

RESPONSE TO FEEDBACK RECEIVED

December 2019

Proposed Payment Services Notices and Guidelines

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 5 July 2019, MAS consulted on the key proposals in the following notices under the Payment Services Act (“**PS Act**”) and guidelines relating to payment services regulated under the PS Act. MAS also consulted on the regulations on exchange rates and Payment Services (Saving and Transitional Provisions) Regulations 2019 (the “**Savings Regulations**”).

Table 1

| Notice no. | Name of Notice or Guidelines | Location in Consultation Paper |
|-------------------|---|---------------------------------------|
| PSN03 | Notice on reporting of suspicious activities and incidents of fraud | Annex B |
| PSN04 | Notice on submission of regulatory returns | Annex C |
| PSN04A | Notice on submission of statement of transactions and profit/loss | Annex D |
| PSN05 | Notice on technology risk management | Annex E |
| PSN06 | Notice on cyber hygiene | Annex F |
| PSN07 | Notice on conduct | Annex G |
| PSN08 | Notice on disclosures and communications | Annex H-1 |
| - | E-payments user protection guidelines (updated version to be effective on PS Act commencement date) | Annex I-1 |
| - | E-payments user protection guidelines (updated version to be effective at a later stage after PS Act commencement date) | Annex I-2 |
| FSG-G01 | Guidelines on fit and proper criteria | Annex J |

1.2 The consultation period closed on 5 August 2019 and MAS thanks all respondents for their contributions. The list of respondents is in Annex A and the full submissions are provided in Annex B. The annexes may be accessed at this [link](#).

1.3 MAS has considered the feedback carefully, and will incorporate it where we agree. Comments that are of wider interest, together with MAS' responses are set out below.

2 Overview of Feedback

2.1 The response to the measures proposed was largely positive. MAS set out a total of six proposals in the July 2019 Consultation (the “**Consultation**”), all of which were well received by the majority of the respondents. Three proposals received strong support, and three proposals¹ received good support.

2.2 For reference purposes, the proposals are listed below with the original question number and the topic of the question. Each question has been extracted from the Notices and Guidelines and set out in the relevant Part of this response document (the “**Response**”).

2.3 The changes to the notices and guidelines proposed to be issued under the PS Act are summarised below in the order that the relevant questions appear in the Notices and Guidelines paper.

(a) Question 1: Implementation timeframe and general comments

- We will delay the effective date of PSN04 for approved holders of widely accepted stored value facilities (“**WASVF**”) under the Payment Systems (Oversight) Act (“**PS(O)A**”), holders of remittance licences (“**RAs**”) under the Money-Changing and Remittance Businesses Act (“**MCRBA**”) and holders of money-changer’s licences (“**MCs**”) under the MCRBA, in respect of any e-money issuance service, cross-border money transfer service, and money-changing service respectively, from six months from the PS Act commencement date to begin on 1 January 2021 instead.
- We will delay the effective date of the revised E-payments User Protection Guidelines (“**EUPG**”) that will be applicable to relevant major payment institutions (“**MPIs**”) and relevant exempt payment service providers from the initially proposed six months after the PS Act commencement date, to nine months after the publication of the revised EUPG.

¹ These proposals pertained to the implementation date of the notices and guidelines, reporting requirements and conduct requirements. The relevant questions in the Consultation paper are questions 1, 2 and 4.

- We will publish all finalised subsidiary legislation close to eight weeks, instead of four weeks, ahead of the PS Act commencement date.

(b) Question 2: Reporting requirements

- Besides the delay in effective date of PSN04 for existing WASVF holders, RAs, and MCs mentioned above, we will also make amendments to PSN04 to improve the quality of data to be reported.

(c) Question 3: Technology risk management and cyber hygiene requirements

- There are no changes to the technology risk management and cyber hygiene requirements.

(d) Question 4: Conduct requirements

- We will amend the PSN07 to require licensees to issue receipts only where the customer is an individual or sole-proprietor, or where the customer requests a receipt. We will also allow receipts to be issued on a consolidated basis.
- The display of exchange rate requirements will also be amended to take into account transactions involving currency conversion where the exchange rate is not available at the point of transaction and is provided by a third party.

(e) Question 5: Disclosure and communications requirements

- We will amend PSN08 to require that licensees and exempt payment service providers ensure that third parties soliciting payments business for them disclose the information that the licensees and exempt payment service providers are required to disclose under PSN08.

(f) Question 6: Guidelines and Savings Regulations

- Other than delaying the implementation date of the EUPG for MPIs and exempt payment service providers, there are no changes to these guidelines.
- There are no changes to the Savings Regulations.

3 Payment Services Notices and Guidelines: Overview

Question 1. Implementation timeframe and general comments. MAS seeks comments on the implementation timeframe proposed for the notices and guidelines. If you have general comments on the measures proposed in this Consultation Paper, please set them out in response to this question.

3.1 Several respondents commented that they needed more time to comply with the consulted measures and requested MAS to delay the implementation of certain notices and guidelines. Based on the feedback submitted by some respondents and follow up clarifications between MAS and other respondents, we understand that more specifically, existing WASVF holders and RAs need more time to implement systems that will enable them to comply with PSN04, and existing WASVF holders need more time to implement systems that will enable them to observe the EUPG. These entities will be deemed licensees under the PS Act and based on the consulted measures, will have to comply with PSN04 and observe the EUPG within six months after the PS Act commencement date.

3.2 A number of these respondents also commented that a four-week window between the publication of the finalised subsidiary legislation and guidelines, and the PS Act commencement date is too short. The respondents explained that they are unable to anticipate what changes MAS would have made to the subsidiary legislation and four weeks is not sufficient for them to prepare for the commencement of the PS Act.

MAS' Response

3.3 We will provide more allowance by delaying the effective date of PSN04 from six months after the PS Act commencement date to begin on 1 January 2021 instead, for existing WASVF holders under the PS(O)A, and RAs and MCs under the MCRBA, in respect of their current MAS-regulated businesses.

3.4 We will also delay the effective date of the revised EUPG that will be applicable to relevant MPIS and relevant exempt payment service providers from the initially

proposed six months after the PS Act commencement date, to nine months after the publication of the revised EUPG.²

3.5 To enable future licensees, including deemed licensees, to have sufficient time to prepare for the commencement of the PS Act, we will publish all finalised subsidiary legislation close to eight weeks ahead of the commencement of the PS Act. As a result of this, we will commence the PS Act at the end of January 2020 instead of at the start of January 2020.

3.6 For ease of reference, we have set out the various effective dates for the PS Act, regulations under the PS Act, and notices and guidelines applicable to persons regulated under the PS Act.

Table 2

| No. | Effective Date | Primary legislation, subsidiary legislation or guidelines |
|-----|--|--|
| 1. | Date of PS Act Commencement being 28 January 2020 | Payment Services Act 2019 |
| 2. | | Payment Services Regulations 2019 |
| 3. | | Payment Services (Exemption for Specified Period) Regulations 2019 |
| 4. | | Payment Services (Singapore Dollar Cheque Clearing System and Inter-Bank GIRO System) Regulations 2019 |
| 5. | | Payment Services (Saving and Transitional Provisions) Regulations 2019 |
| 6. | | Payment Services (Composition of Offences) Regulations 2019 |
| 7. | | PSN01 Notice to payment services providers (specified payment services) on prevention of money laundering and countering the financing of terrorism |

² The nine month preparation period for MPIs to follow the standards in the EUPG is similar to that given to banks to prepare for the existing EUPG which was published on 28 September 2018 and took effect on 30 June 2019.

| | | |
|-----|-------------------------|--|
| 8. | | PSN01A Notice on AML/CFT requirements to facilitate transition of existing stored value facility holders |
| 9. | | PSN02 Notice to payment services providers (digital payment token services) on prevention of money laundering and countering the financing of terrorism |
| 10. | | PSN03 Notice on reporting of suspicious activities and incidents of fraud |
| 11. | | PSN04A Notice on submission of statement of transactions and profit/loss |
| 12. | | PSN05 Notice on technology risk management |
| 13. | | PSN07 Notice on conduct |
| 14. | | PSN08 Notice on disclosures and communications |
| 15. | | PSN09 Notice on specified matters and forms |
| 16. | | PSN10 Notice to exempt payment service providers on prevention of money laundering and countering the financing of terrorism |
| 17. | | Amendments to E-payments user protection guidelines |
| 18. | | Amendments to FSG-G01 Guidelines on fit and proper criteria |
| 19. | 6 August 2020 | PSN06 Notice on cyber hygiene |
| 20. | 5 September 2020 | Further Amendments to E-payments user protection guidelines ³ |
| 21. | 1 January 2021 | PSN04 Notice on submission of regulatory returns |

3.7 It may also be useful for potential licensees under the PS Act and licence applicants to note the following key deadlines in the Payment Services (Exemption for Specified Period) Regulations 2019.

³ Further amendments to the E-payments user protection guidelines to apply to guidelines to MPIs and exempt payment service providers

- (a) 30 days after the PS Act commencement date (27 February 2020): Persons who immediately before the PS Act commencement date carried on a business of providing certain payment services are exempted from holding a licence under the PS Act for a prescribed grace period subject to certain conditions. These persons must inform MAS of the date on which they had commenced the business of providing the payment service within 30 days after the PS Act commencement date.

- (b) Six months from PS Act commencement date (28 July 2020): The grace period for digital payment token service providers that before the PS Act commencement date were carrying on a business of providing a digital payment token service ends six months from the PS Act commencement date.

- (c) 12 months from PS Act commencement date (28 January 2021): The grace period for payment service providers that before the PS Act commencement date were carrying on a business of providing certain other payment services (other than a digital payment token service) ends one year from the PS Act commencement date.

4 Notices on Reporting Requirements, Technology Risk Management and Cyber Hygiene

Reporting requirements

Question 2. Reporting requirements. MAS seeks comments on the draft PSN03, PSN04 and PSN04A. In particular, please let us have your views on the arrangements for existing licensees under the MCRBA to comply with PSN04A instead of PSN04 for an initial period of six months after the commencement of the PS Act.

4.1 Several respondents requested a delay of the PSN04 implementation date for existing licensees. Respondents who are existing licensees commented that the requirement to monitor daily balances of relevant monies for monthly reporting would require necessary upgrades to their reporting systems. These upgrades may not be completed within the six-month grace period as offered in the consultation exercise.

4.2 On PSN03, several respondents sought clarification on the scope of reportable suspicious activities and incidents of fraud, and the threshold of materiality that should be applied.

4.3 Respondents also provided feedback seeking clarifications on the instructions and data fields.

MAS' Response

4.4 With regard to the implementation date of PSN04 for existing WASVF holders, MCs and RAs, MAS agrees to delay the effective date of PSN04 in respect of any e-money issuance service, money-changing service, and cross-border money transfer service respectively from six months after PS Act commencement date, to begin on 1 January 2021 instead. MAS recognizes concerns that the new reporting requirements are a substantial step-up from the current reporting obligations under Notice 3003. PSN04A will apply to existing MCs and RAs in respect of any money-changing service and cross-border money transfer services provided from the PS Act commencement date to 31 December 2020.

4.5 In respect of the scope of reportable activity and incident required by PSN03, MAS does not intend to prescribe the materiality of a suspicious activity or incident of fraud. This would depend on various factors such as the amounts involved, the impact on the business operations, etc., which should be assessed by the relevant entity.

4.6 Further clarifications in the instructions and data fields will be made to address various respondents' feedback.

Technology risk management and cyber hygiene requirements

Question 3. Technology risk management and cyber hygiene requirements. MAS seeks comments on draft PSN05 and PSN06. MAS also seeks views on the implementation timeframe for PSN06.

4.7 There were no objections raised by respondents to the technology risk management and cyber hygiene requirements.

MAS' Response

4.8 There are no changes to the technology risk management and cyber hygiene requirements in PSN05 and PSN06 from the versions published for consultation.

5 Notice on Conduct

Question 4. Conduct requirements. MAS seeks comments on the draft PSN07. In particular, please let us have your views on the requirements relating to the transmission of money, the manner of calculating foreign currency, and the proposed operating days and hours.

5.1 The conduct requirements have been adapted from the existing MCRBA Notices 3002, 3004, 3202 and 3101, which set out requirements on conduct and record keeping for MCs and RAs under the MCRBA.

5.2 The majority of respondents had no objections to the conduct requirements published for consultation in the draft PSN07. Several respondents had comments on the following areas:

- (a) the applicability of the transmission of money requirements where licensees or exempt payment service providers are in prior possession of customer money, and where transactions involve the purchase of goods and services;
- (b) the practicality of issuing receipts for every transaction and for transactions involving corporates; and
- (c) the applicability of displaying exchange rates for a transaction where the exchange rate is determined by a third party and finalised at later date.

MAS' Response

5.3 The transmission of money requirements will be retained as consulted. Where a licensee or exempt payment service provider is in prior possession of customer money and the customer subsequently gives instruction for a domestic or cross-border money transfer, the transmission of money requirements for the money transfer will be triggered at the point of the customer's instruction. Where a domestic or cross-border money transfer service is provided by a licensee or exempt payment service provider, the requirements pertaining to the transmission of money will apply regardless of whether the transaction involves the purchase of goods and services. However, as stated in the

consultation paper, the transmission of money requirement does not apply to merchant acquisition services. A licensee or exempt payment service provider should ensure that they have in force the appropriate licence for the payment service being provided.

5.4 We note that it may not be practical for receipts to be issued for every transaction involving corporate customers, particularly in cases where there are ongoing business relationships and corporate customers may prefer consolidated statements. PSN07 will be amended to apply the receipt issuing requirements only to customers who are individuals and sole proprietors. Nonetheless, the licensee or exempt payment service provider must also issue such receipts to its corporate customers upon request. We will also permit receipts to be issued on a consolidated basis, for example, in the form of monthly statements.

5.5 The display of exchange rate requirements will also be amended to make clear that they only apply when the licensee or exempt payment service provider offers an exchange rate. If currency conversion is performed in the course of the provision of a domestic money transfer service, cross-border money transfer service or e-money issuance service, but where the licensee or exempt payment service provider does not offer the exchange rate, the licensee or exempt payment service provider will be required to disclose to the customer that the exchange rate is not available at the point of transaction and will be determined by a third party at a later date. Where a licensee carrying on a business of providing digital payment token services, or an exempt payment service provider carrying on a business of providing digital payment token services, where such services are relevant payment services, does not offer an exchange rate, the licensee or exempt payment provider must disclose to the customer that the exchange rate will be determined by a third party.

6 Notice on Disclosures and Communications

Question 5. Disclosure and communications requirements. MAS seeks comments on the draft PSN08. In particular, please let us have your views on the disclosure requirements as well as requirements concerning false or misleading scope of regulation.

6.1 A significant majority of the respondents had no objections to the disclosure and communications requirements published for consultation in the draft PSN08. A number of respondents asked for clarifications on the following matters:

- (a) Whether there are general disclosures for MPIs to make other than those set out for specific payment services;
- (b) Whether the disclosure statements must be printed on a blank page with no other information or whether they can be contained in general terms and conditions;
- (c) Whether licensees are allowed to explain to their customers the safeguarding mechanisms that they have in place, which are not required under the PS Act.

MAS' Response

6.2 We confirm that MAS does not under PSN08 require MPIs to give general disclosure statements apart from the activity specific disclosure statements set out in that notice. The disclosure statements need not be printed on a blank page. However, PSN08 requires that the disclosure statements be not obstructed or obscured, or embedded within other unrelated writing, and be of a reasonable size and typeface. The disclosure statements therefore should not be contained in general terms and conditions. Licensees and exempt payment service providers are allowed to explain to their customers the safeguarding mechanisms that they have in place, which are not required under the PS Act.

6.3 Arising from feedback received on the Payment Services Regulations 2019, MAS will allow third parties to solicit for the provision of payment services by licensees and

exempt payment service providers. Please refer to the Response to feedback received on proposed Payment Services Regulations. MAS will amend PSN08 to require that licensees and exempt payment service providers ensure that third parties soliciting payments business on their behalf provide the necessary activity-specific disclosures.

7 Guidelines and Payment Services (Saving and Transitional Provisions) Regulations

Question 6. Guidelines and Savings Regulations. MAS seeks comments on the proposed extension of the guidelines to licensees. MAS also seeks comments on the proposed Savings Regulations.

7.1 A majority of the respondents had no objections to the EUPG and the Savings Regulations. As described earlier in this Response, a number of existing WASVF holders and remittance licensees commented that they needed more time to comply with the EUPG.

MAS' Response

7.2 There are no changes to the EUPG and the Savings Regulations as published for consultation other than the delayed implementation of the EUPG for MPIs and exempt payment service providers.

MONETARY AUTHORITY OF SINGAPORE

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