

Tel/fax: 020 7676 9346

E-mail: enquiries@fs-cp.org.uk

Dominic Peachey
Prudential Standards Division
The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

12 February, 2002

Our ref: WG A

Dear Dominic

CP 117: The Regulation of Electronic Money Issuers

The Panel believes that electronic money can only succeed if consumers believe that there is little risk in its use. Therefore the Panel welcomes the FSA's proposals which contain some valuable consumer protection measures, such as purse limits. However we do believe that the Treasury's decision to disapply the Financial Services Compensation Scheme could affect consumer confidence. We have the following comments on the proposals contained in the consultation paper:-

Management, Systems and Controls

The Panel agrees that the Approved Persons regime should apply to all e-money issuers on the basis outlined in the consultation paper.

Disclosure requirements, purse limits and redeemability of e-money

The Panel believes that purse limits could act as a defence against money laundering. The Panel suggests that there should be a requirement for electronic money issuers to have a compulsory warning in all their literature and advertising informing consumers that the monetary value placed on lost cards cannot be refunded.

The Panel is concerned at the potential for unauthorised issuers to target consumers. The Panel suggests that all European electronic money issuers' internet sites and advertisements should highlight that the issuer is regulated by its respective Home State regulator.

Compensation and complaints handling

The Panel agrees that with the proposal that e-money issuers should be brought within the Compulsory Jurisdiction of the FOS. However, the Panel is disappointed that the Treasury intends to disapply the Financial Services Compensation Scheme

in relation to e-money. Whilst potential losses to consumers are effectively capped by the purse limit on each card, the Panel believe that e-money will be attractive to financially excluded consumers who could ill afford the losses, our preference would be for a compensation scheme to be available.

Cost benefits analysis

The provisions for information at paragraph 14.81 presently state that information could be circulated 'in printed form; posted at the issuers website; or printed on the cards. This raises the possibility of information only being available on the issuers' website, to the disadvantage of those consumers without internet access. To prevent such an occurrence the Panel suggests that it should be compulsory for this information to be printed on the purse (where this exists in physical form) in addition to its availability from other sources.

Yours sincerely,



Colin Brown
Chairman
FS Consumer Panel

cc. FS Consumer Panel
Christine Farnish

*FS Consumer Panel can be contacted c/o The
Consumer Panel Secretariat at the FSA*

Tel: 0207 676 9346 Fax: 0207 676 9711

Email: enquiries@fs-cp.org.uk

Website: <http://www.fs-cp.org.uk>