

CONSULTATION PAPER

P006 - 2022

October 2022

Proposed Amendments to Restrictions on Personal Payment Accounts that Contain E-Money

MAS

Monetary Authority of Singapore

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1 Preface

1.1 The Monetary Authority of Singapore (“MAS”) sets out in this consultation paper the proposed amendments to limits currently imposed on each personal payment account that contains e-money (“e-wallet”) issued by Major Payment Institutions (“MPIs”). The expressions used in the consultation paper shall, except where expressly defined in the consultation paper or where the context otherwise requires, have the same respective meanings as in Section 2(1) and in Part 3 of the First Schedule to the Payment Services Act 2019 (“PS Act”).

1.2 MAS invites comments from licensees and regulated entities under the PS Act, financial institutions (including banks) and other interested parties (including members of the public and payment service users).

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like:

- (i) their whole submission or part of it (but not their identity), or**
- (ii) their identity along with their whole submission,**

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.3 Please submit written comments through <https://go.gov.sg/cpcaps2022> by 25 November 2022.

1.4 Should you encounter any technical difficulties in your submission, you may submit your comments using the feedback template at **Annex C** to – Prudential Policy Dept@mas.gov.sg.

2 Restrictions on personal payment accounts that contain e-money

Introduction

2.1 Under the PS Act, the following limits currently apply on each e-wallet issued by MPIs:

- (a) The maximum amount of funds that can be held at any given time is set at \$5,000 (“stock cap”);
- (b) The maximum total outflow over a rolling 12-month period is capped at \$30,000 (“flow cap”).

2.2 In response to industry feedback, exemptions to the stock cap and flow cap (collectively, the “caps”) were introduced, to facilitate specific user needs:

- (a) Users are allowed to load more than \$5,000 into their e-wallets on an intra-day basis, provided the end-of-day balance is below \$5,000;
- (b) Funds that are transferred into the user’s own or designated local bank accounts, or to his/her own overseas bank account, are excluded from being counted towards the flow cap.

2.3 Where a user has multiple accounts with the same MPI, all of his/her accounts will need to be aggregated for the purposes of complying with the caps i.e. the caps are computed on a “per user, per payment institution” basis.¹

2.4 The caps are in place to ensure continued stability of the financial system. They reduce the risk of significant outflows from banks’ retail deposits to non-bank e-money which can undermine the ability of our banks to perform vital economic functions such as intermediating savings to help the economy grow and acting as stabilisers during financial crises.

2.5 MAS recognises that there may be changes in consumer behaviour, usage of e-wallets, and e-wallet business models in Singapore over time. MAS had considered these alongside prevailing statistics on consumer usage since the caps were instituted, and studied the potential impact of e-wallet flows on financial system stability. MAS thus

¹ With the following exceptions/modifications:

- a) Bearer instruments are exempted from the aggregation requirement;
- b) Where the accounts have a load limit of less than or equal to S\$1,000 each, the licensee only needs to aggregate them if they have the same unique customer identifier, e.g. customer’s email address. In this respect, the payment institution is not required to collect additional information to verify the user; and
- c) MAS will have the flexibility to exempt other types of accounts from the aggregation requirement on a case-by-case basis, if there are good grounds for doing so.

proposes to revise the caps on personal e-wallets and to introduce an exemption to allow for ‘white labelling’ of e-wallet accounts.

Proposed revision to caps on personal e-wallets

2.6 MAS conducted a survey with e-wallet account issuance service providers (“e-wallet issuers”), and collated feedback from payment service users. We found that payment service users have benefitted from e-wallet issuers’ product offerings, such as e-wallet products that facilitate travel spending and overseas remittance, and lower transaction costs offered by some e-wallet issuers. To facilitate greater customer convenience and innovation in the e-payments landscape, MAS proposes to raise the caps as follows:

- (a) Raise the stock cap from \$5,000 to \$20,000; and
- (b) Raise the flow cap from \$30,000 to \$100,000;

2.7 In calibrating these proposals, MAS studied the potential impact of revised caps to financial system stability. The caps are relevant to mitigating potential significant outflows from bank deposits to non-bank e-wallets. Nonetheless, scenario projections based on historical consumer usage statistics indicate that the financial stability objectives can still be met even with the higher proposed caps.

2.8 MAS notes that raising the caps could increase funds held or transferred through personal e-wallets and consequently potential losses incurred through scams that involve e-wallets. E-wallet issuers should take this risk into account and assess if their anti-scam controls should be strengthened. In that regard, MAS will continue to work closely with the industry to ensure that they implement robust anti-scam controls that are commensurate with their business and risk profiles.

Question 1. Revision to caps on personal e-wallets. MAS seeks comments on the proposed increases in the e-wallet stock cap to \$20,000 and flow cap to \$100,000. Please substantiate your response with data, if possible.

Proposed exemption for ‘white-label’ e-wallet account issuance

2.9 Under Section 24(1)(c) of the PS Act, an MPI that issues 2 or more e-wallets to any payment service user must aggregate all the e-money in the e-wallets issued to that payment service user and apply the caps in Section 24(1)(c)(i) and 24(1)(c)(ii).

2.10 We have reviewed feedback from MPIs which are exploring entering into arrangements with e-money issuance service providers (“e-money issuers”; and we refer to such an arrangement as the “e-money account issuance service”), where:

- (a) the MPI will issue e-wallets on behalf of the e-money issuers; and
- (b) the e-wallets will store e-money issued by the e-money issuers to their payment service users.

Where an MPI provides an e-money account issuance service to 2 or more e-money issuers, we refer to this arrangement as a “white-label account issuance arrangement”.

2.11 MAS proposes to amend the Payment Services Regulation 2019 to exempt an MPI in a white-label account issuance arrangement from section 24(1)(c) of the PS Act. This means that the MPI will not be required to aggregate the e-money in e-wallets issued to the same payment service user under the white-label account issuance arrangement, for the purposes of applying the caps (the “white-label account exemption” or “WLA” exemption). To avoid doubt, if an MPI issues 2 or more e-wallets to a payment service user on behalf of a single e-money issuer, the MPI needs to aggregate the e-money in the 2 or more e-wallets issued to that payment service user for the purposes of applying the caps.

2.12 The following diagrams illustrate the application of the caps by an MPI in a white-label account issuance arrangement before and after the WLA Exemption (note that the illustrations apply the prevailing stock cap of \$5,000 and annual flow cap of \$30,000).

Diagram 1: Before the WLA Exemption

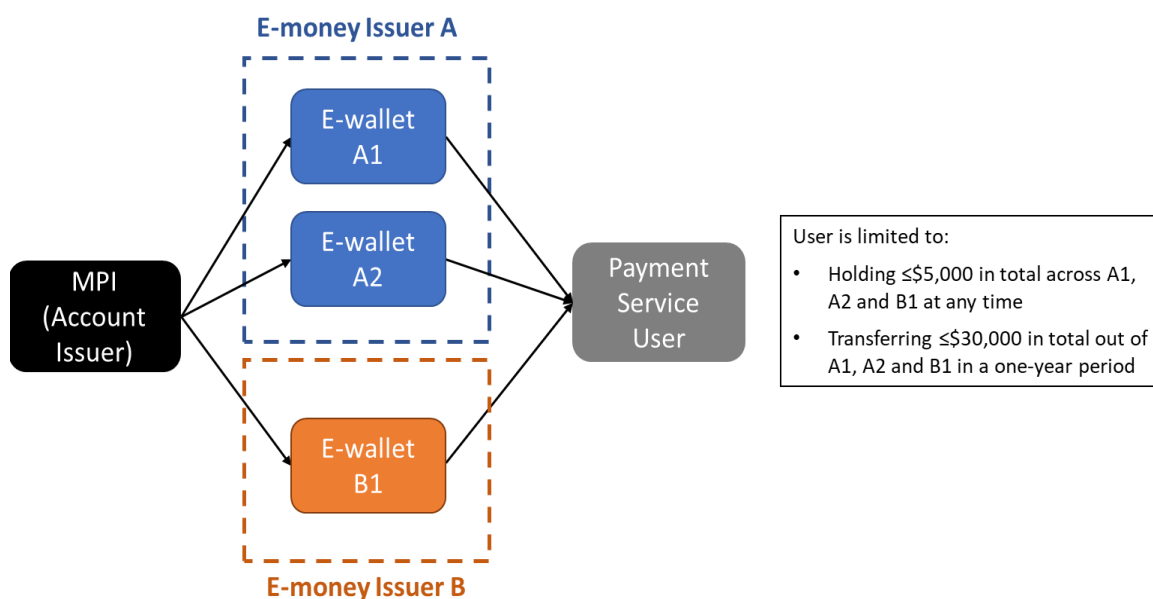
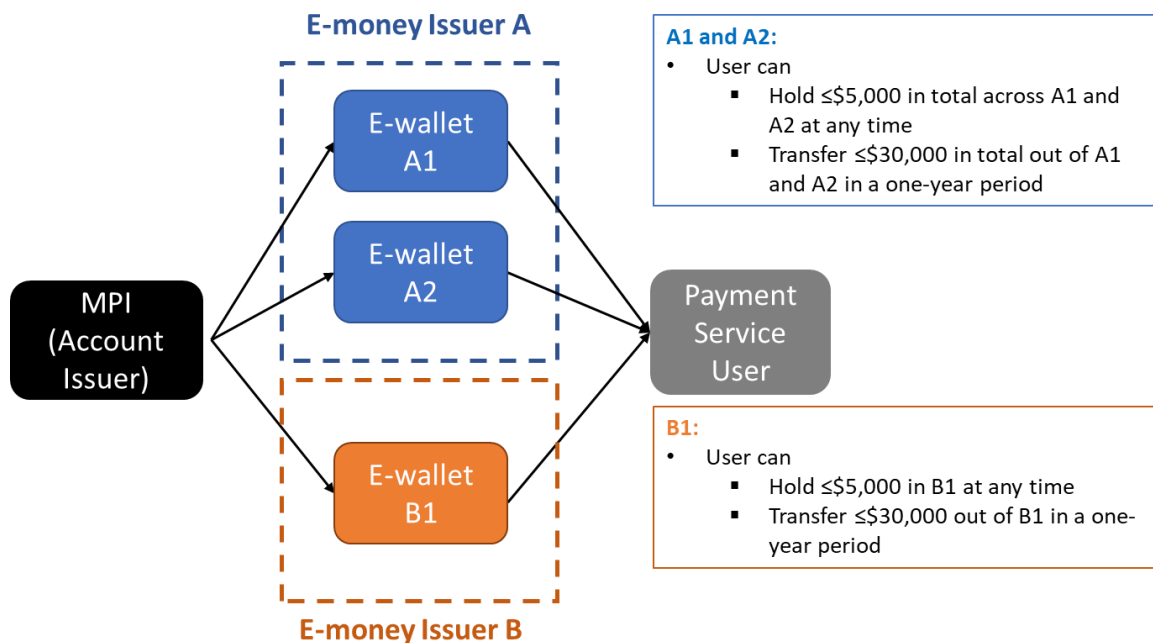


Diagram 2: After the WLA exemption



Question 2. White-label account exemption. MAS seeks comments on the proposed white-label account exemption.

LIST OF QUESTIONS

- Question 1. Revision to caps on personal e-wallets.** MAS seeks comments on the proposed increases in the e-wallet stock cap to \$20,000 and flow cap to \$100,000. Please substantiate your response with data, if possible.5
- Question 2. White-label account exemption.** MAS seeks comments on the proposed white-label account exemption.7

PROPOSED AMENDMENTS TO THE PAYMENT SERVICE REGULATION

THIS VERSION OF THE PROPOSED AMENDMENTS TO THE PAYMENT SERVICES REGULATIONS 2019 IS IN DRAFT FORM AND SUBJECT TO CHANGE. IT IS ALSO SUBJECT TO REVIEW BY THE ATTORNEY GENERAL'S CHAMBERS.

Amendments to Reg 18

Restrictions on personal payment accounts that contain e-money

18.—(1) For the purposes of section 24(1)(a) and (c)(i) of the Act, the prescribed amount is ~~\$5,000~~ \$20,000.

(2) For the purposes of section 24(1)(b) and (c)(ii) of the Act, the prescribed amount is ~~\$30,000~~ \$100,000.

New paragraph in Reg 33

Exemption from requirements in section 24 of Act

33.—(1)...

(4A) A major payment institution is exempt from Section 24 (1)(c) of the Act in respect of all the personal payment accounts that the major payment institution issues to a payment service user if the personal payment accounts are issued by the major payment institution on behalf of 2 or more e-money issuance service providers and each personal payment account contains e-money issued by an e-money issuance service provider to the payment service user.

Annex C

RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

Consultation topic:	Consultation on Proposed Amendments to Restrictions on Personal Payment Accounts that Contain E-Money
Name¹/Organisation: ¹ if responding in a personal capacity	
Contact number for any clarifications:	
Email address for any clarifications:	
MAS seeks comments on the proposed increases in the e-wallet stock cap to \$20,000 and flow cap to \$100,000. Please substantiate your response with data, if possible.	
MAS seeks comments on the proposed white-label account exemption.	

Confidentiality	
I wish to keep the following confidential:	<p><i>(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity along with your whole submission to be kept confidential. Your contact information will not be published.)</i></p>

