

Peculiarities of Accounting of Payment Services Providers in Accordance with National and European Legislation

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Abstract.



This article focuses on issues related to payment systems, electronic money. The analysis of provisions of normative and legislative acts of Republic of Moldova and of the European Union, such as Directives: 2007/64 / EC of 13 November 2007 "On the payment services in the internal market" and 2009/110 / EC of 16 September 2009 "On the taking up, pursuit and prudential supervision of the business of electronic money". Also reveal the most complex aspects of accounting of payment services providers.

Key-words: payment services providers, accounting, electronic money, regulatory capital, non-cash payments.

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In the rapidly evolving era of information technology, economic agents and individuals represent a wide range of possibilities of payment for goods and services, including via electronic systems.

Realizing the importance of the indicated process, European Parliament and the Council adopted the following Directives:

-  2007/64 / EC of 13 November 2007 "On the payment services in the internal market",
-  2009/110 / EC of 16 September 2009 "On the taking up, pursuit and prudential supervision of the business of electronic money".

If we analyze the methods of payment in the European Union of goods and services, it is possible to ascertain the steady growth of non-cash payments through a variety of tools, including using electronic money. For example:

- in **France** the proportion of non-cash payments in the total amount of consumer payments is 92%.
- in **Belgium** the share of non-cash payments in the total consumer payments is 93%. The country has become one of the most progressive in the field of cashless payments. In Belgium, a new mobile payment system was launched, which allows you to pay for purchases via QR-code. An application created to manage the new purse, was named Sixdots. Mobile Wallet working with the Android and iOS operating systems. The payment system is supported by many banks and Belgian mobile operator Proximus.
- in the **Netherlands**, the share of non-cash payments in the total consumer payments is 85%.
- in the **UK** share of non-cash payments in the total amount of consumer payments is 89%, the most popular payment systems: Paym, PayPass.

It should also be noted that the possibility of a new payment settlement was the use of electronic money, which are stored in electronic form, including on a magnetic medium, the funds represented by the issuer in a claim. This electronic money were considered by the European

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Commission as an important tool for the maintenance of e-commerce in the field of new technologies.

Given the possibility of the emergence of new payment systems and electronic money in order to avoid uncontrolled development of the market, the European Commission in July 1998, elaborated a draft directive on electronic money, which, after a two-year consultation process, was adopted in September 2000. At the same time changes were made to the EU Directive about Banking Act, and the list of European Union credit institutions was supplemented by a new category - the companies that issue electronic money (Electronic Money institutions (ELMIs)).

In 2009, was adopted Directive 2009/110 / EC of 16 September "On the taking up, pursuit and prudential supervision of the business of electronic money".

In Europe, the first pre-paid electronic payment products were introduced in the early 1990s. They allow users to store electronic money on such system as: Danmont, Mondeh, Rroton and Rrimeur Sard. New payment instruments attracted the attention not only thanks to the innovative technical characteristics, but also because they were issued by non-bank companies. The total number of non-banking companies, that issue electronic money in the European Union is close to 100.

In its turn, the Moldovan Parliament adopted the Law № 114 of May 18, 2012 «On the Payment Services and Electronic Money", published in Monitorul Oficial Nr. 193-197 of 14 September 2012.

Analyze the main provisions of the European Directive and the relevant law of the Republic of Moldova in comparison.

Criteria	Directives EU	Law Republic of Moldova № 114
payment service providers	<ul style="list-style-type: none"> ✓ <i>payment service providers, which referred to the number of credit institutions and,</i> ✓ <i>institutions (issuers) electronic money,</i> ✓ <i>post offices</i> ✓ <i>European Central Bank and the national central banks,</i> ✓ <i>payment institutions.</i> 	<ul style="list-style-type: none"> - <i>Banks operating in accordance with the Law on Financial Institutions;</i> - <i>Payment service providers;</i> - <i>The company issuing electronic money;</i> - <i>Providers of postal services operating in accordance with the Law of the mail;</i> - <i>The National Bank of Moldova;</i> - <i>The State Treasury of the Ministry of Finance.</i>
the timing of payment transactions	<i>cross-border transfers in currencies other than the euro and the currencies of countries that are not members of the EU, must be carried out within four working days, transfers using paper payment orders - within five dates, operations of direct debits and transactions using payment cards - according to contractual conditions</i>	<i>Payment service providers will ensure that after the receipt of the payment order, amount of the payment transaction was credited to the account of the recipient of services after the end of the next working day.</i>

There are the new terms of payment service provider such as: payment society and society, issue e-money. In this article we will focus on the features of accounting of payment services providers.

In accordance with the law of the Republic of Moldova № 114 "On Payment Services and Electronic Money" " payment services providers are the entities other than the Bank, or provider of postal services or the public, issuing electronic money, having a license for the provision of payment services." It should be noted that to obtain a license from the National Bank of the

Republic of Moldova, the payment services providers must meet a number of criteria: first of all, should have at the time of the declaration to obtain a license shareholders' equity in the amount of not less than 350,000 lei MD, 900,000 lei MD or 2 200 000 lei MD, depending on the type of payment service providers. In addition, there are certain requirements to maintain regulatory capital of payments companies. This regulatory capital of the payment services providers should not be less than the amount calculated according to the formula set out in Article 13 "Regulatory capital" of the law of the Republic of Moldova "On payment services and electronic money."

The formula for calculating the amount of regulatory capital is as follows:

$RC = (a + b + c + d + e) \times k$, where:

a- 4% of the volume of payments in the amount of up to 87.5 million lei,

b-2,5% of the volume of payments in the amount of 87.5 million to 175 million lei,

c-1% of the volume of payments in the amount of from 175 million to 1750 million lei,

d-0,5% by volume of payments in the amount of 1750 million to 4375 million lei,

e-0,25% from the volume of payments in the amount over 4375 million lei.

k represents a coefficient which is:

- **0,5** - when the payment service provider made only transfer of money;

- **0,8** - when a payment company performs payment transactions where the payer gives consent to the payment transaction using a telecommunication, digital or information devices, including cash payment terminals (cash-in-terminals), and the payment is addressed to the operator or telecommunications information system or network that acts only as an intermediary between the payment service user and the supplier of goods and services;

1 - when the payment company provides all authorized payments public services or carries out:

➤ *services for making cash payments to the account as well as all the operations required for operating a payment account;*

➤ *services for cash withdrawal from a payment account as well as all the operations required for operating a payment account;*

➤ *execution of payment transactions, including transfer of funds on a payment account opened at the supplier's payment service user or another payment service provider:*

- fulfilling the direct debits, including one-off direct debits;

- fulfilling the payment transactions using a payment card or a similar device;

- fulfilling the credit transfers, including scheduled transfers;

➤ *issuance and / or acceptance of payment cards and other payment instruments.*

The Payment volume represents 1/12 of the total amount of payment transactions executed by the payment society in the previous year.

It should also be noted that the activity of payment service providers is strictly regulated and the National Bank of Moldova establishes the frequency, form and content of reports on the amount of capital by normative acts for such companies.

Based on an assessment of risk management processes, databases of the risk of loss, the payment of social control mechanisms, the National Bank of Moldova has the right to require that the payment society has the sum of regulatory capital up to 20% greater than that which would be obtained when using the above formula, or allow the payment service providers have a sum of regulatory capital less than 20% that would be obtained when using the formula previously mentioned.

Even more stringent requirements in terms of licensing are set for the company, issuing electronic money, which should have at the time of obtaining a license, shareholders' equity of not less than 6 000 000 lei.

The national Bank of Moldova oversees the payment activities of the societies and companies issuing e-money, including through monitoring specialized reports. Another important aspect of the activities of these societies, is the fact that, in accordance with the provisions of the Law RM No. 114 "On payment services and electronic money" such societies permitted in addition to their main activity (disbursements or the issuance of electronic money) to carry out any other

business activities that are not prohibited by law. In accordance with the European Directives any other activity for these societies, is not allowed.

Examine the features of accounting payment of society by the example L.T.D «WebPlata». For clarity, it is necessary to analyze the procedure for the payment operations of «WebPlata».

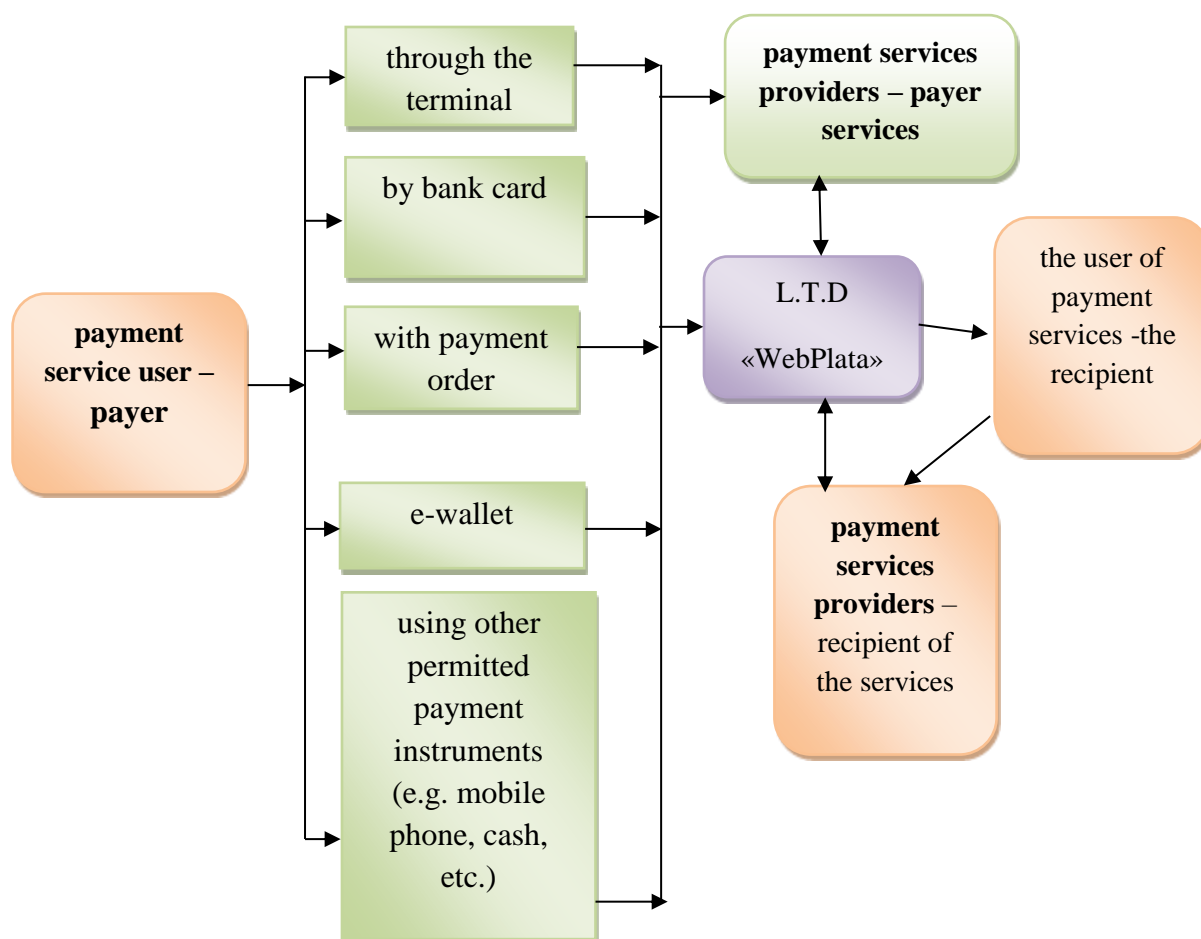


Diagram 1. Transactions are presented as part of the payment service

For proper organization of accounting for payment services providers should take into account transactions carried out on payment services:

1) L.T.D «WebPlata» should conduct accounting operations which are carried out by all users, generating payments within the services provided by «WebPlata», at that time payments may be in the national currency and converted into foreign currency. For accounting purposes, we offer to use the following accounts:

- **for the payment service users**, we call them subscribers (non-payment companies (operators): In chart of accounts is provided through account 544 "Other current liabilities", which should provide the following sub-account 5443 "Other current liabilities in national currency", and 5444 " Other current liabilities in foreign currency "

- **for the payment services users - payment companies (operators):**

✓ 224 "Current prepayments", subaccount 2243 "Settlements in national currency"

- to reflect the operations of the operator, which is the sender of money under the settlement with L.T.D «WebPlata»,

✓ 224 "Current prepayments", subaccount 2244 "Settlements in foreign currency"

- to reflect the operations of the operator, which is the sender of money under the settlement with L.T.D «WebPlata»,

✓ 224 "Current prepayments", subaccount 22411 "Advances paid in the national currency" - to reflect the settlement, including on advances paid in the national currency, with payment companies (operators)

✓ 224 "Current prepayments", subaccount 22412 "Advances paid in foreign currency" - to reflect the settlement, including on prepayments (convert) in foreign currency, with payment companies (operators)

✓ 523 "Current advances received" 52311 subaccount "Advances received in the national currency" - to reflect the settlement, including on advances received in the national currency, with payment companies (operators)

✓ 523 "Current advances received" 52312 subaccount "Advances received in foreign currency" - to reflect the settlement, including on advances received in foreign currency, with payment companies (operators)

✓ 523 "Current advances received" subaccount 5233 "Settlements in national currency" - to reflect operations with an operator who is the recipient of funds under the settlement with L.T.D «WebPlata»,

✓ 523 "Current advances received" subaccount 5234 "Settlements in foreign currency" - to reflect operations with an operator who is the recipient of funds under the settlement with L.T.D «WebPlata».

Accounting of one of the payment services operations, we will show using a conventional example.

Example: The operator "Alpha" sent money subscriber "B" by the payment service of L.T.D «WebPlata» for payment of goods (services) from operator "Gamma". Accordingly, these operations are recorded at L.T.D «WebPlata» as follows:

1) is reflected the receiving of cash of subscriber "B" transferred by the operator "Alpha" in the amount of 1050 MDL

Dt 224 "Current prepayments", subaccount 2243 "Settlements in national currency" (operator "Alpha") 1050 MDL

Ct 544 "Other current liabilities", subaccount 5443 "Other current liabilities in national currency" (subscriber "B") 1050 MDL

2) is reflected the payment for services from subscriber "B" to operator "Gamma" in the amount of 1000 MDL:

Dt 544 "Other current liabilities", sub-account 5443 "Other current liabilities in national currency" (subscriber "B") 1000 MDL

Ct 523 "Current advances received" subaccount 5233 "Settlements in national currency" (operator "Gamma") 1000 MDL

3) reflected commission charge of L.T.D «WebPlata» for the operation:

Dt 544 "Other current liabilities", subaccount 5443 "Other current liabilities in national currency" (subscriber "B") 50 MDL *

Ct 611 "Revenues from sales" subaccount 6113 "Revenues from services" 50 MDL

* some experts believe that the reflection of the revenues after each transaction increases the complexity of accounting, so they offer at the end of each month, the commission charge must be accrued by the following accounting double entries:

Dt 221 "Commercial receivables"

Ct 611 "Revenues from sales" sub-account 6113 "Revenues from services"

and then close the account 221 (depending on the nature of the transaction), to the account 224.

Another debatable issue is the order of reflection in accounting of payment transactions in the currency. Legal tender of the Republic of Moldova is the Moldovan LEU, respectively if, provided payment in foreign currency, it must be converted in lei MD or vice versa (depending on the nature of the transaction). In this regard, the question arises: if for the payment companies providing payment services, including in foreign currency this is the main activity, so as the

exchange differences in foreign currency, receivables and payables in foreign currency should be reflected in income and expenses from operating activities or as financial income and expenses?

In terms of the provisions of the NAS "Foreign exchange currency and value differences," "settlement difference - the difference arising from the translation of receivables and liabilities denominated in foreign currency or in conventional units, according to various official exchange rate of MDL, set in contracts concluded between residents of the Republic of Moldova". In fairness it should be noted that settlement difference and foreign currency exchange rate differences in Republic of Moldova are recorded as financial income and expenses.

At the same time, it is necessary to distinguish the operating and financial activity:

- + commissions paid to the banks in the calculation of foreign currency should be reflected as an operating expense,

- + commissions paid to other payment systems for payments in foreign currency should be reflected as an operating expense,

- + commissions paid to the bank at the currency conversion should be accounted as operating expenses,

- + recalculation of receivables and liabilities denominated in foreign currency between residents of the Republic of Moldova - financial activities.

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