



Monetary Authority of Singapore

---

## **PAYMENT SERVICES ACT 2019**

### **FREQUENTLY ASKED QUESTIONS (FAQs) ON THE PAYMENT SERVICES ACT (PS ACT)**

---

**Disclaimer:** These FAQs are meant to provide guidance on the licensing and regulation of payment service providers, the oversight of payment systems, and connected matters. The FAQs do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy legal and regulatory requirements, and to advise them on all applicable laws, rules and regulations of Singapore.

**PAYMENT SERVICES ACT 2019 (PS ACT)**  
**FREQUENTLY ASKED QUESTIONS (FAQs)**

**Contents**

**Part 1: Rationale for Introduction of a New Payment Services Regulatory Framework and Timeline.....4**

**Question 1.** What will happen to the existing payments legislation? How are the payment services regulated under the PS Act different from the payment services that MAS currently regulates? .....4

**Question 2.** When will the PS Act take effect?.....4

**Question 3.** What are the arrangements for payment firms that are currently regulated by MAS and payment firms that will be newly regulated by MAS? What is the impact of the PS Act on existing licensees? .....5

**Part 2: Designation Framework.....6**

**Question 4.** What type of payment systems will be designated under the PS Act?.....6

**Question 5.** Can an entity be regulated under both the designation framework and the licensing framework? .....6

**Question 6.** Some countries like Australia have designated card scheme operators like Visa and MasterCard to regulate their interchange fees. Is MAS able to do so and does MAS have similar plans? .....7

**Part 3: Licensing Framework and Licensable Activities.....8**

**Question 7.** Are all services relating to payments regulated under the PS Act? If not, then why not? What are some of the services relating to payments that are not regulated as payment services under the PS Act? For example, are technology services and escrow services regulated? .....8

**Question 8.** Does MAS intend to regulate loyalty programmes? .....8

**Question 9.** What payment services are regulated under the licensing framework, and what are some examples of providers of these payment services? .....9

**Question 10.** What are some examples of entities that provide merchant acquisition services? .....9

**Question 11.** The payment services of domestic money transfer, cross border money transfer and merchant acquisition appear to overlap. Is that intended?.....10

<b>Question 12.</b>	Is an e-wallet top up service an account issuance service? .....	10
<b>Question 13.</b>	How is e-money different from deposits and digital payment tokens? .....	11
<b>Question 14.</b>	Why is it necessary to regulate the provision of an e-wallet as a separate activity from the issuance of e-money? Are they not the same? .....	11
<b>Question 15.</b>	Given the increase in the number of payment firms being regulated, how will MAS regulate these firms for compliance with its regulations and requirements? .....	12
<b>Question 16.</b>	How will banks and credit card issuers be regulated under the PS Act? .....	12
<b>Question 17.</b>	How will other financial institutions be regulated under the PS Act? .....	13
<b>Question 18.</b>	Can foreign companies apply for a licence and are the requirements the same as those for local companies? .....	13
<b>Question 19.</b>	How will the public know which payment firms are licensees under the PS Act? .. .....	14
<b>Question 20.</b>	Will MAS consider giving entities more time to inform MAS of their existing business so that they can benefit from the exemptions that will be granted for a limited period of time to entities conducting newly-regulated payment services? .....	14
<b>Part 4: Regulatory Risk (1) – AML/CFT .....</b>		<b>15</b>
<b>Question 21.</b>	Do all payment services attract AML/CFT measures? .....	15
<b>Question 22.</b>	Why are AML/CFT measures applicable to licensees of all classes? How will MAS take care not to overburden licensees with AML/CFT measures? .....	15
<b>Question 23.</b>	Will the AML/CFT measures under the PS Act be the same as in the Payment Systems (Oversight) Act or PS(O)A and the Money-Changing and Remittance Businesses Act, or MCRBA? .....	15
<b>Question 24.</b>	What are the AML/CFT measures likely to be imposed on digital payment token service providers? Will MAS develop special AML/CFT measures for digital payment token services? .....	16
<b>Part 5: Regulatory Risk (2) – User Protection.....</b>		<b>17</b>
<b>Question 25.</b>	Will there be safeguarding measures to protect customers against flight risk? .....	17
<b>Question 26.</b>	Why are holders of single merchant retail vouchers not protected under the PS Act? .....	17
<b>Question 27.</b>	Are the safeguarding measures the same as deposit insurance? .....	17
<b>Question 28.</b>	Will investors of digital payment tokens be protected under the PS Act? .....	18

**Part 6: Regulatory Risk (3) – Fragmentation and Interoperability .....19**

- Question 29.** What is interoperability and why is it necessary for Singapore’s e-payment ecosystem? .....19
- Question 30.** Why is it necessary for MAS to have interoperability powers and how does each interoperability measure help to reduce fragmentation? .....19
- Question 31.** Will all the interoperability measures kick in on the commencement of the PS Act? .....20
- Question 32.** What else has MAS been doing to reduce fragmentation and facilitate competition in the payments industry? .....20

**Part 7: Regulatory Risk (4) – Technology and Cyber Risk .....21**

- Question 33.** What technology risk management measures will apply to licensees? .....21
- Question 34.** Will the Notice on Technology Risk Management apply to licensees? .....21
- Question 35.** If the licensees become larger players in the payment ecosystem, will MAS impose technology risk management requirements on licensees? .....21

**Part 8: Activity Restrictions .....22**

- Question 36.** Why does MAS consider it necessary to prohibit licensees from lending to consumers? .....22
- Question 37.** E-money issuers will be prohibited from on-lending customer money or using customer money to materially finance their business activities. Why is this restriction applicable only to e-money issuers? How about other licensees? .....22
- Question 38.** E-wallet providers will be prohibited from providing cash withdrawal services. Would this inability to withdraw cash discourage customers from using e-wallets? .....22
- Question 39.** MAS is imposing a cap on the amount of funds that can be stored in personal e-wallets. Why is this necessary if the float is already subject to safeguarding requirements? .....23

**APPENDIX .....24**

- Glossary .....24

## Part 1: Rationale for Introduction of a New Payment Services Regulatory Framework and Timeline

**Question 1.** What will happen to the existing payments legislation? How are the payment services regulated under the PS Act different from the payment services that MAS currently regulates?

- 1.1 Currently, the PS(O)A, provides for the oversight of payment systems and stored value facilities. The MCRBA provides for the regulation of persons who carry on money-changing business, remittance business or both. On the commencement of the PS Act, the PS(O)A and the MCRBA will be repealed and the regulation of payment service providers and oversight of payment systems will be under the PS Act. However, the PS Act provides transitional arrangements for existing regulated entities as well as powers to exempt, for a specified period, entities currently providing the new payment services but which are not regulated. Exemptions of between six and 12 months will be provided to facilitate a smooth transition of these entities that are providing new payment services into the regulatory framework, and give them sufficient lead time to comply with the requirements.
- 1.2 MAS currently regulates money-changing business and remittance businesses under the MCRBA, and the holding of stored value facilities where the float is over \$30 million under the PS(O)A. The PS Act will continue to regulate money-changing services. Remittance businesses will be captured within the scope of cross-border money transfer service. The provision of stored value facilities and stored value will be regulated under the PS Act as account issuance service and e-money issuance service. It should be noted that account issuance service, cross-border money transfer service and e-money issuance service have been broadened in scope compared to activities regulated under the current legislation. Domestic money transfer service, merchant acquisition service and digital payment token services are new payment services that will be regulated.

**Question 2.** When will the PS Act take effect?

- 2.1 The PS Act will commence when the subsidiary legislation to support the PS Act is ready. MAS has consulted the public on the subsidiary legislation earlier this year and is targeting to commence the PS Act in January 2020.

**Question 3.** What are the arrangements for payment firms that are currently regulated by MAS and payment firms that will be newly regulated by MAS? What is the impact of the PS Act on existing licensees?

- 3.1 As there is no change to the designation regime for existing DPS, the existing operators, settlement institutions and participants of a DPS under the PS(O)A will be seamlessly transitioned and regulated under the PS Act.
- 3.2 Existing approved holders of widely accepted stored value facilities and licensed remittance agents will be deemed as major payment institutions under the PS Act. Hence, these entities will not need to separately apply for a payment services licence. Holders of money-changer's licences under the MCRBA will continue to be regulated as holders of a money-changing licence under the PS Act.
- 3.3 For new payment services, MAS will provide transitional arrangements by introducing a grace period of between six and 12 months after the commencement of the PS Act, where entities will be given an exemption for a specified period specific to each activity. Please refer to the proposed Payment Services Regulations which we have published for consultation for details on the exemptions for a specified period proposed to be granted in respect of specific payment services.

## Part 2: Designation Framework

**Question 4.** What type of payment systems will be designated under the PS Act?

- 4.1 The designation of payment systems is an existing power that MAS currently has under the PS(O)A. The three current considerations for designation will be retained in the PS Act. First, a payment system may be designated if a disruption in the operations of the payment system could trigger, cause or transmit further disruption to participants or systemic disruption to the financial system of Singapore, i.e. its operations pose financial stability risks. MEPS+, an interbank payment system that settles large-value, time-critical transactions between banks, is one such system that has been designated today. A disruption to MEPS+ operations will likely trigger systemic disruptions to the financial system in Singapore.
- 4.2 Second, a payment system may also be designated if a disruption in the operations of the payment system could affect public confidence in payment systems or the financial system of Singapore. Existing designated payment systems of such risk profile include the Fast and Secure Transfers (FAST), Singapore Dollar Cheque Clearing System, US Dollar Cheque Clearing System, Inter-bank General Interbank Recurring Order (GIRO) System and the domestic card scheme operated by Network for Electronic Transfers (NETS).
- 4.3 Thirdly, a payment system may be designated if MAS is satisfied that it is otherwise in the interests of the public to do so.
- 4.4 The PS Act introduces a fourth consideration that MAS may consider. Payment systems that are widely used by other payment service providers or payment system operators may also pose risks to efficiency and competition in the financial system. Such payment systems may also be designated under the PS Act for regulation by MAS to ensure the efficiency or competitiveness in any of the services provided by the operator of the payment system.

**Question 5.** Can an entity be regulated under both the designation framework and the licensing framework?

- 5.1 Yes, this is possible if the entity concurrently provides one or more of the licensable payment services, and operates a payment system that is designated under the PS Act.

**Question 6.** Some countries like Australia have designated card scheme operators like Visa and MasterCard to regulate their interchange fees. Is MAS able to do so and does MAS have similar plans?

- 6.1 MAS has studied the interventions by foreign authorities in the area of card interchange fees and observed that any intervention in card interchange fees requires a thorough review of the payment card fee structure and its impact on the retail payments ecosystem. While MAS has powers under the PS Act to designate widely used payment systems for competition reasons, a thorough review of the impact and benefits of such designation is required before MAS determines if such designation is necessary. MAS will continue to monitor this area and will intervene where it is clear that such intervention will bring about significant benefits to consumers.
- 6.2 MAS takes a collaborative approach in its engagements with the industry, and will take the views of the relevant entity into consideration when determining if designation is necessary.



### Part 3: Licensing Framework and Licensable Activities

**Question 7.** Are all services relating to payments regulated under the PS Act? If not, then why not? What are some of the services relating to payments that are not regulated as payment services under the PS Act? For example, are technology services and escrow services regulated?

- 7.1 Not all services relating to payments will be regulated under the PS Act. MAS had after careful review and consultation with the industry, applied a risk-based approach to identify payment services that pose sufficient risk to warrant regulation, and where such risks are crucial to address, in order to build a simple, secure, and accessible payments ecosystem.
- 7.2 The services identified are those that have the following characteristics: the services have a clear payments nexus, the service providers process funds or acquire transactions for merchants, and the service providers contract or deal with the consumer or the merchant. Service providers that process only data (e.g. payment instructions) and not money will be treated as outsourcing services. For this reason, we will not require providers of payment instrument aggregation services and data communications platforms to be licensed under the PS Act.
- 7.3 The PS Act also carves out from regulation some payment services that do not pose sufficient risk to warrant regulation. The three most significant carve outs are any payment service that is provided by any person in respect only of any limited purpose e-money, any service of dealing in, or facilitating the exchange of, any limited purpose digital payment tokens, and any payment service solely incidental to or necessary for regulated activities carried out by a regulated financial services company.
- 7.4 Please see the First Schedule to the PS Act for services that are payment services (Part 1) and services that are not payment services (Part 2).

**Question 8.** Does MAS intend to regulate loyalty programmes?

- 8.1 MAS does not intend for loyalty programs that are common in the retail space to be regulated as payment services. Such programs are designed to promote the purchase of goods or use of services provided by the loyalty points issuer or any merchant specified by the loyalty points issuer. Due to their limited use and customer reach, such programs do not pose the same level of risks that payment services pose. Loyalty points may be “limited

purpose e-money” or “limited purpose digital payment token” within the meaning of Part 3 of the PS Act. Any payment service mentioned in Part 1 of the First Schedule to the PS Act, that is provided by any person in respect only of any limited purpose e-money, is excluded from regulation. Likewise, any service of dealing in, or facilitating the exchange of, any limited purpose digital payment token, is excluded from regulation. In assessing whether loyalty points are “limited purpose e-money” or “limited purpose digital payment token”, MAS will likely consider the following factors among others:

- i. whether the programme under which such points are issued is marketed to customers as a loyalty program or as a payment service; and
- ii. whether any part of the programme conflicts with its stated objective of promoting the purchase of goods or use of services provided by the loyalty points issuer or any merchant specified by the loyalty points issuer.

**Question 9.** What payment services are regulated under the licensing framework, and what are some examples of providers of these payment services?

- 9.1 MAS will regulate seven payment services provided to consumers or merchants under the licensing framework of the PS Act. This means that most payment firms that consumers and merchants commonly interact with will be regulated by MAS. Most providers of e-wallets and e-money for example will be regulated for account issuance service, domestic money transfer service and e-money issuance. Remittance agents and money-changers will continue to be regulated as cross border payment service providers and money-changing service providers respectively. Merchant acquirers that process payment transactions for merchants will also be required to hold a licence under the PS Act. And finally, entities that buy or sell DPT or what we commonly call cryptocurrencies, or establish or operate a DPT exchange will be regulated under the PS Act.

**Question 10.** What are some examples of entities that provide merchant acquisition services?

- 10.1 As mentioned in Table 1 of the [Consultation Paper on Proposed Payment Services Bill](#), an entity provides merchant acquisition services where the entity enters into a contract with a merchant to accept and process payment transactions, which results in a transfer of money to the merchant. Usually the service includes providing a point of sale terminal or online payment gateway.
- 10.2 A payment service provider that operates a closed-loop e-money account issuance service, where transactions can only take place between users of the particular e-money accounts

issued by the payment service provider, may also be providing a merchant acquisition service if one of the users is a merchant and there is the requisite contractual relationship mentioned above.

**Question 11.** The payment services of domestic money transfer, cross border money transfer and merchant acquisition appear to overlap. Is that intended?

- 11.1 The service of merchant acquisition is where the merchant acquirer accepts and processes payment transactions for a merchant. This service is provided under a contract between the merchant acquirer and the merchant, which results in a transfer of money to the merchant pursuant to the payment transaction. It is possible that the service of merchant acquisition overlaps with the service of domestic money transfer or cross border money transfer. For example, the merchant acquirer may provide a domestic money transfer service in the same transaction if it serves the payer as well. This is common for e-wallet (payment accounts that contain e-money) issuers. In another example, the merchant acquirer may provide a cross border money transfer service in the same transaction if it receives money from overseas on behalf of the merchant in Singapore. Please note that these examples are for illustration only and are not exhaustive.
- 11.2 However, please note that even in situations a person provides more than one payment service in the course of a payment transaction, there is no additional regulatory burden for safeguarding funds in transit. The obligation under section 23 for a MPI to safeguard funds in transit for all three services mentioned applies to the total sum of relevant money held by the MPI. This means that if two services are provided in the course of a single transaction, the relevant money to be safeguarded in that transaction does not double simply because two services are provided for the same transaction. Further, in respect of AML/CFT requirements, merchant acquirers that provide other payment services as part of their merchant acquisition business should note that low risk transactions set out in the relevant AML/CFT notice do not attract AML/CFT measures.
- 11.3 That said, a person should ensure that the person has in force a licence that entitles the person to carry on a business of providing all the payment services the person provides.

**Question 12.** Is an e-wallet top up service an account issuance service?

- 12.1 We have observed that there are businesses offering e-wallet top up services. This is usually where the service provider (Business X) accepts money from a customer for the

purpose of sending the money to an e-wallet operator, so that the e-wallet operator can top up the customer's payment account. Business X does not provide an account issuance service because it does not operate the payment account and top up the payment account. Instead, it only hands over the money to the e-wallet operator.

- 12.2 Business X would however be providing an account issuance service in a situation where Business X (rather than the e-wallet operator) operates the payment account and tops up the payment account. In that situation, Business X will need to hold a licence to provide an account issuance service, unless it is exempted.

**Question 13.** How is e-money different from deposits and digital payment tokens?

- 13.1 E-money vs DPT:

A payment account may take the form of an e-wallet which is funded with e-money. This e-money is denominated in or pegged by the issuer to a fiat currency. This is an important distinction from DPTs. Where the monetary value of the electronically stored amount in fiat currency cannot be determined without referring to some form of market mechanism, for example through the trading of the electronically stored monetary value on an exchange, such electronically stored amount is not e-money but may be a DPT.

- 13.2 E-money vs Deposits:

E-money is money paid in advance under a contract for the provision of a service. E-money are not bank deposits and therefore not protected by deposit insurance. That said, MPIs are required to safeguard their e-money float.

**Question 14.** Why is it necessary to regulate the provision of an e-wallet as a separate activity from the issuance of e-money? Are they not the same?

- 14.1 The e-wallet is a payment account from which the customer pays. A consumer purchases e-money from a business to enable him to make money transfers or purchase goods or services from participating individuals and merchants which accept such e-money. Often, the entity operating the e-wallet also issues the e-money. However, there is also a possibility that the e-wallet is provided by an entity that is separate from the issuer of the e-money.
- 14.2 The service provider that provides and maintains this e-wallet performs an account issuance service, which poses all four key risks and concerns that need to be addressed:

ML/TF risks, technology risk, user protection and interoperability concerns. The activity of e-money issuance however only carries user protection risks. The PS Act obliges MPIs that issue e-money to safeguard customer money from their own insolvency.

**Question 15.** Given the increase in the number of payment firms being regulated, how will MAS regulate these firms for compliance with its regulations and requirements?

- 15.1 Firstly, MAS will put in place a robust licensing process to ensure that only firms that are fit and proper and who are able to put in place the proper safeguards and controls are allowed to operate in Singapore.
- 15.2 For licensed entities, the existing tools that MAS uses to regulate other financial institutions, such as on-site inspections and off-site reviews, will continue to be used. As in other sectors, a risk-based supervision approach will be applied to allocate our resources according to the risks presented. MAS will be increasing the amount of resources dedicated to supervising this sector as a whole, and will leverage supervisory technology solutions where relevant to enhance its surveillance capabilities.

**Question 16.** How will banks and credit card issuers be regulated under the PS Act?

- 16.1 In order to avoid double regulation of the same activity, banks, merchant banks and finance companies are exempted from holding a licence, and from complying with requirements that these DTIs are already subject to under the Banking Act, MAS Act, and FCA. Bank-issued credit cards are also regulated under the Banking Act. DTIs will be subject to the same requirements as non-DTIs for payments-related activities. For example, DTIs will not be exempted from requirements in the PS Act relating to e-money issuance services, and digital payment token services. They are therefore treated in the same manner as other licensees in order to maintain a level playing field.
- 16.2 Non-bank credit cards or charge cards issuers are also exempted from holding a licence and complying with licensing-related requirements. Non-bank credit card or charge card issuers are already required to hold a licence under the Banking Act for the provision of credit facilities. Non-bank credit card issuers however need to comply with the other requirements in the PS Act, that do not overlap with those in the Banking Act.

- 16.3 Both DTIs as well as non-bank credit card or charge card issuers also need to comply with interoperability requirements that MAS may impose under the PS Act in respect of accounts they issue including bank accounts and credit cards.

**Question 17.** How will other financial institutions be regulated under the PS Act?

- 17.1 MAS has carved out from regulation any payment service mentioned in Part 1 of the First Schedule to the PS Act, that is provided by any person licensed, approved, registered or regulated or exempt from being licensed, approved, registered or regulated under the SFA, FAA, TCA and Insurance Act where the payment service is solely incidental to or necessary solely for that person to carry on that person's business in any regulated activity for which that person is so licensed, approved, registered, regulated or exempted from being licensed, approved, registered or regulated to provide under those Acts. This is to facilitate the provision of financial services under these Acts and to avoid double regulation.

**Question 18.** Can foreign companies apply for a licence and are the requirements the same as those for local companies?

- 18.1 Foreign companies can hold a licence under the PS Act. Both local and foreign companies will be governed under the same regulatory framework. An applicant for a licence (other than a money-changing licence) must be a company or a corporation formed or incorporated outside Singapore. The applicant must also have an executive director which meets certain Singapore residency requirements. A licensee must not carry on business of providing any type of payment service unless the licensee has a permanent place of business or registered office in Singapore. A licensee must appoint at least one person to be present, on such days and at such hours as MAS may specify by notice in writing, at the licensee's permanent place of business or registered office to address queries or complaints from any payment service user or customer of the licensee. The licensee must also keep, or cause to be kept, at the licensee's permanent place of business or registered office, books of all the licensee's transactions in relation to any payment service provided by the licensee.

**Question 19.** How will the public know which payment firms are licensees under the PS Act?

- 19.1 These payment firms will be listed on the financial institution directory on MAS website, together with the other financial institutions. The public is encouraged to deal with financial institutions that are listed on the directory.

**Question 20.** Will MAS consider giving entities more time to inform MAS of their existing business so that they can benefit from the exemptions that will be granted for a limited period of time to entities conducting newly-regulated payment services?

- 20.1 As mentioned in paragraph 5.4 of the [Consultation Paper on Proposed Payment Services Regulations](#), MAS intends to allow persons which have commenced business on or before the commencement date of the PS Act to notify MAS of the date on which they commenced the business of providing the specific payment services on, or within a specified period, after the commencement date of the PS Act. MAS is considering a specified period of one month, and more details on the notification process, including the period, will be provided in due course.

## Part 4: Regulatory Risk (1) – AML/CFT

**Question 21.** Do all payment services attract AML/CFT measures?

- 21.1 Where payment services activities may be abused for ML/TF, such risks should be appropriately mitigated.
- 21.2 The PS Act therefore imposes AML/CFT measures on persons carrying on a business in providing payment services that have been assessed to pose ML/TF risks, for example, persons carrying on a business of providing DPT services. Activities that pose low ML/TF risk, such as merchant acquisition services, will not be regulated for AML/CFT purposes.

**Question 22.** Why are AML/CFT measures applicable to licensees of all classes? How will MAS take care not to overburden licensees with AML/CFT measures?

- 22.1 MAS will adopt a risk-based approach. AML/CFT requirements are calibrated according to the degree of risks posed by each of the respective payment services. Persons carrying on a business of providing payment services that may pose higher ML/TF risks will be subject to the full suite of AML/CFT requirements. On the other hand, persons that carry on a business of providing payment services that are assessed to be low risk – as per the criteria defined in Notice PSN01 – will be subject to lesser requirements or be exempted.
- 22.2 All DPT service providers will be subject to AML/CFT requirements under Notice PSN02 to mitigate the ML/TF risks arising from the anonymity, speed and cross-border nature of transactions facilitated by such DPT service providers. There will not be any DPT services that will be exempted from AML/CFT regulation.

**Question 23.** Will the AML/CFT measures under the PS Act be the same as in the Payment Systems (Oversight) Act or PS(O)A and the Money-Changing and Remittance Businesses Act, or MCRBA?

- 23.1 In general, the AML/CFT measures imposed under the PS Act are similar to existing AML/CFT requirements that have been imposed on entities regulated under the PS(O)A and the MCRBA. These will include requirements to conduct customer due diligence, monitor transactions, perform screening, report suspicious transactions and keep



adequate records. The requirements may differ depending on the risk profiles of the customers or transactions.

- 23.2 AML/CFT requirements will be imposed on DPT service providers to mitigate the ML/TF risks arising from the anonymity, speed and cross-border nature of transactions that they facilitate.

**Question 24.** What are the AML/CFT measures likely to be imposed on digital payment token service providers? Will MAS develop special AML/CFT measures for digital payment token services?

- 24.1 Addressing the ML/TF risks relating to the use of virtual assets (e.g. DPTs) has been identified as a priority area internationally.
- 24.2 Given the cross-border, rapid and anonymous nature of virtual asset transactions, it is important for there to be clear international AML/CFT standards that are consistently applied across jurisdictions to address the ML/TF risks.
- 24.3 MAS will regulate digital payment token service providers for ML/TF risks. In general, the AML/CFT measures to be imposed will be similar to existing AML/CFT requirements on other regulated entities. These requirements will take into account the international standards and guidance that were finalised by the Financial Action Task Force (FATF) in June 2019. The PS Act will require digital payment token intermediaries that buy, sell or facilitate the exchange of digital payment tokens for fiat currencies or other digital payment tokens to identify and verify their customers, monitor transactions, keep records and to report suspicious transactions to the Suspicious Transaction Reporting Office.
- 24.4 Where digital payment token service providers also facilitate the transfer of DPT or provide custodian wallet services as part of their business, MAS intends to require that they apply AML/CFT measures to mitigate the risks posed by such services.
- 24.5 In line with international standards, MAS intends to make legislative amendments by end-2020 to scope in and impose AML/CFT requirements on service providers that carry on a business of providing any of the following services on a standalone basis: transfer of DPTs or provision of custodian wallets. MAS also intends to require any entity that is incorporated in Singapore and which carries on a business of providing DPT services (whether the business is carried on in Singapore or otherwise) to be licensed under the PS Act, and consequently be subject to MAS' AML/CFT requirements.

## Part 5: Regulatory Risk (2) – User Protection

**Question 25.** Will there be safeguarding measures to protect customers against flight risk?

- 25.1 MAS will require MPIs to maintain with MAS security of a prescribed amount for the due performance of their obligations. Where the MPI has surrendered its licence or its licence has lapsed or been revoked, MAS may enforce the security to the extent required to pay any sums outstanding and claimed by payment service users who are customers of the MPIs. As such, customers may recover part of the sums outstanding and claimed by them against the MPI. But it is not intended to nor can it insure customers against all losses. To do so will require a prohibitively high security deposit that will render businesses unviable.

**Question 26.** Why are holders of single merchant retail vouchers not protected under the PS Act?

- 26.1 The PS Act governs the provision of payment services. As such, the issuance of e-money that can be used to pay for various goods and services will be regulated as a type of payment service, and customer money paid in exchange for such e-money will be protected under the PS Act. On the other hand, limited purpose monetary value such as supermarket shopping vouchers and loyalty programmes like airline frequent flyer miles, cannot ordinarily be used to pay for goods and services provided by unrelated third parties. As such, these activities are excluded from the ambit of the PS Act. We recognise that several retail sectors like supermarkets, restaurants, spas and gyms often have retail programs for customers that involve prepayment for goods and services that they will supply. However, as the purchasers of such vouchers usually cannot use them to pay other people or merchants, the provision of such vouchers is not regulated under the PS Act.

**Question 27.** Are the safeguarding measures the same as deposit insurance?

- 27.1 While the aim of the safeguarding measures is to protect customers' money from the insolvency of the e-money issuer, the measures are calibrated to their regulated activities and are designed to be simple and low-cost, different from deposit insurance that banks have to undertake. In particular, these measures do not offer the same level of certainty as deposit insurance in terms of how much money and how quickly this money can be recovered by customers.

**Question 28.** Will investors of digital payment tokens be protected under the PS Act?

- 28.1 At the moment, MAS does not intend to provide any regulatory safeguards for investments in DPTs, the safety and soundness of DPT service providers or the proper processing of DPT transactions. Providers of DPT services will be regulated primarily for ML/TF risks.
- 28.2 MAS has issued advisories to warn members of the public of the risks of investing in DPT and may require providers of DPT services to make specified disclosures on the risks of such investments to their customers. Members of the public who lose money from investing in DPTs will not be able to rely on any protection afforded under legislation administered by MAS. Investors should carefully assess whether an investment in DPTs is suitable for their investment objectives and risk appetite. Members of the public who suspect that an investment involving DPTs could be fraudulent or misused for other unlawful activities, should report such cases to the Police.
- 28.3 MAS will continue to monitor trends and risks in the use of DPTs in Singapore and may revise measures imposed on DPT service providers under the PS Act where necessary and appropriate.

## Part 6: Regulatory Risk (3) – Fragmentation and Interoperability

**Question 29.** What is interoperability and why is it necessary for Singapore’s e-payment ecosystem?

- 29.1 In Singapore, we have many e-payment solutions but they may not interoperate with each other. Consumers may not be able to make payments directly to each other or to merchants if both parties use and accept different payment methods. Merchants may also have to provide consumers with multiple POS terminals or other payment acceptance methods. While our approach is not to implement a unified payment solution for Singapore, we should allow for a variety of payment solutions that are competing yet interoperable and convenient. One such example is to encourage the interoperability of payment acceptance solutions, such as UPOS terminals and SGQR so that consumers and merchants have a simple and standardised payments experience. When the e-payments experience is straightforward, people will find it easier to use e-payments for their everyday transactions.

**Question 30.** Why is it necessary for MAS to have interoperability powers and how does each interoperability measure help to reduce fragmentation?

- 30.1 In order to achieve interoperability of payment accounts and payment acceptance points, MAS has powers under the PS Act to impose three types of interoperability measures.
- 30.2 First, MAS may impose an access regime on a designated payment system operator or major payment institution to mandate that these entities allow third parties to access their system. Second, MAS may mandate any MPI to participate in a common platform to facilitate the interoperability of widely used payment accounts, including large e-wallets and bank accounts. Finally, MAS may require any MPI to adopt common standards to make widely used payment acceptance methods, such as QR codes, interoperable. These measures may be imposed on exempt payment service providers such as banks, as well.
- 30.3 MAS takes a collaborative approach in promoting e-payments usage and acceptance, and will continue to work closely with all stakeholders in the payments ecosystem to achieve the desired outcome of an interoperable e-payments ecosystem. The powers to impose any interoperability measures will be exercised judiciously and only where it is clear that significant interoperability benefits and outcomes will be achieved. For that reason, MAS

will carefully balance the interests of the payment system operators and payment service providers when exercising any interoperability power.

**Question 31.** Will all the interoperability measures kick in on the commencement of the PS Act?

- 31.1 Interoperability measures will be imposed only when the circumstances call for the need for MAS to exercise interoperability powers under the Act. These measures are powers that MAS may choose to exercise in future, and currently, MAS does not intend to impose them on regulated entities at the commencement of the PS Act.

**Question 32.** What else has MAS been doing to reduce fragmentation and facilitate competition in the payments industry?

- 32.1 There are some who feel that Singapore's e-payment landscape is fragmented because there are so many options out there. Ultimately, it could be a matter of getting used to the many choices we have and deciding on one or two methods that we are comfortable with. We have taken a deliberate approach to allow more competition and innovation in the payments space, but yet at the same time push for interoperability and convenience. MAS worked closely with the banking industry on FAST, Singapore's 24x7 real-time fund transfer system, to enable seamless fund transfers across bank accounts for consumers and businesses. With PayNow, both individuals and companies can pay one another using their NRIC numbers, phone numbers or UEN. Non-bank FAST access is one of the latest steps MAS has taken to introduce greater interoperability in the payments industry. Non-bank e-wallet players will be able to interoperate with bank accounts through FAST. These efforts engender greater competition among payment service providers and will help ensure that the e-payment system in Singapore is open, accessible and competitive.
- 32.2 UPOS terminals and SGQR are also examples of successful initiatives MAS has driven with the industry to reduce fragmentation. To address the fragmentation issue of multiple POS terminals, MAS worked with the industry to implement a single terminal that can accept all payment schemes. For example, major supermarkets in Singapore now benefit from UPOS terminals. MAS also developed SGQR with the industry, which combines multiple payment QR codes into a single SGQR label, making QR code-based mobile payments simple for both consumers and merchants.

## Part 7: Regulatory Risk (4) – Technology and Cyber Risk

**Question 33.** What technology risk management measures will apply to licensees?

- 33.1 MAS Guidelines on TRM will apply to all licensees. These Guidelines set out IT risk management principles and best practices to guide financial institutions in establishing a robust TRM framework, strengthening of cyber security controls, enhancing system resiliency, and implementing strong authentication measures to protect customer data, transactions and systems. These are best practices which the payment institutions are expected to adopt.
- 33.2 MAS has issued a Notice on Cyber Hygiene, which will take effect on 6 August 2020 and will be applicable to all licensees. The Notice sets out cyber security requirements that financial institutions must implement to mitigate the growing risk of cyber threats.

**Question 34.** Will the Notice on Technology Risk Management apply to licensees?

- 34.1 The requirements set out in the Notice on TRM on maintaining high availability, recoverability, data protection and incident reporting will only apply to operators and settlement institutions of DPS, which MAS regulates for financial stability risks.
- 34.2 These requirements will not be imposed on licensees as they are not operating at a scale where imposing availability and recoverability requirements on them is necessary. A failure of their systems is unlikely to have financial stability implications on Singapore.

**Question 35.** If the licensees become larger players in the payment ecosystem, will MAS impose technology risk management requirements on licensees?

- 35.1 Under the PS Act, MAS is able to direct a licensee to review and strengthen their technology controls and process. We will monitor the use of technology by licensees and, where appropriate, MAS will consider imposing TRM requirements on such licensees that become significant players in the payment industry.

## Part 8: Activity Restrictions

**Question 36.** Why does MAS consider it necessary to prohibit licensees from lending to consumers?

- 36.1 MAS has right-sized regulations under the PS Act to the key risks that payment services pose. In other words, the regulatory framework for licensees is risk-proportionate and kept simple because licensees only conduct payment-related activities and do not engage in banking or other regulated activities, such as consumer lending. If licensees want to conduct consumer lending, there are other laws that regulate lending and licensees must apply for the relevant licence under those laws.

**Question 37.** E-money issuers will be prohibited from on-lending customer money or using customer money to materially finance their business activities. Why is this restriction applicable only to e-money issuers? How about other licensees?

- 37.1 This prohibition only applies to e-money issuers because customer money collected through e-money issuance tend to reside with the issuer for longer than other activities like domestic money transfer or cross-border money transfer. For such other activities, the money is transferred quite quickly so the licensee will not be able to use the money collected.

**Question 38.** E-wallet providers will be prohibited from providing cash withdrawal services. Would this inability to withdraw cash discourage customers from using e-wallets?

- 38.1 This restriction is in fact consistent with the objective of the PS Act to promote greater adoption of electronic payments and lesser reliance on cash services, which are already well provided by banks. It will also preserve the privileges of our FTA partners, whose banks have been accorded access to ATMs and cashback services. Moreover, it is aligned with the industry practice today, where e-wallet issuers generally do not offer cash withdrawal services to their customers.
- 38.2 While customers will not be able to withdraw Singapore dollars, e-money issuers can work with banks to enable funds to be transferred to the customer's bank accounts. Such bank transfers will be further facilitated in future with MAS' initiative to allow non-bank e-money issuers to interoperate with bank accounts.

**Question 39.** MAS is imposing a cap on the amount of funds that can be stored in personal e-wallets. Why is this necessary if the float is already subject to safeguarding requirements?

- 39.1 Banks perform a vital economic function of intermediating savings by taking in deposits and on-lending these funds back into the economy, while non-bank payment institutions do not perform similar economic functions.
- 39.2 The caps help to ensure the continued stability of Singapore's financial system by reducing the risk of significant outflows from bank deposits to non-bank e-money, and maintain the ability of banks to act as stabilisers in times of crisis. The stock and flow caps are set initially at \$5,000 and \$30,000 respectively, and will be reviewed over time as Singapore's financial system and payment landscape evolves.



## APPENDIX

### Glossary

<b>ABBREVIATION</b>	<b>FULL TERM</b>
<b>AML/CFT</b>	Anti-Money Laundering and Counter-Financing of Terrorism
<b>ATM</b>	Automated Teller Machines
<b>DPS</b>	Designated Payment Systems
<b>DPT</b>	Digital Payment Token
<b>DTI</b>	Deposit Taking Institution
<b>FAA</b>	Financial Advisers Act
<b>FAST</b>	Fast and Secure Transfers
<b>FATF</b>	Financial Action Task Force
<b>FCA</b>	Finance Companies Act
<b>FTA</b>	Free Trade Agreement
<b>GIRO</b>	Inter-bank General Interbank Recurring Order
<b>IT</b>	Information Technology
<b>MAS</b>	Monetary Authority of Singapore
<b>MCRBA</b>	Money-Changing and Remittance Businesses Act
<b>MEPS+</b>	MAS Electronic Payment System
<b>ML/TF</b>	Money Laundering and Terrorism Financing
<b>MPI</b>	Major Payment Institution
<b>NETS</b>	Network for Electronic Transfers
<b>NRIC</b>	National Registration Identity Card
<b>POS</b>	Point-of-Sale
<b>PS Act</b>	Payment Services Act 2019
<b>PS(O)A</b>	Payment Systems (Oversight) Act
<b>QR</b>	Quick Response (code)
<b>SFA</b>	Securities and Futures Act

---

<b>SGQR</b>	Singapore Quick Response Code
<b>TCA</b>	Trust Companies Act
<b>TRM</b>	Technology Risk Management
<b>UEN</b>	Unique Entity Number
<b>UPOS</b>	Unified Point-of-Sale

---