Monetary Authority of Singapore

PAYMENT SERVICES ACT 2019

FREQUENTLY ASKED QUESTIONS (FAQs) ON THE PAYMENT SERVICES ACT (PS ACT)

Disclaimer: These FAQs are meant to provide guidance to industry participants, in particular potential applicants for licences under the Payment Services Act, on the licensing and regulation of payment service providers, the oversight of payment systems, and connected matters. The FAQs do not constitute legal advice. MAS expects industry participants to retain their independent legal counsel to advise them on how their business operations should be conducted in order to satisfy legal and regulatory requirements, and to advise them on all applicable laws, rules and regulations of Singapore.

PAYMENT SERVICES ACT 2019 (PS ACT)

FREQUENTLY ASKED QUESTIONS (FAQs)

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Part 1: Rationale for Introduction of a New Payment Services Regulatory Framework and Timeline

Question 1. What has happened to the payments legislation prior to the PS Act? How are the payment services regulated under the PS Act different from the previously regulated payment services?

1.1 Previously, the PS(O)A, provided for the oversight of payment systems and stored value facilities. The MCRBA provided for the regulation of persons who carried on money-changing business, remittance business or both. Since the commencement of the PS Act, the PS(O)A and the MCRBA have been repealed and the regulation of payment service providers and oversight of payment systems are under the PS Act. However, the PS Act provides transitional arrangements for entities regulated under the PS(O)A and MCRBA as well as powers to exempt, for a specified period, entities providing the new payment services but which were not regulated. Exemptions of between 6 and 12 months are provided to facilitate a smooth transition of entities that are providing new payment services into the regulatory framework, and give them sufficient lead time to comply with the requirements.

1.2 Money-changing businesses and remittance businesses were previously regulated under the MCRBA, and the holding of stored value facilities where the float was over $30 million was regulated under the PS(O)A. The PS Act continues to regulate money-changing services. Remittance businesses are captured within the scope of cross-border money transfer service. The provision of stored value facilities and stored value are regulated under the PS Act as account issuance service and e-money issuance service. It should be noted that account issuance service, cross-border money transfer service and e-money issuance service have been broadened in scope compared to activities regulated under the

previous legislation. Domestic money transfer service, merchant acquisition service and DPT services are new payment services that are regulated under the PS Act

Question 2. When has the PS Act taken effect?

2.1 The PS Act has commenced on 28 January 2020.

Question 3. What are the arrangements for payment firms that were regulated under the PS(O)A and MCRBA and payment firms that are newly regulated by MAS? What is the impact of the PS Act on these firms?

3.1 As there is no change to the designation regime for DPS, the operators, settlement institutions and participants of a DPS under the PS(O)A are seamlessly transitioned and regulated under the PS Act.

3.2 Approved holders of widely accepted stored value facilities under the PS(O)A and licensed remittance agents under the MCRBA are deemed as MPIs under the PS Act. Hence, these entities do not need to separately apply for a payment services licence. Holders of a money-changer's licence under the MCRBA will continue to be regulated as holders of a money-changing licence under the PS Act.

3.3 For new payment services, MAS provides transitional arrangements by introducing a grace period of between 6 and 12 months from the commencement of the PS Act, where entities are given an exemption for a specified period specific to each activity. Please refer to the Payment Services Regulations for details on the exemptions for a specified period granted in respect of specific payment services.

Part 2: Designation Framework

Question 4. What type of payment systems are designated under the PS Act?

4.1 The designation of payment systems is an existing power that MAS had under the PS(O)A, and retained under the PS Act. The three considerations for designation under the PS(O)A are retained in the PS Act. First, a payment system may be designated if a disruption in the operations of the payment system could trigger, cause or transmit further disruption to participants or systemic disruption to the financial system of Singapore, i.e. its operations pose financial stability risks. MEPS+, an interbank payment system that settles large-value, time-critical transactions between banks, is one such system that has been designated today. A disruption to MEPS+ operations will likely trigger systemic disruptions to the financial system in Singapore.

4.2 Second, a payment system may also be designated if a disruption in the operations of the payment system could affect public confidence in payment systems or the financial system of Singapore. Existing designated payment systems of such risk profile include the Fast and Secure Transfers (FAST), Singapore Dollar Cheque Clearing System, US Dollar Cheque Clearing System, Inter-bank General Interbank Recurring Order (GIRO) System and the domestic card scheme operated by Network for Electronic Transfers (NETS).

4.3 Thirdly, a payment system may be designated if MAS is satisfied that it is otherwise in the interests of the public to do so.

4.4 The PS Act introduces a fourth consideration that MAS may consider. Payment systems that are widely used by other payment service providers or payment system operators may also pose risks to efficiency and competition in the financial system. Such payment systems may also be designated under the PS Act for regulation by MAS to ensure the efficiency or competitiveness in any of the services provided by the operator of the payment system.

Question 5. Can an entity be regulated under both the designation framework and the licensing framework?

5.1 Yes, this is possible if the entity concurrently provides one or more of the licensable payment services, and operates a payment system that is designated under the PS Act.

Question 6. Some countries like Australia have designated card scheme operators like Visa and MasterCard to regulate their interchange fees. Is MAS able to do so and does MAS have similar plans?

6.1 MAS has studied the interventions by foreign authorities in the area of card interchange fees and observed that any intervention in card interchange fees requires a thorough review of the payment card fee structure and its impact on the retail payments ecosystem. While MAS has powers under the PS Act to designate widely used payment systems for competition reasons, a thorough review of the impact and benefits of such designation is required before MAS determines if such designation is necessary. MAS will continue to monitor this area and will intervene where it is clear that such intervention will bring about significant benefits to consumers.

6.2 MAS takes a collaborative approach in its engagements with the industry, and will take the views of the relevant entity into consideration when determining if designation is necessary.

Part 3: Licensing Framework and Licensable Activities

Question 7. Are all services relating to payments regulated under the PS Act? If not, then why not? What are some of the services relating to payments that are not regulated as payment services under the PS Act? For example, are technology services and escrow services regulated?

7.1 Not all services relating to payments are regulated under the PS Act. MAS had, after careful review and consultation with the industry, applied a risk-based approach to identify payment services that pose sufficient risk to warrant regulation, and where such risks are crucial to address, in order to build a simple, secure, and accessible payments ecosystem.

7.2 The services identified are those that have the following characteristics: the services have a clear payments nexus, the service providers process funds or acquire transactions for merchants, and the service providers contract or deal with the consumer or the merchant. Service providers that process only data (e.g. payment instructions) and not money are treated as outsourcing services. For this reason, we do not require providers of payment instrument aggregation services and data communications platforms to be licensed under the PS Act.

7.3 The PS Act also carves out from regulation some payment services that do not pose sufficient risk to warrant regulation. The three most significant carve outs are any payment service that is provided by any person in respect only of any limited purpose e-money, any service of dealing in, or facilitating the exchange of, any limited purpose DPTs, and any payment service solely incidental to or necessary for regulated activities carried out by a regulated financial services company.

7.4 Please see the First Schedule to the PS Act for services that are payment services (Part 1) and services that are not payment services (Part 2).

Question 8. Who is considered to be a commercial agent in paragraph 2(a) of Part 2 of the First Schedule to the PS Act?

[added on 13 April 2020]

8.1 A commercial agent is a person that carries on a business of acting as an authorised agent for another person, for the purposes of negotiating or concluding the sale or purchase of goods or services on behalf of the payer or payee. An example of a commercial agent would be a motor vehicle dealer who accepts payments for the vehicle company whose vehicles the dealer sells.

Question 9. What is the scope of the payment system exclusion (paragraph 2(c) of Part 2 of the First Schedule to the PS Act)? Does it apply to every transaction executed between two or more payment service providers?

[added on 13 April 2020]

9.1 The payment system exclusion is to carve out services provided by payment system operators or securities settlement system operators to their participants from the licensing regime of the PS Act.

9.2 It may be useful to note the following:

i. "participant" is defined in the PS Act to mean any person that is recognised in the rules of the payment system, or is otherwise recognised by the operator or settlement institution of the payment system, as being eligible to settle payments through the payment system with other persons that are similarly recognised, or to process payments through the payment system. Each participant of the payment system referred to in the payment system exclusion needs to be a payment service provider, settlement agent, central counterparty, clearing house, central bank or any other participant of the system. As such, services provided by operators of payment systems that serve persons that are not financial institutions are unlikely to fall within the payment system exclusion.

ii. "payment system" is defined in the PS Act to mean a funds transfer system, or other system that facilitates the circulation of money, and includes any instruments and procedures that relate to the system. This means that any system that facilitates the circulation of money is a payment system.

iii. "money" is defined in the PS Act to exclude DPTs. A system that facilitates only the transfer of DPTs is not a payment system as defined in the PS Act.

Question 10. Does MAS intend to regulate loyalty programmes?

10.1 MAS does not intend for loyalty programs that are common in the retail space to be regulated as payment services. Such programs are designed to promote the purchase of goods or use of services provided by the loyalty points issuer or any merchant specified by the loyalty points issuer. Due to their limited use and customer reach, such programs do not pose the same level of risks that payment services pose. Loyalty points may be "limited purpose e-money" or "limited purpose digital payment token" within the meaning of Part 3 of the PS Act. Any payment service mentioned in Part 1 of the First Schedule to the PS Act, that is provided by any person in respect only of any limited purpose e-money, is excluded from regulation. Likewise, any service of dealing in, or facilitating the exchange of, any limited purpose DPT, is excluded from regulation. In assessing whether loyalty points are "limited purpose e-money" or "limited purpose digital payment token", MAS will likely consider the following factors among others:

i. whether the programme under which such points are issued is marketed to customers as a loyalty program or as a payment service; and
ii. whether any part of the programme conflicts with its stated objective of promoting the purchase of goods or use of services provided by the loyalty points issuer or any merchant specified by the loyalty points issuer.

Question 11. Can electronic mall vouchers be considered "limited purpose e-money"?
[added on 18 February 2020]

11.1 Any payment service that is provided by a person in respect only of any limited purpose e-money is not a payment service regulated under the PS Act. A mall voucher, whether in physical or electronic form, is an example of a limited purpose e-money, provided it meets the criteria set out in the definition of "limited purpose e-money".

11.2 Some mall operators may offer customers online or mobile accounts to help customers keep track of their mall vouchers. If the online or mobile account operates like an inventory management tool, it may not qualify as a payment account. These types of accounts provide customers the convenience of not having to carry the physical vouchers (where these have been issued) and help customers keep track of the respective vouchers that have been purchased, where each voucher has its own unique serial number and expiry date. However, if mall operators aggregate the values of physical or electronic vouchers that have been purchased into a single account and allow customers to make payment transactions through that account, such an account may be a payment account. The issuer of such electronically stored value may need to hold a licence under the PS Act to provide

payment services, including e-money issuance services, if the electronically stored value does not meet the criteria set out in the definition of "limited purpose e-money".

Question 12. What payment services are regulated under the licensing framework, and what are some examples of providers of these payment services?

12.1 MAS regulates seven payment services provided to consumers or merchants under the licensing framework of the PS Act. This means that most payment firms that consumers and merchants commonly interact with are regulated by MAS. Most providers of e-wallets and e-money for example are regulated for account issuance service, domestic money transfer service and e-money issuance. Remittance agents and money-changers continue to be regulated as cross border payment service providers and money-changing service providers respectively. Merchant acquirers that process payment transactions for merchants are also required to hold a licence under the PS Act. And finally, entities that buy or sell DPT or what we commonly call cryptocurrencies, or establish or operate a DPT exchange are regulated under the PS Act.

Question 13. When is a person considered to be carrying on a business of providing a payment service in Singapore, or soliciting for the provision of a payment service in Singapore?
[amended on 11 May 2020]

13.1 There are a number of factors which MAS will consider in determining whether a person is providing a payment service "in Singapore" and we have listed some clear examples below. The list is not exhaustive and we will assess the facts for each licence application on a case–by-case basis. Examples of when a person provides a payment service "in Singapore":

i. The person operates its business providing the payment service in Singapore out of a physical location in Singapore.
ii. The person operates its business providing the payment service in Singapore with employees located predominantly in Singapore.

13.2 As for when a person can be said to be "carrying on a business" of providing a payment service, MAS will consider whether the person is providing the payment service with system, continuity and repetition. For example, where a person regularly accepts money in Singapore (regardless of who he accepts it from) for the purpose of transmitting the money to any person outside Singapore, this person could be carrying on a business of providing a cross-border money transfer service.

13.3 Regarding when a person is soliciting for the provision of a payment service in Singapore, please see regulation 11 of the Payment Services Regulations 2019 which sets out the relevant considerations in the context of the prohibition against solicitation in section 9 of the PS Act.

Question 14. What are some examples of entities that provide merchant acquisition services?

14.1 As mentioned in Table 1 of the Consultation Paper on Proposed Payment Services Bill, an entity provides merchant acquisition services where the entity enters into a contract with a merchant to accept and process payment transactions, which results in a transfer of money to the merchant. Usually the service includes providing a point of sale terminal or online payment gateway.

14.2 A payment service provider that operates a closed-loop e-money account issuance service, where transactions can only take place between users of the particular e-money accounts issued by the payment service provider, may also be providing a merchant acquisition service if one of the users is a merchant and there is the requisite contractual relationship mentioned above.

Question 15. What is the scope of cross-border money transfer service? Does it cover a scenario where a service provider transmits (or arranges for the transmission of) money between a sender and a recipient who are the same person? Does a "person outside Singapore" mentioned in limb (a) of the definition of "cross-border money transfer service" refer to a person who is resident outside Singapore?

[added on 13 April 2020]
[amended on 19 April 2024]

15.1 The scope of cross-border money transfer service covers any transfer of money between Singapore and another country or territory, or any arrangement for the transmission of money from any country or territory to another country or territory, regardless of whether the sender and recipient of such money are the same person. An example of the transfer of money between Singapore and another country or territory is where a service provider carries on a business of accepting money in Singapore for the purpose of transmitting the money to any person outside Singapore, or receiving money from outside Singapore for any person in Singapore. Where a person in Singapore carries on a business of arranging for the transmission of money from any country or territory to another country or territory, this would also constitute a cross-border money transfer service, regardless of whether the person accepts or receives moneys in Singapore.

15.2 In considering whether or not a transfer is made to a "person outside Singapore", the residency status of the person outside Singapore should not be a material consideration. As long as the transfer of money is made to any person (including an account) outside Singapore, it would be considered as a "person outside Singapore" for the purpose of cross-border money transfer service.

Question 16. A licensee provides a combination of domestic money transfer, cross border money transfer and merchant acquisition services in a single payment transaction. Will there be duplicative requirements imposed on the licensee (for example, in respect of the safeguarding of customer monies)?

[amended on 31 March 2021]
[amended on 19 April 2024]

16.1 MAS recognises that there may be instances where the service of merchant acquisition overlaps with the service of domestic money transfer or cross border money transfer. For example, the merchant acquirer may provide a domestic money transfer service in the same transaction if it serves the payer as well. This is common for e-wallet (payment accounts that contain e-money) issuers. In another example, the merchant acquirer may provide a cross border money transfer service in the same transaction if it receives money from overseas on behalf of the merchant in Singapore or if it accepts money in Singapore for the purpose of transmitting, or arranging for the transmission of, the money to a merchant overseas. Please note that these examples are for illustration only and are not exhaustive.

16.2 Notwithstanding that a person provides more than one payment service in the course of a payment transaction, the PS Act does not impose duplicative requirements for safeguarding of the funds in transit. The obligation under section 23 for a MPI to safeguard funds in transit for all three services mentioned applies to the total sum of relevant money held by the MPI. This means that if two services are provided in the course of a single transaction, the relevant money to be safeguarded in that transaction does not double simply because two services are provided for the same transaction. Also, the AML/CFT requirements for the services are the same as they are set out under relevant Notice "PS-N01 – Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Specified Payment Services)" and would apply to all their customers. Further, in respect of AML/CFT requirements, merchant acquirers that provide other payment services as part of their merchant acquisition business should note that low risk transactions set out in the relevant AML/CFT notice do not attract AML/CFT measures.

16.3 That said, a person should ensure that the person has in force a licence that entitles the person to carry on a business of providing all the payment services the person provides.

Question 17. What are the types of payment accounts that are envisaged under the service of account issuance?

[added on 13 April 2020]

17.1 Account issuance service includes the service of issuing a payment account to any person in Singapore. A "payment account" is defined in the PS Act, and the definition includes a bank account, a debit card, a credit card and a charge card. An e-wallet being an account that stores e-money is also likely to be a payment account, as it is usually one which is held in the name, or associated with the unique identifier, of any person, and is used by that person for the initiation of a payment order or the execution of a payment transaction, or both.

17.2 The usual types of payment accounts are mentioned above. However, there may be other less common types of payment accounts that still fall within the definition of payment account. When assessing whether they are issuing payment accounts, payment service providers are encouraged to consider the full definition of "payment account", including whether the holder of the account can use the account to initiate payment orders or execute payment transactions.

17.3 An account that stores only DPTs is not likely to be a payment account. This is because a payment account must be an account with which the holder can initiate a payment order with or execute a payment transaction. Both "payment order" and "payment transaction" are defined in the PS Act with reference to money. Money is defined in the PS Act to include e-money but exclude DPT. That said, DPT service providers should still assess if they are also providing an account issuance service, in particular if they issue accounts that store money to their customers.

Question 18. Is an e-wallet top up service an account issuance service?

18.1 We have observed that there are businesses offering e-wallet top up services. This is usually where the service provider (Business X) accepts money from a customer for the purpose of sending the money to an e-wallet operator, so that the e-wallet operator can top up the customer's payment account. Business X does not provide an account issuance

service because it does not operate the payment account and top up the payment account. Instead, it only hands over the money to the e-wallet operator.

18.2 Business X would however be providing an account issuance service in a situation where Business X (rather than the e-wallet operator) operates the payment account and tops up the payment account. In that situation, Business X will need to hold a licence to provide an account issuance service, unless it is exempted.

Question 19. How is e-money different from deposits and DPTs?

19.1 E-money vs DPT:

A payment account may take the form of an e-wallet which is funded with e-money. This e-money is denominated in or pegged by the issuer to a fiat currency. This is an important distinction from DPTs. Where the monetary value of the electronically stored amount in fiat currency cannot be determined without referring to some form of market mechanism, for example through the trading of the electronically stored monetary value on an exchange, such electronically stored amount is not e-money but may be a DPT.

19.2 MAS has also issued a consultation paper on the scope of e-money and DPT. You may wish to refer to part 3 of Consultation on the Payment Services Act 2019 - Scope of E-money and Digital Payment Tokens for more information.

19.3 E-money vs Deposits:

E-money is money paid in advance under a contract for the provision of a service. E-money are not bank deposits and therefore not protected by deposit insurance. That said, MPIs are required to safeguard their e-money float.

Question 20. Why is it necessary to regulate the provision of an e-wallet as a separate activity from the issuance of e-money? Are they not the same?

20.1 The e-wallet is a payment account from which the customer pays. A consumer purchases e-money from a business to enable him to make money transfers or purchase goods or services from participating individuals and merchants which accept such e-money. Often, the entity operating the e-wallet also issues the e-money. However, there is also a possibility that the e-wallet is provided by an entity that is separate from the issuer of the e-money.

20.2 The service provider that provides and maintains this e-wallet performs an account issuance service, which poses all four key risks and concerns that need to be addressed: ML/TF risks, technology risk, user protection and interoperability concerns. The activity of e-money issuance however only carries user protection risks. The PS Act obliges MPIs that issue e-money to safeguard customer money from their own insolvency.

Question 21. The definition of "DPTs" refers to a "section of the public" – what does this mean?
[added on 13 April 2020]

21.1 What comprises a "section of the public" under the PS Act is a fact-sensitive determination. A group of individuals with a subsisting relationship with the service provider, or a group of individuals selected because of rational characteristics common to them may not be regarded as a section of the public per se. This determination depends on factors such as size of the group, nature of the service offered, and the significance of the particular characteristic that is common. However, a group of individuals selected with reference to the public, i.e. with a certain degree of indiscrimination, would likely be regarded as a section of the public.

21.2 For example, a token may be regarded as a medium of exchange accepted by a "section of the public", where the token is accessible by individuals who do not subscribe to the services of the issuer, and is used by them as payment for goods and services that are not exclusively provided by the issuer.

Question 22. What do DPT service providers that carry on a business of dealing in DPTs need to do before offering tokens for sale on DPT exchanges? What do DPT service providers that carry on a business of facilitating the exchange of DPTs need to do before allowing new tokens to be traded on DPT exchanges they establish or operate?
[added on 31 March 2021]

22.1 DPT service providers should first assess each token that they intend to offer to determine the nature of the token under MAS' regulatory framework (e.g. if it is a security token or a payment token). All persons licensed to carry on a business of providing DPT service ("DPT service licensees") must identify and assess the ML/TF risks that may arise in relation to the development of new products, and must undertake the risk assessments prior to the launch of such products. They are also required to take appropriate measures to manage and mitigate the risks and pay special attention to new products that favour anonymity. These requirements are set out in paragraphs 5.1 to 5.3 of Notice PSN02. Paragraph 5 of the Guidelines to Notice PSN02 sets out further guidance on indicators that DPT service

licensees should consider as part of their ML/TF risk assessment for new products. These include whether the products have characteristics that promote anonymity, obfuscate transactions or undermine the DPT service licensee's ability to identify its customers, and whether the product is known to be used by criminals for illicit purposes. For avoidance of doubt, DPT service licensees will need to comply with the AML/CFT measures in respect of all customers, regardless of the types of tokens bought, sold or exchanged by the customers.

Question 23. How are stablecoins regulated under the PS Act?

[added on 7 March 2022]
[amended on 19 April 2024]

23.1 In December 2019, MAS consulted on the "Scope of E-money and Digital Payment Tokens". MAS clarified in the consultation paper that e-money, as a digital representation of currency, encompasses the monetary value of the currency that it is denominated in. It can take on the monetary value of the currency that it is pegged to by its issuer (i.e. fixed exchange rate to a currency e.g. one token = S$2). This was to address the risk that issuers may circumvent e-money related regulations under the PS Act through re-labelling.

23.2 Stablecoins are not the same as e-money in the way that e-money is a digital representation of currency. Amongst stablecoins, single-currency stablecoins (SCS) whose value is purportedly fixed with reference to a single currency, appears closest to e-money. However, the exchange rate of the SCS to the currency is not fixed and can vary when traded on exchanges. This observation was similarly made by the Bank for International Settlements in its Working Paper on "Stablecoins: risks, potential and regulation"[1].

23.3 Further, holders of a SCS can often use the SCS via third-party service providers (e.g. DPT exchanges) or with their own private wallets, without the involvement of the SCS issuer. This is unlike holders of e-money who would typically have contractual relationships or accounts with the e-money issuer and can only use the e-money through the issuer.

23.4 Given the nature of SCS, MAS treats SCS with the following characteristics as not being "pegged" by its issuer to a currency, and thus not meeting the definition of "e-money":

i. the exchange rate of the SCS to the currency it references may vary, when used, traded or offered by third-party service providers; and

[1] Bank for International Settlements Working Papers No 905 on "Stablecoins: risks, potential and regulation", published in November 2020. This publication is available on the BIS website (www.bis.org).

ii. a holder of the SCS need not have a contractual relationship or an account with the issuer of the SCS, to use the SCS.

23.5 Aside from SCS, other types of stablecoins also do not meet the definition of "e-money". These include stablecoins whose values reference a basket of multiple currencies (e.g. one token = S$1 + US$1) or other assets (e.g. commodities), as well as stablecoins that aim to maintain stable values through algorithms that adjust the supply of the stablecoins in response to changes in the demand. Such stablecoins are neither denominated in nor pegged to a single currency by its issuer.

23.6 MAS therefore expects that in general, stablecoins, including SCS, will not meet the definition of "e-money". Stablecoins may meet the definition of "digital payment token". MAS takes a technology-neutral stance and will examine the characteristics of the stablecoin to determine the appropriate regulatory treatment. USD Coin and Tether are examples of SCS which, based on their characteristics today, are considered DPTs. Entities which provide DPT services will be regulated accordingly under the PS Act. Requirements applicable to entities that provide DPT services, such as the relevant risk disclosure requirements under PSN08, would thus apply. Entities providing services relating to stablecoins should also consider if their activities and products may be caught under other regulatory requirements such as those under the SFA.

23.7 MAS has, in August 2023, finalised the framework for MAS-regulated stablecoins. The framework will apply to SCS that are pegged to the Singapore Dollar or any G10 currency, and which are issued in Singapore. Stablecoin issuers regulated under the framework will be subject to requirements relating to value stability, capital, redemption at par, and disclosure. Stablecoin issuers that fulfil all requirements under the framework can apply to MAS for their stablecoins to be recognised and labelled as "MAS-regulated stablecoins". More details can be found in the Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities.

23.8 MAS is working on the necessary legislative amendments to implement the stablecoin framework, and will consult on those amendments in due course.

Question 24. When will an entity require a licence for carrying on any service of accepting DPTs from one DPT account, for the purposes of transmitting, or arranging for the transmission of, the DPTs to another DPT account ("DPT acceptance service")? When will an entity require a licence for carrying on any service of arranging for the transmission of DPTs from one DPT account to another DPT account ("DPT arrangement service")?

[added on 19 April 2024]

24.1 The DPT acceptance service, in limb (c) of the definition of "digital payment token service" in paragraph 3 of Part 3 of the First Schedule to the PS Act, is meant to capture entities which transfer DPTs from one DPT account (or address) to another account (or address) as a service. It involves coming into possession of the DPTs, with a clear intention of then transmitting or arranging for the transmission of the accepted DPTs to a third party as a service. The mere acceptance of DPT from customers will not be sufficient to trigger a licensing requirement, in the absence of any clear intention to then transmit or arrange for the transmission of the accepted DPTs to another party.

24.2 The DPT arrangement service, in limb (d) of the definition of "digital payment token service" in paragraph 3 of Part 3 of the First Schedule to the PS Act, is meant to capture entities which transfer DPTs from one DPT account (or address) to another account (or address) as a service, and includes arranging for such transfers, even if it does not come into possession of the DPTs.

24.3 Case study 1 below provides an example of a business model that would be caught for providing the DPT acceptance and arrangement services. MAS emphasises that the case study below is for the purpose of illustration only. It is not indicative or conclusive of how the PS Act will apply to a particular case involving DPT acceptance and arrangement services. The illustration in the case study is also not exhaustive as to when MAS would consider a person to be providing the DPT acceptance or arrangement service, as this will depend on the facts of each case and the entity's specific business model.

Case study 1

Company X provides a digital platform for its customers to store their DPTs with Company X for the purpose of lending those DPTs to third parties. Specifically, Company X helps its customers to lend their DPTs to third parties, and Company X's customers who have lent DPTs are entitled to receive interest payments.

- Since Company X accepts DPTs from customers with the intention of transferring it to third parties, it would be deemed to be providing the DPT acceptance service.

- Company X would also be deemed to be facilitating the transfer of DPTs by virtue of it moving the DPT from the customer's account (or address) to the account (or address) of the third parties, and be deemed to be providing the DPT arrangement service.

Question 25. When will an entity require a licence for carrying on any service of inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to buying or selling any DPT in exchange for any money or any other DPT ("DPT inducement service")?

[added on 19 April 2024]

25.1 The DPT inducement service, in limb (e) of the definition of "digital payment token service" in paragraph 3 of Part 3 of the First Schedule to the PS Act, is intended to capture entities that facilitate the buying or selling of DPTs for any money or other forms of DPTs, and includes the case where the entity does not have possession of the moneys or DPTs.

25.2 That said, the DPT inducement service is not limited to entities such as those that provide trade matching or order routing services. Even if an entity only provides a conduit through which a customer may enter into an agreement to buy or sell DPTs in exchange for money or any other DPT, the entity would be deemed to be providing the DPT inducement service.

25.3 Case study 2 below provides an example of a business model that engages in the DPT inducement service. MAS emphasises that the case study below is for the purpose of illustration only. It is not indicative or conclusive of how the PS Act will apply to a particular case involving DPT inducement service. The illustration in the case study is also not exhaustive as to when MAS would consider an entity to be providing the DPT inducement service, as this will depend on the facts of each case and the entity's specific business model.

Case study 2

Company X provides a gateway for users to top up value in their e-wallet using DPTs, in which a user's e-wallet balance can be increased by the equivalent SGD value of the DPTs that the user wishes to transfer. The option, to add value to an e-wallet by transferring DPTs, is offered on Company X's mobile application interface.

To effect this transfer of value, the conversion of DPTs to the equivalent value in SGD will be conducted by a separate licensed DPT service provider Company Y, whom users contract with via Company X's mobile application. Users will be required to transfer the DPTs to Company Y and the equivalent SGD value of the DPTs will be reflected accordingly in the user's e-wallet in Company X, upon successful processing by Company Y.

- Company X would be deemed to be facilitating the selling of DPTs in exchange for money, by providing a conduit through which its customer enters into an agreement with Company Y to sell DPTs in exchange for money, via the DPT top-up option offered on its mobile application, even if Company X does not at any point come into possession of the DPTs. As such, Company X would be deemed to be providing the DPT inducement service.

Question 26. When is an entity considered to be providing the service of safeguarding or carrying out for a customer an instruction relating to a DPT or DPT instrument?

[added on 19 April 2024]

26.1 Limbs (f), (g), (h), and (i) of the definition of "digital payment token service" in paragraph 3 of Part 3 of the First Schedule to the PS Act are intended to capture entities that carry on businesses of safeguarding or carrying out for a customer an instruction relating to DPTs or DPT instruments as a service, which reflect the core activities that a DPTSP offering custodial wallet services may engage in[2]. MAS intends to license entities who, in providing custodial wallet services for DPTs, have control over the DPTs, such that they have the ability to control access to any DPT or to execute transactions involving the DPTs stored in these custodial wallets. In the same vein, a DPTSP is caught within scope if it has control over a DPT instrument, for instance, a private cryptographic key, that is associated with any DPT. Control of the DPT or DPT instrument need not be absolute or exclusive.

26.2 With regard to what constitutes association with a DPT instrument, this refers to a scenario where the DPT instrument enables a person to control access to the DPT or to execute a transaction involving the DPT.

26.3 It may be useful to note that the exclusion in limb (h) of paragraph 2 of Part 2 of the First Schedule to the PS Act carves out technical service providers that support the provision of any payment service (including a DPT service) but do not at any time enter into possession of any money under that payment service (as defined in the PS Act). Examples of such technical service providers include DPT wallet software providers, and entities providing physical and technological infrastructure that support the provision of a DPT service.

26.4 MAS emphasises that the case studies below are for the purpose of illustration only. They are not indicative or conclusive of how the PS Act will apply to a particular case involving the service of safeguarding a DPT or DPT instrument, or the service of carrying out for a customer an instruction relating to a DPT or DPT instrument. The illustrations in the case studies are also not exhaustive as to when MAS would consider a person to be providing the service of safeguarding a DPT or DPT instrument, or the service of carrying out for a

[2] This may be in addition to other DPT services the DPTSP may offer as part of its business.

customer an instruction relating to a DPT or DPT instrument, as this will depend on the facts of each case and the entity's specific business model.

Case study 3:

Company X is carrying on a business of providing a DPT custodial wallet service for customers. When a customer of Company X wishes to perform a transaction involving the said customer's DPTs held in the custodial wallets provided by Company X, two private cryptographic keys – a client key controlled by the said customer and a platform key controlled by Company X – are needed to authorise the transaction.

The client key and the platform key are both held by Company X (and not by the customer) as part of the custodial arrangement. When the customer of Company X wishes to execute a transaction involving the said customer's DPTs, the said customer has to instruct Company X to jointly authorise the transaction using the client key and the platform key. Company X will not be able to move the customer's DPTs without the customer's instruction.

- Since the client and platform keys enable the customer and Company X to respectively control access to the customer's DPT, and are also jointly needed to execute the transaction involving the customer's DPTs, each of these keys would be a DPT instrument.
- In controlling the platform key, Company X has control of the customer's DPT because it has the ability to jointly execute transactions pertaining to a customer's DPTs. Similarly, the customer also has control over the DPT through the client key; this is because Company X may only use the client key to execute transactions pertaining to such DPTs upon authorisation by the customer.
- As Company X safeguards the customer's DPTs and has control over the customer's DPTs via the platform key, it would be providing a DPT safeguarding service to such a customer. As Company X acts on the customer's instruction to transfer the customer's DPTs for a transaction, it would also be providing a service of carrying out for a customer an instruction relating to a DPT and DPT instrument.
- Even in an alternative business model where Company X issues several private cryptographic keys of which only the platform key is controlled by Company X, as long as Company X maintains control of the platform key, either directly or through a third party, and the platform key may be used to co-authorise a transaction involving its customers' DPT, Company X would be considered to be providing the safeguarding of DPT and DPT instrument services, and the service of carrying out for a customer an instruction relating to a DPT and DPT instrument.

Case study 4:

Company Y provides a non-custodial DPT wallet technology to customers, which may include entities that offer DPT custodial wallet services. Customers of Company Y's service are issued DPT accounts ("non-custodial DPT wallets") as well as all the private cryptographic keys that are required to perform a transaction involving their DPTs stored in these accounts. Each customer of Company Y has the prerogative to decide on arrangements to hold these private cryptographic keys, which may include contracting with other third parties (excluding Company Y) to hold some of these private cryptographic keys. Company Y does not hold on to or control any private cryptographic key(s) required to perform a transaction involving the customer's DPTs stored in these non-custodial DPT wallets, and thus will not be able to control access to the customer's DPTs nor execute transactions pertaining to such customer's DPTs.

To perform a transaction involving DPTs in the non-custodial DPT wallet provided by Company Y, the customer may initiate the transaction by using a combination of the private cryptographic keys held by the said customer and/or a third party contracted by the customer. Company Y is not involved throughout this process.

- Similar to case study 3, each of the private cryptographic keys would be considered a DPT instrument.
- Based on the above business model, the customer of Company Y and the third party engaged by the customer, but not Company Y, each has control of the DPT instruments required to jointly execute a DPT transaction from the customer's non-custodial wallets provided by Company Y.
- As Company Y does not hold any DPT instrument, and is unable to initiate nor execute a transaction pertaining to the customer's DPTs in the non-custodial DPT wallet(s) provided by Company Y, Company Y has no control over its customers' DPTs and DPT instruments. Company Y would not be considered to be providing a safeguarding of DPT or DPT instrument service, or a service of carrying out for a customer an instruction relating to a DPT or DPT instrument.

Question 27. Given the increase in the number of payment firms being regulated, how does MAS regulate these firms for compliance with its regulations and requirements?

27.1 Firstly, MAS has put in place a robust licensing process to ensure that only firms that are fit and proper and who are able to put in place the proper safeguards and controls are allowed to operate in Singapore.

27.2 For licensed entities, the existing tools that MAS uses to regulate other financial institutions, such as on-site inspections and off-site reviews, continue to be used. As in

other sectors, a risk-based supervision approach is applied to allocate our resources according to the risks presented. MAS will be increasing the amount of resources dedicated to supervising this sector as a whole, and will leverage supervisory technology solutions where relevant to enhance its surveillance capabilities.

Question 28. How are banks and credit card issuers regulated under the PS Act?

28.1 In order to avoid double regulation of the same activity, banks, merchant banks and finance companies are exempted from holding a licence, and from complying with requirements that these DTIs are already subject to under the Banking Act, MAS Act, and FCA. Bank-issued credit cards are also regulated under the Banking Act. DTIs are subject to the same requirements as non-DTIs for payments-related activities. For example, DTIs are not exempted from requirements in the PS Act relating to e-money issuance services, and DPT services. They are therefore treated in the same manner as other licensees in order to maintain a level playing field.

28.2 Non-bank credit cards or charge cards issuers are also exempted from holding a licence and complying with licensing-related requirements. Non-bank credit card or charge card issuers are already required to hold a licence under the Banking Act for the provision of credit facilities. Non-bank credit card issuers however need to comply with the other requirements in the PS Act, that do not overlap with those in the Banking Act.

28.3 Both DTIs as well as non-bank credit card or charge card issuers also need to comply with interoperability requirements that MAS may impose under the PS Act in respect of accounts they issue including bank accounts and credit cards.

Question 29. How are other financial institutions regulated under the PS Act?

29.1 MAS has carved out from regulation any payment service mentioned in Part 1 of the First Schedule to the PS Act, that is provided by any person licensed, approved, registered or regulated or exempt from being licensed, approved, registered or regulated under the SFA, FAA, TCA and Insurance Act where the payment service is solely incidental to or necessary solely for that person to carry on that person's business in any regulated activity for which that person is so licensed, approved, registered, regulated or exempted from being licensed, approved, registered or regulated to provide under those Acts. This is to facilitate the provision of financial services under these Acts and to avoid double regulation.

Question 30. Can foreign companies apply for a licence and are the requirements the same as those for local companies?

30.1 Foreign companies can hold a licence under the PS Act. Both local and foreign companies are governed under the same regulatory framework. An applicant for a licence (other than a money-changing licence) must be a company or a corporation formed or incorporated outside Singapore. The applicant must also have an executive director which meets certain Singapore residency requirements. A licensee must not carry on business of providing any type of payment service unless the licensee has a permanent place of business or registered office in Singapore. A licensee must appoint at least one person to be present, on such days and at such hours as MAS may specify by notice in writing, at the licensee's permanent place of business or registered office to address queries or complaints from any payment service user or customer of the licensee. The licensee must also keep, or cause to be kept, at the licensee's permanent place of business or registered office, books of all the licensee's transactions in relation to any payment service provided by the licensee.

Question 31. How does the public know which payment firms are licensees under the PS Act?

31.1 These payment firms are listed on the financial institution directory on MAS website, together with the other financial institutions. The public is encouraged to deal with financial institutions that are listed on the directory.

Part 4: Regulatory Risk (1) – AML/CFT

Question 32. Do all payment services attract AML/CFT measures?

32.1 Where payment services activities may be abused for ML/TF, such risks should be appropriately mitigated.

32.2 The PS Act therefore imposes AML/CFT measures on persons carrying on a business in providing payment services that have been assessed to pose ML/TF risks, for example, persons carrying on a business of providing DPT services. Activities that pose low ML/TF risk, such as merchant acquisition services, are not regulated for AML/CFT purposes.

Question 33. Why are AML/CFT measures applicable to licensees of all classes? How does MAS take care not to overburden licensees with AML/CFT measures?

33.1 MAS adopts a risk-based approach. AML/CFT requirements are calibrated according to the degree of risks posed by each of the respective payment services. Persons carrying on a business of providing payment services that may pose higher ML/TF risks are subject to the full suite of AML/CFT requirements. On the other hand, persons that carry on a business of providing payment services that are assessed to be low risk – as per the criteria defined in Notice PSN01 – are subject to lesser requirements or exempted.

33.2 All DPT service providers are subject to AML/CFT requirements under Notice PSN02 to mitigate the ML/TF risks arising from the anonymity, speed and cross-border nature of transactions facilitated by such DPT service providers. There will not be any DPT services that will be exempted from AML/CFT regulation.

Question 34. Are the AML/CFT measures under the PS Act the same as in the PS(O)A and the MCRBA?

34.1 In general, the AML/CFT measures imposed under the PS Act are similar to existing AML/CFT requirements that have been imposed on entities regulated under the PS(O)A and the MCRBA. These include requirements to conduct customer due diligence, monitor transactions, perform screening, report suspicious transactions and keep adequate records. The requirements may differ depending on the risk profiles of the customers or transactions.

34.2 AML/CFT requirements are imposed on DPT service providers to mitigate the ML/TF risks arising from the anonymity, speed and cross-border nature of transactions that they facilitate.

Question 35. What are the AML/CFT measures likely to be imposed on DPT service providers? Will MAS develop special AML/CFT measures for DPT services?

35.1 Addressing the ML/TF risks relating to the use of virtual assets (e.g. DPTs) has been identified as a priority area internationally.

35.2 Given the cross-border, rapid and anonymous nature of virtual asset transactions, it is important for there to be clear international AML/CFT standards that are consistently applied across jurisdictions to address the ML/TF risks.

35.3 MAS regulates DPT service providers for ML/TF risks. In general, the AML/CFT measures to be imposed are similar to existing AML/CFT requirements on other regulated entities. These requirements take into account the international standards and guidance that were finalised by the Financial Action Task Force (FATF) in June 2019. The PS Act requires DPT intermediaries that buy, sell or facilitate the exchange of DPTs for fiat currencies or other DPTs to identify and verify their customers, monitor transactions, keep records and to report suspicious transactions to the Suspicious Transaction Reporting Office.

35.4 Where DPT service providers also facilitate the transfer of DPT or provide custodian wallet services as part of their business, MAS intends to require that they apply AML/CFT measures to mitigate the risks posed by such services.

35.5 In line with international standards, MAS intends to make legislative amendments by end-2020 to scope in and impose AML/CFT requirements on service providers that carry on a business of providing any of the following services on a standalone basis: transfer of DPTs or provision of custodian wallets. MAS also intends to require any entity that is incorporated in Singapore and which carries on a business of providing DPT services (whether the business is carried on in Singapore or otherwise) to be licensed under the PS Act, and consequently be subject to MAS' AML/CFT requirements.

Part 5: Regulatory Risk (2) – User Protection

Question 36. Are there safeguarding measures to protect customers against flight risk?

36.1 MAS requires MPIs to maintain with MAS security of a prescribed amount for the due performance of their obligations. Where the MPI has surrendered its licence or its licence has lapsed or been revoked, MAS may enforce the security to the extent required to pay any sums outstanding and claimed by payment service users who are customers of the MPIs. As such, customers may recover part of the sums outstanding and claimed by them against the MPI. But it is not intended to nor can it insure customers against all losses. To do so will require a prohibitively high security deposit that will render businesses unviable.

Question 37. Why are holders of single merchant retail vouchers not protected under the PS Act?

37.1 The PS Act governs the provision of payment services. As such, the issuance of e-money that can be used to pay for various goods and services are regulated as a type of payment service, and customer money paid in exchange for such e-money are protected under the PS Act. On the other hand, limited purpose monetary value such as supermarket shopping vouchers and loyalty programmes like airline frequent flyer miles, cannot ordinarily be used to pay for goods and services provided by unrelated third parties. As such, these activities are excluded from the ambit of the PS Act. We recognise that several retail sectors like supermarkets, restaurants, spas and gyms often have retail programs for customers that involve prepayment for goods and services that they will supply. However, as the purchasers of such vouchers usually cannot use them to pay other people or merchants, the provision of such vouchers is not regulated under the PS Act.

Question 38. Are the safeguarding measures the same as deposit insurance?

38.1 While the aim of the safeguarding measures is to protect customers' money from the insolvency of the e-money issuer, the measures are calibrated to their regulated activities and are designed to be simple and low-cost, different from deposit insurance that banks have to undertake. In particular, these measures do not offer the same level of certainty as deposit insurance in terms of how much money and how quickly this money can be recovered by customers.

[deleted on 19 April 2024]

Question 39. What are the regulatory requirements and obligations that DPT service providers must comply with for safeguarding of customers assets' under the Payment Services Act?
[added on 19 April 2024]

39.1 The amendments to the Payment Services Regulations, published on 2 April 2024, imposes user protection requirements on DPT service providers, in particular, relating to measures to safeguard customers' assets. Among other requirements, DPT service providers will be required to segregate customers' assets and place them in a trust account for the benefit of customers, maintain proper books and records, and ensure that effective systems and controls are in place to protect the integrity and security of customers' assets. These requirements will take effect on 4 October 2024. More details on these requirements, among others, are available in the first part of MAS' response to feedback on MAS' consultation on regulatory measures for DPT services published in July 2023, and the Guidelines on Consumer Protection Measures by DPT service providers published in April 2024.

Question 40. Regulation 16 of the Payment Services Regulations 2019 requires the MPI to disclose certain information to the customer before depositing the relevant money in the trust account. Does the MPI have to give a fresh disclosure each time any relevant money is deposited in the trust account?
[added on 13 April 2020]

40.1 The purpose of the requirement is to ensure that customers are aware of how the MPI is protecting their relevant money. The MPI need only disclose the information to a customer once if it uses the same safeguarding method. For example, where —

i. on day T, the MPI discloses the required information to a customer and deposits relevant money in the trust account; and
ii. on day T+1, the MPI deposits further relevant money received from the same customer into the trust account and there is no change in the safeguarding method. On day T+1, the MPI need not disclose the required information to that customer again before it deposits the relevant money into the trust account.

40.2 However, if the MPI changes the safeguarding method, it must make fresh disclosures to the customer as required under the relevant provision of the Payment Services Regulations 2019. For example, see the disclosure requirements in regulation 14(1)(c) and regulation 15(1)(c).

Question 41. How will insolvency for a payment institution be determined?
[added on 31 March 2021]

41.1 An event of insolvency in section 23(6) of the Payment Services Act 2019 refers to an event which triggers the commencement of winding-up e.g. the making of a court order for winding up in respect of the payment institution, or the passing of a resolution for the voluntary winding up of the payment institution.

Part 6: Regulatory Risk (3) – Fragmentation and Interoperability

Question 42. What is interoperability and why is it necessary for Singapore's e-payment ecosystem?

42.1 In Singapore, we have many e-payment solutions but they may not interoperate with each other. Consumers may not be able to make payments directly to each other or to merchants if both parties use and accept different payment methods. Merchants may also have to provide consumers with multiple POS terminals or other payment acceptance methods. While our approach is not to implement a unified payment solution for Singapore, we should allow for a variety of payment solutions that are competing yet interoperable and convenient. One such example is to encourage the interoperability of payment acceptance solutions, such as UPOS terminals and SGQR so that consumers and merchants have a simple and standardised payments experience. When the e-payments experience is straightforward, people will find it easier to use e-payments for their everyday transactions.

Question 43. Why is it necessary for MAS to have interoperability powers and how does each interoperability measure help to reduce fragmentation?

43.1 In order to achieve interoperability of payment accounts and payment acceptance points, MAS has powers under the PS Act to impose three types of interoperability measures.

43.2 First, MAS may impose an access regime on a designated payment system operator or MPI to mandate that these entities allow third parties to access their system. Second, MAS may mandate any MPI to participate in a common platform to facilitate the interoperability of widely used payment accounts, including large e-wallets and bank accounts. Finally, MAS may require any MPI to adopt common standards to make widely used payment acceptance methods, such as QR codes, interoperable. These measures may be imposed on exempt payment service providers such as banks, as well.

43.3 MAS takes a collaborative approach in promoting e-payments usage and acceptance, and will continue to work closely with all stakeholders in the payments ecosystem to achieve the desired outcome of an interoperable e-payments ecosystem. The powers to impose any interoperability measures will be exercised judiciously and only where it is clear that significant interoperability benefits and outcomes will be achieved. For that reason, MAS

will carefully balance the interests of the payment system operators and payment service providers when exercising any interoperability power.

Question 44. Do all the interoperability measures kick in on the commencement of the PS Act?

44.1 Interoperability measures will be imposed only when the circumstances call for the need for MAS to exercise interoperability powers under the Act. These measures are powers that MAS may choose to exercise in future, and currently, MAS does not intend to impose them on regulated entities at the commencement of the PS Act.

Question 45. What else has MAS been doing to reduce fragmentation and facilitate competition in the payments industry?

45.1 There are some who feel that Singapore's e-payment landscape is fragmented because there are so many options out there. Ultimately, it could be a matter of getting used to the many choices we have and deciding on one or two methods that we are comfortable with. We have taken a deliberate approach to allow more competition and innovation in the payments space, but yet at the same time push for interoperability and convenience. MAS worked closely with the banking industry on FAST, Singapore's 24x7 real-time fund transfer system, to enable seamless fund transfers across bank accounts for consumers and businesses. With PayNow, both individuals and companies can pay one another using their NRIC numbers, phone numbers or UEN. Non-bank FAST access is one of the latest steps MAS has taken to introduce greater interoperability in the payments industry. Non-bank e-wallet players will be able to interoperate with bank accounts through FAST. These efforts engender greater competition among payment service providers and will help ensure that the e-payment system in Singapore is open, accessible and competitive.

45.2 UPOS terminals and SGQR are also examples of successful initiatives MAS has driven with the industry to reduce fragmentation. To address the fragmentation issue of multiple POS terminals, MAS worked with the industry to implement a single terminal that can accept all payment schemes. For example, major supermarkets in Singapore now benefit from UPOS terminals. MAS also developed SGQR with the industry, which combines multiple payment QR codes into a single SGQR label, making QR code-based mobile payments simple for both consumers and merchants.

Part 7: Regulatory Risk (4) – Technology and Cyber Risks

Question 46. Is the MAS Guidelines on TRM applicable to licensees?

46.1 MAS Guidelines on TRM applies to all licensees. The Guidelines set out IT risk management principles and best practices to guide financial institutions in establishing a robust TRM framework, strengthening of cyber security controls, enhancing system resiliency, and implementing strong authentication measures to protect customer data, transactions and systems.

Question 47. What are the requirements on managing technology and cyber risks for licensees?

47.1 There are two Notices that set out requirements on technology and cyber risk management.

i. The Notice on TRM on maintaining high availability, recoverability, data protection and incident reporting only applies to operators and settlement institutions of DPS, which MAS regulates for financial stability risks.

The requirements in the Notice on TRM are not imposed on licensees as they are not operating at a scale where imposing availability and recoverability requirements on them is necessary. A failure of their systems is unlikely to have financial stability implications on Singapore.

ii. MAS has issued a Notice on Cyber Hygiene, which will take effect on 6 August 2020 and this will be applicable to all licensees and operators of DPS. The Notice sets out cyber security requirements that financial institutions must implement to mitigate the growing risk of cyber threats.

Question 48. If the licensees become larger players in the payment ecosystem, will MAS impose the Notice on TRM on licensees?

48.1 Under the PS Act, MAS is able to direct a licensee to review and strengthen their technology controls and process. We will monitor the use of technology by licensees and, where appropriate, MAS will consider imposing the Notice on TRM on licensees that become significant players in the payment industry.

Part 8: Activity Restrictions

Question 49. Why does MAS consider it necessary to prohibit licensees from lending to individuals? Does this prohibition extend to lending to individuals that carry on business as sole proprietors?

[amended on 31 March 2021]

49.1 MAS has right-sized regulation under the PS Act to the key risks that payment services pose. In other words, the regulatory framework for licensees is risk-proportionate and kept simple because licensees only conduct payment-related activities and do not engage in banking or other regulated activities, such as lending to individuals.

49.2 This prohibition extends to lending to individuals that carry on business as sole proprietors, given that a sole proprietorship owned and controlled by an individual does not have any separate legal personality apart from the individual carrying on the business

Question 50. E-money issuers are prohibited from on-lending customer money or using customer money to materially finance their business activities. Why is this restriction applicable only to e-money issuers? How about other licensees?

50.1 This prohibition only applies to e-money issuers because customer money collected through e-money issuance tend to reside with the issuer for longer than other activities like domestic money transfer or cross-border money transfer. For such other activities, the money is transferred quite quickly so the licensee will not be able to use the money collected.

Question 51. E-wallet providers are prohibited from providing cash withdrawal services. Would this inability to withdraw cash discourage customers from using e-wallets?

51.1 This restriction is in fact consistent with the objective of the PS Act to promote greater adoption of electronic payments and lesser reliance on cash services, which are already well provided by banks. It also preserves the privileges of our FTA partners, whose banks have been accorded access to ATMs and cashback services. Moreover, it is aligned with the industry practice today, where e-wallet issuers generally do not offer cash withdrawal services to their customers.

51.2 While customers cannot withdraw Singapore dollars, e-money issuers can work with banks to enable funds to be transferred to the customer's bank accounts. Such bank transfers will be further facilitated in future with MAS' initiative to allow non-bank e-money issuers to interoperate with bank accounts.

Question 52. MAS is imposing a cap on the amount of funds that can be stored in personal e-wallets. Why is this necessary if the float is already subject to safeguarding requirements?

[amended on 19 April 2024]

52.1 Banks perform a vital economic function of intermediating savings by taking in deposits and on-lending these funds back into the economy, while non-bank payment institutions do not perform similar economic functions.

52.2 The caps help to ensure the continued stability of Singapore's financial system by reducing the risk of significant outflows from bank deposits to non-bank e-money, and maintain the ability of banks to act as stabilisers in times of crisis. The stock and flow caps are set at $20,000 and $100,000 respectively, and will be reviewed over time as Singapore's financial system and payment landscape evolves.

Question 53. Does the calculation of the SPI threshold in relation to e-money issuance include the value of e-money that has already been spent? How do I compute the daily average value of the e-money?

[added on 31 March 2021]

53.1 In computing whether an entity holds a daily average e-money float that exceeds the threshold of $5 million, the value of the e-money that has been spent by the payment service user is excluded. The total annual value of the e-money float is to be divided by the total number of days in a calendar year, and not only for the days when there was e-money issuance.

Question 54. Due to the nature of multi-currency accounts, accounts with existing balances below the stock cap may still inadvertently cross the $20,000 stock cap due to currency fluctuations. How would MAS view such occurrences?

[added on 31 March 2021]
[amended on 19 April 2024]

54.1 We note there may be situations where payment accounts with existing balances of S$20,000 or less may inadvertently cross the stock cap due solely to exchange rate

fluctuations. For example, a customer loads a value of S$19,990 into his multi-currency e-wallet, which is converted into USD, in anticipation of a business trip in a week's time. During the week, the e-wallet balance may exceed the S$20,000 cap due to SGD-USD exchange rate fluctuations.

54.2 In such instances when the stock cap is breached, MAS will consider factors contributing to the breach and whether a PI has taken the necessary measures to ensure compliance with the stock cap in assessing whether to take action against a PI for such breach.

MONETARY AUTHORITY OF SINGAPORE

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APPENDIX

Glossary

ABBREVIATION	FULL TERM
AML/CFT	Anti-Money Laundering and Counter-Financing of Terrorism
ATM	Automated Teller Machines
DPS	Designated Payment Systems
DPT	Digital Payment Token
DTI	Deposit Taking Institution
FAA	Financial Advisers Act
FAST	Fast and Secure Transfers
FATF	Financial Action Task Force
FCA	Finance Companies Act
FTA	Free Trade Agreement
GIRO	Inter-bank General Interbank Recurring Order
IT	Information Technology
MAS	Monetary Authority of Singapore
MCRBA	Money-Changing and Remittance Businesses Act
MEPS+	MAS Electronic Payment System
ML/TF	Money Laundering and Terrorism Financing
MPI	Major Payment Institution
NETS	Network for Electronic Transfers
NRIC	National Registration Identity Card
POS	Point-of-Sale
PS Act	Payment Services Act 2019
PS(O)A	Payment Systems (Oversight) Act
QR	Quick Response (code)

SCS	Single Currency Stablecoins
SFA	Securities and Futures Act
SPI	Standard Payment Institution
SGQR	Singapore Quick Response Code
TCA	Trust Companies Act
TRM	Technology Risk Management
UEN	Unique Entity Number
UPOS	Unified Point-of-Sale