and Payment Systems Act and on the requirements to the activities of operators of payment and settlement finality systems.

Electronic money companies are payment service providers within the meaning of the PSPSA and, unlike payment institutions, they may issue electronic money. The issuance of electronic money does not constitute a deposit-taking activity due to its specific character as an electronic surrogate for coins and banknotes, which is to be used for making payments, usually of limited amount and not as means of saving.

The issuance of electronic money is an activity is predicated by an authorization which is to be issued by the central bank (BNB) in case the head office of the company is located in Bulgaria. An electronic money company which is authorized in another Member State may operate within the country either directly or through a branch upon the completion of the notification procedure between the competent authority of the relevant Member State and the BNB. Distribution and redemption operations may be carried out also through a representative but this is not possible for the issuing operation. The Bulgarian National Bank keeps a public register of the electronic money companies it has authorized, their branches and representatives.

A number of conditions have to be met for the BNB to issue an authorization with regard to: the legal form of the company (a limited liability company or a joint-stock company); the persons managing and representing it and those who has, directly or indirectly, a qualified holding of its capital; the amount of the initial capital (BGN 700,000) and its elements (contributions in kind are allowed); the origin of the funds; the head office and address; the mode of operation of the applicant; the capabilities of applying reliable operational management rules and procedures; the preparation of a work programme; the development of a business plan and budget estimate for the first three years of operation; measures to protect the funds of electronic money holders and/or users of payment services; the appointment of an audit company; the conclusion of a professional liability insurance bond.

There are requirements to the amount of the own funds which may not fall below the amount of the initial capital (BGN 700,000) or the amount required under Article 39(2) to (6) PSPSA which is differentiated according to the services provided, i.e. issuing of electronic money and provision of additional payment services, whichever the higher. With regard to the issuance of electronic money, the own funds of the electronic money company should

amount to at least 2 percent of the average outstanding electronic money that is the average total amount of financial liabilities related to electronic money in issue at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month.

As well as in issuing electronic money, the company may engage in additional activities, including payment services, and there are specific conditions for granting credit related to payment services, including the prohibition from granting it from the funds received or held in the course of business.