

# CONSULTATION PAPER

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## **Proposed Payment Services Notices on Prevention of Money Laundering and Countering the Financing of Terrorism**

**MAS**

Monetary Authority of Singapore

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## 1 Preface

### Background

1.1 The Payment Services Bill (“**PSB**”) was introduced and passed in Parliament on 19 November 2018 and 14 January 2019 respectively. At the commencement of the Payment Services Act (“**PS Act**”), the Payment Systems (Oversight) Act (Cap. 222A) (“**PS(O)A**”) and the Money-Changing and Remittance Businesses Act (Cap. 187) (“**MCRBA**”) will be repealed. Under the PS Act, the Monetary Authority of Singapore (“**MAS**”) will regulate significant payment systems and the provision of payment services in Singapore.

1.2 MAS is proposing to issue new notices to payment services providers on anti-money laundering and countering the financing of terrorism (“**AML/CFT**”), pursuant to the Monetary Authority of Singapore Act (Cap. 186) (“**MAS Act**”).

1.3 The new notices (“**PS Notices**”) will bring together and update requirements applicable to activities currently regulated under the MCRBA and PS(O)A, and introduce new requirements on newly regulated payment services under the PS Act. AML/CFT measures will apply to all three classes of licensees (Money-Changing licence, Standard Payment Institution licence, and Major Payment Institution licence). The scope of the Notices will cover (a) account issuance services (“**Activity A**”), (b) domestic money transfer services (“**Activity B**”), (c) cross-border money transfer services (“**Activity C**”), (d) money-changing services (“**Activity G**”), and (e) digital payment token services (“**Activity F**”).

1.4 MAS intends to issue two sets of AML/CFT Notices under the MAS Act:

- (a) Notice to Payment Services Providers (Specified Payment Services) on Prevention of Money Laundering and Countering the Financing of Terrorism
- (b) Notice to Payment Services Providers (Digital Payment Token Service) on Prevention of Money Laundering and Countering the Financing of Terrorism

1.5 **Annex A** sets out a list of questions asked in this paper. **Annex B** sets out the proposed Notices and hyperlinks. The PS Act may be accessed at [this link](#).

1.6 The topics addressed in this paper should be read together, and are in addition to, the considerations on AML/CFT requirements provided in MAS’ Response to Feedback Received (November 2018) for the second public consultation on the proposed Payment Services Bill.

1.7 For information, MAS plans to publish for consultation the other Notices to be issued under the PS Act, towards the second half of this year.

- 1.8 MAS invites comments from:
- (a) Financial institutions (“**FI**”s) – Banks, non-bank credit card issuers, operators, settlement institutions and participants of designated payment systems, money-changers, remittance businesses, and holders of stored value facilities;
  - (b) Potential licensees and regulated entities under the PS Act – Payment system operators, payment account issuers, domestic money transfer providers, cross-border money transfer providers, merchant acquirers, e-money issuers and digital payment token (“**DPT**”) service providers;
  - (c) Other interested parties – Members of the public, consumer associations, government agencies, audit firms, law firms, trade associations, non-profit organisations, and other parties who may be impacted by or interested in the proposed review.

**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.**

- 1.9 Please submit written comments by 5 July 2019 to –

PS AML/CFT Notices Consultation  
Anti-Money Laundering Department  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Email: [amlcft\\_consult@mas.gov.sg](mailto:amlcft_consult@mas.gov.sg)

- 1.10 Electronic submission is encouraged. We would appreciate that you use this [suggested format](#) for your submission to ease our collation efforts.<sup>1</sup>

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<sup>1</sup> If you are providing a PDF version of your response, we would be grateful if you could also send a Word copy of your response for our collation.

## 2 Payment Services Notices: Overview and Scope

2.1 In the November 2017 public consultation on the PSB, MAS had identified Activities A (Account issuance services), B (Domestic money transfer services), C (Cross-border money transfer services), F (Digital Payment Token services) and G (Money-changing services) as the activities that carry money-laundering/terrorism financing (“**ML/TF**”) risks, and which will therefore attract AML/CFT requirements under MAS’ AML/CFT Notices. In line with international practices, MAS is not regulating Activities D (merchant acquisition) and E (e-money issuance) for ML/TF risks at this point and accordingly will not apply AML/CFT requirements to licensees carrying out these activities for now.

2.2 For Activities A, B, C, F, and G, a licensee is not required to comply with MAS’ AML/CFT Notices if it provides only services<sup>2</sup> that meet certain low risk criteria for ML/TF (“**MAS defined low risk activities**”). The criteria for such MAS defined low risk activities was previously set out in the November 2017 consultation paper and is reproduced in **Table 1**.

**Table 1: MAS Defined Low Risk Activities**

Activity	Low risk criteria
<b>Activity A</b> <b>Account issuance services</b>	Issuing payment accounts that: <ul style="list-style-type: none"> <li>(a) Do not allow physical cash withdrawal;</li> <li>(b) Do not allow physical cash refunds above S\$100, unless the payment institution performs identification and verification of sender; <u>and</u></li> <li>(c) Do not have an e-wallet capacity (i.e. load limit) that exceeds S\$1,000.</li> </ul>
<b>Activity B</b> <b>Domestic money transfer services</b>	Services that only allow the user to perform the following transactions: <ul style="list-style-type: none"> <li>(a) Payment for goods or services <u>and</u> where payment is funded from an identifiable source (being an account with a FI regulated for AML/CFT);</li> <li>(b) Payment for goods or services <u>and</u> where the transaction is under S\$20,000; <u>or</u></li> </ul>

<sup>2</sup> Where a licensee provides services beyond MAS defined low risk activities, the licensee would have to ensure that all its activities (including those that are MAS defined low risk activities) comply with the requirements in the AML/CFT Notices. Where a licensee provides services in a form of a product that confines the activities to MAS defined low risk activities only, then the licensee would not need to comply with certain sections of PS Notice 01 in relation to that product. MAS’ considerations on such exempted product are elaborated upon in paragraphs 2.14 – 2.18 of this paper.

	(c) Payment is funded from an identifiable source <u>and</u> where the transaction is under S\$20,000.
<b>Activity C Cross-border money transfer services</b>	Services where the user is only allowed to pay for goods or services <u>and</u> where that payment is funded from an identifiable source.

2.3 MAS notes that certain types of non-payment services business activities carried out by payment service providers—whether licensed or exempt— (referred to henceforth as “**payment service providers**”) may also carry ML/TF risks and hence are subject to AML/CFT regulatory requirements by another regulatory authority in Singapore. MAS generally does not encourage payment service providers to conduct activities outside of payment services, unless these are incidental to and supportive of their primary business model, which could be a payment service or otherwise. To mitigate the ML/TF risks that such non-payment services may pose, MAS intends to impose AML/CFT requirements on such non-payment services activities conducted by payment service providers which carry ML/TF risks but are not scoped in for (or are exempt from) AML/CFT requirements imposed by another regulatory authority in Singapore. An example of such non-payment services activities is dealing in precious stones and precious metals. MAS will seek views on the AML/CFT requirements that will be imposed for such non-payment services activities in due course. We intend to require that licensees notify us when they conduct any such non-payment services activity.

2.4 Where any FI conducts a suite of business activities that may be offered to a single customer, including the provision of payment services, MAS expects that the FI shall maintain the capability to holistically monitor the customer relationship across the entire range of activities being provided, including for the mitigation of ML/TF risks.

**Question 1. Scope.** MAS seeks comments on the proposal in paragraph 2.3 to additionally impose AML/CFT requirements on payment service providers for such other business activity that is subject to AML/CFT requirements by another regulatory authority in Singapore but where payment service providers have been exempted from the application of such requirements under the regulatory authority.

Digital Payment Token Services

2.5 **We reiterate that all transactions under Activity F (digital payment token services)** are considered by MAS to carry higher inherent ML/TF risks due to the anonymity, speed and cross-border nature of their transactions. This view is consistent with the position taken by the international AML/CFT standards-setter, the Financial Action Task Force (“**FATF**”), which has

recently introduced newly clarified Standards for, what the FATF has termed, virtual asset services providers (“**VASPs**”)<sup>3</sup>.

2.6 Under the FATF Standards, VASPs are entities that perform the following activities: (i) exchange between DPT and fiat currencies, (ii) exchange between one or more forms of DPT, (iii) transfer of DPT, (iv) safekeeping and/or administration of virtual assets or instruments enabling control over virtual assets (“**custodian wallets**”), and (v) participation in and provision of financial services related to an issuer’s offer and/or sale of a virtual asset (“**ICO services**”)<sup>4</sup>. The FATF Standards require countries to apply recommended measures to such VASPs.

2.7 Accordingly, in line with the FATF Standards, MAS will introduce AML/CFT requirements on licensees that are digital payment token service providers (“**DPTS providers**”) who deal in or facilitate the exchange of DPTs for real currencies where -

- i. dealing in DPT includes the buying or selling of DPT. This would typically involve the exchange of DPT for fiat currency (e.g. Bitcoin for USD, or USD for Ether) or another DPT (e.g. Bitcoin for Ether);
- ii. facilitating the exchange of DPT means establishing or operating a DPT exchange which allows the buying or selling of any DPT, in exchange for fiat currency or any DPT (whether of the same or a different type).

2.8 Where DPTS 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, which is in line with the global FATF Standards.

2.9 In addition to the requirements on DPTS providers, to fully align with ongoing revisions to the FATF Standards, MAS intends to amend legislation and issue AML/CFT Notices at a later stage. The proposed future changes will scope in and regulate for AML/CFT requirements the service providers that provide one or both of the following: transfer of DPTs or provision of custodian wallets for or on behalf of customers. In line with the FATF Standards, MAS also intends to set out that as a minimum baseline, any entity which offers DPT services (whether offered in Singapore or otherwise) and is incorporated in Singapore will require a license under the PS Act,

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<sup>3</sup> The FATF amended Recommendation 15 of its Standards in October 2018 to clarify how the FATF Standards apply to activities or operations involving virtual assets.

<sup>4</sup> On 1 August 2017, the MAS clarified that if a digital token constitutes a product regulated under the securities laws administered by MAS, the offer or issue of digital tokens must comply with the applicable securities laws, i.e. the Securities and Futures Act (Cap. 289) (“SFA”) and the Financial Advisers Act (Cap. 110) (“FAA”).

and consequently be subject to AML/CFT regulation. MAS expects to issue the public consultation on the proposed legislative and Notice amendments by end-2020.

**Question 2. Alignment with FATF Standards.** MAS seeks comments on the proposed requirements in paragraph 2.8, in relation to transfer of DPT and custodian wallet services. MAS also welcomes suggestions on other types of DPT-related services that a DPTS provider could be involved in and which may pose ML/TF risk, necessitating application of AML/CFT measures as well.

#### AML/CFT Notices for Payment Services

2.10 MAS intends to issue the following Notices that will lay out the AML/CFT requirements for licensees and other regulated persons under the PS Act when it comes into force:

- (a) Notice to Payment Services Providers (Specified Payment Services) on Prevention of Money Laundering and Countering the Financing of Terrorism (“**PS Notice 01**”)
- (b) Notice to Payment Services Providers (Digital Payment Token Service) on Prevention of Money Laundering and Countering the Financing of Terrorism (“**PS Notice 02**”)

2.11 PS Notice 01 will apply to licensees which carry on a business of providing Activities A, B, C, or G. PS Notice 01, when it comes into effect, will supersede but remain aligned with the AML/CFT requirements currently in MAS Notice 3001 (for holders of money-changer’s licence and remittance licence) and MAS Notice PSOA-N02 (for holders of stored value facilities).

2.12 PS Notice 02 will apply to licensees which carry on a business of providing Activity F. PS Notice 02 sets out a separate framework for the regulation of Activity F, and MAS is seeking specific inputs from stakeholders and interested parties on the AML/CFT requirements that are provided in the draft Notice. For avoidance of doubt, where a payment services licensee performs one or more regulated activities (e.g. Activities A and B) as well as Activity F, PS Notice 02 will apply to those aspects of the business operations that relate to DPT services and DPT-related transactions, while PS Notice 01 will apply to the other regulated activities.

2.13 The AML/CFT requirements on licensees for the relevant Activities will include (but are not limited to) the following:

- Taking appropriate steps to identify, assess and understand their ML/TF risks;
- Developing and implementing policies, procedures and controls—including those in relation to the conduct of customer due diligence (“**CDD**”), transaction monitoring, screening, suspicious transactions reporting and record keeping, in



accordance with the relevant MAS Notices—to enable them to effectively manage and mitigate the risks that have been identified;

- Monitoring the implementation of those policies, procedures and controls, and enhancing them if necessary; and
- Performing enhanced measures where higher ML/TF risks are identified, to effectively manage and mitigate those higher risks.

#### Offering of Exempted Products

2.14 A licensee may, in addition to its existing Activities, offer additional product(s) where the activities in relation to such product(s) are confined to certain low risk criteria only (“Exempted Product(s)”, see definition under draft PS Notice 01).

2.15 In such a scenario, the licensee, in relation to the Exempted Product(s), does not need to comply with certain AML/CFT measures relating to customer due diligence, foreign currency exchange transactions, issuance of bearer negotiable instruments and cash payouts, agency arrangements, and wire transfers.

2.16 The licensee should continue to comply across its business (which may include the Exempted Product(s) and any other Activities generally) with the provisions relating to paragraphs 4 (Underlying Principles)<sup>5</sup>, 5 (Assessing Risks and Applying a Risk-based Approach), 6 (New Products, Practices and Technologies), 16 (Record Keeping)<sup>6</sup>, 17 (Personal Data), 18 (Suspicious Transactions Reporting), and 19 (Internal Policies, Compliance, Audit and Training).

2.17 In other words, where a licensee provides payment services regulated for AML/CFT, and offers a product which meets the criteria of Exempted Product(s), then the payment services provider must:

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<sup>5</sup> In relation to the application of paragraph 4 (Underlying Principles), MAS will not require licensees, where they offer Exempted Product(s), to comply with paragraph 4.1(a) of the draft Notice PS N01 in relation to the Exempted Product(s).

<sup>6</sup> In relation to the application of Section 16 (Record Keeping), MAS will not require licensees, where they offer Exempted Product(s), to comply with record keeping requirements in relation to the retention of CDD information as set out in paragraph 16.2(c) of the draft Notice PS N01 insofar that it relates to the Exempted Product(s).

- (a) be subject to all AML/CFT requirements in PS Notice 01 in relation to its regulated activities generally;
- (b) be subject to the AML/CFT requirements in PS Notice 01 except that it need not comply with aforesaid AML/CFT measures in paragraph 2.15 in relation to the Exempted Product(s) only;
- (c) apply its AML/CFT risk mitigation measures on an enterprise-wide basis. This includes developing and implementing policies, procedures and controls to ensure that any low risk payment activities it may conduct are kept within the parameters set out in Table 1; and
- (d) continue to ensure that appropriate records are maintained in order to demonstrate that all low risk activities comply with the aforementioned criteria.

2.18 There are no low risk exemptions in respect of Activity F, and a DPTS provider is subject to all the AML/CFT requirements found in PS Notice 02. Where such a DPTS provider offers an Exempted Product involving Activities A, B, C or G, it must comply with the relevant paragraphs of PS Notice 01 in carrying out its AML/CFT obligations.

**Question 3. AML/CFT Requirements for Offering of Exempted Products.** MAS seeks comments on the proposed requirements applicable to payment services providers offering Exempted Products as set out in paragraphs 2.14 to 2.18. *(Please refer to paragraph 3.3 of the draft PS Notice 01)*

### **3 Payment Services Notices: AML/CFT Requirements for All Licensees**

#### Simplified Customer Due Diligence

3.1 Licensees should adopt a risk-based approach to performing CDD. Consequently, MAS intends to permit licensees carrying out Activities A, B, C, and F to perform simplified customer due diligence (“SCDD”) measures where:

- (i) the licensee is satisfied, upon the overall analysis of risks, that the ML/TF risks are low; or
- (ii) the services provided to such customer are cross border wire transfers conducted solely for the payment of goods and services to merchants, and the transactions are funded from an identifiable source.

3.2 Licensees will not be permitted to perform SCDD measures where:

- (i) the annual cumulative transactions undertaken for a customer exceeds S\$20,000;
- (ii) the customer is a person with higher risk characteristics; or
- (iii) there is suspicion of ML/TF involved.

3.3 Where a licensee applies SCDD measures, it continues to be required to conduct screening<sup>7</sup> and ongoing monitoring of business relations under the relevant Notice.

3.4 MAS will not require licensees to seek MAS' approval prior to conducting SCDD.

3.5 As with the other MAS AML/CFT Notices, licensees that adopt SCDD measures into their business models should ensure that these measures are properly documented, and that records are well-maintained. MAS reserves the right to review all relevant documentation and records as part of our supervisory process.

**Question 4. Simplified Due Diligence.** MAS seeks comments on whether SCDD should be permitted for the various payment services covered under the Notices. If so, comments are sought for the SCDD conditions set out in paragraph 3.1 and scenarios where SCDD is not permitted under paragraph 3.2. *(Please refer to paragraph 8 of the draft PS Notice 01 and paragraph 7 of the draft PS Notice 02)*

#### Third Party Reliance

3.6 MAS intends to permit licensees to rely on a third party to perform certain elements of the CDD measures<sup>8</sup> (in relation to on-boarding KYC) required by the PS Notices, provided that following relevant requirements are met:

- (a) the licensee is satisfied that the third party it intends to rely upon is subject to and supervised for compliance with AML/CFT requirements consistent with Standards

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<sup>7</sup> Refer to paragraphs 7.51 – 7.54 of the draft PS Notice 01, and paragraphs 6.48 – 6.51 of the draft PS Notice 02 for the requirements on screening.

<sup>8</sup> The CDD measures for which third party reliance will be permitted are:

- (a) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information.
- (b) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the licensee is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include the licensee understanding the ownership and control structure of the customer.
- (c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship.

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set by the FATF, and has adequate AML/CFT measures in place to comply with those requirements;

- (b) the licensee takes appropriate steps to identify, assess and understand the money laundering and terrorism financing risks particular to the countries or jurisdictions that the third party operates in;
- (c) the third party is not one which licensees have been specifically precluded by the Authority from relying upon; and
- (d) the third party is able and willing to provide, without delay, upon the licensee's request, any data, documents or information obtained by the third party with respect to the measures applied on the relevant holder's customer, which the relevant holder would be required or would want to obtain.

3.7 Taking into account the higher ML/TF risks posed by virtual assets and VASPs, MAS intends to preclude licensees from third party reliance on VASPs, whether local or foreign.

**Question 5. Third Party Reliance.** MAS seeks comments on whether third party reliance is appropriate for the sector. *(Please refer to paragraph 12 of the draft PS Notice 01 and paragraph 11 of the draft PS Notice 02)*

#### Correspondent Account Services

3.8 Licensees may find themselves acting as payment intermediaries for other licensees or financial institutions. Where a licensee provides such correspondent account services (or similar services) to another financial institution that is operating in Singapore or elsewhere, or where it engages a financial institution, whether in Singapore or elsewhere, for correspondent account services, the FATF Standards on correspondent banking apply to the licensee.

3.9 In line with the Standards and to align with existing Notices<sup>9</sup>, MAS intends to require all licensees, in addition to performing normal due diligence measures, to also perform the necessary risk mitigation measures when providing correspondent account services to another financial institution or when engaging another financial institution for correspondent account services, including (a) assessing the suitability of the financial institution by understanding its AML/CFT

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<sup>9</sup> Paragraph 10 of MAS Notice 3001 sets out requirements that would apply in relation to the provision of remittance services to financial institutions or through financial institutions. Paragraph 10 of MAS Notice PSOA-N02 sets out requirements that would apply to a relevant holder (of stored value facilities) when it provides correspondent account services or other similar services to financial institutions.

controls and that they are adequate and effective, (b) clearly understanding and documenting the respective AML/CFT responsibilities of each financial institution, and (c) obtaining approval from the licensee's senior management before providing correspondent account or similar services to a new financial institution or engaging a new financial institution for correspondent account services.

**Question 6. Correspondent Account Services.** MAS seeks comments on whether the proposed requirements for Correspondent Account Services set out in paragraph 3.9 would be applicable to the Activity performed by your institution. *(Please refer to paragraph 13 of the draft PS Notice 01 and paragraph 12 of the draft PS Notice 02)*

#### Bearer Negotiable Instruments and Cash Payouts

3.10 Cash and bearer negotiable instruments, such as cash cheques, are anonymous in nature and therefore susceptible to ML/TF abuse. Where licensees perform cash-based transactions, there is an increased ML/TF risk exposure. In order to mitigate the consequent risks, MAS proposes to:

- (a) prohibit licensees who perform money-changing transactions, inward cross-border money transfers, domestic money transfers, withdrawals from payment accounts, and the purchase or sale of foreign currency without the use of foreign currency notes ("**FX transactions**"), from issuing bearer negotiable instruments, for example cash cheques, in any currency to their customers; and
- (b) require licensees who perform inward cross-border money transfers, domestic money transfers, withdrawals from payment accounts, and FX transactions, to use non-cash settlement methods for pay-outs of S\$20,000 and above (or such equivalent amount in foreign currency) to persons in Singapore.

3.11 The existing MAS Notice 3006 on the Prohibition on Issuance of Bearer Negotiable Instruments and Restriction of Cash Payout, which currently applies to holders of money-changer's licence and remittance licence, will be folded into both the PS Notice 01 and PS Notice 02 respectively as a new section.

3.12 MAS intends to apply the requirements of Notice 3006 to all licensees which have AML/CFT obligations – i.e. licensees which perform Activities A, B, C, F, and G.

**Question 7. Bearer Instruments and Cash Payouts.** MAS seeks comments on the proposal in paragraph 3.10 to apply the prohibition on issuance of bearer negotiable instruments and restriction of cash payout requirements to licensees which perform Activities A, B, C, F and G. *(Please refer to paragraph 11 of the draft PS Notice 01 and paragraph 10 of the draft PS Notice 02)*

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#### **4 Payment Services Notices: AML/CFT Requirements for Money-changers**

##### Occasional Transactions Using Identifiable Sources

4.1 As announced in the November 2017 consultation, entities that carry on Activity G (Money-changing Services) will need to be licensed, primarily for AML/CFT reasons; there will be no low risk exemptions for entities performing Activity G. The existing transaction-level threshold for money-changers performing occasional transactions under the current regime will be retained, where a money-changer need not perform CDD on the customer for a cash transaction of an aggregate value of less than S\$5,000 per customer. MAS will additionally not require a money-changer to conduct CDD on the customer for a transaction funded from an identifiable source, with an aggregate value of under S\$20,000 per customer.

4.2 Where any licensee (including money-changers) suspects that two or more payment transactions may be related or the result of a deliberate restructuring of an otherwise single transaction into smaller transactions in order to evade AML/CFT controls put in place by the FIs, the licensee shall treat the relevant payment transactions as a single transaction and aggregate their values for the purposes of considering whether CDD should apply. The licensee shall also file a suspicious transaction report where it knows or has reasonable grounds to suspect that any property may be connected to a criminal activity.

#### **5 Payment Services Notices: AML/CFT Requirements for DPT Services**

##### Cross-border Value Transfer

5.1 Taking into account the digital and cross-border nature of DPT transactions, the FATF has clarified that countries should apply the relevant measures under its Standards to virtual assets and VASPs<sup>10</sup> (which includes DPTS providers). Consequently, Recommendation 16 (Wire Transfers) of the FATF Standards would apply to all licensees who perform Activity F.

5.2 The cross-border value transfer requirements in PS Notice 02 will oblige licensees that facilitate the sending of DPTs to obtain and hold required and accurate originator information and required beneficiary information on DPT transfers, immediately and securely submit the above information to beneficiary DPTS providers and counterparts (if any), and make the information available on request to appropriate authorities. Where licensees are the recipients of DPT transfers (whether on behalf of the customer or otherwise), the licensee should obtain and hold

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<sup>10</sup> The February 2019 FATF Public Statement on Mitigating Risks from Virtual Assets may be found at the following link (<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/regulation-virtual-assets-interpretive-note.html>).

required originator information as well as required and accurate beneficiary information on DPT transfers, and make these available on request to appropriate authorities.

5.3 Other requirements that would apply include monitoring of the availability of information, and taking freezing action and prohibiting transactions with designated persons and entities.

**Question 8. Cross-border Transfer.** MAS seeks comments on whether all value transfers of DPT should be considered cross-border in nature. Please elaborate on your comment.

**Question 9. Wire Transfer Requirements for DPT Services.** MAS seeks comments on whether the FATF's wire transfer requirements are applicable to DPT transactions. Specifically, what information would be relevant for law enforcement purposes, and what records should be kept and/or be attached to a DPT transaction? Please also provide examples of how this requirement could be operationalised in practice, including industry-wide initiatives. *(Please refer to paragraph 13 of the draft PS Notice 02)*

#### Occasional Transaction Thresholds

5.4 The FATF Standards acknowledge that, from time to time, financial institutions may carry out occasional transactions, where these transactions are carried out on a very limited basis (having regard to quantitative and absolute criteria), and where business relations may not be established as part of the transaction. With respect to DPT transactions, the FATF recently clarified in a Public Statement on its proposed Interpretive Note to Recommendation 15 that the occasional transactions designated threshold above which DPTS providers are required to conduct CDD is lowered to USD/EUR 1,000, from USD/EUR 15,000 for other types of FATF-covered activities, in view of the ML/TF risks associated with such activities.

5.5 MAS is therefore considering whether a designated threshold for DPT transactions would be applicable. The largely internet-based nature of DPT transactions suggests that DPTS providers would typically have to establish an account relationship with the customer in order to proceed with transactions. However, we note that there could be instances of occasional transactions, for example where DPTs are sold through ATM machines. Where occasional transactions occur, we propose to require CDD to be conducted from the first dollar, i.e. there is no threshold for such transactions, below which CDD need not apply.

**Question 10. Designated Threshold.** MAS seeks comments on the proposal in paragraph 5.5 not to set a threshold for the application of CDD i.e. require CDD to be conducted from the first dollar for DPT transactions, even in the case of occasional transactions. *(Please refer to paragraph 6.3(b) of the draft PS Notice 02)*

Collection of CDD Information

5.6 PS Notice 01 and PS Notice 02 will require the collection of certain customer-specific information, including at least the following—(i) full name, (ii) Unique Identification Number (e.g. customer NRIC or passport number), (iii) residential address (or registered or business address), (iv) date of birth (or establishment, incorporation, or registration), (v) nationality (or place of incorporation or place of registration). Additional identification is required for legal arrangements.

5.7 In relation to DPT services, MAS would like to seek feedback on whether any other customer-specific information may be more appropriate for CDD purposes, that could potentially supplement or substitute the customer-specific information highlighted in paragraph 5.6, in order to better identify a customer for the DPT sector (who may be an individual or a legal person). Some examples of alternative CDD information that could be collected may be found in **Table 2**.

**Table 2: Alternative Customer-specific Information for CDD**

Proposed Alternative CDD Information to be Collected
<ol style="list-style-type: none"><li>1. DPT Sending/ Receiving Addresses (“Source of funds”)</li><li>2. Receipts/documentation on original purchase of cryptocurrency from an exchange or similar intermediary</li><li>3. Transaction details in relation to original purchase of DPT – i.e. number (hash) of transaction, value of transaction (e.g. 2 Bitcoins), timestamp, fee (cost of transaction), size of transaction (in bytes), funds balance history in the address, message recorded in transaction</li><li>4. Reasons for purchase of DPT.</li><li>5. Reasons for current transaction, if applicable.</li></ol>

**Question 11. CDD Information.** MAS seeks comments on whether any other customer-specific information that is relevant in the context of DPT transactions could be made applicable to potentially supplement or substitute existing identifiers for CDD purposes, including those that are featured in Table 2. *(Please refer to paragraph 6.6 of the draft PS Notice 02)*

**6 Payment Services Notices: Transitional Arrangements**

AML/CFT Requirements for Existing Holders of Stored Value Facilities

6.1 In the November 2018 response to consultation feedback, MAS proposed transitional arrangements to be set out as temporary exemptions for the specified periods. In respect of the “grace period” for Activity A, please note that it is conditional upon prevailing AML/CFT



requirements imposed by MAS under MAS Notice PSOA-N02 applicable to account issuance being met. Given that the PS(O)A will be repealed, MAS will issue a transitional AML/CFT Notice that will substantially apply the requirements of PSOA-N02 during this grace period. The transitional AML/CFT Notice will take effect from the commencement date of the PS Act, and will last for 12 months after the commencement date.

## ANNEX A: LIST OF QUESTIONS

- Question 1. Scope.** MAS seeks comments on the proposal in paragraph 2.3 to additionally impose AML/CFT requirements on payment service providers for such other business activity that is subject to AML/CFT requirements by another regulatory authority in Singapore but where payment service providers have been exempted from the application of such requirements under the regulatory authority..... 6
- Question 2. Alignment with FATF Standards.** MAS seeks comments on the proposed requirements in paragraph 2.8, in relation to transfer of DPT and custodian wallet services. MAS also welcomes suggestions on other types of DPT-related services that a DPTS provider could be involved in and which may pose ML/TF risk, necessitating application of AML/CFT measures as well. .... 8
- Question 3. AML/CFT Requirements for Offering of Exempted Products.** MAS seeks comments on the proposed requirements applicable to payment services providers offering Exempted Products as set out in paragraphs 2.14 to 2.18 (*Please refer to paragraph 3.3 of the draft PS Notice 01*) ..... 10
- Question 4. Simplified Due Diligence.** MAS seeks comments on whether SCDD should be permitted for the various payment services covered under the Notices. If so, comments are sought for the SCDD conditions set out in paragraph 3.1 and scenarios where SCDD is not permitted under paragraph 3.2. (*Please refer to paragraph 8 of the draft PS Notice 01 and paragraph 7 of the draft PS Notice 02*)..... 11
- Question 5. Third Party Reliance.** MAS seeks comments on whether third party reliance is appropriate for the sector. (*Please refer to paragraph 12 of the draft PS Notice 01 and paragraph 11 of the draft PS Notice 02*) ..... 12
- Question 6. Correspondent Account Services.** MAS seeks comments on whether the proposed requirements for Correspondent Account Services set out in paragraph 3.9 would be applicable to the Activity performed by your institution. (*Please refer to paragraph 13 of the draft PS Notice 01 and paragraph 12 of the draft PS Notice 02*) .... 13
- Question 7. Bearer Instruments and Cash Payouts.** MAS seeks comments on the proposal in paragraph 3.10 to apply the prohibition on issuance of bearer negotiable instruments and restriction of cash payout requirements to licensees which perform Activities A, B, C,

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F and G. *(Please refer to paragraph 11 of the draft PS Notice 01 and paragraph 10 of the draft PS Notice 02)*..... 13

**Question 8. Cross-border Transfer.** MAS seeks comments on whether all value transfers of DPT should be considered cross-border in nature. Please elaborate on your comment.  
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**Question 9. Wire Transfer Requirements for DPT Services.** MAS seeks comments on whether the FATF's wire transfer requirements are applicable to DPT transactions. Specifically, what information would be relevant for law enforcement purposes, and what records should be kept and/or be attached to a DPT transaction? Please also provide examples of how this requirement could be operationalised in practice, including industry-wide initiatives. *(Please refer to paragraph 13 of the draft PS Notice 02)*..... 15

**Question 10. Designated Threshold.** MAS seeks comments on the proposal in paragraph 5.5 not to set a threshold for the application of CDD i.e. require CDD to be conducted from the first dollar for DPT transactions, even in the case of occasional transactions. *(Please refer to paragraph 6.3(b) of the draft PS Notice 02)*..... 15

**Question 11. CDD Information.** MAS seeks comments on whether any other customer-specific information that is relevant in the context of DPT transactions could be made applicable to potentially supplement or substitute existing identifiers for CDD purposes, including those that are featured in Table 2. *(Please refer to paragraph 6.6 of the draft PS Notice 02)* ..... 16

**Annex B**

**ANNEX B: DRAFT PAYMENT SERVICES NOTICES ON THE PREVENTION OF MONEY  
LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM**

[DISCLAIMER: THESE VERSIONS OF THE PAYMENT SERVICES AML/CFT NOTICES ARE IN DRAFT  
FORM AND SUBJECT TO CHANGE.]

**Annex B1:** [[Link to Draft Notice to Payment Services Providers \(Specified Payment Services\) on  
Prevention of Money Laundering and Countering the Financing of Terrorism \(“PS Notice 01”\)](#)]

**Annex B2:** [[Link to Draft Notice to Payment Services Providers \(Digital Payment Token Service\)  
on Prevention of Money Laundering and Countering the Financing of Terrorism \(“PS Notice 02”\)](#)]

