



PAYSYS **REPORT**

Issue 1 – February 2023

In this issue:

1. Digital euro: The concept and implications for privacy
 2. Planned AML regulation: No anonymous payment via e-money
-

Content

1. Digital euro: The concept and implications for privacy

The course is currently being set for the privacy concept of the planned digital euro (D€). The ECB requires that each D€ user must be identified. "Full anonymity" - as with non-digital central bank cash - is therefore not an option, not even for low-value transactions in low-risk segments. The ECB justifies these demands with the need for a systemic limit on D€ holding per user and the existing AML/CTF regulation for private money. Both arguments are unconvincing.

Appendix: Digital euro privacy options

2. Planned AML Regulation: No anonymous payment via e-money

In its proposal "AML Package 2021", the European Commission is silently eliminating the possibility of anonymous digital payment via e-money products for low risk/low value payments without any justification. It is the last remaining possibility to pay anonymously with regulated payment instruments on the internet. There is no evidence of serious risk to ML or TF. Are there valid reasons?

Digital euro: The concept and implications for privacy

(hg) Currently, the ECB is working on the concept of the so-called "digital euro" (hereafter abbreviated as D€) as a Central Bank Digital Currency (CBDC), but without prejudging the decision to introduce it. Many people - especially journalists from the daily newspapers - still think of the term CBDC as a cryptocurrency, like Bitcoin & Co, issued by a central bank in response to the Libra/Diem plans (Facebook). At least with the D€, this idea is misleading. A first sketch outlining several design options was presented by the ECB in the report "Report on a digital euro" in October 2020. It is already clear from this report that, in terms of design, the ECB's planners are focusing on traditional, centrally managed accounts (account-based) rather than crypto assets recorded in decentralised accounts on a blockchain.

Meanwhile, the ECB has published further work on the design and role of supervised intermediaries in the issuance and distribution of the D€ under the title "Progress on the investigation phase of the digital euro" (First Report on 29.09.22 and Second Report on 21.12.22). The contours of the concept are becoming clearer, although many

questions are still open. In the second half of 2023, the high-level results of this study phase are to be submitted for approval within the ECB. The lead within the ECB Council is the Executive Board member Fabio Panetta, Chair of the "High-Level Task Force on a digital euro". In parallel, the Commission is expected to present a proposal on the regulation of the D€ in Q2 2023. The Commission, the EU Parliament and the finance ministers of the euro countries are involved in this investigation phase.¹

„Although many suggest that some identification of users should be facilitated, the privacy of payment data is considered the most important feature, ranging from full privacy of transactions to the possibility that only low-risk small transactions are private.“²

Since May 2022, the ECB proposal for the privacy concept has been available, at least in key words.³ The concept is further explained in the first Progress Report.⁴ It follows a risk-based approach with different privacy options. However, one thing is certain for the ECB: in all cases, the holder and user of the new money should be identified beforehand.

Our comment

The privacy concept of the D€ proposed by the ECB is closely related to the design and integration of the new money into our existing monetary system. It is therefore useful to go a little further in order to understand it.

How does the D€ fit into our fiat money system?

Our current monetary system is a historically evolved construct. It is - to put it simply - a regulated interplay of different money issuers (central bank and private issuers, such as credit institutions) and of different types of money (cash, scriptural money and e-money according to the regulatory classification applied in the EU). The literal common denominator of these types of money is the state-determined unit of account (e.g., the euro). The technologically new type of money in the form of privately issued crypto assets is currently either incorporated as a variant of the existing types of money (e-money tokens or tokenised bank deposits) or regulated separately if the money is not denominated in a official unit of account (like the value-referenced crypto assets), according to the European MiCA Regulation. The crucial cornerstone of this "fiat money" construct is the hierarchically higher classification of money issued by the central bank (as cash or scriptural money) compared to the private money of banks and e-money institutions (as scriptural or e-money). This hierarchy is crucially based on the regulatory requirement of "at par" exchange of private money into central bank money for private money issuers.⁵

Apart from banks, consumers and companies can currently only use central bank cash or the privately issued scriptural money and e-money one hierarchy level below. Only the banks have access to the central bank's deposits. So much for the current construct.

Now the D€ comes into play as a CBDC. The ECB cites the declining importance of cash as the main reason, due among other things to the Corona pandemic and the increase in ecommerce. The D€ is now supposed to fill the ever-growing gap. This would mean that economic entities would continue to have access to the

higher-level money issued by the central bank, even if the analogue variant were to die out at some point.

"A digital euro would preserve the role of public money as the anchor of the payments system in the digital age."⁶

The idea is understandable if one wants to maintain today's fiat money construct.⁷



Foto: PaySys Consultancy

The D€ should not become digital cash

Accordingly, it would be a logical and system-immanent step if the D€ as a digital means of payment were to retain the typical characteristics of cash as a cash substitute. Cash is an anonymous bearer instrument, enables immediate definitive payments and needs no technical infrastructure when used. It has the highest degree of inclusion among the means of payment, as it

The account-based D€ becomes a competitor to today's private money products.

It still takes a lot of imagination to justify the future success of such a product.

does not require account management with a service provider.

A digital version of cash while retaining its core features is technically possible and was already implemented in pilot projects and in practice for both face-to-face and remote payments in the mid-90s of the last century. It consisted of digital transferable value units that were cryptographically secured and stored decentralised as anonymous bearer instruments on electronic carriers such as chip cards and PCs.

Systems such as Mondex, e-Cash, CyberCash and Digi-Cash for remote payments became well-known. However, these did not really get beyond pilot projects.⁸ Only the variant of chip cards ("e-purses") for face-to-face payments was issued by banks in the several EU member states and achieved a certain spread. However, these products were gradually withdrawn from the market after several years due to low acceptance.

This digital "token-based" cash was regulated as e-money in the EU since 2000. Only later did account-based e-money (such as PayPal) come along. Today, e-money in the EU consists almost entirely of account-based products offered by credit and e-money institutions.

Account-based central bank money as the standard solution

However, the ECB is obviously taking a different approach. The focus - at least for the start-up phase - is on an "online third-party validated solution" with "transparency of transaction data to intermediaries for AML/CTF purposes"⁹.

This solution would cover most of the use cases for which the D€ is intended: consumer payments in physical shops and e-commerce, as well as person-to-person payments and payments between private

individuals and the state. The second Progress Report talks about "digital euro accounts or wallets"¹⁰ that can be opened with "supervised intermediaries". However, it remains unclear what is meant by wallets here.¹¹

A "closer to cash" solution for peer-to-peer transactions is considered only for low value face-to-face transactions – basically a niche solution. See also appendix "Privacy concept". In this case, the transactions would be validated by means of "secure hardware devices" and not by a third party. According to the ECB, this option is still subject to technical feasibility and regulatory permissibility.¹²

The ECB is therefore not opting for the digital cash solution, but as a standard for an account-based D€ concept "closer to digital age".

Thus, the introduction of cashless account-based central bank money as an everyman's means of payment jeopardises the existing balance between cash and private deposits and e-money. In contrast to cash, the product features of the D€ are largely identical to the digital private money types that already exist in the market or can be additionally offered by private issuers - depending on their needs - within the existing regulation.

The only significant difference between a D€ account (likely to be set up with a bank or other authorised payment service provider) and a traditional current account is the legal status: claim against the central bank or against a commercial bank. Other differences would be the lack of overdraft facility of the D€ account, the contracting obligation for the new account and presumably a regulation of the fees, which have to be based on the costs.

The D€ account would be comparable to the basic account that banks are required to offer to everyone under the EU Payment Accounts Directive (PAD - Payment Accounts Directive 2014).

Another social goal of the D€ is the higher inclusion of consumers in the digital payment world. One hurdle is the required KYC procedure to open an account. Based on the PAD, everyone has a right to a payment account today. It therefore remains puzzling why the introduction of a D€ account should now lead to higher inclusion.

Another more political goal of the D€, which is gaining more and more weight among its supporters, is to secure or restore "strategic autonomy" in European payments, currently allegedly "dominated by non-European providers and technologies"¹³. As already discussed in our Report 4-5/2022, we have a 50% gap in the EU due to the "dominance" of American systems, but only in card payments (not in credit transfers and direct debits¹⁴). Should a real-time payment by means of a D€ now replace card payments with Visa or Mastercard? Obviously yes!

By design, anonymity comparable to cash is ruled out from the outset.

New competition for the private money issuers' scriptural money

All indications are that the account-based D€ will become a direct competitor to the current private digital money products of banks and e-money institutions. It is therefore not surprising that banking associations in several countries have already expressed fundamental and regulatory concerns about this new state competitor.¹⁵ The D€ accounts could - so the argument goes - substitute deposits and savings accounts at the banks and thus impair their money creation and the supply of credit to the economy.

One can argue whether this fear is realistic. I have not yet found a convincing argument in any of the ECB's

documents as to what advantages I, as a consumer, would have from a second current account, this time not filled with euros from my bank, but with euros from the ECB. From today's perspective, one still needs a lot of imagination to justify the future success of such a product.

Not much imagination, on the other hand, is needed to imagine a new banking and financial crisis. Here, of course, the D€ could score points as a safe central bank money. Instead of long lines in front of bank counters and ATMs, the conversion of risky private deposits into the safe haven of the D€ would be a matter of a few mouse clicks. After all, you never know whether deposit insurance will actually hold up in times of crisis. However, such a "digital bank run" would only accelerate the crisis.

Limitation of D€ holding per person implies 100% KYC.

Due to the two systemic threats mentioned above (displacement of the current role of private money providers and the risk of a "digital" bank run), the ECB wants to limit the D€ money holding per person.

„Any undesirable consequences for monetary policy, financial stability and the allocation of credit to the real economy that may result from the issuance of the digital euro should be minimized in advance by design.“¹⁶

Two design proposals are under discussion:

- Amount limits per money holder and/or
- monetary disincentives, such as negative interest rates above a certain amount ("remuneration-based tools").

According to the ECB, both tools require identification of the holder and its total ownership of the D€ for effective enforcement. According to the ECB's current thinking, there is thus a systemic compulsion to KYC all D€ users, even for low value payments in segments with a low risk of money laundering and terrorist financing (ML/TF). This rules out anonymity comparable to cash for the D€ by design from the outset.

Already in its "Report on a digital euro" (October 2020), the ECB presupposes that each user of the D€ must be identified:

"Anonymity may have to be ruled out, not only because of legal obligations related to money laundering and terrorist financing, but also in order to limit the scope of users of the digital euro when necessary – for example to exclude some non-euro area users and prevent excessive capital flows (Requirement 13) or to avoid excessive use of the digital euro as a form of investment" (p. 27).

The current AML/CFT regulation explicitly provides for a KYC waiver for digital e-money in the low-risk segment.

Under the ECB's requirement that all users be identified, different privacy levels may be considered where appropriate, e.g., for offline local versus online remote payments or for low value versus large value transactions (see also Appendix).

Two years later, Christine Lagarde confirmed this position at a conference on November 7, 2022, with the same justifications: *"full anonymity - such as offered by cash - does not appear a viable option in my opinion."*¹⁸

As in the 2020 Report, Lagarde further cites compliance with existing EU regulation regarding AML and CFT, in addition to systemic necessity: full anonymity *"would contravene other public objectives such as ensuring compliance with anti-money laundering rules and combating the financing of terrorism."*

The question is whether this argument is true.

D€ and AML/CFT-Regulation

As a benchmark for the privacy design of the D€, the ECB cites the existing requirements of EU regulation

regarding AML/CFT for cashless electronic (digital) payments with bank deposits, e-money and crypto assets. Already in the first Report on a digital euro (2020), the ECB postulated the requirement of *"compliance with the regulatory framework"* (No. 10):

"Although central bank liabilities are not subject to regulation and oversight, in issuing the digital euro the Eurosystem should still aim at complying with regulatory standards, including in the area of payments." (S. 20)

With reference to this self-imposed requirement, which is by no means mandatory, anonymous payments with the D€ should be prevented:

"While that is currently the case for banknotes and coins, regulations do not allow anonymity in electronic payments and the digital euro must in principle comply with such regulations (Requirement 10)." (p. 27)

However, the ECB overlooks here the still existing exemption for e-money according to Art. 12 (AMLD5), which allows anonymous electronic payments in the low value segment (150 euros for face-to-face payments and 50 euros for remote payments). This erroneous assumption by the ECB is also adopted uncritically in the literature and in commentaries.¹⁹ For further details, please refer to article 2 in this Report.

As justification for the exclusion of anonymous use, Fabio Panetta, in a presentation at an ECON session of the European Parliament on March 30, 2022, already anticipates the outcome of the Commission's AML Package (2021), which has not yet been adopted:

*"Full anonymity is not a viable option from a public policy perspective. It would raise concerns about the digital euro potentially being used for illicit purposes."*²⁰

As justification, reference is made to the AML Package, according to which - according to Panetta - the ban on anonymous accounts will be extended to wallets.

"This means that intermediaries of a digital euro will be prohibited from hosting anonymous accounts and/or wallets."

As before in the ECB Report (2020), this passage gives the false impression that there is already a comprehensive ban on anonymous accounts. Only through the deletion of Art. 12 without replacement, as planned by the Commission - without justification (!) - and through the

general ban on anonymous accounts under Art. 58 of the AMLR, would the AML Package (2021) lead to an elimination of anonymous e-money accounts. For further details, please refer to article 2 in this report.

The voluntary submission of the D€ to AML/CFT regulation also means that the technical standards (RTS) of the planned new European AML Authority (AMLA) regarding the nature of simplified due diligence measures in low risk cases will govern the D€:

*"The AML package proposes harmonising AML/CFT requirements, including CDD checks, across the EU. This would ensure a level playing field for CDD checks that could also benefit the digital euro. The package also proposes defining new harmonised conditions for simplified due diligence by means of a regulatory technical standard to be prepared by the future EU AML authority. Where lower risks are identified, simplified due diligence could potentially be applied, in certain circumstances, to certain digital euro transactions."*²¹

It can be assumed that the D€ will be no worse or better off than other cashless digital payment methods in the EU in terms of privacy and possible anonymous use. As a "baseline," the ECB postulates: "A digital euro would provide people with a level equal to that of private digital solutions."²²

There is a direct correlation between the proposed AML Regulation and the privacy concept of the D€.

As the ECB is currently exploring the privacy design of the D€ and has already presented first proposals in May 2022, it can be assumed that the ECB's ideas will

decisively shape the future RTS of AMLA regarding Simplified Due Diligence (SDD) to ensure harmonization.

The ECB has set some privacy criteria for the D€ in its 2020 Report, which may have already directly or indirectly influenced the Commission's proposal for the AML Regulation (2021).

Maintaining Art. 12 (AMLD5) would counteract the privacy concept of the D€ and privilege e-money over the D€. The implementation of today's Art. 12 via Level 2 (Regulatory Technical Standards of the new AML Authority) after the adoption of the AML regulation is unrealistic, as these RTS would also govern the D€. Accordingly, there is a direct link between the AML regulation planned by the Commission and the privacy concept of the D€. You can read more about this in the second article.

100% KYC for the D€ is not mandatory.

The two reasons for a 100% KYC of the D€, which the ECB is pleading, are not valid.

The currently applicable AML/CFT regulation explicitly provides for a KYC waiver for digital e-money in the low risk segment.²³ It is not clear why the risk for e-money in the low risk segment would be assessed differently than for the likewise "prepaid" D€.

Also, a rule of 100% KYC of D€ users is by no means necessary with regard to the objective of a quantitative limit per person.

There are many possibilities for a de facto limit while maintaining the complete anonymity of the D€ holder. For example, one could issue an anonymous card - as is the case today with e-money or a gift card - that can technically be loaded up to an amount limit (e.g., 150 D€) (account-related or as a bearer instrument) and thus can only be used for low value payments (offline and online). The card would be loadable against cash or scriptural money and would be transferable.

The limitation could be easily established by issuing one anonymous card per person and per bank or other issuing entity while registering the identity. The bank only registers that person A has received an anonymous card. One would already have to canvass several banks to acquire several cards. The shoe-leather cost would already be prohibitive for potential money

launderers. If necessary, a deposit fee could be charged as a further prohibitive measure.

By monitoring the transactions, it would still be possible to detect and prevent any money laundering transactions in good time (e.g., transaction accumulation of anonymous cards in a Mafia-suspected Italian restaurant). As with today's anonymous e-money, ML/TF risks are very low.²⁴ A digital bank run would be illusory based on these products.

Lack of public debate

It is astonishing that so far no one has raised for discussion the validity of the two reasons that have been put forward since 2020. Somehow it has hardly reached the public yet that the most important feature "Privacy" of the D€ (according to the consultation at that time) is severely endangered. This is worrying as there is not much time for public discussion. The course is currently being set. *"It is deeply concerning that there is no public debate about the privacy of CBDCs."*²⁵



One exception is the passionate debate in the Netherlands.²⁶ There, long queues of citizens formed to enter the public gallery for the November 23, 2022 parliamentary several hours debate.²⁷ See photo. In the spring, the Dutch parliament had already approved a motion by parliamentarians Alkaya (Socialist Party SP) and Heinen (Liberal Party VVD) calling on the government to lobby at the EU level to allow anonymous payment with the D€ up to an amount limit (per transaction and per

month). The motion was passed with an overwhelming majority (81%).²⁸

However, the Dutch Finance Minister Kaag is having a hard time implementing the will of the people. So far, there is only talk of "more privacy" for small and low-risk transactions, which can be achieved if necessary.²⁹

Their German counterpart, Finance Minister Christian Lindner, on the other hand, announced in a November 7, 2022, Twitter message, *"...we are working to ensure that the planned digital euro has the same properties in terms of privacy as the printed and minted euro."* According to him, a limit of 50 euros is under discussion; a limit Lindner considers too low.

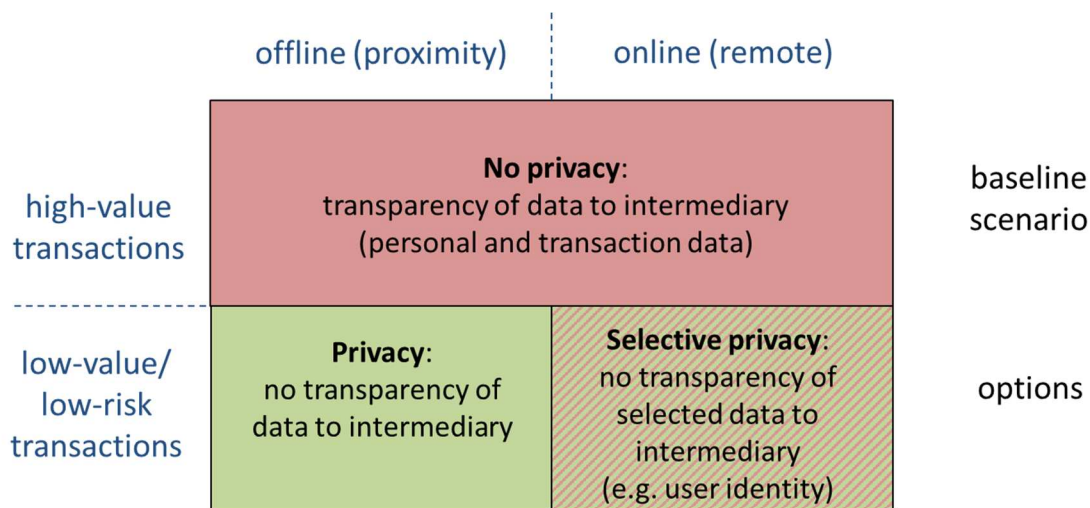
Let's wait and see who will have the final say in this important matter: The ECB or parliaments? Prof. Baronchelli (City University of London) and his colleagues are right: *"Without a democratic debate on the feature of digital cash now, we may inherit a future in which we succumb to the digital Leviathan."*³¹

Appendix: Digital euro privacy options

In May 2022, the ECB presented in key words the privacy concept for the D€. ³² Again, the ECB assumes that each user should be identified. "User anonymity is not a desirable feature, as this would make it impossible to control the amount in circulation and to prevent money laundering" (p. 4). Of course, as the sole issuer, the ECB can control the amount of D€ - as with cash - without identifying the user. What is probably meant here is the intended quantitative limit per user.

The concept of the D€ is that the accounts and prepaid wallets will not be offered directly by the ECB, but - as with conventional scriptural money - by "intermediaries" such as banks or other PSPs, who will also perform the onboarding and KYC. As with scriptural money, the identity of the user and the transaction-related data should be transparent to the payment service provider ("baseline scenario").

However, exceptions can be made only for low value/low risk payments. In this case, either certain data (e.g., the identity of the user) can be non-transparent to the service provider ("selective privacy") or the transaction data can be non-transparent as well. However, this last-mentioned highest privacy level is only intended for low value/low risk payments in the so-called offline area (close-up area, such as at the physical POS). See figure.



Privacy options for the digital euro vis-à-vis the intermediary (e.g. PSP) (requirement of identification of all users)

© PaySys Consultancy GmbH

An amount limit for "low value" is not mentioned. In the "Study on New Digital Payment Methods" (March 2022) initiated by the ECB, the €150 limit known from Art. 12 (AMLD5) is mentioned as an example for this low value/offline option ("high privacy") when using a prepaid D€ wallet. ³³

For all cases, the ECB assumes that the user is identified at onboarding. For the "selective privacy" option, however, the possibility that "simplified checks" ("specific wallet with lower requirements during onboarding"; p. 7) are conceivable is hinted at, but without concrete details.

The exceptions proposed by the ECB are - according to the ECB - to be examined together with "co-legislators". The head of the Spanish central bank, Pablo Hernández de Cos, recently said that they are currently investigating with the co-legislators for these low risk cases a higher privacy level than the one existing in the existing regulation for digital payments. ³⁴ Is simplified due diligence a "higher degree of privacy" than a waiver of identification and thus anonymous use, as Art. 12 of the existing AMLD provides for low value e-money? The answer is no!

Also Inge van Dijk, Director Payments & Market Infrastructure of the Dutch central bank DNB reported in her blog of November 23, 2022 that they are currently looking at an exceptional solution where the D€ payment "*can remain private*"³⁵. What does "*private*" mean? "Full anonymity" which for the moment has been rejected by the ECB? According to van Dijk, this would require a change in the existing AML laws.

The solution would be so simple. A half-sentence is enough: Article 12 of the AMLD applies to private e-money and to the D€.

The privacy design of the D€ is not - as often portrayed - exclusively subject to exogenous European AML/CFT legislation, but the framework is co-designed by the ECB. Due to the intended harmonization between the privacy conditions for the D€ and for other electronic payment instruments, it can be assumed that the planned AML regulation has also been or will be influenced by the planning of the D€.

Position of the European Data Protection Board (EDPB)

In its first EDPB opinion (June 2021), the authority states that "*anonymous use of the digital euro*" must be clearly distinguished from the situation in which the user identifies himself, even if the transaction data are pseudonymized. It requires that "*In any case, the architecture of the digital euro shall be designed to allow a privacy feature ranging from anonymisation, at least on part of the transactions, to a high level of pseudonymisation of the data.*"³⁶. It suggests a limit of 1,000 euros for "*full privacy*" as an example of a "*threshold-based approach*" "*as they are unlikely to entail AML high risks.*" (p. 3).

In the second opinion (October 2022), however, the EDPB is more cautious. Unfortunately, there is no more talk of "*full privacy*". The authority only demands that, if necessary, transactions cannot be traced ("*no tracing of transactions*"). It also proposes a separate legal framework for the D€ that is not based on the existing AML/CFT regulation.³⁷

Planned AML Regulation: No anonymous payment via e-money

(hg) In the summer of 2021, the European Commission presented an ambitious legislative package to improve the fight against money laundering (AML) and terrorist financing (CFT) (keyword "AML Package 2021"). The package contains the proposal for the establishment of a new European super-authority (AML Authority - AMLA for short) and for a new Anti-Money Laundering Directive (AMLD6) to replace the existing Directive 2015/849/EU (AMLD4). Complementing the AML Directive, an additional EU regulation ("Regulation on AML/CFT" - AMLR for short) is to bring about a uniform set of rules for further harmonisation.

The proposal for the new AML Directive No. 6 can hardly be compared with the previous Directive, which has already been revised twice (in 2018 and 2019), as many rules have been shifted to the proposed Regulation and thus elude national implementation and, if necessary, adaptation. Some things have also simply been quietly left under the table, including Article 12 of the currently valid AML-Directive.

Article 12 allows the anonymous use of e-money (e.g., pre-paid cards) for low risk/low value transactions. In this case, the issuer of the e-money may refrain from identifying the user. The Commission only refers to the deletion without replacement of Art. 12 in a tabular annex (see illustration). It does not explain this at any point in any of the documents, let alone justify it. Therefore, this plan has hardly been the subject of any discussion in the current legislative process.

The European Parliament is expected to adopt its position on the "AML Package" this spring. As the European Council has already set out its position in December 2022, the "AML Package" can probably be adopted this year after a trilogue process at EU level.

Our comment:

While one can still resort to cash for anonymous payments in the physical "offline" area, e-money is the only regulated cashless payment instrument that currently still legally allows completely anonymous payments on the internet. This option was laid down in Article 12 of the AMLD and was hard-fought at the time. Its abolition is therefore tantamount to the abolition of regulated low risk anonymous payments on the internet. In view of the scope of such a decision, a parliamentary, or better still

a broad public discussion on the pros and cons (privacy vs. ML/TF) should be held in advance.

At the very least, the relevant legislative bodies deciding on this regulation as European law this year should know what consequences their decision will have. The furtive abolition of Art. 12 by the Commission through the back door does not exactly contribute to this necessary transparency.

What does Art. 12 contain?

Art. 12 allows member states to waive certain customer due diligence requirements for e-money products that pose a low risk of money laundering and terrorist financing. This exemption allows for the waiver of identification of the e-money holder if certain thresholds are met, such as the maximum storage amount of 150 euros, a 50-euro limit for cash redemption and for online payment transactions on the internet. The instrument can only be used for the payment of goods or services (no money transfers). Loading by means of anonymous e-money is not permitted. The issuer is obliged to monitor the transactions made with this anonymous e-money.

The exemption is optional. Member states still have the possibility to prevent anonymous e-money payments on their territory. In the EU, all but three member states (Austria, Italy and Greece) have implemented this derogation, allowing limited anonymous e-money payments, sometimes with amendments and additions.

According to the AMLD, the application requires an "appropriate risk assessment", which proves a "low risk" assessment for the e-money product in question. However, the text of the Directive is unclear as to the entity that must carry out this risk assessment: The Member State taking up the option (e.g., as part of the National Risk Assessment) or the issuer of the relevant instrument?

In some countries that make use of this option, the issuer is held accountable, in the other countries this risk assessment is missing. This demonstrable weakness in the previous implementation could simply be eliminated by a corresponding clarification in Article 12.

Second attempt

In recent years, new limits have been introduced for such anonymous e-money products with each revision of the AMLD and the thresholds for payments have been further lowered. Even before the AMLD4 had been implemented with new limits at national level, the Commission already called for a further reduction in a proposal for the AMLD5 in 2016.

The background was the terrorist attacks in Paris (November 2015) and Brussels (March 2016), in the preparation of which prepaid credit cards were used. But, so

far, there is no evidence that anonymous cards were used.³⁸ In its AMLD5 proposal, the Commission even called for a ban on internet payments using anonymous e-money products.

Due to protests from data protectionists, among others, who demanded a right to anonymous payment on the internet, at least for low amounts, an agreement was finally reached in 2018 on the maximum amount of 50 euros.

The current limits have existed since AMLD5 (2018) and were implemented in national laws from January 2020 at the latest. From the legislator's point of view, these new limits will minimise the ML/TF risk.

Directive (EU) 2015/849	This Directive	Regulation (EU) XXXX/XX [please insert reference to proposal for anti-money laundering Regulation]
Article 8(5)		Article 7(2) and (3)
Article 9		Article 23
Article 10		Article 58
Article 11		Article 15
Article 12	-	-
Article 13(1)		Article 16(1)
Article 13(2)		Article 16(2)
Article 13(3)		Article 16(3)

Deletion without replacement
Source: Annex 1 to the proposal for the AMLD6, COM(2021) 423 final, 20.7.2021, p. 3

So, today's attempt to prevent anonymous payment on the internet by deleting Art 12 is not the first attempt by the Commission. It is noteworthy that in the trilogue process in 2017, the Council proposed, as a compromise between the Commission (ban) and the European Parliament (no threshold), to limit the 50 euro threshold by a transition period of 3 years. During this period, new tech-savvy methods for smooth identity capture at the POS or remotely were to be developed.

From the point of view of the European governments, the option of a limited possibility of anonymous payment on the internet was thus not a "fundamental rights" issue at the time, but rather a practical question of technical progress.

Lack of justification

The deletion of the already severely limited option of anonymous e-money under Art. 12 is done in the "AML

Package 2021" without any references and without justification. Other important changes, such as the inclusion of crypto trading and crowdfunding and the introduction of a limit for cash payments (10,000 euros) are discussed in detail. The Commission is silent on the abolition of anonymous e-money in the recitals, but also in all accompanying documents, such as Q & A, press release, etc. Even in the detailed analysis of the impact assessment of the measures ("Impact Assessment" of 20 July 2021)³⁹, one does not find any analysis of the consequences of this measure, which would have been necessary at least at this point.⁴⁰

Prepaid cards: "a most urgent threat?"

In the Commission's Impact Assessment on the "AML package" mentioned earlier, there is only one reference to prepaid cards. As part of the consultation process leading up to the new "AML package", a high-level meeting was organised by the Commission on 30 September 2020, attended by representatives of national and EU authorities, MEPs, private sector representatives and academics. According to the Commission's Impact Assessment analysis, two high-level prosecutors addressed the current "*most urgent threats*" to AML and CFT in their keynote speeches as:

"uncapped cash payments, crowdfunding, crypto currencies and prepaid cards"
(p. 67 - underlining by author).

The lectures can still be accessed today.⁴¹ Of the two prosecutors, however, only the French Attorney General François Molins briefly addressed the topic of "prepaid cards" in the conclusion of his presentation⁴² as a "*financial innovation*" (alongside crowdfunding and virtual currencies). He points out that anonymous prepaid credit cards (Mastercard and Visa) were often used by jihadist fighters (on the ground in Syria and Iraq?⁴³). These prepaid cards were also used to transfer money to the jihadists (as an alternative to service providers such as Western Union) and the cards were used to prepare for departure from France. He targets the jihadists' time in Iraq/Syria 2014-2019.

His sentences are almost word-for-word identical to the French National Risk Assessment (NRA 2019).⁴⁴ In his video post, he is obviously reading from this report.

However, this NRA refers to the risks of anonymous prepaid cards under the old legislation (AMLD4), where more generous restrictions and thresholds still existed,

even in France. The NRA does not yet take into account the further tightening by the AMLD5 (lowering the thresholds from 250 to 150 euros and from 100 to 50 euros for cash withdrawals, respectively, and the introduction of the maximum of 50 euros for remote payments).

His statements on the threat to prepaid cards are thus just as outdated at the time of the conference (September 2020) as the NRA report. Obviously, there is no more up-to-date information in France on the risk of using anonymous prepaid "credit" cards for terrorist financing.

The statement made by the Commission in connection with the "AML package" that prepaid cards also represent "*the most urgent threats*" is therefore based solely on a half-sentence statement by a French Attorney General reading from an outdated report in this regard. This is really too thin a justification for a serious measure such as a restriction of privacy rights.

Previous Risk Assessments

If anonymous e-money continues to pose a serious risk for money laundering (ML) and terrorist financing (TF) at the time of the proposal for an "AML Package" (July 2021), then there should be references to this in the NRAs of the Member States and in the Supra-national Risk Assessment (SNRA) of the European Commission.

As far as can be seen, neither the SNRA (2019) nor all 25 publicly available NRAs (as of autumn 2022⁴⁵) refer to the new risk situation for anonymous e-money products due to the AMLD5. Either the respective NRAs were created before 2020 or the medium-term effects of the new legal situation could not yet be taken into account. Accordingly, there are no findings on how and to what extent the measure has contributed to risk reduction.

A risk assessment at national or international level as to whether anonymous e-money still poses some risk to ML/TF after the implementation of AMLD5 in the EU was lacking at the time of the "AML Package" proposal. The need to delete Art. 12 could not be derived from the existing risk assessments.

Supra-national Risk Assessment (2022)

At the end of October 2022, the European Commission published the new, third SNRA study.⁴⁶ It is the first and so far only Risk Assessment (SNRA or NRA) that - at

least de jure - takes into account the consequences of AMLD5 (2018) regarding e-money (anonymous and KYC products).⁴⁷

Overall, the section on e-money in the SNRA does not represent a thorough review of the current risk situation.

A comparison with the SNRA 2019 shows that the sector report on e-money is largely identical verbatim to the previous analysis. There are only a few changes:

- Update of the current legal situation due to AMLD5.
- Update of market data based on the ECB's e-money statistics for 2019(!). At this point it is surprising that the report does not refer to ECB data for 2021, which have been available since mid-2022. For some market data, the Commission takes over unchecked old data from the SNRA 2017 to describe the current market, resulting in glaring errors.⁴⁸
- Other new sections are in part word-for-word identical to the comments of an EBA opinion.⁴⁹ This EBA assessment is based on data from national supervisors provided to the EBA as of 2019, thus before the AMLD5 implementation deadline.

The SNRA usually differentiates between money laundering (ML) and terrorist financing (TF) risks. The residual risk for e-money is rated as "significant" (level 3) for both categories and remains high compared to the 2019 SNRA (p. 275). In terms of vulnerability, e-money is even upgraded compared to 2019.

According to the SNRA risk assessment, the money laundering risk for anonymous e-money, for example, must have decreased due to the further restrictions and the lowering of the thresholds (e.g., due to the increased effort for the accumulation of anonymous prepaid cards by straw men). Considering this statement, if the risk of e-money (anonymous and KYC) is now rated equally high in the overall result, other risks must logically have increased or new risks must have arisen.

For example, the use of "Regtech solutions" by e-money institutions mentioned by the EBA is mentioned as a new risk (p. 69). However, this statement refers to the KYC procedures for e-money products at the physical POS and not to anonymous e-money products. An increased risk or new risks in the anonymous e-money segment are not explicitly mentioned.

The market analysis also contains no indications of a statistical increase in transactions with anonymous money products.

Overall, the section on e-money in the SNRA is not a thorough review of the current risk situation. The whole thing looks like a hastily cobbled-together text based mainly on "copy and paste".

Recommendation of the Commission to itself

It remains unclear in the SNRA which (new) risks compensate for the risk reduction in the area of anonymous e-money caused by the tightening of the restrictions of the AMLD5. Only such additional risks could possibly justify a further lowering of the thresholds under Art. 12 or even its abolition. Despite the lack of evidence, the SNRA or the Commission as author recommends:

"The European Commission should reassess whether the current exemption contained in the AML directive with respect to customer due diligences in the context of electronic money transaction holds a legitimacy and should be maintained or whether it could possibly be further limited." (p. 73).

Elsewhere (pp. 70 and 72), the SNRA mentions that the Commission is already considering, at the time of publication (October 2022), further limiting the conditions for issuing anonymous e-money.

Is now the deletion of Art. 12 without replacement proposed by the Commission in mid-2021 an anticipation of the SNRA recommendation of the "Commission to

the Commission" of October 2022 to review the *raison d'être* of the e-money exemption? Or is the SNRA 2022 now intended to substantiate or "justify" the 2021 proposal after the fact?

The question is not easy to answer, as the Commission is currently sending mixed signals to Members of the European Parliament (MEPs) regarding the reasons for the Art. 12 deletion. More on this in a moment.

Market relevance

Which e-money products would be affected by the abolition of the exemption today?

As far as can be seen, only in a few member states are there still issuers of prepaid "credit" cards from the international card schemes (Mastercard, Visa, etc.) that make use of the option. Hard or even soft facts that these cards, which are subject to the respective restrictions of Art. 12 when used anonymously, are used for money laundering and terrorist financing are missing. These e-money products have been in the Commission's sights, so far.

In addition to other proprietary e-money products, such as Paysafecard, the abolition also affects many gift cards as collateral damage. Depending on their design, possible uses and national regulation, gift cards are often classified as e-money for supervisory purposes in the EU. As a rule, closed-loop gift cards (issuer is identical to the acceptance point) are not e-money.

If this strict two-sidedness is not given, there is the possibility of claiming the Limited Network Exclusion (LNE according to Art. 3(k) of PSD2⁵⁰), whereby these cards also do not fall under e-money regulation. However, depending on how the LNE criteria are determined by the competent supervisory authority in a Member State, gift cards are also classified as e-money.

Issuers are traditional credit institutions, authorised e-money institutions or so-called "small" e-money institutions ("small" or "exempted e-money institutions"). In several Member States that have taken up this option of the Second E-Money Directive (EMD2), such as the Netherlands, Denmark and Latvia, gift cards are often issued as e-money by these small e-money institutions.

In Germany, too, several gift cards are issued as e-money by banks and e-money institutions, such as the

gift cards of Aldi, Esprit and Aral as well as some mobility cards issued by public transport companies (e.g., Berlin).

The identification of the purchasers of such gift cards, which would be required after the abolition of Art. 12, would by its very nature be rather pointless due to the fact that they are usually intended to be passed on as gifts to third parties.

It would take a great deal of imagination and criminal energy to use these very limited-use e-money products to launder money or even finance terrorism. The risk is almost zero.



Aldi Gift Card
Foto: PaySys Consultancy

Resistance in the market and in the EP

The deletion of Art. 12 in the "AML Package" without comment by the Commission was nevertheless discovered by some industry associations. There were already individual protests from the EMA (Electronic Money Association) and the PVD (Prepaid Verband Deutschland) in November 2021.⁵¹ The EMA rightly demanded that "the exemption is reinstated, or material evidence and rationale for its removal produced."⁵² In May 2022, several associations, including trade associations such as EuroCommerce and Independent Retail Europe, published a joint statement calling for the retention of Art. 12.⁵³

Several MEPs, mainly from the conservative and liberal parties from Germany, the Netherlands, Spain, Belgium and Romania took up the issue and submitted corresponding amendments for the planned AMLR in July 2022.⁵⁴ It remains to be seen whether these amendments are capable of gaining majority support. The EP

has not yet agreed on a common position. This is expected in the first half of 2023.

It is astonishing that consumer associations have not yet addressed the issue, although the topic of "privacy" - at least for their clientele - is a high priority.

It is a completely unrealistic scenario that AMLA will implement today's e-money exemption.

Off-the-record reasons

Off-the-record reasons for the deletion of Art. 12 are given in the Commission's environment due to requests from MEPs.

In principle, one would not be against the authorisation of anonymous e-money if the low ML/TF risk were given. However, Art. 12 would not fit into the planned AMLR from a legal system point of view.

According to Art. 22 (1b) of the AMLR, the new European authority AMLA would be responsible for developing Regulatory Technical Standards (RTS) in which the application of simplified due diligence measures (SDD) by obligated parties for low risk situations would be possible. Taking into account the SNRA, these RTS must be submitted to the Commission for approval up to 2 years after the Regulation enters into force. It would therefore be conceivable - so the argument goes - that the AMLA proposes simplified due diligence requirements for low-risk e-money products for AML and CFT that still allow anonymous use.

However, the following reasons speak against this option:

- As discussed earlier, the new SNRA (2022) still classifies the ML/TF risk for e-money as high (level 3: significant), albeit without a sound justification.
- Art. 27 of the AMLR does not mention KYC waiver measures under "*simplified customer due diligence*" (SDD).⁵⁵ According to Recital 45, a waiver of KYC, which is still permitted today under the AMLD as an SDD measure for e-money, is no longer possible: "*In low risk situations, obliged entities should be able to apply simplified customer due diligence measures. This does not equate to an exemption or absence of customer due diligence measures.*"
- The prohibition of anonymous accounts by credit and e-money institutions, among others, is extended in the new AMLR (Art. 58⁵⁶) to "crypto-asset wallets" and to "*any account otherwise allowing for the anonymisation of the customer account holder*".

It is therefore a completely unrealistic scenario that the AMLA will implement today's e-money exception under Art. 12 in its future RTS.

In the planned AMLR, there are several EU-wide regulations, such as the new upper limit for cash payments of 10,000 euros (Art. 59), where member states can set lower thresholds or rule exceptions by opting out or opting in based on National Risk Assessment.⁵⁷

Accordingly, there are no legal systemic reasons against the retention of Art. 12 in the AMLR in this respect either. The reasons informally put forward so far are not very valid.

In my view, the necessary alignment between the AML/CFT rules for private e-money and public e-money (digital euro) remains a plausible and valid reason (see the first article in this report).

However, why don't we align the rules for the digital euro with the existing rules for e-money?

Conclusion

The questions remain: Why does the Commission - apparently with the support of European governments (represented in the Council) - want to abolish the already severely restricted possibility of anonymous payment with e-money in the low risk/low value segment? Why is there a lack of legislative transparency here? Why doesn't the Commission simply put its reasons on the table and we discuss them?

After all, this is the only remaining legal possibility of anonymous payment on the internet by means of payment instruments that can be used outside limited networks⁵⁸. This topic requires an open public discussion and transparent decision-making processes.

Footnotes

1. 43% of the individuals and entities participating in the consultation identified privacy as the most important criterion. See: <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210414~ca3013c852.en.html>
2. Eurosystem report on the public consultation on a digital euro, April 2021, p. 3.
3. See ECB, Digital euro Privacy options, May 2022, p. 6.
4. See ECB, Progress on the investigation phase of a digital euro, 29.9.2022, p. 6-8.
5. In most currency areas, this hierarchy is predetermined by regulation. But even without regulation, there would be a strong incentive for money issuers to denominate their money in the official currency unit. See Malte Krueger: Offshore E-Money Issuers and Monetary Policy, First Monday Special Issue #3: Internet banking, e-money, and Internet gift economies, 2005
6. ECB, Progress on the investigation phase of the digital euro, first report, 29.9.22, p. 3
7. As an alternative for a cashless society, a reform of the monetary order could also be considered, e.g. by covering private money up to 100% in central bank money (100% money).
8. This does not really test their viability in intensive use.
9. ECB, Progress on the investigation phase of the digital euro, first report, 29.9.22, p. 6.
10. ECB, Progress on the investigation phase of the digital euro, second report, 21.12.22, p. 1.
11. From the phrase "digital euro accounts or wallets", one could conclude that a wallet is offered as an alternative to the D€ account. In this case, the D€ would be stored decentrally in a wallet. However, in current common usage, a wallet is an access tool to account-based payment instruments. The definition of digital wallet in the "digital euro glossary" (ECB, 30.09.22, p. 3) leaves both variants open: "A service accessed through a device which allows the end user to securely access and manage funds".
12. ECB, Progress on the investigation phase of the digital euro, first report, 29.9.22, p. 6.
13. ECB, Progress on the investigation phase of the digital euro, first report, 29.9.22, p. 4.
14. In its report "The case for the digital euro: key objectives and design considerations" (July 2022), the ECB even assumes that "most electronic payments solutions are at present run by companies with headquarters outside the European Union". This statement cannot be understood, even if one assumes a "dominance" of the American schemes in the card payments segment.
15. For Germany: Die Deutsche Kreditwirtschaft, Digitaler Euro – Weichenstellung für die Zukunft unseres Geldsystems, 8.12.22. For the Netherlands: Nederlandse Vereniging van Banken, Position Paper gericht aan de vaste commissie Financiën van de Tweede Kamer der Staten-Generaal, November 2022
16. ECB, Progress on the investigation phase of the digital euro, first report, 29.9.22, p. 9.
17. A threshold of 3,000 euros per user is under discussion.
18. Digital euro: a common European project, video address by Christine Lagarde, President of the ECB, to the "High level conference: Towards a legislative framework enabling a digital euro for citizens and businesses", Brussels, 7 November 2022.
19. See, for example, the statements of Bundesbank employees Ballaschk and Paulick: "A fully anonymous electronic payment instrument would not be compatible with the regulator's AML/CFT obligations" and "For a CBDC to comply with the legal regulations under the AML and CFT rules, users must be authenticated by at least one institution and transactions must be monitored in some capacity." David Ballaschk und Jan Paulick, The public, the private and the secret: Thoughts on privacy in central bank digital currencies, in: Journal of Payments Strategy & Systems, Vol. 15, No. 3 (2021), p. 280-281. See also Adams/Boldrin/Ohlhausen/Wagner: "Full anonymity, even for small amounts, is simply incompatible with anti-money-laundering (AML) regulations and regulations to counter the financing of terrorism (CFT)." Michael Adams, Luca Boldrin, Ralf Ohlhausen und Eric Wagner, An integrated approach for electronic identification and central bank digital currencies, in: Journal of Payments Strategy & Systems, Vol. 15, No. 3 (2021), p. 289. The Digital Euro Association's analysis "Privacy and Central Bank Digital Currencies" (January 2023) also erroneously assumes that there is no anonymous variant for e-money (p. 3).
20. A digital euro that serves the needs of the public: striking the right balance, Introductory statement by Fabio Panetta, Member of the Executive Board of the ECB, at the Committee on Economic and Monetary Affairs of the European Parliament, Brussels 30 March 2022
21. Footnote 28
22. ECB, Digital euro Privacy options, May 2022, p. 6
23. It is noteworthy that the Bank of England also not only omits but even denies the option of anonymous e-money (Art. 12), which was also implemented in the English AML laws UK in January 2020: "All digital payments made by individuals today, such as card payments or bank transfers, generate personal data" (Bank of England and HM Treasury, The digital pound, Consultation Paper, February 2023, p. 68). All users of the digital pound should also be identified. For low value payments, less personal data may be collected ("tiered identity verification").
24. There is not a single National Risk Assessment in the EU that classifies anonymous e-money as problematic for ML/TF after the introduction of the amount limits under the 5th Money Laundering Directive (2018).
25. Andrea Baronchelli, Hanna Halaburda and Alexander Teytelboym, Central bank digital currencies risk become a digital Leviathan, in Nature Human Behaviour, Vol. 6, July 2022, p. 908
26. For a good overview of the debate in the Netherlands, see the article by Ronald te Velde, A Dutch Debate on the Digital Euro, November 2022: <https://www.connectivepayments.com/finally-a-dutch-debate-on-the-digital-euro/>
27. The interesting debate was recorded in full (in Dutch): https://www.tweedekamer.nl/debat_en_vergadering/commissievergaderingen/details?id=2022A06252
28. <https://www.tweedekamer.nl/kamerstukken/moties/detail?id=2022Z06251&did=2022D12721>
29. See Sigrid Kaag, Kamerbrief digitale euro, 22 November 2022, p. 2-3.
30. It is worth noting the parallel with the anonymous e-money threshold for remote payments, which has been set at 50 euros.
31. Andrea Baronchelli, Hanna Halaburda and Alexander Teytelboym, Central bank digital currencies risk become a digital Leviathan, in Nature Human Behaviour, Vol. 6, July 2022, p. 908
32. https://www.ecb.europa.eu/paym/digital_euro/investigation/profuse/shared/files/dedocs/ecb.dedocs220404.en.pdf?39c27f3bda85972b8070c318bb4e3578
33. See Kantar Public, Study on New Digital Payment Methods, Report March 2022: S. 29.
34. See New digital technologies and the financial system – fintech, crypto and CBDCs, Speech by Mr. Pablo Hernández de Cos, Governor of the Bank of Spain, at the 20th Anniversary Conference of the BIS Representative Office for the Americas, Mexico City, 20 November 2022, p. 4.
35. <https://www.dnb.nl/en/general-news/blogs/blog-inge-van-dijk-preparing-the-euro-for-a-digital-future/>

36. EDPB letter to the European institutions on the privacy and data protection aspects of a possible digital euro, 18 June 2021, S. 3
37. EDPB, Statement 04/2022 on the design choices for a digital euro from the privacy and data protection perspective, adopted on 10 October 2022, p. 3
38. You can find detailed background information in our Report No. 7 (2016), AMLD5: The end of anonymous online payments.
39. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021SC0190>
40. In contrast, in the Commission's then Analysis Impact Assessment on the AMLD5 of 7 July 2016 (2016/0208 (COD)), there were about 30 pages justifying the move and the pros and cons of tightening the framework for anonymous e-money under Article 12.
41. https://ec.europa.eu/info/events/finance-200930-anti-money-laundering_en
42. From minute 17:11
43. In this case - because of cross-border use - it can only be non-reloadable cards from French issuers.
44. [https://www.tresor.economie.gouv.fr/tresor-international/le-conseil-d-orientation-de-la-lutte-contre-le-blanchiment-des-capitaux-et-le-financement-du-terrorisme-cob; Abschnitt „Utilisation de cartes prépayées dans le cadre du financement d'une entreprise terroriste" \(p. 58\).](https://www.tresor.economie.gouv.fr/tresor-international/le-conseil-d-orientation-de-la-lutte-contre-le-blanchiment-des-capitaux-et-le-financement-du-terrorisme-cob; Abschnitt_„Utilisation_de_cartes_prepayees_dans_le_cadre_du_financement_d_une_entreprise_terroriste“)
45. Our analysis of the NRA's of the EU member states took place in September 2022. In only 7 of the 25 publicly available NRA's is the topic of anonymous e-money products addressed (BE, BG, FR, DE, IR, PL and SE).
46. See Report from the Commission to the European Parliament and the Council on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities, Brussels, 27.10.2022, COM(2022) 554 final.
47. The report does not mention the e-money sector among the "main risks" (p. 6ff.). However, the detailed Commission Staff Working Document SWD(2022) 344 final is informative with regard to e-money, in which the e-money sector is analysed separately, as in the previous SNRAs (pp. 65-73). 11.
48. The Commission repeats a statement in the 2017 and 2019 SNRAs that was already completely outdated in 2019: "*This sector appears to be highly concentrated, with the majority of e-money issuers within the EU based in Belgium, the Czech Republic, Denmark, Latvia and the Netherlands.*" (S. 67). Currently, the TOP5 countries with the most e-money institutions in the EU-27 are: Lithuania, Malta, Cyprus, France and Ireland.
49. See Opinion of the EBA on the risks of money laundering and terrorist financing affecting the European Union's financial sector (EBA/Op/2021/04, 3 March 2021). However, the Opinion only refers to e-money issued by e-money institutions (without taking into account e-money issued by credit institutions). In the SNRA, the risks are implicitly assumed for all e-money.
50. For a detailed article on the LNE, see our PaySys Report No. 6-7 (2021).
51. See corresponding statements on the website of these associations.
52. EMA Opinion of 18 November 2021, p. 7.
53. <https://www.eurocommerce.eu/2022/05/joint-association-statement-and-call-to-retain-the-cdd-exemption-for-low-risk-e-money-products-article-12-aml-d-within-the-future-aml-cft-framework/>
54. see among others Amendments 462, 463, 469, 470, 477, 478 und 479, in: Amendments 411-748, 2021/0239(COD) of 5.7.2022.
55. According to Art. 27 (1a), only time-delayed KYC is permitted under SDD.
56. The new Art. 58 of the AMLR replaces the current Art. 10 of the AMLD.
57. Other examples are the optional exemptions for providers of certain "*gambling services*" and "*money remittance*" (Art. 4 and Art. 5 respectively).
58. Payment instruments in limited networks according to the Limited Network Exclusion (LNE) of PSD2 and instruments in two-sided systems (closed loop) are not subject to the money laundering requirements.

Should you have any questions or comments please contact:

Dr. Hugo Godschalk (hgodschalk@paysys.de)

Dr. Malte Krueger (mkrueger@paysys.de)

Please, send us your views to:

paysys-report@paysys.de

 PAYSYS REPORT IMPRINT

PaySys Consultancy GmbH

Im Uhrig 7

60433 Frankfurt /Germany

Tel.: +49 (0) 69 / 95 11 77 0

Fax.: +49 (0) 69 / 52 10 90

email: paysys-report@paysys.de

www.paysys.de

Subscription info:

The PaySys Report is published 5 times a year in English and German in electronic format (PDF) and contains about 5-7 pages. The price is 250 euro per year (company license).

To order, please send an email to paysys-report@paysys.de

PAYSYS REPORT

February 2023

© PaySys Consultancy GmbH

Subscribers are not allowed to copy or to distribute this newsletter outside their companies without permission of PaySys Consultancy.

Disclaimer: PaySys Consultancy sees to the utmost reliability of its news products. Nevertheless, we do not accept any responsibility for any possible inaccuracies.

PaySys Consultancy is German member of



European | payments consulting | association

