

# CONSULTATION PAPER

P009 - 2016

August 2016

## Proposed Activity-based Payments Framework and Establishment of a National Payments Council

MAS

Monetary Authority of Singapore

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## **1 Preface**

### Background

1.1 There are several systemically and system-wide important payment systems in Singapore, each with its own governance structure spanning the spectrum of public and private sector governance. At one end of the spectrum, the MAS Electronic Payment System ("MEPS+") is wholly-owned, operated, and governed by MAS. In the middle of the spectrum, the Singapore Dollar Cheque Clearing System ("SGDCCS"), US Dollar Cheque Clearing System ("USDCCS"), Inter-bank GIRO system ("IBG"), and Fast And Secure Transfers ("FAST") are privately-owned and operated but are governed by the Singapore Clearing House Association ("SCHA"), which is chaired by MAS and comprises private sector stakeholders from the banking industry. At the private end of the spectrum, NETS Electronic Fund Transfers at Point of Sale ("NETS EFTPOS") is privately-owned, operated, and governed.

1.2 Apart from the systemically and system-wide important payment systems, consumers in Singapore have access to a wide variety of international card payment schemes, and various stored value facilities ("SVF"s) such as vouchers, transit cards, and electronic-wallets. Such systems are often governed independently by private entities that define their own specific set of rules and technical standards. There is also a wide range of remittance options in Singapore to cater to the outbound payment needs of residents and foreign workers.

1.3 Historically, there has been a clear distinction between payment systems, SVFs, and remittance businesses. This distinction is reflected in Singapore's payments and remittance regulatory framework, which falls under two separate legislations: the Payment Systems (Oversight) Act ("PS(O)A") and the Money-changing and Remittance Businesses Act ("MCRBA").

1.4 The PS(O)A focuses on regulating and supervising systemically and system-wide important payment systems as well as regulating holders of SVFs. Designated Payment Systems ("DPS") include MEPS+, SGDCCS, USDCCS, IBG, FAST, and NETS EFTPOS. DPS are supervised for the purpose of maintaining financial stability and confidence in Singapore's payment systems. Certain holders of SVFs, which are deemed to be widely accepted, are also regulated, but with a focus on the protection of customers' funds. These widely accepted SVFs ("WA SVFs") include ez-link Card, NETS CashCard, and NETS FlashPay.

1.5 The MCRBA focuses on licensing and supervising remittance businesses in Singapore. There are a wide range of licensees in Singapore, ranging from small

operations to large international companies. The MCRBA also provides for the licensing and supervision of money-changers.

### Payments Roadmap

1.6 In its report to MAS on Singapore's payments landscape and recommendations for a payments roadmap to 2020, KPMG identified regulation and governance as two key areas for review. The roadmap focused on retail payments.

1.7 With regard to regulation of payment systems, KPMG has observed the overlapping nature of the PS(O)A and MCRBA, and the increasing complexity of payment service providers in Singapore.

1.8 With technological advancements and the advent of FinTech, the lines between payment systems, SVFs, and remittances are blurring rapidly. This is especially striking for remittance, which has traditionally accepted cash at a physical storefront but where a FinTech company could allow customers to fund payments through a SVF or directly from a bank account.

1.9 More generally, the payments ecosystem, consisting of banks, merchant acquirers, processors, and other payment service providers, is also becoming more complex and integrated. A single payment service provider may acquire transactions for multiple payment systems, and simultaneously offer SVFs to customers. The provider could also decide to leverage on its customer base to offer cross-border remittances or facilitate online payments to overseas merchants.

1.10 While technological advancements have made for a more convenient and seamless payments experience for users, new risks are also emerging. Payment service providers around the world have been subject to cyber-attacks, leaving users vulnerable to personal data leaks. The increasing complexity and globalisation of the payments ecosystem have also led to reduced transparency for the user, as various fees and foreign exchange charges could be embedded into users' statements with minimal explanation prior to the purchase.

1.11 A more calibrated regulatory regime, applied on an activity basis to payment service providers, rather than specific payment systems, would allow MAS to better address specific issues such as consumer protection, access and corporate governance. It would also give MAS the flexibility to address emerging risks such as cyber security, interoperability, technology, and money laundering and terrorism financing. It is envisioned that activity-based regulation of payment service providers would build public confidence and encourage the use of electronic payments.

1.12 In terms of governance, KPMG observed that Singapore's payments landscape is characterised by a lack of interoperability and limited formal participation of demand-side voices, such as businesses, trade associations, merchants, billing organisations, and consumers. Their opinion is that these factors have contributed to the perception that while Singapore is technologically advanced, its payments landscape is fragmented and largely cash and cheque based.

1.13 Establishing a single governance structure can help to address these issues and bring improvements to the payments ecosystem. It would be a forum where the voices of the users (demand-side) and providers (supply-side) are both heard, allowing competition, innovation and collaboration to foster, and help shape Singapore's payments landscape in a cohesive and efficient manner.

1.14 In order to transform Singapore's payments landscape, KPMG has recommended that MAS consider:

- (a) Regulations – Reviewing the existing payments and remittance regulatory frameworks to create a consolidated activity and risk-based regulatory framework that is forward looking and will provide for licensing, regulation, and supervision of all relevant segments of the payments ecosystem and remittance businesses in Singapore. This Proposed Payments Framework ("PPF") will complement the existing supervision of DPS under the PS(O)A.
- (b) Governance – Establishing a National Payments Council ("NPC") that will provide a forum for supply-side (e.g. banks and payment service providers) and demand-side (e.g. trade and consumer associations, billing organisations and government agencies) stakeholders to co-create interoperable payments solutions, discuss national level payments strategies and implement key projects. The proposed NPC would also govern scheme rules for payment systems in Singapore.

1.15 This public consultation is the first in a series of consultations on the PPF and NPC, and is focused on obtaining broad-based feedback on the proposed enhancements to regulation and governance of the Singapore payments landscape. MAS would appreciate feedback on the scope of payment activities to be regulated under the PPF, and the broad mandate and composition of the proposed NPC. Subsequent rounds of public consultation will seek feedback on specific policies and the draft legislation, which will include requirements and applicability to various payment activities.

1.16 MAS invites comments from:

- (a) Financial institutions – Banks, non-bank credit card issuers, operators of DPS, money changers, remittance businesses, holders of SVFs, etc.;
- (b) Broader payments industry – Payment system operators, merchant acquirers, payment gateway providers, and FinTech firms;
- (c) Businesses – Large corporates, billing organisations (e.g. telecommunication and utility companies, town councils, and strata management corporations), small and medium businesses, trade associations, non-profit organisations, and charities;
- (d) Other interested parties – Members of the public, consumer associations, government agencies, law firms, and other companies who may be impacted by 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.**

1.17 Please submit written comments by 31 October 2016 to –

FinTech & Innovation Group  
Monetary Authority of Singapore  
10 Shenton Way, MAS Building  
Singapore 079117  
Fax: (65) 62203973  
Email: [payments\\_consult@mas.gov.sg](mailto:payments_consult@mas.gov.sg)

1.18 Electronic submission is encouraged. We would appreciate that you use this [suggested format](#) for your submission to ease our collation efforts.

## 2 Regulation – Proposed Payments Framework

### Activity-based Regulation

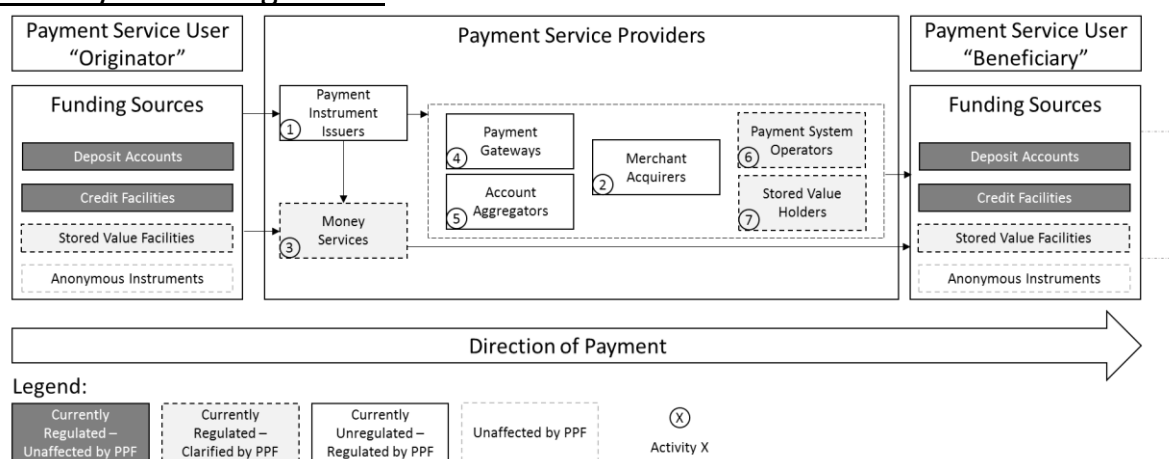


Figure 1: Schematic of Payments Ecosystem and potential impact of the Proposed Payments Framework ("PPF")

2.1 Since the introduction of the Money-changing and Remittance Businesses Act ("MCRBA") in 1979, and the Payment Systems (Oversight) Act ("PS(O)A") in 2006, there has been a phenomenal pace of innovation in the Singapore payments ecosystem. The ecosystem is no longer neatly delineated along the lines of stored value and cross-border payments, nor between physical and electronic payments.

2.2 Today, there could be multiple payment service providers that intermediate between payment service users. There are also new threats to consumer confidence in the payment system which are not limited to systemic or system-wide risks which the PS(O)A is focused on mitigating. With new technology and FinTech, the lines between remittance and payments are also blurring. MAS believes that there is scope to combine the remittance and payments regulatory frameworks to create a more calibrated, flexible and forward looking framework.

2.3 The Proposed Payments Framework ("PPF") will supersede the PS(O)A and is envisioned to be applied on an activity-basis to entities within the payments ecosystem to allow MAS to better address issues such as consumer protection, access, corporate governance, and other emerging risks such as cyber security, interoperability, technology, and money-laundering and terrorism financing. MAS expects that these requirements will be risk-based and calibrated to specific risks observed in the various payment activities.

2.4 With the objective of building trust and confidence in the payments ecosystem, MAS is seeking feedback on the scope of payment activities that should be subjected to regulation under the PPF. For the avoidance of doubt, payment systems that are

sufficiently large, and pose systemic or system-wide risk will continue to be subjected to designation, similar to the current requirements under the PS(O)A.

2.5 Under the PPF, MAS envisages that banks will continue to be exempted from obtaining a separate licence to conduct payment activities. This is in line with the existing treatment of banks under the MCRBA. Nonetheless, to promote a level playing field where similar activities are regulated similarly if they pose similar risks, banks will be required to comply with all applicable requirements under the PPF in relation to their payments activities.

2.6 MAS intends that entities will only be required to apply for a single licence under the PPF, which will permit them to undertake specific activities as listed in their application. Multiple licences will not be required. However, if an entity's business model expands beyond the activities granted in its licence, it will have to make an application to include the additional activities. At present, MAS only intends for licensing to apply to locally established payment service providers.

2.7 MAS will consult on specific definitions and requirements in a subsequent round of consultation, after considering public feedback on the scope of potential regulated payment activities.

- Question 1.** MAS seeks views on its approach to regulation of payment activities under the PPF.
- Question 2.** MAS seeks views on the impact of PPF on the level playing field between banks and non-banks in the payments industry.
- Question 3.** MAS seeks views on whether the existing designation regime should be extended to apply to all payment service providers undertaking payment activities.
- Question 4.** MAS seeks views on the scope of the PPF, including whether foreign payment service providers that provide services to Singapore residents should be required to establish a local presence.

### Scope of Activities

2.8 MAS is proposing for the scope of the PPF to include entities in the payments ecosystem which undertake or provide the following payment activities:



- (a) Activity 1: Issuing and maintaining payment instruments, such as payment cards, payment accounts, electronic wallets, and cheques<sup>1</sup>;
- (b) Activity 2: Acquiring payment transactions, such as physical and online merchant acquisition services, merchant aggregators, and master merchants;
- (c) Activity 3: Providing money transmission and conversion services, such as domestic and in-bound/out-bound cross-border remittance services, currency-conversion services, and virtual currency intermediation services;
- (d) Activity 4: Operating payments communication platforms, such as payment gateways, payment processors, and kiosks;
- (e) Activity 5: Providing payment instrument aggregation services, such as payment card aggregation and bank transaction account aggregation;
- (f) Activity 6: Operating payment systems which facilitate the transfer of funds through processing, switching, clearing, and/or settlement of payment transactions; and,
- (g) Activity 7: Holding stored value facilities ("SVFs"), such as prepaid cards and prefunded electronic wallets.

2.9 For clarity, it is likely that a payment service provider may need approval to conduct multiple activities under its licence. For example, an operator of a peer-to-peer (prepaid) electronic wallet may at a minimum require a licence to conduct Activities 1, 3, and 7. If the operator were to acquire merchants, it would likely require further approval to conduct Activities 2, and potentially 4. MAS intends that each payment service provider will only require one licence to undertake payment activities.

2.10 MAS will consult on the specific definition of each payment activity in a subsequent round of consultation.

**Question 5.** MAS seeks views on whether the proposed activities are comprehensive, and whether any activities in the payments ecosystem have been left out.

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<sup>1</sup> In the context of Activity 1, an issuer of a cheque refers to the drawee bank. For example, if Alice (who banks with bank X) writes a cheque to Bob, bank X will be considered as the issuer of that cheque.

## Activity 1: Issuing and Maintaining Payment Instruments

2.11 For the purposes of the PPF, MAS proposes to define a payment instrument as an instrument that provides a user access to regulated funding sources for the purpose of initiating payments. These funding sources include:

- (a) Deposit and checking accounts regulated under the Banking Act;
- (b) Credit facilities regulated under the Banking Act; and
- (c) Stored value facilities currently regulated under the PS(O)A, and subject to clarification as part of this review of the payments regulatory framework.

2.12 Under the PPF, MAS envisages that payment instruments will include:

- (a) Payment cards – Debit cards (including ATM cards), credit cards, charge cards, and stored value cards, irrespective of whether the funds are held on the card itself or linked to an account maintained by the issuer;
- (b) Payment accounts – Payment and internet banking portals and apps, virtual cards, electronic wallets, and other non-physical instruments that allow users to initiate payments; and
- (c) Paper-based instruments – Cheques, cashiers' orders, and money orders.

2.13 For clarity, cash and other anonymous<sup>2</sup> instruments, having no identifiable issuer that opens and maintains accounts for users, will not be considered as regulated funding sources or payment instruments. Such instruments are therefore likely to be out of scope for the purposes of Activity 1. However, regardless of the activity the entity conducts, any payment service provider that facilitates the acceptance or withdrawal of cash and other anonymous instruments may attract additional requirements to mitigate money-laundering and terrorism financing risks.

2.14 MAS expects that card-issuing banks and non-banks, payment account issuers, and issuers of paper-based instruments will be considered as undertaking Activity 1. For the avoidance of doubt, MAS does not intend for payment service users to be considered as undertaking Activity 1.

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<sup>2</sup> MAS considers anonymous instruments to include virtual currencies, like Bitcoin.

2.15 MAS does not intend for regulation of Activity 1 to extend to the regulated funding sources linked to the payment instrument. Deposit accounts and credit facilities will continue to be regulated under the Banking Act. There will be some changes to the regulatory framework for SVFs, which will fall under Activity 7 of the PPF.

2.16 Under the PPF, it is likely that instruments that are not linked to a regulated funding source, such as rewards/points cards, top-up cards, paper-based vouchers, will not be considered as payment instruments. It is possible that such instruments and their issuers will be out of scope from the proposed regulatory requirements, and not subject to licensing.

2.17 MAS will consult on the specific definition of payment instruments and issuance, and applicable requirements in a subsequent round of public consultation.

- Question 6.** MAS seeks views on the proposed scope of Activity 1.
- Question 7.** MAS seeks feedback on the proposed definition of payment instruments.
- Question 8.** MAS seeks views on whether internet banking portals should be considered as a payment account, and hence a payment instrument.
- Question 9.** MAS seeks comments on its approach of linking payment instruments to regulated funding sources, and the resultant exclusion of cash and other anonymous instruments from the scope of payment instruments.

## Activity 2: Acquiring Payment Transactions

2.18 Under the PPF, the acquisition of payment transactions will be considered a regulated payment activity. This activity will encompass the acceptance and processing of payment instruments through a payment system. Non-banks will be required to obtain a licence in order to carry out acquisition of payment transactions.

2.19 MAS expects that merchant acquirers, including banks and three-party scheme operators<sup>3</sup>, merchants aggregators, and master merchants will be considered as undertaking Activity 2. MAS is considering if the scope of Activity 2 should include all participants of payment systems that acquire payment transactions, or if it should be restricted only to direct participants.

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<sup>3</sup> Three-party scheme operators typically both issue payment cards, and acquire merchant transactions.

2.20 For clarity, Activity 2 is not intended to apply to businesses, such as shops, restaurants, and travel agents, which use a merchant acquirer or gateway to accept payment instruments from customers.

2.21 MAS will consult on the specific definition of payment acquisition, and applicable requirements in a subsequent round of public consultation.

- Question 10.** MAS seeks comments on the scope of Activity 2.
- Question 11.** MAS seeks feedback on whether Activity 2 should be restricted to direct participants of payment systems.
- Question 12.** MAS seeks views on whether there are non-payments businesses that may be inadvertently regulated under the scope of payment acquisition.

### Activity 3: Providing Money Transmission and Conversion Services

2.22 Under the PPF, money services will be considered a regulated payment activity. Money Services are expected to encompass the activities of money transmission and currency conversion, without an underlying exchange of goods and services. Money Services is also likely to include the facilitation of, and operation of platforms that facilitate, money transmission and currency conversion. Non-banks will be required to obtain a licence in order to carry out money services.

2.23 Money-changing and remittance businesses are currently licensed under the MCRBA. Separate licences are required to operate a money-changing business and a remittance business. Money-changing business means the business of buying or selling foreign currency notes. Remittance business is defined as the business of accepting moneys for the purpose of transmitting them to persons resident in another country or a territory outside Singapore. MAS proposes for the existing money-changing and remittance activities to be subsumed under the activities of currency conversion and money transmission of Activity 3 respectively.

2.24 The scope of money transmission activities is intended to encompass the acceptance of funds and subsequent transfer of value to a beneficiary, by an entity in Singapore, regardless of whether the originator or beneficiary is in Singapore. It will also apply to both physical "bricks-and-mortar", and online activities. The activities of money transmission will include the facilitation of inbound and domestic payments. MAS does not intend for the scope of Activity 3 to include payments purely for goods and services.

2.25 The scope of currency conversion activities is intended to encompass the business of exchanging of currencies at a rate of exchange. In addition, it is likely that

under the PPF, virtual currency intermediaries which buy, sell, or facilitate the exchange of virtual currencies, such as Bitcoin, will also be considered to undertake Activity 3.

2.26 MAS does not intend to regulate businesses that accept payment instruments from customers on their own behalf, such as shops, restaurants, and travel agents. MAS also does not intend to consider businesses, such as multi-national corporates, which make intra-group payments to offices in other countries as undertaking Activity 3.

2.27 MAS will consult on the specific definition of money services, and applicable requirements in a subsequent round of public consultation.

<b>Question 13.</b>	MAS seeks comments on the scope of Activity 3.
<b>Question 14.</b>	MAS seeks feedback on the inclusion of remittance businesses under the PPF.
<b>Question 15.</b>	MAS seeks feedback on the inclusion of domestic, cross-border, and inbound money transmission activities under the PPF.
<b>Question 16.</b>	MAS seeks feedback on its intent not to include payments purely for goods and services under the scope of Activity 3.
<b>Question 17.</b>	MAS seeks feedback on the inclusion of money-changing businesses under the PPF.
<b>Question 18.</b>	MAS seeks feedback on the inclusion of virtual currency intermediaries under Activity 3.
<b>Question 19.</b>	MAS seeks feedback on whether there are other businesses which may unintentionally fall under the scope of Activity 3.

#### Activity 4: Operating Payments Communications Platforms

2.28 Under the PPF, the operation of payments communications platforms will be considered a payment activity. This activity pertains to the processing of payment instructions, and will include authorisation of payment instructions for both e-commerce and physical merchants. Non-banks will be required to obtain a licence in order to carry out operation of payments communications platforms.

2.29 MAS expects that payment gateways, payment kiosk operators, and payment processors which intermediate between merchants and acquirers will fall under the scope of Activity 4.

2.30 MAS proposes not to regulate manufacturers of payment terminals and software developers of payment gateways and processors, insofar as they do not operate the terminals or software for merchants and/or acquirers.

2.31 MAS is considering if international and domestic inter-bank payments messaging platforms should be subjected to licensing and supervision as payments

communications platforms. The primary purpose of such regulation would be to mitigate money laundering and terrorism financing, and cyber security risks that may arise.

2.32 MAS will consult on the specific definition of payments communications platforms, and applicable requirements in a subsequent round of public consultation.

- Question 20.** MAS seeks comments the scope of Activity 4.  
**Question 21.** MAS seeks feedback on whether the list of potential licensees is comprehensive.  
**Question 22.** MAS seeks feedback on the potential merits, or lack thereof, of including manufacturers of payments terminals and software developers in the scope of Activity 4.  
**Question 23.** MAS seeks feedback on the potential merits, or lack thereof, of including inter-bank payments messaging platforms in the scope of Activity 4.

### Activity 5: Providing Payment Instrument Aggregation Services

2.33 Under the PPF, the consolidation of payment instrument information and access will be considered a payment activity. This activity pertains to the provision of any service which aggregates payment instrument information from various issuers of payment instruments, and allows users to initiate payment instructions. Non-banks will be required to obtain a licence in order to carry out provision of payment instrument aggregation services.

2.34 Services which allow users to access multiple bank accounts and payment cards through a single portal, app, or device are likely to fall under Activity 5.

2.35 With the increased proliferation of mobile payments, MAS is considering whether providers of wallet services such as mobile wallets, which store users' payment card information, should be regulated under this activity.

2.36 MAS will consult on the specific definition of payment instrument aggregation services, and applicable requirements in a subsequent round of public consultation.

- Question 24.** MAS seeks comments the scope of Activity 5.  
**Question 25.** MAS seeks feedback on whether services such as mobile wallets should be regulated as payment instrument aggregation services.

### Activity 6: Operating Payment Systems

2.37 Under the PPF, the operation of payment systems will be considered a payment activity. This activity encompasses the operation of a payment system which facilitates the transfer of funds through processing, switching, clearing, and/or settlement of

payment transactions. Non-banks will be required to obtain a licence to operate payment systems.

2.38 MAS notes that operators of the automated clearing house, domestic and international schemes and/or payment switches, and ATM switches could be considered as operators of payment systems under the PPF.

2.39 MAS does not intend to regulate intra-bank payment systems or internal corporate payment systems under Activity 6. MAS is also considering the merits and practicalities of regulating operators of international interbank payment and messaging systems under Activity 6. MAS acknowledges that operators of such systems could be considered as undertaking Activities 4 and/or 6, depending on the final definition.

2.40 Licensed payment systems that pose systemic or system-wide risk to Singapore's financial system will continue to be subjected to designation requirements similar to those under the PS(O)A.

2.41 MAS anticipates that while it will license and regulate operators of payment systems, certain aspects of governance, including definition of scheme rules and interoperability, could come under the ambit of the proposed National Payments Council as outlined in Para 3.5.

2.42 MAS will consult on the specific definition of payment systems, and applicable requirements in a subsequent round of public consultation.

- Question 26.** MAS seeks comments the scope of Activity 6.
- Question 27.** MAS seeks feedback on whether the list of potential licensees and exclusions is comprehensive.
- Question 28.** MAS seeks feedback on its proposed approach to include settlement institutions as part of Activity 6.
- Question 29.** MAS seeks feedback on its approach not to regulate intra-bank payment systems and internal corporate payment systems.
- Question 30.** MAS seeks feedback on the merits and practicalities of regulating operators of international interbank payment and messaging systems under Activity 6.

### Activity 7: Holding Stored Value Facilities

2.43 SVFs are currently regulated under the PS(O)A. Holders of SVFs that hold more than S\$30m of customer funds are required to apply to MAS for approval. Such SVFs are also required to engage a licensed bank in Singapore to be fully liable for all customer funds. Under the PPF, MAS intends to clarify the scope of what is meant by 'stored

value', and concurrently license and regulate the holding of all SVFs, which encompasses the holding of funds on behalf of users. These funds may be used as a funding source for payment instruments. Non-banks will be required to obtain a licence in order to carry out provision of SVFs.

2.44 Under the PPF, MAS envisages that all holders of network-based online SVFs such as prepaid cards running on international card scheme networks, and peer-to-peer electronic-wallets (not to be confused with mobile wallets that can store tokenised card details), will be considered as undertaking Activity 7. Providers of offline SVFs such as transport cards will also be considered as undertaking Activity 7.

2.45 MAS is reviewing its intent to regulate SVFs that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption. These could include prepaid telecom airtime, store vouchers, packages, and calling cards. MAS is also considering if purely paper-based SVFs should continue to be regulated under the PPF.

2.46 From a float and consumer protection perspective, MAS is considering if all SVFs will have to segregate customers' funds, regardless of whether the customers are Singapore residents, from operating accounts and safeguard customers' funds, via mechanisms such as full bank liability, insurance, bankers' guarantees, or trust accounts.

2.47 MAS will consult on the specific definition of SVFs, and applicable requirements in a subsequent round of public consultation.

- Question 31.** MAS seeks comments on the scope of Activity 7.
- Question 32.** MAS seeks feedback on whether the list of potential licensees and exclusions is comprehensive.
- Question 33.** MAS seeks feedback on its approach not to regulate businesses that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption.
- Question 34.** MAS seeks feedback on whether any existing business models may inadvertently or unfairly be considered as undertaking Activity 7.
- Question 35.** MAS seeks feedback on its approach to allow various mechanisms for licensees to safeguard customers' funds, and whether the protection should cover both Singapore and non-Singapore residents.



### 3 Governance – National Payments Council

#### Objectives and Mandate of the National Payments Council

3.1 Singapore's payments landscape is characterised by well-established system-wide important retail payment systems like NETS Electronic Fund Transfers at Point of Sale ("NETS EFTPOS"), Singapore Dollar Cheque Clearing System ("SGDCCS"), US Dollar Cheque Clearing System ("USDCCS"), Inter-bank GIRO System ("IBG"), and Fast And Secure Transfers ("FAST") System. However, different and limited models of governance, payment solutions that lack interoperability, and limited participation of demand-side voices could have contributed to the perception that while Singapore is technologically advanced, its payments landscape is fragmented, and cash and cheque based payments are still substantially relied upon by consumers and businesses.

3.2 A National Payments Council ("NPC") can help to address these issues and bring improvements to the Singapore payments ecosystem. The concept of a payments council is common in many countries, such as Australia and United Kingdom, where the payments council takes the lead in driving payments efficiency, adoption and harmonisation. The NPC's mandate will be to foster innovation, competition and collaboration in the payments industry. In order to build consensus and cooperation in the industry, the NPC should also serve as a forum where stakeholders from both the supply-side and demand-side of the payments ecosystem can be heard. MAS expects the NPC to coordinate and drive strategic changes which are aligned to the economy and national initiatives, such as the [Smart Nation Vision](#).

3.3 The proposed objectives of the NPC include the following:

#### *Governance and Stakeholder Engagement*

- (a) Provide a forum where views of key stakeholders in the Singapore payments ecosystem are represented; and
- (b) Identify, monitor and enforce payment system standards, such as for payment system access and interoperability.

#### *Coordination and Implementation*

- (c) Coordinate and execute industry payments projects;
- (d) Promote collaboration and broad industry consultation in retail payments strategy; and
- (e) Promote and lead public education programs.

*Research and Surveillance*

- (f) Identify areas of research to promote swift, simple, and secure payments, to migrate away from paper-based payment instruments and processes, and to ensure reasonable and fair access and acceptance by all pertinent stakeholders; and
- (g) Identify key issues and emerging trends in the payments landscape.

*Advisory, Policy, and Enforcement*

- (h) Update MAS on key issues and emerging trends in the payments landscape;
- (i) Advise MAS on matters relating to policy and supervision of payment service providers;
- (j) Draft policy guidance papers and business practices for payment service providers; and
- (k) Assist MAS in implementing policies relating to payments, and enforce compliance by payment service providers.

**Question 36.** MAS seeks views on the NPC's proposed mandate and objectives.

Scope and Responsibilities of the National Payments Council

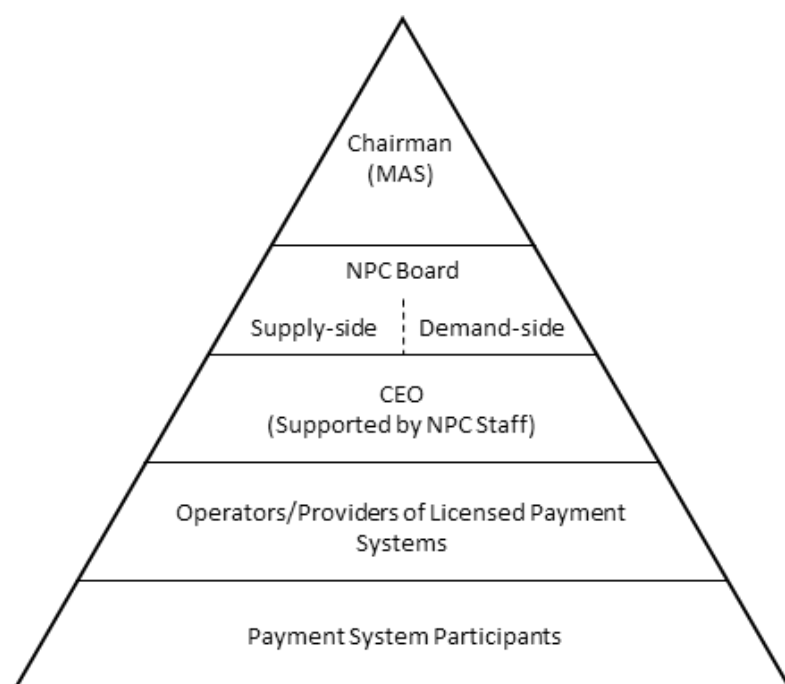


Figure 2: Proposed Structure of the National Payments Council

3.4 MAS proposes that the NPC governs payment systems that fall within the scope of Activity 6 under the PPF, as described in Para 2.8(f). These are likely to include the existing Designated Payment Systems and other payment systems in Singapore such as widely used public transport cards and international card schemes.

3.5 MAS proposes that the NPC be responsible for the following activities:

*Assume the role of the Singapore Clearing House Association<sup>4</sup> ("SCHA"), which will be subsumed and expanded under the NPC*

- (a) Define and enforce by-laws, scheme rules and conditions governing the participants and operators of the systems currently governed by the SCHA, as well as additional systems as proposed in Para 3.4;
- (b) Appoint and manage contracts with service providers for the provision of central payment systems; and
- (c) Determine membership fees, pricing policies, and access for the use of existing payment systems currently governed by the SCHA, as well as additional systems as proposed in Para 3.4.

*Develop and drive strategic objectives*

- (d) Engage the payments industry to set and achieve strategic objectives including co-ordination of education, marketing, and incentive programmes;
- (e) Develop strategies and policies to address gaps in retail payment product and service provision and drive migration away from paper-based payment instruments and processes;
- (f) Manage, coordinate, and execute projects to improve payments ecosystem; and
- (g) Assess, endorse, and enforce best practices and international payments industry standards.

*Conduct industry promotion and consumer education*

- (h) Promote regional payments initiatives;

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<sup>4</sup> The Singapore Clearing House Association currently manages and administers the clearing services for cheque, debit and credit items of its members. It also defines the rules and conditions governing the member banks and operators of the SGDCCS, USDCCS, IBG and FAST systems.

- (i) Drive electronic payments adoption; and
- (j) Conduct consumer awareness campaigns and roadshows.

3.6 The membership structure of the NPC is proposed as follows:

- (a) The Chairman will be a representative from MAS and will chair the NPC Board meetings. He will also approve the appointment of NPC Board members.
- (b) NPC Board members will be selected and appointed from a wide spectrum of industry players, and will include representatives from users (demand-side) and providers (supply-side) of payments.
- (c) Supported by NPC staff, the CEO will be responsible for day-to-day management and implementation of the NPC's short and long term plans.
- (d) Operators and providers of payment systems falling within the scope of Activity 6 of the PPF.
- (e) Participants of payment systems consisting of financial institutions or interested parties that directly utilise the clearing and payment systems governed by NPC as proposed under Para 3.4.

**Question 37.** MAS seeks comments on the proposed payment systems to be governed by the NPC.

**Question 38.** MAS seeks inputs on its proposal to link the scope of the NPC to Activity 6 of the PPF, and consequently include public transport and international card schemes.

**Question 39.** MAS seeks views on the potential merits for the MAS Electronic Payment System ("MEPS+") to be included as one of the payment systems governed by the NPC.

**Question 40.** MAS seeks feedback on the activities that the NPC should undertake.

**Question 41.** MAS seeks views on whether it would be reasonable for the NPC to function as a single point of contact for public feedback and complaints relating to payments in Singapore.

**Question 42.** MAS seeks feedback on the proposed membership structure of the NPC.

**Question 43.** MAS seeks comments on the merits of expanding participation in payment systems governed by the NPC to non-financial institutions.

### Composition of the NPC Board

3.7 MAS proposes that it chairs the NPC Board, and that members of the NPC Board should consist of equal representation from both users (demand-side) and providers (supply-side) of payments in order to reflect a balanced view of the Singapore payments eco-system. NPC Board members should hold a position of CEO or equivalent, and be

appointed based on their competency, good public standing, skill-sets and experience in their respective industry.

3.8 The NPC Board members may be selected from:

*Supply-side:*

- (a) Banking community
- (b) Government agencies that drive innovation
- (c) Payment service providers<sup>5</sup>

*Demand-side:*

- (d) Trade and consumer associations
- (e) Small and medium enterprises
- (f) Large retail focused enterprises
- (g) Non-profits, clubs, and societies
- (h) Public utility providers (e.g. gas/electric and telecommunications)
- (i) Billing organisations
- (j) Government agencies

3.9 In order to ensure sufficient diversity of experience and skill-sets on the NPC Board, MAS is considering setting fixed term appointments for board members (e.g. two years).

3.10 It is likely that in resolution of NPC Board matters and decisions, each Board member will have one vote to reach a majority decision. In the case where a consensus cannot be reached, MAS will have the casting vote. It is proposed that MAS will also retain powers to veto any decision which is deemed detrimental to the public, payments industry or wider government policy related to payments.

- Question 44.** MAS seeks comments on MAS' role in the NPC.
- Question 45.** MAS seeks feedback on the proposed supply and demand-side composition of the NPC Board, and views on potential members.
- Question 46.** MAS seeks feedback on the proposed level of representation on the NPC

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<sup>5</sup> Payment service providers consist of entities who undertake any one or more of Activities 1-7 under the PPF in Paragraph 2. This will include Payment Instrument Issuers, Merchant Acquirers, Remittance Businesses, Payment Gateways Providers, Account Aggregators, Operators of Payment Systems, and Holders of SVFs.

Board.

**Question 47.** MAS seeks feedback on how representatives for the NPC Board should be selected, rotated, and whether the proposal for fixed terms is reasonable.

**Question 48.** MAS seeks feedback on the whether the proposed voting process for resolution of NPC Board matters and decisions is reasonable.

### Ownership of the NPC

3.11 MAS is considering the various possible models for ownership of the NPC. Broadly, the NPC could either be publicly or privately owned. Regardless of the model, the NPC would likely need to be established as a legal corporate body that can enter into contracts and acquire property in its own name.

**Question 49.** MAS seeks comments on the possible models for ownership of the NPC.

**Question 50.** MAS seeks views on the ownership model (public or private) that would best enable the NPC to achieve its objectives and fulfil its mandate. If a privately owned NPC would be optimal, how should the NPC's ownership be structured and financed?

### Powers of the NPC

3.12 In order to exercise its responsibilities under Para 3.5, MAS proposes that the NPC be able to establish by-laws, rules and regulations relating to the participation of the payment systems that it governs. It should also have the powers to require system enhancements and implement new standards for the payment systems under its purview in order to achieve its mandate.

3.13 In order to finance its operations, the NPC will likely need to have the powers to determine membership fees, and charge members for participation in the payment systems that it governs.

3.14 MAS is considering if the NPC may need to have responsibilities to determine access to the systems it governs, and thus may need to have powers to determine guidelines and policies relating to pricing and interoperability.

3.15 In order to achieve its objectives, MAS is considering if the NPC may need to have powers to issue advisories to payment system operators and scheme participants which are not in compliance with scheme rules in Para 3.5(a). In enforcing observance of the by-laws, scheme rules and conditions governing the participants and operators of the systems, including pricing policies in Para 3.5(c), the NPC may also need to issue letters of reminders to participants and operators for non-adherence. In the case of licensed payment system operators, the NPC's advice and the operator's observance may have impact on MAS' assessment and its licensing status under the PPF.

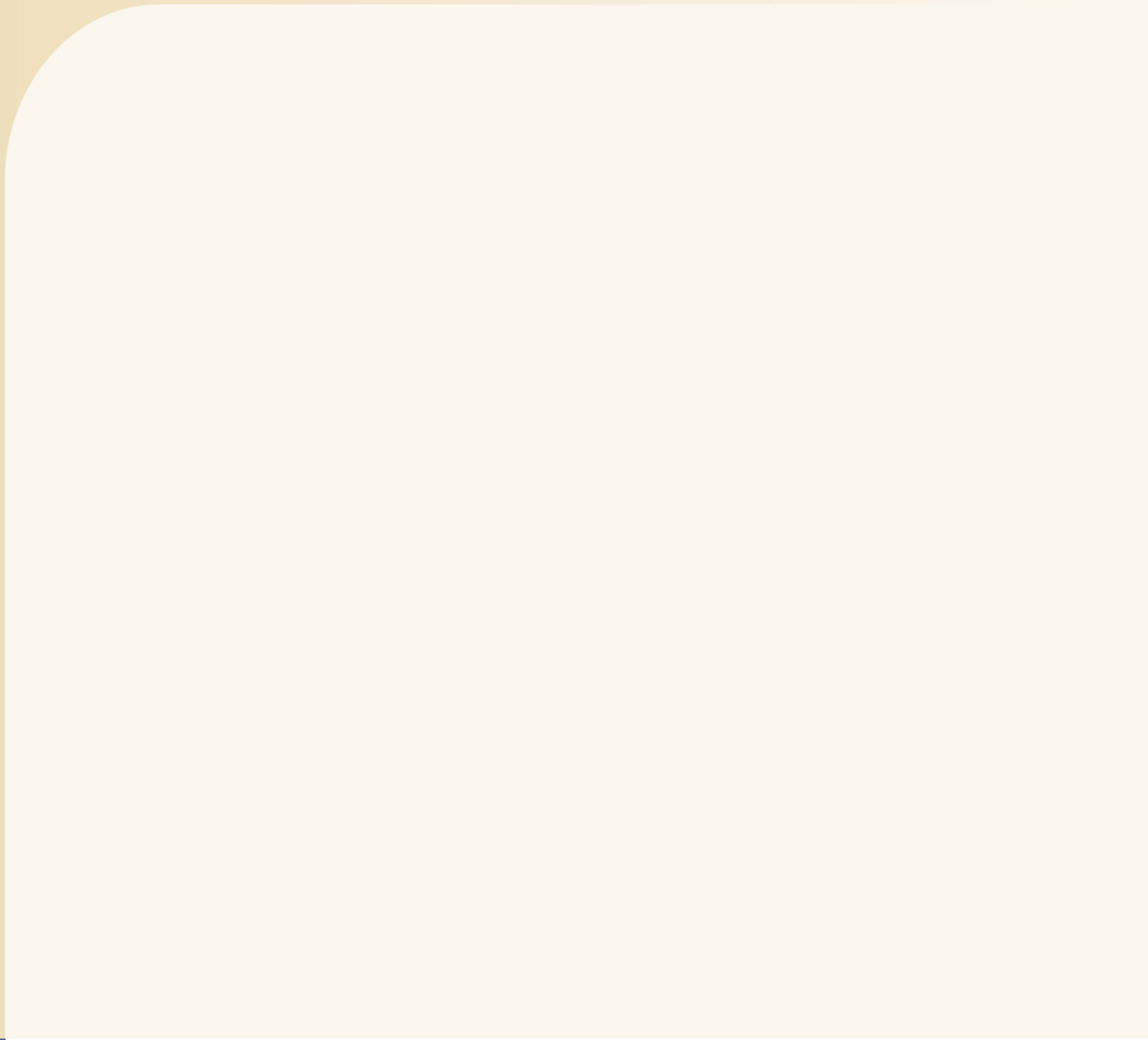
3.16 The NPC may propose, assess and approve strategic projects deemed in line with the NPC mandate and objectives. It may set up taskforces to address specific retail payments related issues and may also employ officers or agents to fulfil its functions. The appointment will be determined as the NPC thinks fit for the effective performance of the task.

**Question 51.** MAS seeks comments on the extent and nature of the NPC's powers over participants and schemes.

**Question 52.** MAS seeks feedback on whether the NPC should have the option to operate the payment systems under its purview, or appoint service providers to operate them.

**Question 53.** MAS seeks feedback on whether it is reasonable to expect that the NPC will be financially sustainable based on revenues from membership fees.

**Question 54.** MAS seeks comments on the mechanism for NPC's enforcement of payment system operators', and participants', observance of scheme rules and industry payment standards.



Monetary Authority of Singapore