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**THE REGULATION OF ELECTRONIC MONEY INSTITUTIONS IN THE SADC  
REGION: SOME LESSONS FROM THE EU\***

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**SUMMARY**

This article analyses the different approaches adopted for the regulation of payment systems in a variety of legislative instruments by the European Union (EU). It looks in particular at how the institutions that issue new electronic money products are regulated and supervised by the relevant authorities in the EU, in comparison with existing institutions such as banks. It analyses some of the lessons that may be learned by the South African Development Corporation (SADC) from the regulatory approaches for electronic money institutions adopted by the EU. The article asks if the approach adopted by the EU may be useful for the future regulation of electronic money institutions in the SADC.

The proliferation of electronic devices that arrived with the invention of the Internet has sparked some regulatory challenges. This development has become global and involves both developed and developing countries, including regions such as the SADC. It is asked if these technological developments should be addressed by means of a concrete regulatory framework while they continue to develop, instead of the regulators waiting to observe and acquaint themselves with the relevant regulatory challenges that underpin the innovations. The EU has attempted to address the anticipated regulatory challenges that came about with the development of electronic money and to align its regulatory approach with other payment systems. This article discusses the regulatory approaches adopted in the EU and provides an overview that the SADC may use in order to adopt an effective regulatory framework for electronic money and the institutions that issue these methods of payment. It analyses both the achievements and the challenges that the

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EU faced (and continues to face) in developing the regulation of e-money, and recommends some possible approaches derived from the lessons learned.

**KEYWORDS:** Bank Directives; electronic money; European Union; hardware-based e-money; initial capital; payment systems; prudential requirements; SADC; software-based e-money, technology-neutral.