



# Proposed Amendments to Payment Services Regulations 2019, Notices issued under the Payment Services Act 2019 or MAS Act, and Proposed New Regulations on Exemptions for a Specified Period



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# 1. Preface

- 1.1. MAS consulted on proposed amendments to the Payment Services Act 2019 (“PS Act”) on 23 December 2019<sup>1</sup>. In the consultation, MAS proposed to make amendments relating to anti-money laundering and countering the financing of terrorism (“AML/CFT”), amendments in respect of digital payment token (“DPT”) services, and certain technical amendments, in the PS Act.
- 1.2. MAS reviewed the feedback received and published its responses to the consultation on 4 November 2020 (“November 2020 Response”)<sup>2</sup>. The Payment Services (Amendment) Bill (the “Bill”) was read for the first time on 2 November 2020 and was subsequently passed in Parliament on 4 January 2021. In particular, the Bill expanded the scope of DPT services under the PS Act, beyond the services of dealing in DPT and facilitating the exchange of DPT, to align with the enhanced standards adopted by the Financial Action Task Force (“FATF”) Standards applicable to DPT service providers on money laundering (“ML”) and terrorism financing (“TF”) risks. This consultation covers proposed amendments to the Payment Services Regulations 2019 (“PSR”) and existing notices applicable to payment service providers (“Notices”), as well as new proposed regulations on exemptions for a specified period. These will operationalise the proposed amendments to the PS Act.
- 1.3. **Annex A** sets out a list of questions asked in this paper. **Annex B to Annex H**, which are in separate documents, set out the proposed amendments to the PSR, Notices and the proposed new regulations on exemptions for a specified period.
- 1.4. MAS invites comments from:
  - (a) Financial institutions;
  - (b) Entities that are not currently regulated but will be regulated following the commencement of the amendments to the PS Act, and licensees who will need to vary their licences following the commencement of the amendments to the PS Act
  - (c) Businesses – Large corporates, and small and medium businesses; and
  - (d) Other interested parties – members of the public, law firms, trade associations, and other parties who may be impacted by or interested in the proposed review.

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<sup>1</sup> Please refer to the consultation paper on the proposed amendments of the PS Act [here](#).

<sup>2</sup> Please refer to the November 2020 response [here](#).



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

- (a) their whole submission or part of it (but not their identity), or
- (b) their identity along with their whole submission,

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

- 1.5. Please submit written comments by 8 June 2023 via this [link](#).



## 2. Overview of Amendments and New Regulations

2.1. MAS is proposing to make the following amendments to the PSR and Notices, as well as to introduce new regulations on exemptions for a specified period to cater for the expanded scope of cross-border money transfer service, domestic money transfer service and DPT services.

- (a) Exemption from safeguarding requirements under the PSR: Existing requirements under the PSR will apply to the newly scoped-in payment services. However, MAS proposes to amend the PSR to exempt a major payment institution (“MPI”) from section 23 of the PS Act in respect of relevant money received by the MPI for the provision of a service that falls within the expanded scope of cross-border money transfer service following the commencement of the amendments to the PS Act, subject to certain conditions.
- (b) Revise the scope of application of PSN01 and PSN02: MAS proposes to make amendments to PSN01 and PSN02 to apply the AML/CFT requirements in these Notices to the newly scoped-in payment services following the commencement of the amendments to the PS Act. MAS also proposes to amend (i) PSN01 and PSN02 to require licensees and exempt payment service providers<sup>3</sup> under the PS Act which are incorporated in Singapore to develop and implement group-wide AML/CFT policies, (ii) PSN02 to introduce requirements relating to agency arrangements of DPT service providers, and (iii) PSN01 to exclude wire transfers that flow from a transaction carried out using a charge card, credit card, debit card, prepaid card or electronic wallet for the purchase of goods or services from the requirements set out under paragraph 15 of PSN01.
- (c) Extension of data collection requirements in PSN04: MAS proposes to apply the requirements in PSN04 to the newly scoped-in payment services following the commencement of the amendments to the PS Act. MAS will also be adding data fields to PSN04 to augment MAS’ surveillance of the payment services sector.
- (d) Revise the scope of application of PSN07 and PSN08: MAS proposes to make amendments to PSN07 and PSN08 to apply the requirements in these Notices to the newly scoped-in payment services following the commencement of the amendments to the PS Act. MAS also proposes to amend PSN07 to provide some flexibility in the money transmission requirements arising from industry feedback.

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<sup>3</sup> As PSN01 applies to both licensees and exempt payment service providers under the PS Act whereas PSN02 only applies to licensees under the PS Act, the proposed amendments requiring exempt payment service providers under the PS Act which are incorporated in Singapore to develop and implement group-wide AML/CFT policies are only set out in PSN01.



- (e) New Payment Services (Exemption for Specified Period) Regulations 2023: MAS proposes to exempt, for a specified period, entities that need to be licensed, or that need to vary their licence, under the PS Act arising from the broadened scope of cross-border money transfer services, domestic money transfer services and DPT services. MAS is also considering to impose additional requirements to obtain independent third party assessments and confirmations, to be submitted with any applications by such entities.



## 3. Exemption from Safeguarding Requirements under the PSR

- 3.1. The PSR sets out some of the requirements applicable to licensees and exempt payment service providers under the PS Act. Requirements in the PSR include, but are not limited to, those relating to the control of provision of payment services, financial requirements and business conduct requirements. Requirements in the PSR that currently apply to licensees that provide domestic money transfer services, cross-border money transfer services and DPT services, will apply as-is to licensees and exempt payment service providers that carry on business in providing the newly scoped-in payment services.
- 3.2. In the November 2020 Response, MAS had indicated that it would consult on whether safeguarding requirements should be extended to cross-border money transfer transactions where both the payer and payee are overseas persons. MAS has reviewed further and considers that where a cross-border money transfer service has no strong nexus to Singapore, MPIs can be exempted from safeguarding requirements under section 23 of the PS Act in respect of the relevant moneys which they receive when arranging for the transmission of money from any country or territory to another country or territory (whether as principal or agent<sup>4</sup>). The conditions for this exemption are that both the payer and payee are foreign persons, and the relevant money is not accepted or received by the MPI in Singapore. This is in line with the current approach of not requiring MPIs to safeguard funds of foreign persons to whom they provide merchant acquisition services and e-money issuance services.<sup>5</sup>

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<sup>4</sup> To avoid doubt, this exemption will only apply where payment service providers are providing cross-border money transfer services described in the newly added limb (c) of the definition of “cross-border money transfer services”, which refers to “any service of arranging for the transmission of money from any country or territory to another country or territory, whether as principal or agent (other than any such service that the Authority may prescribe).

<sup>5</sup> In relation to merchant acquisition services, please refer to the exemption in regulation 32 of the PSR. In relation to e-money issuance service, “relevant money” is defined in section 23(14) of the PS Act to only include money that the MPI has issued specified e-money in exchange for. “Specified e-money” is defined in section 2 of the PS Act as any e-money that has been issued —(a) to any person whom the issuer of the e-money has determined, according to such criteria as the Authority may specify by notice in writing, to be resident in Singapore; or (b) in Singapore to a person whom the issuer of the e-money has not determined, according to such criteria as the Authority may specify by notice in writing, to be resident outside Singapore



- 3.3. To ensure that foreign persons are clear as to the treatment of their money in such cases, the MPI will be required to inform all foreign persons in writing that the money the MPI receives from or on account of the foreign person is not safeguarded under the PS Act.

**Question 1.** *MAS seeks comments on the exemption proposed and whether the scope of the exemption is suitable for both the affected MPIs and foreign persons. MAS also seeks views on whether other amendments to the PSR are necessary to provide for the newly scoped-in payment services. Please be specific in the proposed amendment and corresponding rationale, if any.*





## 4. Amendments to the AML/CFT Notices PSN01 and PSN02

### Scope the application of PSN01 and PSN02 to the revised scope of payment services

- 4.1. MAS considers that all AML/CFT requirements in PSN01 and PSN02 remain applicable to the newly scoped-in payment services. As such, proposed amendments have been made to –
- (a) PSN01 to reflect the expanded definition of cross-border money transfer service in the Bill, and to clarify that the wire transfer obligations apply to the service of arranging for the cross-border wire transfer of funds.
  - (b) PSN02 to reflect the expanded definition of DPT service in the Bill, and to clarify that the value transfer obligations apply to the service of arranging for the value transfer of one or more DPTs.

*Question 2. MAS seeks comments on the revised scope of application of PSN01 and PSN02 to (a) apply the same AML/CFT requirements in these Notices to all newly scoped-in payment services; and (b) apply wire transfer obligations to the service of arranging for the cross-border wire transfer of funds under PSN01, and to apply value transfer obligations to the service of arranging for the value transfer of one or more DPTs under PSN02.*



## Application of group-wide AML/CFT measures

- 4.2. MAS proposes to require licensees and exempt payment service providers<sup>6</sup> under the PS Act which are incorporated in Singapore to develop and implement group-wide AML/CFT policies, including policies and procedures for sharing information required for the purposes of customer due diligence, and money laundering and terrorism financing (“ML/TF”) risk management within the group. Where the licensees or exempt payment service providers under the PS Act have a branch or subsidiary in a host country or jurisdiction known to have inadequate AML/CFT measures or in relation to which the FATF has called for countermeasures, the licensees or exempt payment service providers under the PS Act would need to ensure that the group policy on AML/CFT is strictly observed by the management of that branch or subsidiary. Where the AML/CFT requirements in the host country or jurisdiction differ from those in Singapore, the licensees and exempt payment service providers under the PS Act would also need to require that their overseas branch or subsidiary apply the higher of the two standards, to the extent permitted by the law of the host jurisdiction.
- 4.3. These requirements are currently imposed on other financial institutions, such as banks, capital markets intermediaries and life insurance companies. As payment service providers may also operate in financial groups, MAS proposes to introduce these requirements in PSN01 and PSN02 to ensure a consistent and effective approach to identifying and managing the group-wide ML/TF risks that payment service providers may be exposed to arising from their operations.

## Application of requirements relating to agency arrangements of DPT services providers under PSN02

- 4.4. MAS proposes to introduce requirements in respect of agents that are appointed by the DPT service providers to assist in the provision of DPT services. In such agency arrangements, the agent does not provide DPT services to the DPT service provider, but instead provides them to third parties on behalf of the DPT service provider. The requirements are currently imposed on payment service providers that are subject to PSN01 (please refer to paragraph 14 of PSN01). MAS intends to extend the same requirements to DPT service providers that are subject to PSN02, in respect of their agency arrangements.

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<sup>6</sup> References to “exempt payment service providers” in this section refers to persons exempt under section 13(1) of PS Act where such person offers a specified product as defined in PSN01.



## Exemption of specific wire transfers related to the purchase of goods or services from requirements set out under paragraph 15 of PSN01

4.5. In line with FATF Standards<sup>7</sup>, MAS proposes to exclude wire transfers that flow from a transaction carried out using a charge card, credit card, debit card, prepaid card or electronic wallet for the purchase of goods or services from the requirements set out under paragraph 15 of PS-N01 on “Wire Transfers”, so long as both the charge card, credit card, debit card, prepaid card, or electronic wallet number and the name of the issuer of such charge card, credit card, debit card, prepaid card or electronic wallet (collectively “payment information”), accompany the transfers. The payment information would allow the funds to be traced through the transfer to the originator and beneficiary more easily, if needed. To be clear, the exclusion does not apply when a charge card, credit card, debit card, prepaid card or electronic wallet is used as a payment system to effect a person-to-person wire transfer. In such instances, the requirements set out under paragraph 15 of PSN01 on “Wire Transfers” continue to apply.

*Question 3. MAS seeks comments on the proposed introduction of requirements in respect of (a) group-wide AML/CFT measures in PSN01 and PSN02; and (b) agency requirements in PSN02.*

*Question 4. MAS seeks comments on the proposed introduction of an exclusion in PSN01 for wire transfers that flows from a transaction carried out using a charge card, credit card, debit card, prepaid card, or electronic wallet for the purchase of goods or services, with the exclusion only applicable where both the charge card, credit card, debit card, prepaid card or electronic wallet number and the name of the issuer of such charge card, credit card, debit card, prepaid card or electronic wallet, accompany the transfers.*

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<sup>7</sup> Please refer to paragraph 4(a) of the “interpretive of Note to Recommendation 16 (Wire Transfers)” under the FATF standards.



## 5. Extension of Data Collection Requirements in PSN04

- 5.1. PSN04 will be amended to introduce additional fields relating to the newly scoped-in payment services and data would be collected to augment our surveillance of the payments services sector. For instance, additional data relating to breakdowns on the number of higher risk customers, transaction value and volume, and account statistics are proposed to be collected to enhance our monitoring of the ML/TF risk profile of licensees.
- 5.2. The use of anonymity-enhancing technologies or mechanisms obfuscate the identities of the sender, recipient or holder of a digital payment token<sup>8</sup>. Transactions involving such anonymity-enhancing technologies pose higher ML/TF risks. To enhance our monitoring of this area, MAS also proposes the collection of statistics on FIs' exposure to anonymity-enhancing technologies.
- 5.3. The revised PSN04 will take effect six months from the date the amendments to the PS Act come into operation. This is to allow for existing entities and new licensees sufficient time to make the necessary system enhancements to collect and report the additional data. All licensees must continue to comply with reporting requirements under the existing PSN04 during this six-month period.

**Question 5.** *MAS seeks comments on the amendments to PSN04, in particular the reporting requirements relating to the newly scoped-in payment services, as well as the additional breakdowns and reporting on exposure to anonymity-enhancing technologies. MAS also seeks comments on the transition period for PSN04.*

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<sup>8</sup> Examples of such technologies are privacy wallets, mixers and tumblers and internet protocol anonymizers.



## 6. Updates to Requirements in PSN07 and PSN08

- 6.1. PSN07 covers general conduct requirements, while PSN08 covers disclosure requirements. MAS is proposing amendments to various requirements in PSN07 (such as display of exchange rates and fees, and information to be set out in receipts) to apply to the newly scoped-in payment services.
- 6.2. MAS also proposes to amend the requirements on transmission of money timeframes arising from feedback from the payment services sector. Some business models involve only corporate customers and operate on a delayed payment basis (e.g., there is an agreement between the payment service providers and their customers, where their customers agree to be paid on a monthly basis). MAS is proposing to allow for a longer time for money to be transmitted, as long as this is provided for in the contractual agreement between the licensee and corporate customers. The requirement on the maximum number of days within which money must be transmitted is more relevant where payment services are provided to consumers, to set baseline service standards for consumers. It remains that requirements setting out the timeline for transmission of money will not be applied to DPT services.
- 6.3. The proposed amendments to PSN08 relate to the revision of risk warning statements in Annex A1, A2, A3 and A4 to accommodate the new DPT services. MAS is also proposing amendments to the statements to require licensed DPT service providers to clarify the extent to which DPT service providers are regulated under the PS Act, and to make clear that DPT service providers are not regulated in respect of services provided in relation to other cryptocurrency-related products (e.g., trading of DPT derivatives).

*Question 6. MAS seeks comments on the amendments to PSN07 and PSN08. MAS also seeks comments on the proposed amendment to PSN07 for money transmission requirement to accord more flexibility to licensees dealing with corporate customers and whether this should be restricted to corporate customers. In addition, MAS seeks comments on the proposed enhancements to the risk disclosure statements under PSN08 to better inform customers of the unregulated status of certain services provided by licensed DPT service providers.*



## 7. New Payment Services (Exemption for Specified Period) Regulations 2023

- 7.1. In the November 2020 Response, MAS indicated its intention to grant an exemption for six months following the commencement of the amendments to the PS Act to entities that are –
- (a) newly regulated under the PS Act; and
  - (b) currently licensed under the PS Act, who have to vary their licence to include domestic money transfer service, cross-border money transfer service or DPT service, resulting from the proposed amendments to the scope of payment services.
- 7.2. These exemptions for a specified period will be set out in a new set of regulations and do not differ from the arrangements proposed in the November 2020 Response. These exemptions are intended only for affected persons mentioned in paragraph 7.1, which have commenced business on or before the commencement date of amendments to the PS Act and have notified MAS of the date on which they commenced the business within 30 days after the commencement date of the amendments to the PS Act.
- 7.3. These exemptions will not apply to persons who are already licensed to carry on business in domestic money transfer services, cross-border money transfer services, or DPT services, as the case may be, and who also carry on business in the new domestic money transfer services, cross-border money transfer services or DPT services respectively. If such persons are already licensed to carry on business to provide such payment services, they do not need to submit a separate application to vary their licence. For example, a licensee licensed to provide cross-border money transfer services need not vary its licence if it intends to or is already providing the newly scoped-in cross-border money transfer service in paragraph (c) of the definition of “cross-border money transfer service”.
- 7.4. MAS proposes for a transitional exemption period of 6 months, similar to the exemption period for DPT services when the PS Act first commenced in 2020. Based on previous experience, this is a sufficient time period for entities to prepare and apply for the licence or variation of their licence. If an affected person has applied for a licence or applied to vary its existing licence to provide the newly scoped-in payment services on or before the end of the 6-month period, the end date of the exemption period will be extended to the date on which the licence application or variation is approved, refused or withdrawn. To be clear, an affected person who fails to submit a relevant application would not be able to rely on the exemption and would be required to cease operating the regulated payment services 6 months after the date of commencement of the Payment Services (Amendment) Act 2021.



- 7.5. MAS is also considering imposing additional requirements on affected persons in order to obtain assurances that affected persons will be able to satisfy obligations as licensees under the PS Act. It will take time for the applications of affected persons to be reviewed, and in the interim, it is important that affected persons have in place measures to address key risk areas such as ML/TF, technology risk and/or safeguarding arrangements. Some measures which MAS is considering are:
- (a) Requiring an affected person to obtain the services of an external auditor to conduct an audit on the controls addressing key risk areas and submit the report to MAS, such an external auditor being one with up-to-date experience auditing licensed payment service providers and other financial institutions licensed under other Acts administered by MAS, e.g., the Banking Act or the Securities and Futures Act; or
  - (b) Requiring an affected person to obtain the services of an independent third party to assess and confirm the adequacy of compliance policies and procedures to meet obligations under the PS Act, such a third party being one with up-to-date experience in advising or auditing the controls of licensed payment service providers and other financial institutions licensed under other Acts administered by MAS.
- 7.6. MAS is further considering that an affected person should submit proof of such third party assessment as part of its application, containing positive confirmations as to a defined set of key controls. Such third party assessments will form a crucial component of applications and will be taken seriously by MAS as part of its review. As such, MAS does not accept any incomplete application where the third party assessment is not submitted together with the application.
- 7.7. In undergoing such third party reviews, affected persons will be able to confirm their understanding of regulatory requirements with an experienced independent party, which will aid in the engagement process with MAS and facilitate a faster review process.

*Question 7. MAS seeks comments on the timeline for the transitional arrangements for the entities that need to hold or vary a PS Act licence arising from the broadened scope of cross-border money transfer service, domestic money transfer service and DPT service.*

*Question 8. MAS seeks views on the imposition of additional requirements to accompany application forms submitted by affected persons.*



## 8. Annex A – List of Questions

- Question 1. MAS seeks comments on the exemption proposed and whether the scope of the exemption is suitable for both the affected MPIs and foreign persons. MAS also seeks views on whether other amendments to the PSR are necessary to provide for the newly scoped-in payment services. Please be specific in the proposed amendment and corresponding rationale, if any. 8
- Question 2. MAS seeks comments on the revised scope of application of PSN01 and PSN02 to (a) apply the same AML/CFT requirements in these Notices to all newly scoped-in payment services; and (b) apply wire transfer obligations to the service of arranging for the cross-border wire transfer of funds under PSN01, and to apply value transfer obligations to the service of arranging for the value transfer of one or more DPTs under PSN02. 9
- Question 3. MAS seeks comments on the proposed introduction of requirements in respect of (a) group-wide AML/CFT measures in PSN01 and PSN02; and (b) agency requirements in PSN02. 11
- Question 4. MAS seeks comments on the proposed introduction of an exclusion in PSN01 for wire transfers that flows from a transaction carried out using a charge card, credit card, debit card, prepaid card, or electronic wallet for the purchase of goods or services, with the exclusion only applicable where both the charge card, credit card, debit card, prepaid card or electronic wallet number and the name of the issuer of such charge card, credit card, debit card, prepaid card or electronic wallet, accompany the transfers. 11
- Question 5. MAS seeks comments on the amendments to PSN04, in particular the reporting requirements relating to the newly scoped-in payment services, as well as the additional breakdowns and reporting on exposure to anonymity-enhancing technologies. MAS also seeks comments on the transition period for PSN04. 12
- Question 6. MAS seeks comments on the amendments to PSN07 and PSN08. MAS also seeks comments on the proposed amendment to PSN07 for money transmission requirement to accord more flexibility to licensees dealing with corporate customers and whether this should be restricted to corporate customers. In addition, MAS seeks comments on the proposed enhancements to the risk disclosure statements under PSN08 to better inform customers of the unregulated status of certain services provided by licensed DPT service providers. 13





- Question 7. MAS seeks comments on the timeline for the transitional arrangements for the entities that need to hold or vary a PS Act licence arising from the broadened scope of cross-border money transfer service, domestic money transfer service and DPT service. 15
- Question 8. MAS seeks views on the imposition of additional requirements to accompany application forms submitted by affected persons. 15