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International Exchange of Information Manual

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IEIM8000260 - Specified Electronic Money Products

For a cryptoasset to be classed as a specified electronic money product (SEMP) it must the conditions set out in Section IV(A)(4) of the Rules. These are:

a) a digital representation of asingle fiat currency,

b) issued on receipt of funds for the purpose of making payment transactions,

c) represented by a claim on the issuer denominated in the same fiat currency,

d) accepted in payment by a natural or legal person other than the issuer, and

e) by virtue of regulatory requirements to which the issuer is subject, redeemable at any time and at par value for the same fiat currency on request of the holder of the product.

The term SEMP does not include a product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer. A product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity, either the funds connected with such product are held longer than 60 days after receipt of instructions to facilitate the transfer, or, if no instructions are received, the funds connected with such product are held longer than 60 days after receipt of the funds.

SEMPs may be electronically or magnetically stored, including online payment accounts, and physical cards using magnetic stripe technology.

Under CRS, the definition of "Depository Institution" and "Depository Account" has been amended to accommodate SEMPs. Please see IEIM400741 (https://www.gov.uk/hmrc-internal-manuals/international-exchange-of-information/ieim400741) for guidance.

Specified Electronic Money Products – condition (e) of Section IV(A)(4) of the Rules

Condition (e) of the Specified Electronic Money Products (SEMPs) definition, as detailed at Section IV(A)(4) of the Rules, requires that a SEMP by virtue of regulatory requirements to which the issuer is subject, is redeemable at any time and at par value for the same fiat currency on request of the holder of the product.

In order for this requirement to be met, it must be satisfied with respect to the issuance of the product as a whole, such that all the units or tokens forming part of the issuance are effectively subject to the requirement.

Where the SEMP is subject to substantive restrictions that effectively restrict or limit the holder's regulatory right to request redemption at any time and at par value, it would not meet the conditions to be considered a SEMP.

Procedural and prudential restrictions or conditions that are applicable in accordance with the laws to which the issuer is subject, are compatible with the requirements set out in the Rules, provided they do not undermine par redemption. This may include, for instance, the application of reasonable redemption fees, Anti-Money Laundering checks or other checks for illegal activity, or the limitation of redemption to business hours or designated customer service channels.

When making a determination as to whether a SEMP qualifies in respect of condition (e), a RCASP may rely on the relevant regulatory authorisations or approvals granted in respect of that product.

Specified Electronic Money Products – change of status

Where a relevant cryptoasset or SEMP changes its status during a calendar year, UK RCASPs should continue to treat the relevant cryptoasset or SEMP as if it retained the status it had at the beginning of the calendar year until the end of that calendar year. In the subsequent calendar year, it should be reported under its new status.

Example 1

At the start of calendar year 2027, TimeCoin is a relevant cryptoasset. In June 2027 it changes its status and meets the definition of a SEMP, meaning that it is no longer a relevant cryptoasset under the CARF. For the calendar year 2027, UK RCASPs would record TimeCoin under the CARF, as it was a relevant cryptoasset at the beginning of 2027, and changed status part way through the year. For the calendar year 2028, TimeCoin is a SEMP and UK RCASPs holding TimeCoin for the benefit of customers will be Depository Institutions under the CRS [see IEIM400740].

Example 2

At the start of calendar year 2027, RobinCoin is a relevant cryptoasset. In March 2027 it changes its status and meets the definition of a SEMP, meaning that it is no longer a relevant cryptoasset under the CARF. In November 2027, RobinCoin ceases to be a SEMP and reverts to being a relevant cryptoasset.

For the calendar year 2027, UK RCASPs would record RobinCoin under the CARF, as it was a relevant cryptoasset at the beginning of 2027, and changed status part way through the year. For the calendar year 2028, RobinCoin is still a relevant cryptoasset, as it reverted back from a SEMP before the end of calendar year 2027. UK RCASPs should report RobinCoin under the CARF for calendar year 2028.

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