Annex A

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON

THE PROPOSED PAYMENT SERVICES REGULATIONS

1. Agoda Company Pte. Ltd, who requested for their comments to be kept confidential
2. Alibaba.com Singapore E-Commerce Private Limited, and Alipay Singapore E-Commerce Private Limited (for and on behalf of Ant Financial Services Group), who requested for their comments to be kept confidential
3. American Express International, Inc., Singapore, who requested for their comments to be kept confidential
4. ApacPay Pte Ltd
5. Ashwin Mathialagan, who requested for some comments to be kept confidential
6. Asia Internet Coalition ("AIC")
7. Baker McKenzie.Wong & Leow who requested for some comments to be kept confidential
8. Bizkey
9. C.O.S.S. PTE LTD
10. Cardup, who requested for their comments to be kept confidential
11. Clifford Chance Pte Ltd
12. Collyer Law LLC
13. Deloitte & Touche, together with Grab Financial and Revolut., who requested for their comments to be kept confidential
14. Dentons Rodyk & Davidson LLP, who requested for their comments to be kept confidential
15. Hako Technology Pte Ltd, who requested for their comments to be kept confidential
16. Holland & Marie Pte. Ltd.
17. HSBC Bank (Singapore) Limited ("HBSP"), who requested for their comments to be kept confidential
18. HSK RESOURCES PTE LTD
19. KPMG Services Pte. Ltd.
20. Luno PTE LTD
21. Mastercard Asia/Pacific Pte Ltd, who requested for their comments to be kept confidential

22. MoneyGram International, who requested for their comments to be kept confidential
23. Nick Davies
24. PayPal Pte. Ltd. (3PL), who requested for their comments to be kept confidential
25. Rajah & Tann Singapore LLP
26. RHT Compliance Solutions
27. Sidley Austin LLP, who requested for their comments to be kept confidential
28. Singapore Fintech Association, who requested for their comments to be kept confidential
29. SingCash Pte Ltd on behalf of Singtel Mobile Singapore Pte Ltd, Telecom Equipment Pte Ltd and Cross Border Pte Ltd
30. TenX Pte. Ltd. ("TenX"), who requested for their comments to be kept confidential
31. TransferWise Singapore Pte Ltd who requested for some comments to be kept confidential
32. US-ASEAN Business Council
33. Victor Looi Yi En
34. Visa Worldwide Pte Limited, who requested for their comments to be kept confidential
35. WongPartnership LLP, who requested for their comments to be kept confidential
36. XFERS PTE LTD
37. Zebpay Group
38. Respondent 1 who requested for confidentiality of identity, and for some comments to be kept confidential.
39. Respondent 2 who requested for confidentiality of identity.
40. Respondent 3 who requested for confidentiality of identity.
41. Respondent 4 who requested for confidentiality of identity.
42. 9 respondents requested for full confidentiality of identity and submission.

Please refer to Annex B for the submissions.

Annex B

FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER

ON THE PROPOSED PAYMENT SERVICES REGULATIONS

S/N	Respondent	Response from Respondent
1	Agoda Company Pte. Ltd	Respondent wishes to keep entire submission confidential.
2	Alibaba.com Singapore E-Commerce Private Limited, and Alipay Singapore E-Commerce Private Limited (for and on behalf of Ant Financial Services Group	Respondent wishes to keep entire submission confidential.
3	American Express International, Inc., Singapore	Respondent wishes to keep entire submission confidential.
4	ApacPay Pte Ltd	**General comments:** ApacPay welcomes the proposal for increased regulation in the industry. It is important that consumer confidence in the payments industry is as high as possible, to continue to ensure that the Singapore industry is at the heart of electronic money growth in the region. ApacPay does not choose to answer all of the questions raised at this stage, but does have some detailed observations to make about the classification and safeguarding of client funds insofar as it related to the acquiring industry.

		Question 1. <u>Licensing Processes</u> ApacPay has no further comments and agrees with the suggested legislation **Question 2. <u>Licence fees and application fees</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 3. <u>Solicitation</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 4. <u>Residency requirement for executive directors</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 5. <u>Minimum financial requirements</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 6. <u>Safeguarding requirements and security deposit</u>** ApacPay thinks that some clarification and thought must be given to the applicability of the legislation to the merchant acquiring industry. ApacPay makes no comment as to the applicability of the legislation to the banking industry in general, save to say that it accepts that the safeguarding of client funds is fundamentally important to that aspect of the industry. ApacPay's reading of the legislation is that it will apply to all members of the payments industry and it is the intention of ApacPay to apply for a licence under the new regime as soon as is practical. However, ApacPay considers that it is important to consider whether the approach is suitable for all members of the financial services industry. Where an individual makes a payment for goods or services via a debit or credit card, there are various parties involved in the payments chain. The card holder contracts with the shop to buy the goods. The shop has a merchant acquiring contract with a party (usually a merchant acquirer but there can be other entities, known as payment facilitators) that allows the shop to accept payment for the goods and services via card. The acquirer is a member of the Card Schemes (Visa and MasterCard) who operate a complex set of rules

		that govern the payments industry in a quasi-regulatory fashion. The merchant acquirer acts as a clearing house for all Visa and MasterCard issued cards, the card issuers themselves are also members of the Schemes. There is therefore an agreement by both the card issuer and the card acquirer to comply with the Card Scheme rules. The Card Issue itself has a contract with the card holder who has purchased the goods. In order to protect the cardholder, when goods or services are purchased the Card Scheme rules impose a series of obligations upon card issuers and merchant acquirers. There are therefore various steps and indeed various transfers of funds that take place in relation to any card transaction. (1) The cardholder uses his card to purchase the goods. (2) The cardholders details are electronically submitted to the acquirer and then on to the card issuer who confirms that the card has not been reported as lost and stolen, and that there is sufficient credit on the card. (3) The transaction is approved and the merchant releases the goods to the cardholder. (4) The card issuer will pay the amount of the transaction (less a fee) to the merchant acquirer. (5) Depending upon the terms of the contract with the shop (the merchant), the merchant acquirer will pay the funds (again less a fee) to the merchant. (6) The cardholder at some stage pays his card debt to the card issuer. The entire process was considered in detail in the United Kingdom court case of Lancore – v -Barclays Bank PLC. The facts of the case are not important for the purposes of this submission. What is important is that the Court of Appeal upheld the decision of the lower court, that in an acquiring relationship the funds held by the acquirer in the above scenario, which had been paid to it by the card issuer, were not client funds. There were various reasons for this, but most fundamental of all, it was accepted that whether or not the acquirer received payment from the card issuer (for example if the card issuer entered insolvency) the merchant acquirer would still have a contractual liability to pay the merchant. In other instances, the merchant acquirer pays the merchant before it receives funds from the card issuer via the Schemes. Further, the Schemes themselves can and do deduct debts owed to it from the merchant acquirer from funds that are settled to the acquirer. All of these issues are entirely inconsistent with the funds being client funds throughout the process.

		It may be helpful to provide some examples. If a merchant acquirer processes for a large supermarket chain, it is often the case that the chain has such strong buying power that it can insist on payment for a transaction on the date of the transaction. This is largely why only the larger acquirers can afford to process for the larger supermarket chains as they are funding the supermarket until they receive payment from the Card Issuer. Similarly, the Scheme rules can provide that the merchant acquirer itself can receive fines if a merchant breaches Card Scheme rules. There are a variety of reasons why this might occur. Those fines can be significant and can often exceed the amount of money ultimately due to a merchant but in the reconciliation process the merchant acquirer simply receive a sum due to merchants net of any fines or assessments. If the funds were in fact client funds then where the assessment for that merchant exceeds the amount due to that merchant, then other client's funds would be being used to pay that assessment and clearly that would be inconsistent with the concept of the funds being client funds. Finally, in the case of repayments being necessary, for example where the goods or services were not received, and this is discussed below, then these repayments (or chargebacks as they are termed in the industry) will invariably exceed the amounts due to a merchant if, for example, the merchant has ceased to trade, yet those funds are deducted from any amounts due to the merchant acquirer, again entirely inconsistent with the concept that the funds are client funds. Whilst these matters are technical issues, the reason why it is so important to the payments industry is because of the contingent risk that the payments industry carries in relation to card transactions generally. In respect of any credit card transaction and the majority of debit card transactions, until such time as the card holder receives the goods or services the merchant acquirer has a contingent liability in relation to that transaction. That contingent liability runs for a period of 120 days from non-performance of the transaction. If a customer is buying a tin of food from a supermarket, then this contingent liability is not a huge issue as the card holder has got the goods straight away. However, if there is an element of deferred delivery of the services then this creates an issue for the acquirer. The easiest example of this is the travel industry. If a card holder books a summer holiday in January, and pays for it with a credit or debit card, then the holiday will not be taken until, say, July. Until a period of 120

		days from the date of the holiday in July has passed, the payments industry in general, and the merchant acquirer in particular, carries a contingent risk to refund the cost of the transaction to the card issuer if the holiday is not provided. The most common example of this is the insolvency of the airline / holiday provider. When that happens, a card holder can approach his card issuer at any stage up to the end of the chargeback period (in this example October) asking for a refund. The card issuer will pay the refund but has a right to ask for that refund to be paid to it by the merchant acquirer. The merchant acquirer has got a right to reclaim the amount of the transaction from the merchant (the travel provider) but as it is insolvent it will not make any payment. The merchant acquirer therefore has to indemnify the merchant in relation to all of the card transactions. This risk is at the core of credit risk management of a merchant portfolio. Typically, a merchant acquirer will look at a variety of ways to protect itself against this risk. A merchant acquirer cannot afford to simply indemnify, for example, the travel industry, the risk is too high. Therefore, the merchant acquirer will look at a number of ways to protect itself in relation to this risk. These methods include: 1) The deferring of settlement payments to the merchant for a period, perhaps until the goods have been provided; 2) Creating a rolling reserve of funds (say 10% of the total volume a merchant trades) In both these cases, the security taken only works if the merchant acquirer can use the funds it has withheld in the event of an insolvency. The problem is that if, as a matter of law, the funds held are in fact client funds due and owned by the client, as opposed to funds due to the client under a contractual obligation between the client and merchant acquirer, then both methods are capable of challenge by an insolvency practitioner in the event of a merchant insolvency. The funds are, the insolvency practitioner could argue, the funds of the merchant and therefore are due to the merchant without any deduction. It is important to understand that this applies not just to the travel industry but to any business where the delivery of goods is deferred. For example, ticketing for concerts or similar, gym memberships, the purchase of furniture, the examples are numerous. The status of the funds held is therefore fundamental to the

		payments industry. The payments industry cannot accept the risks of all of its merchants without having a method of safeguarding against those risks. The impact upon the industry of not being able to take valid security using these traditional methods would be significant. It could have a damaging impact upon the industry generally. For the avoidance of doubt, it is not suggested that the way in which the funds are held are not in themselves governed by the new legislation. Every acquirer has to hold funds with a licensed bank and the operation of those bank accounts are and should be regulated. The question that we would like clarification on is whether it is considered that the funds received from a card issuer are client funds from the outset, or only become client funds after there is a contractual obligation placed upon the merchant acquirer under the terms of the contract with the merchant. It is also not suggested that merchant acquirers, or any other parties involved in the payment chain, should not be regulated. ApacPay believes that regulation is important to the integrity and success of the industry. The issue is one of considering whether a limited exemption is appropriate in relation to the status of funds. ApacPay would welcome the opportunity to discuss this issue in more detail if it will be of benefit. **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 8. <u>Requirements for designated payment system entities</u>** ApacPay has no further comments and agrees with the suggested legislation **Question 9. <u>Exemptions</u>** For the reasons set out in the answer to Question 6, ApacPay considers that the funds received by an acquirer from a card issuer in respect of a payment transaction funded by debit or credit card should not be designated as client funds and should therefore be subject to a specific exemption to allow the industry to safeguard itself against the financial risk of merchant insolvency.

		Question 10. <u>General provisions and other matters</u> ApacPay has no further comments and agrees with the suggested legislation **Question 11. <u>Other Regulations</u>** ApacPay has no further comments and agrees with the suggested legislation
5	Ashwin Mathialagan	Respondent requested for some comments to be kept confidential **<u>General comments:</u>** I wish to start by lauding MAS for this forward-looking Payment Services Regulation ("Regulation"), which brings much-needed clarity to the Payment Services Act ("PSA").
6	Asia Internet Coalition ("AIC")	**Question 1. <u>Licensing Processes</u>** With respect to domestic money transfer services, account issuance services and e-money issuance services, we agree with MAS's intention to provide a 12-month grace period or 6-month grace period to obtain the proper license. Because the new regulatory regime introduces new obligations for licensed payment service providers, we would like to confirm that such period applies to compliance with the other requirements imposed thereunder in addition to securing the licensing requirements. For cross-border money transfer services, we encourage MAS to reconsider its view that a similar grace period is not required where an entity currently carries on such activities incidentally to its primary business. Current case law does not require a license for such activities. Therefore, it is likely that a number of providers will be unable to immediately comply with associated requirements. The effect will be to unnecessarily force businesses into regulatory non-compliance or artificially limit the number of entities willing to offer foreign payment processing. Even if firms were to proactively apply for the current license, and hence deemed to be licensed under the PS Act, full compliance with the requirements will take some time, so a grace period remains a useful tool to encourage greater business participation. In addition, because the license and compliance requirements under the PS Act will differ from those under the PSOA, forcing businesses who are not currently required to comply with the PSOA (either because they are not required to or because they have not yet launched their activities) to comply with the PSOA obligations in order to first obtain the PSOA license and then change their

		practices to comply with the PSA is burdensome and unnecessarily stifling to new businesses. As efforts by payment industry stakeholders to comply with PSD2 has recently demonstrated in Europe, adaptation to a new regulatory structure is very challenging because it requires multiple stakeholder collaboration and customer education. To ensure a smooth transition that does not create unnecessary interruption to businesses or customers and allows businesses ample time to determine the best way to restructure their businesses to comply with regulatory requirements, we would request a significant grace period for all aspects of the new regulation. As MAS develops the specific licensing requirements for each type of payment processing, we encourage MAS to institute lower-friction AML requirements. Many other jurisdictions focus on risk-based AML programs rather than prescriptive requirements. These regimes allow businesses flexibility to develop and innovate to find effective AML solutions that align with their business models. In addition to better-facilitating new business practices and models in this quickly-changing space, risk-based regimes are more beneficial to achieving results because they do not give bad actors a blue print on how to circumvent static controls. Finally, we encourage MAS to consider broader exemptions for gift card requirements for cards with low risk stored value. While we note the definition of "limited purpose e-money" under the PS Act, the scope of such definition (and in particular, "limited network of providers of goods or services") is limited and does not contemplate the possibility of gift cards that may be used to acquire goods and/or services from third party merchants on online marketplaces. For example, in the United States, non-reloadable gift cards under a certain dollar threshold (US$2000) and redeemable only for a defined merchant or location or set of merchants or locations, even if unaffiliated, are determined to be low risk. These gift cards do not require the same licensure or AML scrutiny as other gift cards because it is difficult to use these cards to conduct significant money-laundering schemes and the trade-offs between the cost of regulations to the benefits of consumers buying small dollar gifts were too high to impose such friction. Another example is in Australia, where gift cards under A$500 marketed only for gifting purposes are seen as low risk and do not require licensure, KYC, or AML monitoring. In both cases, the governments recognized that a requirement to have a customer provide sensitive personal information such as their government identification number in order

		to purchase a gift for a birthday or wedding was unnecessary even if the card were to be redeemable at a network of unaffiliated stores rather than a single store. When gift cards are low in dollar amount, are not redeemable for cash and can only be redeemed at a limited number of businesses or locations, even if those businesses are not affiliated, they remain low risk for money-laundering and the burdens on customers and businesses of implementing sophisticated AML programs outweigh the benefit of such programs as well as cause unwanted to friction for customers. **Question 2. <u>Licence fees and application fees</u>** We appreciate MAS's extensive range of license fees activities, which provides comprehensive coverage for different licensing structures. Whilst fees are non-refundable, are there any "cancellation/penalty" fees if the licensee surrenders the license back to MAS? **Question 4. <u>Residency requirement for executive directors</u>** We agree with MAS' intent to expand the options for multi-national businesses doing business in Singapore by reducing the citizenship and residency requirements for officers and directors. This will help bring new businesses to Singapore and allow existing businesses to more flexibly expand into other countries that may also have some limited residency and citizenship requirements. We would be grateful if MAS could please confirm if the reference to a "director who is a Singapore citizen or Singapore permanent resident" in draft regulation 7 of the Payment Services (Exemptions for a limited period of time) Regulations would include nominee directors and non-executive directors. **Question 6. <u>Safeguarding requirements and security deposit</u>** We appreciate the flexible approach MAS has taken, which allows businesses options to demonstrate appropriate safeguarding and security, such as through a guarantee by a credible financial institution or by creating a segregated bank account for customer funds. We request that MAS consider permitting other financial institutions outside of Singapore that could be considered sufficiently accredited and approved to act as "safeguarding institutions", where the relevant money is denominated in non-Singapore dollars. This approach would be consistent with the approach taken in respect of customer moneys denominated in a foreign currency under Regulation 17(2) of the Securities and Futures (Licensing and Conduct

		of Business) Regulations, which permit such customer moneys to be held in a trust account with a duly authorised custodian outside Singapore. Such an option could be particularly helpful in the case of businesses that may have a significant amount of funds held in another currency by an accredited bank subject to strict regulatory requirements in another jurisdiction. We understand it would be difficult for MAS to broadly allow any financial institution subject to the laws and in good standing in its jurisdiction to become a "safeguarding institution", however, MAS could consider whether it might also grant case by case approval for licensees that have long standing relationships with well-respected and highly-regulated financial institutions in another jurisdiction. **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** We would be grateful if MAS can confirm if the reference to a "to submit a report of the audit to the Authority in such form as may be prescribed and within such time as the Authority may allow" in draft regulation 37(4)(c) would include the audit report filing to ACRA. **Question 9. <u>Exemptions</u>** We request that MAS consider a fifth exemption for low risk payment processors which carry on remittance activities only in connection with transactions in goods and services, regardless of whether the payment transaction thresholds for major payment institutions have been exceeded in respect of such payment activities. In other jurisdictions, receiving money for the payment of goods and services is considered lower risk than a standard remittance business. In this case, the consumer is protected because he is entitled to his goods upon payment by the payment processor, not receipt of such payment by the seller. In addition, the risk of money laundering or terrorism financing is low because the payment processor and seller can each be audited to demonstrate the goods or services were provided in exchange for the funds. To the extent MAS does not agree that payment processors can be entirely exempt, we encourage MAS to consider the lower-risk nature of these businesses prior to releasing any AML requirements.
7	Baker McKenzie. Wong & Leow	**<u>General comments:</u>** 1. The issues and submissions we have raised are based on actual observations and issues that we are encountering in the course of our work for our clients in considering the new regulatory regime, and

		which we believe further consideration and guidance by the MAS will allow legal practitioners, and the clients whom we represent, to better navigate and ensure compliance with the new regulatory regime. 2. We thank the MAS for the opportunity to make this submission, and for taking the time to consider the views set out herein. **Question 3. <u>Solicitation</u>** <u>Offshore business models with incidental nexus to persons in Singapore</u> We consider here: (a) situations where an offshore person carries on a payment service business outside of Singapore in respect of its customers located outside Singapore, and does not solicit any persons in Singapore (whether in Singapore or elsewhere), but (i) arranges for the receipt of moneys by persons in Singapore; or (ii) arranges for the receipt of moneys from persons in Singapore, in each case on behalf of its own customer located outside of Singapore. In each of these instances, the offshore person does not have a presence in Singapore, does not contract with the payee or payer in Singapore, and has no intention of carrying on business or making an offer, invitation or advertisement to persons in Singapore. Although Singapore persons may come into contact with the offshore provider (though not in a capacity as a customer of the offshore person), such Singapore persons are not the offshore providers' customers and do not have any contractual relationship with the offshore provider. Such offshore person may or may not maintain a bank account in Singapore. In these instances, we seek clarification on whether the limited Singapore nexus on such facts would either trigger the licensing requirement under section 5 of the Payment Services Act ("PSA") or constitute a prohibited solicitation under section 9 of the PSA read with regulation 11 of the Payment Services Regulations ("PSR"). This is a business model we see in numerous instances and we submit this clarification on behalf of all of these offshore payment service providers, particularly in situations where such offshore provider maintains a bank account in Singapore to facilitate its business model as envisaged above. (b) there are also instances where an offshore person carries on a primary business which is not a payment service but which may involve a secondary payment service, e.g. online marketplaces such as home rental platforms, travel aggregators, car rental platforms, etc. In these instances, if the offshore person maintains a marketing office

		or marketing agent in Singapore to market its primary business (but not its payment service which is purely incidental), we would ask the MAS to clarify in the PSR that this will not be regarded as constituting a prohibited solicitation under section 9 of the PSA read with regulation 11 of the PSR. **Question 4. <u>Residency requirement for executive directors</u>** Noting that the licensing framework provides for either a Singapore company or Singapore branch of a foreign head office to apply for licensing (e.g. see regulation 8 of the PSR), but that the licensee must at least (i) have one executive director who is a Singapore citizen or permanent resident; or (ii) have an executive director who is an employment pass holder provided that the licensee has at all times at least one director who is a Singapore citizen or Singapore permanent resident, we would seek clarification from the MAS on how these residency requirements would apply to Singapore branches. In this regard, we would also ask the MAS to clarify whether it would prefer an applicant entity to be incorporated in Singapore **Question 6. <u>Safeguarding requirements and security deposit</u>** <u>Trust safeguarding mechanism</u> We refer to the requirement to safeguard funds in transit under section section 23 of the PSA, particularly in the manner of depositing the relevant money in a trust account maintained with a safeguarding institution after any relevant money is received from, or on account of, a customer ("trust safeguarding mechanism"). Regulation 17 of the PSR further provides that the licensee (being a major payment institution) must, amongst other things, not commingle relevant money with other moneys (except that relevant moneys of all the licensee's customers may be commingled or deposited in the same trust account). We wish to comment on and seek clarification on this safeguarding requirement in the circumstances as follows: (1) Receipt of moneys overseas. In instances where the licensee sets up its fund flow so as to receive funds from a payor overseas, the licensee's internal set-up may be such as to receive the funds in its foreign (i.e. non-Singapore) bank account from the payor directly, or otherwise through a foreign bank account held by the licensee's foreign related corporation. In each of this case, it would not be feasible for the licensee to comply with the trust safeguarding mechanism to deposit the moneys received with a local safeguarding institution, because either (i) the licensee would be utilising a foreign bank account for the purpose of receiving the moneys from the payor; and/or (ii) it would be the licensee's foreign related

		corporation that receives the moneys from the payor rather than the licensee itself. The licensee in this regard does not only keep the funds received with only one financial institution, and the basis of the licensee's business model resides in having multiple banking relationships worldwide which allows it to leverage on these relationships to provide a cost-efficient and effective payment service to its customers, wherever the payors may choose to pay from. In these circumstances, we would like to seek clarification from the MAS whether: (a) the MAS would consider providing an exemption from the safeguarding requirements for moneys received by the licensee overseas; and/or (b) the licensee is entitled to treat moneys received (from a payor of the licensee's Singapore business) by its foreign affiliate as not constituting "relevant money" for the purpose of section 23(14) of the PSA, such that the licensee need not comply with the safeguarding requirements until the moneys are transferred to or deposited with the licensee in Singapore, whereupon the licensee shall ensure that it complies with the trust safeguarding mechanism. The legal basis for this latter suggestion is that "relevant money" is defined to mean "money… received by a major payment institution", whereas money received from a payor in this scenario described is received by the licensee's foreign related corporation rather than the licensee itself. *(Part of response has been removed to preserve the confidentiality of respondent's client)* <u>Terminology of trust</u> Given that the "trust account" may be in the form of a trust account or a customer's customers' accounts, we submit that MAS should consider adopting a terminology other than "trust account" in the Payment Services Regulations, to avoid confusion, and to more accurately describe the nature of the account. On a related note, we propose that MAS should amend draft regulation 17(6)(a) which currently requires the licensee to notify and obtain acknowledgement from the safeguarding institution that the moneys deposited in the trust account are held on trust by the licensee for its customers. In certain jurisdictions, the concept of "trust" is either not well established, or there is a distinction between trust, custody and segregation. In any case, given that relevant moneys can be kept in customer's / customers' accounts, to ensure

		consistency, draft regulation 17(6)(a) should be expanded to permit licensees to notify and obtain acknowledgement from the safeguarding institution that moneys deposited are held in a segregated account for the customers of the licensee. <u>Safeguarding institutions</u> We submit that the MAS should consider utilising a similar approach for safeguarding as is taken under the Securities and Futures (Licensing and Conduct of Business) Regulations, i.e. permitting other financial institutions outside of Singapore, institutions that could be considered sufficiently accredited and approved, to act as "safeguarding institutions", where the relevant money is denominated in non-Singapore dollars. This would be consistent with the approach in respect of customer moneys denominated in a foreign currency under Regulation 17(2) of the Securities and Futures (Licensing and Conduct of Business) Regulations. <u>Exemption from safeguarding requirements</u> We submit that the MAS should consider granting an exemption from the safeguarding requirements under the PSR in instances where the risk of loss of the e-money float or funds in transit (e.g. as a result of bankruptcy of the payment service provider) rests with a person who is a sophisticated corporate participant, as otherwise applying the safeguarding requirements on a one-size-fits-all basis to all business models may be too broad. This is for example, with reference to persons who carry on a payments service business (e.g. merchant acquisition) only for sophisticated corporate institutions to facilitate the receipt or payout of moneys, where the risk of any loss in transit or of the e-money float contractually resides with the corporate institution rather than any payor or payee in the payment chain. From a policy perspective, the safeguarding requirements are meant to ensure user protection for retail users, but this policy objective does not require moneys to be safeguarded for such sophisticated corporate institutions. <u>Undertaking from safeguarding institution</u> With respect to undertaking from safeguarding institution, we note that the undertaking must not be subject to any conditions or restrictions by the bank. In certain instances, safeguarding institution may require certain conditions to be imposed on the undertaking (e.g. (i) undertaking is contingent about representations and warranties given by the payment service provider being true and accurate, (ii) amount that the safeguarding institution is liable for will be ascertained based on

		records of the safeguarding institution, in the event there is inconsistency with or inaccuracy on the records of the payment service provider; or (iii) safeguarding institution is liable for the amount only in the event of certain events, e.g. insolvency of the payment service provider). We submit that MAS should consider clarifying if terms of the foregoing nature would constitute a condition or restriction, such that it will not qualify as an undertaking under regulation 15(7) of the Payment Services Regulations. How would this differ from obtaining guarantee from a safeguarding institution? <u>Due diligence on safeguarding institution</u> We note that MAS has proposed for licensees to assess and satisfy themselves of the suitability of the safeguarding institution ("due diligence"), and to periodically assess and satisfy themselves of the suitability of safeguarding institution. We submit that MAS should consider providing some guidance on what would be considered adequate due diligence. For example, would it suffice if licensees obtain documentary evidence to satisfy itself that the safeguarding institution is appropriately licensed to maintain bank accounts? To ensure consistency in industry practices, we submit that MAS should consider providing guidance on acceptable frequency for the periodic due diligence (e.g. every two to three years, or upon an adverse event, whichever is earlier). **Question 9. <u>Exemptions</u>** <u>Exemption from requirement to hold a standard payment institution licence</u> We agree with the concept embodied by the MAS' proposal set out in regulation 29 of the PSR, setting out a class exemption from licensing to entities that would otherwise have been required to hold a standard payment institution licence but do not pose sufficient ML/TF risks and carry low regulatory risks. However, would propose that this class exemption should be extended to entities that would otherwise have been required to hold a major payment institution licence too, as long as the entity in question carries low regulatory risk. We elaborate below. Noting that the MAS' regulatory approach here is to right size regulations and ensure that they are material and proportionate to the risk posed by the activity, we submit that reliance on this class exemption should not be limited by reference to the thresholds mentioned in section 6(5)(a) of the PSA (i.e. relating to the value of all

		payment transactions over a calendar year meeting the said thresholds which gives rise to the need to hold a major payment institution licence) in respect of persons whose activities are limited only to domestic money transfer service, cross-border money transfer service, and/or merchant acquisition service. In other words, we submit that as long as such a person (whose payment services activities are so limited) accepts, processes or executes only non-relevant payment transactions (and noting that the definition of "non-relevant payment transaction" remains to be defined and consulted on pursuant to the proposed AML/CFT notice for PSA licensees), this should be regarded as a payment service that carries low regulatory risks notwithstanding of the scale of the person's business meeting the major payment institution thresholds, and not subject to licensing under the PSA. *(Part of response has been removed to preserve the confidentiality of respondent's client)* <u>Exemptions for those exempt under the Money Changing and Remittance Business Act ("MCRBA")</u> Under Section 23(1) of the Payment Services Act, any person that was exempt under section 31(3) of the MCBRA from the requirement to hold a remittance licence ("existing exempt entity"), is deemed to be exempt under section 100(4) from sections 5(1) and 6(4) and (5) in respect of any business of providing any cross border money transfer service carried on by that person. As the MCRBA regulates outward remittance only, and any person carrying on inward remittance would not require a remittance licence or exemption under the MCRBA, we submit that it would be useful, for the sake of clarity, to clarify that the exemption under section 23(1) of the Payment Services Act applies to both inward and outward cross border money transfer. The legal basis for this is that "Cross border money transfer" refers to both inward and outward remittance, and therefore, an existing exempt entity should continue to be exempt under the Payment Services Act. **Question 10. <u>General provisions and other matters</u>** <u>Application of limited purpose e-money exclusion payments for goods and services transacted digitally on online shopping platforms/marketplaces</u> We refer to the exclusion contained in Part 2 (Services that are not Payment Services) of the First Schedule to the PSA, which provides that any payment service that is provided by any person in respect

		only of any limited purpose e-money shall not be regarded as a payment service for the purpose of the PSA. In this regard, we would observe that limb (c) of the definition of "limited purpose e-money" refers to "any electronically stored monetary value… that… is issued as part of a scheme, the dominant purpose of which is to promote the purchase of goods, or the use of services, provided by the issuer of the electronically stored monetary value or any merchant specified by that issuer; [and] is issued to a user of the electronically stored monetary value upon the purchase of goods, or the use of services, provided by the issuer of the electronically stored monetary value or any merchant specified by that issuer" (emphasis ours). Read literally, limb (c) effectively suggests that e-money issued by an issuer in connection with the purchase of goods and services by a user with any merchant that the issuer may specify would be regarded as limited purpose e-money, with the result that any payment service provided in respect thereof would be excluded from regulation under the PSA. This means that payments made for goods and services transacted digitally through online shopping platforms/marketplaces could fall outside the ambit of regulation under the PSA, if the online shopping platform/marketplace issues e-money, stored value or gift cards for purposes of transacting on the platform/marketplace. This is so notwithstanding that the goods and services sold on the platform/marketplace may be provided by third party merchants unrelated to the issuer/marketplace/platform, as long as such merchants are "specified" by the issuer. Noting however that the Consultation Papers and Response to Feedback published in connection to this "limited purpose e-money" exclusion expresses a narrower interpretation of this exclusion (i.e. as applying only to loyalty programmes and to e-money that can only be used for payment or part payment of goods or services provided by merchants within the physical premises operated, owned or managed by the issuer (or its related corporations or associated companies)), we would ask the MAS to clarify definitively its intention on this exclusion particularly in relation to the application of online shopping platforms/ marketplaces. In addition, we seek clarification on whether, if the online platform/marketplace and/or its related corporations act as the merchant of record in respect of all transactions carried out on the platform - and notwithstanding that the underlying goods and services are provided by third party suppliers, the online platform/marketplace (who could be considered to be carrying on an

		e-money issuance service, merchant acquisition service and/or other money transfer service) - the online platform/marketplace and/or its related corporations could nevertheless rely on the limited purpose e-money exclusion on the basis that the goods and services are provided within a limited network of providers of goods or services (as the merchant of record is the online platform/marketplace and/or its related corporations only). <u>Overlap between merchant acquisition services and cross-border and domestic money transfer services</u> We wish to seek the MAS' views as to whether the PSR should for conceptual clarity make clear that merchant acquisition services are exempt from licensing as cross-border and domestic money transfer services. Without this exemption, merchant acquisition services could potentially also be regarded as a money transfer service, which is conceptually ambiguous. **Question 11. <u>Other Regulations</u>** <u>Payment Services (Exemptions for a Limited Period of Time) Regulations</u> We refer to the transitional exemptive arrangements set out under the Payment Services (Exemptions for a Limited Period of Time) Regulations. Currently, these regulations provide that any person who before the appointed day carries on the relevant payment services would be exempt from licensing for a limited period of time, provided it meets certain prescribed requirements. There may be circumstances in this regard where a prospective licensee who is carrying on the regulated activity prior to the date of commencement of the PSA wishes to utilise (i) a newly incorporated entity; or otherwise (ii) a different entity within its group of companies to apply for and hold the requisite licence under the PSA going forward. In this instance, the technical language of these regulations may mean that it would be ambiguous as to whether such an entity as set out in (i) or (ii) would qualify to avail itself of the transitional arrangement, given that it would not before the appointed day be the entity carrying on the relevant payment services before the appointed day. We propose that the MAS amends these regulations to clarify that an entity described under (i) or (ii) above would be able to qualify for the transitional arrangements, provided that it is a related corporation of such person who before or on the appointed day, carries on the business in the relevant payment services.

8	Bizkey	**Question 1. <u>Licensing Processes</u>** Many businesses in the fintech industry, especially start-ups, will pivot to chase perceived opportunities. Section 2.5 of the consultation explains that licensees should remove from their license any payment service that is planned to be discontinued. Varying a license may take time and resources to add services back onto a license if a licensee decides to undo a pivot. It may be helpful to have an expedited process for adding a formerly dropped payment service back onto a license or apply this regulation to major payment institutions only. **Question 2. <u>Licence fees and application fees</u>** Small value-added services that a start-up wishes to experiment with will now cost the variation application fee, additional annual fee, and require a license variation process to try. It may be beneficial to consider a partial fee refund if a standard payment institution decides to discontinue a service if it lasts for a short duration. **Question 3. <u>Solicitation</u>** As a blockchain wallet provider and merchant acquirer, Bizkey is sensitive towards the solicitation restriction. Our aim is to allow merchants to accept "stable coins" (e-money) issued by reputable organizations that are audited and collateralized with money held by reputable financial institutions. It is unlikely that overseas e-money issuers will pursue a license under the PS Act. There are legitimate reasons why unlicensed e-money would be prohibited from being the basis of merchant acquisition contracts, such as if a foreign issuer becomes insolvent, leaving Singaporean merchants unable to redeem the e-money. However, so long as there is no promise of redemption from merchant acquirers or payment account issuers, merchants should be free to accept unlicensed e-money at their own risk. In our view, if a licensee's issued blockchain payment account or merchant acquirer's Point-Of-Sale device is used for such a purpose, the acquirer or account issuer should not be held responsible for solicitation unless the licensee singles out unlicensed e-money and promotes its use. A technology exemption for licensees using interoperable technology may serve to clarify the issue. Despite blockchain addresses accepting all compatible digital asset, we are planning to whitelist e-money from licensed issuers and show it in a separate category in the wallet **Question 4. <u>Residency requirement for executive directors</u>**

		We are supportive of these changes. **Question 5. <u>Minimum financial requirements</u>** We are supportive of these changes. **Question 6. <u>Safeguarding requirements and security deposit</u>** We are supportive of these changes. **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** We request for clarity to be provided with respect to good faith compliance efforts, as the PS Act regulates new technologies, and precedents have yet to be set. **Question 8. <u>Requirements for designated payment system entities</u>** We are supportive of these requirements. **Question 9. <u>Exemptions</u>** We are supportive of these exemptions; however, we would add that exemptions given under Section 100 of the PS Act should be announced and able to be adopted by other businesses that meet the prerequisite conditions, circumstances, etc. **Question 10. <u>General provisions and other matters</u>** <u>E-money AML/CTF:</u> According to previous consultations, e-money issuance will not be regulated for AML/CTF requirements. While it may have been anticipated that issued e-money would be sent to licensed e-money payment accounts, there also exists decentralized blockchain payment accounts compatible with blockchain based e-money. In circumstances where the receiving payment account is not regulated for AML/CTF requirements, we propose that e-money issued from licensees which is technologically compatible with unlicensed or decentralized payment accounts be subjected to AML/CTF requirements where the receiver's account is not licensed. Commodity E-money: In our view, the definition of e-money should include electronically stored monetary value pegged to or denominated in liquid commodities such as gold or silver to mitigate ML/TF risks. Currently they are categorized as Digital Payment Tokens. <u>Blockchain E-wallet Over Capacity:</u> Public blockchain addresses have no means to prevent inward transfers, thus complicating the issue of

		e-wallet load capacity. However, licensed payment account issuers, depending on the product design, exercise some degree or total control over the blockchain address or e-money, and can design an interface restricting the account if the e-wallet is over capacity. For example, licensed account issuers could restrict actions of users whose e-wallets are over capacity to only actions they could take if they were at capacity, such as limiting outward transfers to S$1000. We request guidelines for resolving scenarios where another user sends e-money issued by a licensee to a user's payment account where the transaction causes the capacity limit to be breached. <u>Handling of Unlicensed E-money:</u> We also request clarity for how unlicensed e-money issued outside Singapore, being interoperable with all blockchain payment accounts, should be handled by licensees. Technologically, unless there is a continuously evolving list of unlicensed e-money issuances that can be referenced, they are indistinguishable from digital payment tokens. We do not believe that unlicensed e-money should count towards major payment institution thresholds, as it is difficult to get a handle on the proliferation of all e-money schemes outside the licensing regime. <u>B2B E-money Payments:</u> The e-wallet capacity may be suitable for daily transactions of users, but we also foresee the possibility of merchants paying suppliers using licensed e-money. Blockchain based e-money is not able to be counterfeited, liquid, and able to be transferred to accounts other than those issued by a licensee. Currently there is no discussion of capacity or transaction limits on merchants. If there are ML/TF risks regarding inter-merchant payment, we request guidance. **Question 11. <u>Other Regulations</u>** We ask that blockchain based payment accounts, being interoperable with all digital assets using the same public blockchain and being unable to stop the inward transfer of any digital asset, be granted an exemption from the $1000 e-wallet capacity limit [Table 1] for the purposes of the grace period. Instead, we can impose outward transfer limits of $1000 or cumulative spending restrictions on users whose e-wallets go over capacity. Additionally, there are no licensed blockchain e-money issuers currently, making the distinguishing between e-money and digital payment tokens difficult. Until the handling of unlicensed e-money is clarified, we are planning on listing the most widely used e-monies and treating them separately for the purposes of calculating capacity.

9	C.O.S.S. PTE LTD	**Question 10. <u>General provisions and other matters</u>** With regards to the E-wallet. Our company operates a crypto exchange and allows users to deposit and withdraw FIAT (in USD, GBP and EUR). Our users go through stringent KYC process and those from sanctioned countries will be rejected. We felt that a payment service E-wallet should be distinct from an Exchange E-wallet as the users are storing their own money, they can decide on the amount to store in their wallets and on the deposit/withdrawal amount. FIAT changes hand when a transaction involving FIAT is made, it should not be seen as cross border money transfer or remittance. (a) do not allow e-money in excess of $1,000 to be stored Taking an example of selling 1 bitcoin for FIAT, it is currently over USD5k so it is impossible to keep it below SGD1k
10	Cardup	Respondent wishes to keep entire submission confidential.
11	Clifford Chance Pte Ltd	**<u>General comments:</u>** We would be grateful for MAS's guidance as to when the remaining subsidiary legislation, including the notices on anti-money-laundering and countering the financing of terrorism, will be issued. We would also be grateful for MAS's guidance as to when the final Notice on Cyber Hygiene will be published. We respectfully request the MAS to provide the industry with sufficient time to consider and provide comments on its proposals prior to implementation. **Question 4. <u>Residency requirement for executive directors</u>** We support the MAS's proposed expansion of options to allow applicants to more easily meet the residency requirement for executive directors. In this regard, we would be grateful if the MAS could confirm that the proposed condition that "that the applicant has at all times at least one director who is a Singapore citizen or Singapore permanent resident" would be satisfied if a nominee director or a non-executive director is a Singapore citizen or Singapore permanent resident. In

		other words, that the condition need not be satisfied by an executive director of the applicant. **Question 6. <u>Safeguarding requirements and security deposit</u>** We support the MAS's proposed expansion of options for major payment institutions to meet the safeguarding requirements. With respect to the safeguarding option proposed under Regulation 17(1) of the Payment Services Regulations (i.e., safeguarding of relevant moneys by segregation of funds), we note that the definition of "safeguarding institution" set out under Regulation 17(14) is confined to a person that satisfies any one of the following: the person holds a licence under section 7 of the Banking Act (Cap. 19), the person is approved as a merchant bank under section 28 of the Monetary Authority of Singapore Act (cap. 186), or the person holds a licence under section 6 of the Finance Companies Act (Cap. 108). We respectfully request that the MAS consider allowing major payment institutions to, in relation to relevant money denominated in a foreign currency, deposit the relevant money in a trust account maintained with a custodian outside Singapore which is licensed, registered or authorised to conduct banking business in the country or territory where the account is maintained (and not just with trust accounts maintained with a person licensed in Singapore as listed in the definition of "safeguarding institution"). This would be consistent with the customer moneys requirements imposed under Regulation 17(2) of the Securities and Futures (Licensing and Conduct of Business) Regulations. **Question 9. <u>Exemptions</u>** We note from the previous consultation papers and responses published by the MAS that the MAS proposed to introduce a class exemption for payment services that it considers pose only low money laundering / terrorist financing ("ML/TF") risk. Such low risk payment services were first proposed in Table 3 of the MAS's Consultation Paper on the Proposed Payment Services Bill. The class exemption appears to be reflected in Regulation 29 of the draft Payment Services Regulations ("Reg 29"). In this regard, we note that the exemptions proposed under Reg 29 differ from the class exemptions proposed by the MAS in its prior consultation and related responses. In particular, we note that Reg 29 provides that the availability of the exemption described thereunder is subject to the following conditions:

		- that the entity performs one or more than of the following payment services only: (i) in respect of account issuance, domestic money transfers or cross border money transfer, accepts, processes or executes non-relevant payment transactions (definition to be defined in the relevant AML/CFT notice) only; (ii) e-money issuance; (iii) merchant acquisition; - that the entity complies with Section 19, Section 20(1) or Section 20(2) of the PS Act (where applicable) as if it were a licensee; and - that the entity does not provide any one or more payment services in excess of the thresholds mentioned in Section 6(5) of the PS Act (i.e., the major payment institution thresholds). The additional conditions (in particular, the last condition) effectively preclude any entity that might cross the major payment institution thresholds from relying on this exemption, regardless of the scope and type of activities it actually carries on, and even if such entity only carries on "low risk" payment activities (for instance, payment services which relate for payments for goods or services). We would be grateful if the MAS could consider removing the condition that the relevant entity does not provide payment services in excess of the major payment institutions thresholds.
12	Collyer Law LLC	**General comments:** We request MAS' indulgence to submit further and more detailed feedback after the deadline of 10 May 2019 while we submit these broad feedbacks first. We may, for instance, propose the wording for amendments to the definitions of certain terms when providing such detailed feedback. **Question 1. Licensing Processes** Our first comment is in relation to the definition of "base capital", which appears to be from that found in the Securities and Futures (Financial and Margin Requirements) Regulations. While we appreciate the need for consistency in the wording of the definitions to avoid regulatory arbitrage, we humbly suggest that this definition be reviewed, and the amendments may then also be reflected in the SF regulations. Although section 37 of the Act makes it mandatory to appoint an auditor, the reference to "latest audited accounts of the company" in the definition may not be practical, at least not for the first year and when the application for a licence is first made to MAS. In any case, if

		a company has not been licensed yet, it would not be subject to the requirement under section 37 to appoint an auditor. The applicant company would not be in a position to apply for a licence under section 6 if it is a new company as its financial statements would not have been audited yet, and it will not be able to determine its base capital. We suggest that there be a carve-out to provide that for applicants whose financial statements have yet to be audited, that management accounts duly certified as true and fair by the directors, be used to determine the base capital of the applicant. **Question 3. <u>Solicitation</u>** The definition of advertisement incudes: "any Internet website, mobile application or other electronic media". While it is unlikely that advertisers are likely to funnel web surfers to advertisements of companies unless they have been paid to do so, it is possible that algorithms on social media networking sites like Facebook, depending on the user's IP Address and curated personal preferences, direct users to a certain advertisement which may result in accidental solicitation of provision of payment services. It may be that Facebook had gratuitously directed its users to the website of the company based on the users' earlier "Liked" or "Saved" pages. **Question 4. <u>Residency requirement for executive directors</u>** We welcome the expansion of options to allow one executive director who is a Singapore employment pass holder provided that the applicant has at all times at least one director who is a Singapore citizen or Singapore permanent resident. **Question 5. <u>Minimum financial requirements</u>** As noted above, the requirements may not be feasible for an applicant before it has been granted a licence since it would not be able to determine its base capital using the prescribed requirements, in particular, to determine it with reference to audited financial statements. After a licence has been obtained, the company must then appoint an auditor. However, as noted in our first comment above, there may be a period when audited financial statements are not available and the company would not have a prescribed means of quantifying its base capital during this period. **Question 6. <u>Safeguarding requirements and security deposit</u>**

		This is largely an issue for the potential payment institutions to provide their feedback, but we do note that the security deposit is already present in the requirements imposed on entities regulated by MAS, including capital markets service licence holders (such as those who deal in specified products) and remittance businesses. Is it intended that this security deposit will be a dynamic amount for all major payment institutions, and will vary only in accordance with the average value of the transactions as set out in regulation 18? Will other factors that now govern the amount of the total security deposit now become irrelevant? For example, will an existing remittance business that is now required under section 10 of the Money-Changing and Remittance Businesses Act, having been deemed to be granted a major payment institution licence, and having more than one place of business, still be required to maintain the additional security deposit under regulation 5 of the Money-Changing and Remittance Businesses Regulations? **Question 9. <u>Exemptions</u>** Because of the exclusion of certain services in Part 2 of the First Schedule to the Act, our preliminary view is that the exemptions are sufficient for the moment. **Question 10. <u>General provisions and other matters</u>** We have comments as to the AML and KYC aspects of the legislation, but we will reserve them for the specific AML regulations.
13	Deloitte & Touche, together with Grab Financial and Revolut.	Respondent wishes to keep entire submission confidential.
14	Dentons Rodyk & Davidson LLP	Respondent wishes to keep entire submission confidential.
15	Hako Technology Pte Ltd	Respondent wishes to keep entire submission confidential.

16	Holland & Marie Pte. Ltd.	**Question 4. <u>Residency requirement for executive directors</u>** With respect to the proposed requirement that each licensee, regardless of whether it is incorporated in Singapore) have at least one director who is an employment pass holder, (provided that they also have at least one Singapore citizen or Singapore permanent resident), we would highlight that if all jurisdictions in the region follow Singapore's example and impose a similar requirement, it would likely make it extremely difficult for a licensee to operate a regional/global business, as the size of the Board of Directors of the licensee would equal at least the number of countries in which the licensee is subject to the requirement. **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** Could the MAS clarify what it means in Regulation 13(b)(iv) by "compliance checks", in particular how this duty differs from Regulation 13(b)(ii)? We would propose Regulation 13(b)(iv) be amended to say: "ensure the compliance function applicable to the business activities of the licensee are subject to adequate internal audit" which will mirror the language of Regulation 25(e). **Question 10. <u>General provisions and other matters</u>** We request the MAS provide guidance as to what it means to "come into the possession of any money or any digital payment token" for the purpose of the definition of the phrase "facilitating the exchange of" in Part III of the Payment Services Act 2019. In April 2019, a digital asset and cryptocurrency exchange called KuCoin launched a partnership with Arwen, a trading protocol that (according to the Arwen White Paper) says that it allows traders to "securely trade cryptocurrencies at a centralized exchange, without ceding custody of their coins to the exchange". Assuming the foregoing statement is true, KuCoin's exchange operations that utilise the Arwen protocol may not fall within the definition of "facilitating the exchange of". If Arwen's protocols or similar "self-custody" offerings become popular or are believed to offer additional benefits as compared to exchanges that take custody of tokens, we believe it would be helpful for the MAS to publish guidance on the regulatory treatment of such self-custody exchanges (similar to the MAS' "Guide to Digital Token Offerings").

		A description of the partnership between Arwen and KuCoin can be found at: https://www.kucoin.com/news/en-kucoin-partners-with-arwen-to-bring-a-non-custodial-trading-solution-to-experien-kucoin-users.
17	HSBC Bank (Singapore) Limited ("HBSP")	Respondent wishes to keep entire submission confidential.
18	HSK RESOURCES PTE LTD	**General comments:** We have no comments as we are a small timer money changer operator. We are merely providing the money changer activity to complement our travel businesses. However, we would like to appeal to the authority to lower the annual renewal fee as well as an auto renewal system rather than having going thru the tedious fresh application procedural steps. If hotelier is exempted from licencing, maybe as a travel agency performing the money changer activity within her compound should also be entitled for the exemption.
19	KPMG Services Pte. Ltd.	**General comments:** We appreciate that MAS has combined the current regulatory frameworks relating to different payment services into a single activity-based framework which provides a forward looking and flexible framework for the regulation of payment systems and payment service providers in Singapore. Besides providing payment service providers additional guidance on the proposed licensing and business conduct requirements, the issuance of the proposed Payment Service Regulations ("Regulations") also provide the regulatory certainty and safeguards for consumers. While we are broadly supportive of the proposed Regulations outlined in the Consultation Paper on the Proposed Payment Services Regulations ("CP"), we have set out below our feedback on some of the questions raised in the CP for MAS' consideration. **Question 3. Solicitation** Para 11 (e) of the proposed Regulations specifies that when determining whether an offer, invitation or advertisement is made or issued to the public in Singapore, regard shall be made to whether it is for dealing in or facilitating the exchange of digital payment tokens in exchange for Singapore dollars. Given that many existing digital payment token platforms allow users to top-up their accounts with most major currencies (including Singapore dollars) which would then

		be used to purchase digital payment tokens, this provision may cast a broad net to include those payment service providers who are not actively soliciting the Singapore public in general. We therefore suggest MAS to re-consider whether this provision provides a strong nexus to being solicited in Singapore. **Question 9. <u>Exemptions</u>** With regards to Exemption 2 – Exemption from requirement to hold a standard payment institution license, we seek additional clarification from MAS on the definition of 'non-relevant payment transaction'. Given that those who deal in non-relevant payment transactions have provisions to be exempted from licensing, we suggest MAS to provide further clarity within the Regulations as to who may rely on such exemptions. **Question 10. <u>General provisions and other matters</u>** We note that the Regulations suggest the need for CEOs and Directors to oversee the adherence of policies with regards to internal audit and compliance. In this regard, we would like to seek further clarification from MAS on the expectation for compliance and internal audit functions. We suggest additional guidance be provided as to whether internal audit/compliance functions may be outsourced, taking into account limitation of resources especially for smaller payment institutions. If an in-house internal audit/compliance function is required, we suggest MAS to consider setting out the key criteria which would determine the need to have an in-house function, similar to the approach taken for the existing guidelines for fund management companies in relation to having an in-house compliance function. In addition, further clarity should also be provided on the need for internal audit to be conducted on a periodic basis. **Question 11. <u>Other Regulations</u>** Once the Regulations come into effect, many payment service providers who are currently unregulated will be subject to the business conduct requirements as licensees for the first time. To ensure these new licensees have in place appropriate controls and processes to manage risks, we suggest MAS to consider imposing the need for the licensees to perform an independent review of their processes and controls, in particular those relating to anti-money laundering, technology risk management, managing customer monies and data protection, as part of their licensing conditions.

20	Luno PTE LTD	**General comments:** Luno commends the Monetary Authority of Singapore's Proposed Regulations. We support MAS' proposed requirements, which we think carve out regulatory parameters that are reasonable and will not stifle innovation. **Question 1. Licensing Processes** We note the 30-day period, proposed by 10(4) of the Proposed Regulations, for SPIs to apply for changes to their licences and the reasoning for this period in 2.6 of the Consultation Paper. Taking into account that the threshold for classification as an MPI is $3 million per month, calculated over a 1-year period, we would like to highlight the possible impact of price volatility on the need for an SPI to make such application(s). Short term price volatility is common in digital asset markets and may lead to an apparent breach of the threshold for a digital payment token exchange categorised as an SPI. Where price volatility leads to a short term price spike, an SPI may exceed the MPI threshold for a 30-day period, but soon return to within the limits of an SPI. In our view, prescribing such a short period will result in MAS receiving incorrect applications by SPIs to become MPIs, particularly from digital payment token exchanges. Affected SPIs would, as a result of the incorrect classification, be subject to the significantly higher obligations owed by MPIs, or would need to submit a further application to have their license re-amended to that of an SPI. Accordingly, Luno suggests that the prescribed period in which to apply is at least 60 days in order to allow SPIs to make more informed determinations about changes to their licences. **Question 7. Duties of the CEO, directors and partners of the licensee, and audit requirements** We note the requirement in section 37(1) of the Act that all licensees must be audited on an annual basis and that Part 4 of the Proposed Regulations prescribes the period in which to submit the audit to MAS as 6 (six) months after the financial year end. While we support MAS' expectations in this regard, we would like to highlight that, based on our experience, many auditing firms are not yet able to and/or willing to offer services to digital payment token exchanges. As such, there is a risk that digital payment token exchanges may not be able to meet MAS' requirement in this regard.

		As a consequence, digital payment token exchanges may fall foul of section 37(11) and be subject to large fines for reasons out of our control. Luno requests that Part 4 of the Regulations make provision for MAS to (i) assist digital payment token exchanges to appoint an auditor before penalties are imposed and/or (ii) waive the penalties contemplated under section 37(11), having due regard for the circumstances which cause a contravention.
21	Mastercard Asia/Pacific Pte Ltd	Respondent wishes to keep entire submission confidential.
22	MoneyGram International	Respondent wishes to keep entire submission confidential.
23	Nick Davies	**General comments:** 1. We welcome the Payment Services Act ("PSA") and Payment Services Regulations and are supportive of MAS' efforts and willingness to consult with industry stakeholders. 2. We note that payments, virtual currencies and blockchain-based solutions have undergone significant further development since the previous consultation on the Payment Services Bill was carried out. 3. The focus of our responses is to comment on how the Payment Services Regulations can bring some clarity on a number of areas of the Payment Services Bill that we feel may either help advisors and licensees to understand the intended approach under the PSA, and also to try to "issue spot" potential areas that may adversely affect FinTech and Blockchain innovation and businesses in Singapore - especially those with regional and global aspirations **Question 1. Licensing Processes** 4. We would appreciate guidance from MAS as soon as possible on indicative timelines for processing of applications. This is because any applications under the current regime will be deemed to be withdrawn when the PSA comes into force, and so whilst MAS may not be able to commit to a definitive timeline in the Payment Services Regulations, it ought to give general guidance to prospective applicants in this area, so that they can develop their strategy of when they may be able to start launching regulated activities (or expand their existing licensed activities to encompass new regulated

		activities) and to plan their cash-flow requirements accordingly. This is all the more important given the uncertainty on the exact timing of the implementation of the PSA, and given that the PSA is broader than the current regime. 5. As regards Regulation 9 in relation to licenses lapsing where activities are not carried out for 6 months after license grant, we would suggest that MAS enable licensees to confirm their desired "effective date" on when the license for each particular licensed activity should come into force and therefore when the 6-month period starts to run. This is likely to be important for helping to attract international applicants to base a regional licensed entity in Singapore, since the decision to proceed with a full launch of services in Singapore (and elsewhere in SE Asia) may depend on e.g. (i) other commercial arrangements with local partners or (ii) in the case of novel business models, significant efforts to build a presence or customer base - both in and outside of Singapore, which may in turn require longer lead times for some aspects of a licensee's regulated activities to commence. 6. For Regulation 10(4) - whilst 30 days is reasonable for notifying MAS that the license must be "upgraded", the additional steps to be taken to further capitalise the licensed entity plus make all necessary arrangements for the Security Deposit are likely to be very onerous to also fulfil within this time frame - especially for international applicants. Please could we suggest (1) an additional 15 days to comply with the financial condition criteria under section 6(8)(b)(ii) of the Act and (2) leniency be built into the framework so that where a SPI inadvertently/temporarily crosses a MPI threshold, the SPI does not need to apply for an MPI licence if the threshold crossing was outside its reasonable control and it promptly rectifies the situation. **Question 2. <u>Licence fees and application fees</u>** 7. We note that the amount of the Security Deposit is proposed to be reviewed after one year. We would urge MAS not to make such regular changes to licensee's costs of compliance, as this brings an element of unpredictability to a licensee's business planning. **Question 3. <u>Solicitation</u>** 8. We would request the MAS to provide clarification in future guidelines regarding the implementation of Regulation 11(1)(f). In particular, the MAS should consider the practical implementation of this regulation if every jurisdiction had the same consideration. The

		current objective criteria, are vague and hard to apply to today's media platforms. Whilst we appreciate that MAS wishes to cast the definition in as wide terms as possible, there should be clearer guidance on the mitigation measures or disclosures that an entity can make to avoid an assumption under the PSA or the Regulations that it has solicited customers in Singapore. 9. We would tend to disagree that a denomination of a service or transaction in SGD is actually an indicator of offering payment services in Singapore. This would appear to understate the current or future importance of SGD as a stable regional or global currency. Instead, we would encourage stronger subjective criteria around an intent to (i) target persons in Singapore and (ii) contravene the licensing requirements of the Act and supply payment services to persons based in Singapore from abroad. 10. In particular, where a person benefits from an exemption under the Act or the Regulations, there should also be clarity in Regulation 11 that they are deemed not to fall foul of Section 9 of the Act. If this is the intention of Regulation 31, then this should be incorporated into Regulation 11. 11. The phrase "section of the public in Singapore" has previously been interpreted very broadly by the Singapore courts. Please could MAS provide clarity on how it intends to apply these criteria to (i) companies who base themselves in Singapore but primarily seek to provide payment services to persons and customers outside of Singapore; and (ii) specifically in the context of the issuance of digital payment tokens, whether a publicly announced offering of a token that is not yet functional, but is intended to become a "medium of exchange accepted by the public or a section of the public as payment for goods and services or for the discharge of a debt" would require the issuer of the token to be licensed in Singapore - regardless of whether the issuer is based in Singapore or outside of Singapore. 12. We note that some indication has already been given by MAS in the Reply to Parliamentary Question on Digital Tokens" dated 8 May 2019, in the context of the classification of digital payment tokens and we would urge MAS to update the Guidance on Digital Tokens to indicate what types of tokens will fall inside or outside of this definition. On a related point, whilst the Guidance on Digital Tokens is helpful and commendable, we would respectfully request MAS to make it clear, the next time that it is updated, which sections have

		been updated and, if possible, some of the reasoning behind the changes. **Question 4. <u>Residency requirement for executive directors</u>** 13. We acknowledge that MAS has made a concession in this area to allow employment pass holders to serve as executive directors. 14. With respect to the proposed requirement that each licensee have at least one director who is an employment pass holder, (provided that they also have at least one Singapore citizen or Singapore permanent resident), we would highlight that if all jurisdictions in the region follow Singapore's example and impose a similar requirement, it would likely make it extremely difficult for a licensee to operate a regional/global business using the same entity, as the size of the Board of Directors of the licensee would equal at least the number of countries in which the licensee is subject to the requirement. This is particularly problematic when structuring joint ventures or venture capital funded FinTech businesses, where the number of board seats is finely balanced. 15. Further, to attract the best international talent to participate in the management of Singapore-licensed businesses with regional or global aspirations, we would prefer the focus to be on fitness and propriety of the executive director, rather than based on nationality/work pass holding. 16. If MAS prefers to keep the proposed restriction, we would also urge a grace period, if for unforeseen circumstances an executive director holding an employment pass has to be replaced or where the employment pass is not renewed, given that processing delays at the Ministry of Manpower may make it hard for licensees to remain in compliance with this Regulation. **Question 5. <u>Minimum financial requirements</u>** 17. The current formulation appears to put Singapore headquartered FinTech businesses at a disadvantage to their international competitors. Singapore headquartered businesses with regional/global aspirations would usually have a Singapore based "head office" - the holding/parent entity in which resources and funds are pooled, and a Singapore subsidiary to carry out Singapore-based licensed activities. The regulation appears to require a Singapore headquartered entity to "over-capitalise" its Singapore subsidiary, and since this capital is tied up, this therefore makes Singapore less

		attractive as a place for a regional new FinTech company to establish its parent/holding company. Regulation 14(b)(ii) should be adjusted to apply also to take into account the capital of the licensee's parent entity if this is a Singapore entity. 18. Please also note that "paid-up irredeemable and non-cumulative preference share capital" does not fit well with venture capital funding, since the global norm for venture capital investor's shares are redeemable preference shares. FinTech companies in Singapore may struggle to meet this definition and may struggle to raise capital from global venture capital investors based on these restrictions. This may result in an outcome where a Singapore based FinTech company, which has been successful at obtaining a global investor base, is required by its investors to withdraw from the Singapore market (and instead address larger markets in the region), on the basis that licensing requirements in Singapore are too onerous relative to the total addressable domestic Singapore market. 19. MAS may wish to consider some flexibility in allowing monies to be applied to an additional Security Deposit to take the place of regulatory capital if this fits better with a regulated entity's funding model **Question 6. <u>Safeguarding requirements and security deposit</u>** 20. In our view, the Security Deposit is probably a relatively blunt instrument to tackle the risk of failure of regulated firms. The core problem for failure is likely to be due to the licensee's business model. Increasing the Security Deposit also does not help to address the perceived problem, since the more capital that is locked up, the more capital is taken away from the business' working capital. We would suggest that the Security Deposit remains at its current proposed level. 21. We note that the safeguarding requirements are the key form of protection of customers' funds. We would urge a more detailed consultation or review between MAS with financial services providers of these products to help check that FinTech firms will be able to obtain instruments that make MAS' proposed requirements for safeguarding the workable, and that there is no net negative impact of a disproportionate overhead on payments businesses that ultimately make scaling payments business models unworkable in Singapore. 22. We would also hope that MAS helps maintain a level and

		competitive playing field under the Act by requesting that safeguarding institutions do not seek to prevent FinTech innovators from being able to meet these requirements. This is particularly relevant for Digital Payment Token service providers, where such providers are able to demonstrate compliance from an AML and CFT perspective but may still face challenges from working with the established financial sector **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** 23. Please could the MAS clarify what it means in Regulation 13(b)(iv) by "compliance checks", in particular how this duty differs from Regulation 13(b)(ii)? We would propose Regulation 13(b)(iv) be amended to say: "ensure the compliance function applicable to the business activities of the licensee are subject to adequate internal audit" which will mirror the language of Regulation 25(e). **Question 8. <u>Requirements for designated payment system entities</u>** 24. We have no specific comments, but we would encourage that DPS be mandated to serve all licensed entities under the PSA on equivalent commercial terms as traditional financial services providers. **Question 9. <u>Exemptions</u>** 25. The exemption in Regulation 29(c) is too restrictive for a regional financial services business and should separate out: (i) financial thresholds for activities undertaken by a Singapore company in Singapore (ii) significantly higher financial thresholds for activities undertaken by a Singapore company outside of Singapore (iii) clear exemption for feasibility testing and proof of concept for companies to undertake low level activities with a limited section of the public e.g. 1,000 users in Singapore, before full licensing is required. 26. We do not necessarily understand why only hotel operators are specifically permitted an exemption. It is concerning that such a relatively narrow business activity needs a specific exemption when there are plenty of other business sectors in Singapore that deal with international customers and carry out some form of exchange activity e.g. other businesses in the travel sector, e-commerce and logistics etc. Our worry is that there may be a number of business activities that may be impacted by the PSA, but which are not yet aware of these changes, because they assume that the PSA only impacts the financial services industry.

		27. Please could it be clarified that if a company has a contractual arrangement with a DPS provider, then it should be considered as not requiring its own license in respect of all incidental activities carried out by the DPS provider. For example, if FinTech A is regulated as an e-money issuance service and has an arrangement with Network for Electronic Transfers (Singapore) Pte Ltd for cash-back services of its customers at the point of sale, does this then exempt FinTech A from section 19 of the Act? Under section 18 of the Act, this seems to cover a principal/agency arrangement, but would the DPS provider be regarded as the agent of FinTech A? 28. As specified in Question 11, it would be helpful from a customer convenience point of view to see some low-level exemptions for low-level cash-out under section 19 of the Act and overdraft type functions under section 20(1). We believe that Singapore's requirement of a total prohibition is at odds with how this is regulated in other sophisticated jurisdictions, in particular in the EU. **Question 10. <u>General provisions and other matters</u>** 29. We understand section 20(2)(b) - prohibits using interest on customer deposits for "materially" funding a licensee's activities. Please can MAS held to provide guidance on the concept of materiality. We do not necessarily understand why there is such a prohibition, when the monies are being safeguarded and no interest can be paid back to the customer. We would therefore like MAS to help define that there can be no "reliance" on interest on customer deposits e.g. for working capital purposes, but that these can nevertheless be distributed as the business' profits. 30. More generally: a. We would also like to see the Regulations focussed a little more on helping to enhance the customer experience and to meet their requirements. We note that the new restriction on fiat cash-out on e-money under the Act, as well as the continued restriction on lending is something that MAS and the traditional financial industry feel strongly about. Even though this is at odds with the position in many other jurisdictions, and it would be preferable (especially from the customer's convenience perspective) to have some limited exceptions to these prohibitions to enable e.g. emergency cash withdrawals, or a low level overdraft facility. Nevertheless, this can be acceptable, provided that there is a strong interoperability framework with existing financial services players to help achieve these functions.

		b. The justification that cash transactions can and will be eliminated - perhaps drawing inspiration from experiences in China, understates that role that pervasive nature of non-bank financial institutions, including in offering wealth management, lending and insurance activities in that jurisdiction. We would urge MAS to take a more holistic view on how FinTech payment services providers will be playing an important and growing role in (i) customer's daily transactional activities, but must also be seen as (ii) an appropriate on-ramp to facilitate such customers to deploy e-money funds into traditional financial service providers' wealth management, lending and insurance products. c. In our view, strong interoperability principles under sections 25, 26 and 51 of the Act should be explored up-front as part of the implementation of the PSA. Given that Singapore is regulating the payments and FinTech industries slightly differently from other jurisdictions (and innovators in those jurisdictions is arguably able to flourish), and as this is currently one of the most active sectors in which technology companies are seeking to develop their businesses, it is in the interests of all participants that MAS can help to show fuller framework of both the limits that will be placed on non-bank financial institutions, as well as the access points through which their co-operation with traditional financial institutions can be pursued. **Question 11. <u>Other Regulations</u>** 31. In respect of the 6-month grace period for a DPT service provider to apply for a licence, we feel this is short, when at present, there is significant confusion on types of business that would be regulated as a DPT service provider. We would encourage detailed and exhaustive guidance in this area to help provide the nascent blockchain industry in Singapore (or with customers in Singapore) with clear rules on whether their services or the virtual currencies that they or their customers hold are considered to be digital payment tokens. 32. More specifically: in our view the "Token A" mentioned in MAS' Guide to Digital Tokens, bears no resemblance to a real world token, since the fundamental premise of all digital tokens that are not securities, is that they are (by virtue of being exchangeable between users and interchangeable with other tokens) intended to act in some way as a "medium of

		exchange accepted by the public, or a section of the public, as payment for good or services, or a discharge of a debt". We would encourage detailed guidance on which actors in blockchain projects that MAS considers should be licensees for the purposes of the Act - e.g. exchanges, wallet providers, issuers of tokens. Thank you for reviewing this response to the Consultation and we hope that some of the points raised can be accommodated in the final, Regulations, Orders or other guidance
24	PayPal Pte. Ltd. (3PL)	Respondent wishes to keep entire submission confidential.
25	Rajah & Tann Singapore LLP	**Question 3. <u>Solicitation</u>** <u>(a) Regulation 11(g) of the draft PSR</u> As seen from Regulation 11(g) of the draft PSR, one of the considerations in determining whether an offer, invitation or advertisement is made or issued to the public or any section of the public in Singapore is whether "reasonable steps are taken to guard against the provision of payment services to persons in Singapore". Please could the MAS provide guidance on what these reasonable steps to guard against the provision of payment services to persons in Singapore entail, so that it is made clear under what circumstances a foreign entity may respond to and accept unsolicited applications from persons in Singapore who may wish to obtain payment services from such entity? **Question 6. <u>Safeguarding requirements and security deposit</u>** <u>(a) Criteria for assessing the suitability of safeguarding institutions</u> We refer to the requirement that a licensee must assess, and satisfy itself of, the suitability of the relevant safeguarding institution. As the grounds of which the licensee has satisfied itself of the safeguarding institution's suitability must be recorded (per Regulation 15(5), 16(5) and 17(5) of the draft PSR), and in light of the fact that the definition of "safeguarding institution" already limits the types of financial institutions that can serve as a safeguarding institution to licensed entities by the MAS, it would be helpful if the MAS could provide additional guidance on what other considerations a licensee should take into account and satisfy itself when assessing the suitability of the safeguarding institution before appointment. For example, should the financial track record of the safeguarding institution be taken into account? Or is the licensee required to

		perform a comparison of the services of a number of safeguarding institutions before deciding upon one? (b) Expected frequency for assessing suitability of safeguarding institutions We refer to the requirement that a licensee periodically assess, and satisfy itself of, the suitability of the relevant safeguarding institution (under Regulation 15(4), 16(4) and 17(4) of the draft PSR). Please could the MAS provide guidance as to the expected frequency of such assessment? (c) Time limits for safeguarding of "relevant money" under section 23 of the PS Act 2019 The language in Section 23 of the PS Act 2019 is ambiguous enough for it to be argued that if a major payment institution provides an e-money issuance service, then the requirement under Section 23(4) (that the relevant money be safeguarded within a T0 timeframe), also applies to all money which the major payment institution receives in respect of the provision of a domestic money transfer, cross-border money transfer and/or merchant acquisition service. Hence, when a major payment institution provides both the former (e-money issuance) service, as well as the latter (domestic money transfer, cross-border money transfers and/or merchant acquisition) services, it is not very clear from the wording of the PS Act 2019 and the draft PSR whether a T0 (under Section 23(4)) or T+1 (under Section 23(2)) timeframe should apply in relation to the provision of domestic money transfer, cross-border money transfers and/or merchant acquisition services. Please could the MAS confirm the applicable timeframe in such a case? (d) Options for safeguarding of "relevant money" that is in foreign currency Given that the MAS has recognised that major payment institutions may process payment transactions and issue e-money in foreign currency (please see paragraph 2.20 of the consultation paper) will the MAS consider allowing major payment institutions to deposit relevant moneys denominated in a foreign currency in a trust account with a custodian outside Singapore licensed, registered or authorised to conduct banking business in the country where the account is maintained? This is similar to the option given to CMS licence holders under Regulation 17(2) of the Securities and Futures (Licensing and Conduct of Business) Regulations. (e) Regulation 17(8) of the draft PSR It is not clear what is meant by "must not withdraw… except for the

		purpose of reimbursing the licensee", which appears to be the sole purpose in which relevant moneys may be withdrawn from the customer's trust account. This appears to suggest that where a major payment institution transmit the money to a third party beneficiary, the institution must first utilise its own money to pay the third party beneficiary before it can withdraw its customer's relevant money from the trust account to "reimburse" itself. Additionally, the situations in paragraph (b)(i) to (vi) of the definition of "relevant money" may not necessarily contemplate a reimbursement transaction to the licensee. For instance, "any money paid to any other person that is entitled to the money" (see paragraph (vi) of the definition) would not be considered a "reimbursement" to the licensee. The drafting of paragraph 8 of Regulation 17 of the draft PSR should be more aligned with Regulation 21 of the Securities and Futures (Licensing and Conduct of Business) Regulations, where the purposes are not limited to "reimbursement" to the licensee. It is not clear what is referred to in paragraph (b) of Regulation 17(8) of the draft PSR, which reads "any money that it has advanced to the account". Would MAS please clarify the intention behind this provision? **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** <u>(a) Factors for determining compliance with duties of CEO, director, or partner of licensee</u> Regulation 13 of the draft PSR sets out factors which the MAS will take into account when determining whether a CEO, director or partner of a licensee has failed to discharge the duties of his office or employment. Can the MAS please provide clarification on the extent/minimum benchmark to which a CEO, director or partner of a licensee must perform his/her duties to in order to be considered as having complied with the standard imposed on a CEO, director or partner of a licensee by the MAS under the PS Act 2019. <u>(b) Scope of fit and proper requirements</u> Section 11(2)(a)(ii) of the PS Act 2019 allows the MAS to revoke a licence if any officer or employee of the licensee is not a fit and proper person under the Guidelines on Fit and Proper Criteria. We understand that Regulation 13 of the draft PSR applies only to a CEO, director or partner of a licensee. Can the MAS please clarify if all

		employees of the licensee would have to meet the Fit and Proper Criteria, and if so whether such employees will be required to comply with any specific duties/responsibilities/minimum standards. **Question 9. <u>Exemptions</u>** <u>(a) Regulation 30 of the PSR and the scope of cross-border money transfer service</u> Exemption (c) (as described in paragraph 4.5 of the consultation paper and as set out in Regulation 30 of the draft PSR): The reading of "cross-border money transfer service", on which the necessity for the exemption is based, is too wide. Such a reading could inadvertently sweep in domestic money transfer ("DMT") providers who, without their knowledge, are used by users to send money to a cross border money transfer ("CMT") provider for the remittance purposes. We envisage that this is possible with increased integration between payment services providers and expansion of their respective business offerings without prior knowledge of their partners. In such a circumstance, the DMT provider will not enjoy the benefit of Exemption (c) if there is no contract specifically for CMT services between the DMT provider and the CMT provider. The very existence of Exemption (c) could lead to a reading that the DMT provider's DMT services could take on the purpose of CMT even though the DMT may be completely unaware of the same. If this is not intended, then this needs to be made clear. Exemption (c), as presently worded in the draft Regulation 30, only exempts a DMT provider from licensing when it is dealing with a licensed CMT provider. This should be expanded to include persons who are exempt from licensing under the PS Act 2019. MAS to consider if this could permit persons who hold (or are exempted from holding) equivalent licences under the laws of a foreign jurisdiction. **Question 11. <u>Other Regulations</u>** <u>(a) Timeline for notification of date of commencement of business</u> Under the Payment Services (Exemptions for a Limited Period of Time) Regulations ("PS(ELPT)R"), a person (A) relying on the exemptions therein to avail itself to the 6-month or 12-month transition period to be exempt from licensing under the PS Act 2019, is required to comply with a "notification requirement" – that is, A must on the appointed day notify the MAS, in such form and manner as may be specified by the MAS, of the date on which A commenced

		the business of providing the regulated payment services (to which the transition timelines apply). For background, the "appointed day" has the meaning given in Section 121 of the PS Act 2019, which in turn refers to the date of repeal of the Money-changing and Remittance Businesses Act and the Payment Systems (Oversight) Act. The PS Act 2019 will commence on the same "appointed day". Does this mean that person A has exactly 1 day to file the notification? Presently, it is not clear if there will be greater flexibility given so that persons relying on the transition period may have some longer time period to file the notification. Will MAS would give lead time for the industry participants to react and take the necessary action to comply and to rely on the transition period exemption? <u>(b) Exemption from section 9 of the PS Act 2019</u> We note that Regulations 3 to 7 of the PS(ELPT)R generally provide transitional grace periods for entities that were carrying on business in the newly regulated payment services ("Newly Regulated Services") on or before the PS Act 2019's commencement date by exempting them from Sections 5(1), 6(4), and 6(5) of the PS Act 2019 for certain specified periods of time (the "Transition Period Exemptees"). Such Transition Period Exemptees would also not be subject to Section 8 of the PS Act 2019 in respect of the Newly Regulated Services, which does not apply to persons exempt under Section 100 of the PS Act 2019. However, it is not clear if the Transition Period Exemptees would be exempt from the prohibition against solicitation in Section 9 of the PS Act 2019 which is only disapplied in respect of "a licensee or an exempt payment service provider" (which does not include the Transition Period Exemptees). Please confirm whether the MAS' intention is that the Transition Period Exemptees should also be exempt from the solicitation prohibition in Section 9 of the PS Act 2019. If so, Regulations 3 to 7 of the PS(ELPT)R should be amended to also exempt the Transition Period Exemptees from Section 9 of the PS Act 2019 (in addition to Sections 5(1), 6(4), and 6(5)).
26	RHT Compliance Solutions	**<u>General comments:</u>** RHT Compliance Solutions conducted a roundtable discussion with industry members/financial institutions on the proposed Payments Service Regulations (the "Regulations") set out in the Consultation Paper issued by Monetary Authority of Singapore ("MAS"). The roundtable was attended by 59 attendees from 47 companies on 22 April 2019. Participants comprised representatives from money-remittance companies who are currently licensed under the Money-

		changing and Remittance Business Act ("MCRBA"), and other Financial Institutions that include Cryptocurrency Exchanges who are currently not regulated by MAS. While we are broadly supportive of the regulations to be implemented in light of the new Payments Act, we urge MAS to consider the implications it might bring to the industry. Our comments on the questions posed in the Consultation Paper are set out below and incorporate, where appropriate, inputs received from the Roundtable participants. **Question 1. <u>Licensing Processes</u>** We are supportive of the proposed licence application, lapsing, surrendering and variation requirements and their timeframes. **Question 2. <u>Licence fees and application fees</u>** As a provider of a cross-border money transfer service is unlikely to restrict money transfer to cross-border only, and unlikely to make a distinction with that of domestic money transfer service, participants are of the view that cross-border money transfer licensee should not be made to pay additional domestic money-transfer licence fees. For example, if an MPI were to conduct e-money issuance its merchants would typically be in Singapore and overseas, therefore it would be considered to be providing domestic transfer service and cross-border money transfer service as part of their activities. In such cases, participants request that an exemption be granted for e-money issuers that perform cross border services from having to pay the additional domestic transfer services licence fees. To this end, we urge MAS to consider to either develop a licence fee exemption regime or to combine the annual fees to S$10,000 for both the cross-border money transfer service and domestic money transfer service. **Question 3. <u>Solicitation</u>** Participants noted that there were several factors used in determining solicitation under the regulations. For example, (i) product offered to Singaporeans and (ii) product advertised on platforms that are based in Singapore Dollars are both considered solicitation. Participants were of the view that there should be more criteria factored into the definition of solicitation, as there could be many different scenarios at play. Participants would also like to seek

		clarification on whether the offering of an e-money product in Singapore dollars outside the purview of Singapore (i.e. not offered to Singaporeans) is caught under the regulations. Participants were also of the view that the inclusion of foreign products as part of the solicitation should be made clearer. For example, a local licensed company could operate an e-wallet in Singapore and Indonesia extending their Indonesian product in Rupiah to Singaporeans. We request MAS to consider an option under the licence application process for payment institutions to inform MAS should they want to market a foreign product in Singapore. **Question 4. <u>Residency requirement for executive directors</u>** We are supportive of the proposed expansion to allow non-resident executive directors, subject to the proposed conditions. **Question 5. <u>Minimum financial requirements</u>** We note that MAS changed the minimal financial requirement for Standard Payment Institution ("SPI") and Major Payment Institution ("MPI") from paid-up capital to base capital. Participants feel this requirement is onerous. While participants agree that this serves as an additional buffer to ensure that Financial Institutions ("FIs") are always sufficiently resourced at all times, they would also like MAS to consider the impact as follows: Firstly, considering that all start-ups operate at a loss initially with marketing campaigns and advertisements, it will be challenging to meet the base capital after including the losses incurred from these activities. Secondly, the structure of investment may be different for different entities. For example, an operating entity itself could be the applicant whereas the funds could come from the company holding level. Thirdly, as there are already prudent safeguarding requirements to protect customer monies in full, there is almost no risk of financial loss to customers. We therefore request for MAS to change the minimum financial requirement back to paid up capital for both SPI and MPI. **Question 6. <u>Safeguarding requirements and security deposit</u>** Participants were supportive of the 3 safeguarding options as suggested by MAS. We also note that undertaking and guarantee are

		largely similar and may cause confusion when it comes to deciding which is more appropriate. On this note, we would like MAS to highlight the difference between the two and provide detailed prescription as to which FIs are more suited for either one of the options. The other concern brought up by the participants that we would like MAS to provide were on the appointment of beneficiary for both undertaking and guarantee. Participants would also like MAS to provide guidelines and a standard format on the undertaking and the guarantee to minimize the confusion and time used for discussion between the FIs and the safeguarding institution. We would also appreciate if MAS could clarify if disclosure in the contractual documents (i.e. terms of business) or in the licensee's website would be sufficient to meet the disclosure requirement in Regulation 15(8). **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** For companies in Singapore that are subsidiary of a foreign parent, the risk committee or director located outside of Singapore may have significant impact on the operations in Singapore as they hold the power to decision making. Participants would like MAS to clarify if such persons or committees will be subject to the regulations. Under the regulations, MAS states that an audit report must be submitted for both companies and individuals. We would like to clarify whether payment institutions would be allowed to utilise their internal audit function to satisfy the audit requirements as laid out by MAS in the regulations. **Question 8. <u>Requirements for designated payment system entities</u>** We note that they are largely similar to the current requirements and a supportive of them. **Question 9. <u>Exemptions</u>** One of the exemption MAS proposed was in relation to cross border money transfer services. Participants were supportive of this exemption and would like to further clarify if this will allow them to solicit customer even though they hold only a domestic money

		transfer services licence and do not hold a cross-border money transfer licence. **Question 10. <u>General provisions and other matters</u>** Participants feel that the threshold for prohibiting transaction outflow of $30,000 a year from an e-wallet is very restrictive. **Question 11. <u>Other Regulations</u>** A participant highlighted that in the Second Schedule of Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB)R"), there are exemptions laid out allowing certain types of FI from holding a licence when conducting regulated activity. We are of the view that this should be extended to the regulations under the Payments Services Act as there will be FIs dealing exclusively with Institutional Investor. Under 5.4 of the Consultation Paper, MAS state that the specified grace period will be granted to the FIs who are exempted from holding a licence and it is limited to FIs which have commenced business on or before the commencement date of the Payment Services Act. We would like MAS to define the term "commencement of business". For example, would MAS consider an entity which is still in the process of trialling their systems before going live to have commenced business. We further suggest that a form of notification to inform MAS when the conditions of "commencement of business" are met, be prescribed for use by entities.
27	Sidley Austin LLP	Respondent wishes to keep entire submission confidential.
28	Singapore Fintech Association	Respondent wishes to keep entire submission confidential.
29	SingCash Pte Ltd on behalf of Singtel Mobile Singapore Pte Ltd, Telecom Equipment Pte Ltd and Cross Border Pte Ltd	**Question 1. <u>Licensing Processes</u>** Section 9 of the Regulations states that a licensee's licence will lapse if it does not accept, process or execute any payment transactions for a continuous period of 6 months. This will mean that a licensee needs to re-apply for a licence to provide a service. We ask that the MAS considers removing the expiry period or else lengthening it as a licensee may have valid reasons for temporarily ceasing the offer of services.

		Section 10(4) of the Regulations requires a Standard Payment Institution ("SPI") to apply for a licence upgrade within 30 days from the time it breaches the specific thresholds. We believe that more guidance and flexibility should be permitted. For example, the SPI could have breached the threshold for unique and exceptional reasons and the incident could be one-off. Hence, we ask that the MAS allows for the SPI to breach the thresholds at least twice or for 2 consecutive months before it is required to apply for licence upgrade. **Question 2. <u>Licence fees and application fees</u>** The Third Schedule list fees for provision of one or more payment services for a SPI and a Major Payment Institution ("MPI"). We seek clarification whether under numbers 2, 3, 4 and 5 of the Third Schedule, a licensee who intends to provide any of the services (whether 1 or more) simply adds the applicable fee for that service to its schedule of fees. For example, if a SPI starts with domestic transfer service and pays $1000, then it wishes to add merchant acquisition service and pays another $1000. Similarly, a MPI with the same profile starts with $1500 and then subsequently adds another $1500. If this is the correct interpretation, we suggest removing numbers 4 and 5 of the Third Schedule and simplifying numbers 2 and 3 to simply identify the fees per service. We also ask MAS to provide clarity over the proration of the annual licence fee if an additional payment service is added during the year. **Question 5. <u>Minimum financial requirements</u>** Under the Section 2, "base capital" is defined as the sum of paid up capital and unappropriated profit/losses. This could mean capital requirements may fluctuate within the period depending on the operations. We ask MAS for further clarity over the measurement of base capital requirements in terms of exactly when this would be assessed and the timeframe required by licensee to ensure that the minimum base capital is maintained. **Question 6. <u>Safeguarding requirements and security deposit</u>** Sections 15, 16 and 17 of the Regulations require that a licensee assesses and satisfies itself of the suitability of the safeguarding institution. We ask that the MAS provides guidance on the criteria that the licensee should take into account for the assessment. Under the Sections 15, 16 and 17 of the Regulations, a licensee is required to disclose in writing to customer the manner in which the money is safeguarded. We note that disclosure in writing is generally

		not used by fintech companies or companies who provide digital services. We ask MAS to allow these disclosures digitally, eg within the e-wallet application. **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** Section 20 refers to a Form 4 which has not been provided for comment. Kindly provide a copy for comment. **Question 9. <u>Exemptions</u>** We believe the MAS could consider providing exemptions for pure billing and collection of payments that are incidental to an account issuance or merchant acquisition service. For example, there are cases where organisations have an existing billing or contractual relationship with customers. These organisations do not perform, as a major part of their business, the merchant acquisition service. Rather, they simply bill and collect on behalf of, for example, Premium Rate Services providers. Billing organisations may also bill and collect on behalf of other merchants including online or brick and mortar merchants and are simply drawing on their existing billing infrastructure and mechanisms [which are used primarily to bill and collect for their own services] to bill other parties' goods and services. The so-called 'accounts' used by these organisations is not a payment instrument in the form of a payment card, a payment account or an electronic wallet from which a customer can initiate payment. These should be exempted. There are also instances of digital apps being aggregators (eg digital malls) of other apps which contain the actual financial services, eg a payment institution may offer its e-wallet through an app that is housed in another app. Parties that run such digital malls or aggregator apps generally just provide digital space and electronic services without onboarding merchants and/or any other work. We ask that the MAS consider exempting them too. **Question 11. <u>Other Regulations</u>** On page 19 of the Consultation Paper, the MAS provides for a specified period after Appointed Day (PSA commencement Date) (to be specified in due course) within which notification of existing services must be made. However, Sections 3(3)(b), 4(3), 5(3), 6(3), 7(3) and 8(3) of the Regulations requires notification on Appointed

		Day. There is no provision for specified period. We ask that the MAS clarifies this. We also note that there are currently various notices and /or requirements that appear to be outdated, eg the MAS 3002, MAS 3004, MAS 3201 and MAS 3202. These notices were set in place more than 10 years ago and reflect practices and /or environment(s) that do not prevail anymore. We ask that the MAS consider removing these requirements.
30	TenX Pte. Ltd. ("TenX")	Respondent wishes to keep entire submission confidential.
31	TransferWise Singapore Pte Ltd	**General comments:** We welcome MAS consultation on the development of the Payment Services Regulations. Innovation in regulatory technology (regtech) is evolving at speed to address emerging risks in financial crime. We urge the MAS to take an outcomes-based approach, in particular, revising stock and flow caps. Protecting customer funds is of the utmost importance and the safeguarding measures implemented through the Payment Services Act adequately address this risk. We ask MAS to consider publishing the criteria in which it will use to assess modifications to the stock and flow cap under the Payment Services Act. The impact of stock and flow caps reduce access for everyday Singaporeans to access innovative electronic money products. **Question 1. Licensing Processes** We are supportive of MAS decision to increase the grace period for commencement to 6 months. As a fintech business keeping costs low is important so that these savings can be passed on to the customers. More often than not this means that we only begin full scale development of the product for the local customers upon receiving our licence from MAS. The increase in the duration of the grace period will allow delivery of the best possible product during the launch.

		Question 3. <u>Solicitation</u>[1] The considerations for solicitation within Singapore should be broadened to also mandate advertisements are transparent on foreign exchange rates, fees and charges. TransferWise agrees where offers, invitations or advertisements are made or issued to the public that this meets the threshold for a regulation under the Payment Services Act, however, the proposed Payment Services Regulations to not offer sufficient protections to Singaporeans. Consumers are charges higher fees because many are unfamiliar with the way are structured in a foreign exchange transaction. Three in four consumers in Singapore are unaware banks and other providers' mark-up the exchange rate. Internationally, a March 2018 study commissioned by the UK Government found that those who failed to choose the cheapest FX option nearly doubled to roughly 58% when fees were hidden in exchange rate mark-ups. Hidden fees impaired the judgement of ordinary consumers, the UK study found. Globally, regulators are starting to act against hidden fees in FX transactions. In February the European Parliament voted in favour of mandatory transparency for cross-border fees. FX service providers in the EU will soon have to tell consumers exactly how much they are charging in the local currency. The UK is considering similar legislation and in Australia, the Australian Competition and Consumer Commission began investigating this practice in 2018. We urge MAS to consider extending the provisions of the Payment Services Regulations to require transparency in exchange rates and fees for providers of Domestic money transfer services, Cross border money transfer services and Electronic money issuance, for the protection of Singapore consumers.

[1] References:

1) https://sg.finance.yahoo.com/news/three-four-singaporeans-unaware-hidden-223500279.html

2) https://www.behaviouralinsights.co.uk/publications/the-impact-of-improved-transparency-of-foreign-money-transfers-for-consumers-and-smes/

3) http://www.europarl.europa.eu/news/en/press-room/20190207IPR25223/eu-cross-border-payments-outside-eurozone-meps-scrap-excessive-fees

4) https://www.afr.com/business/banking-and-finance/foreign-currency-fees-face-accc-probe-20181002-h16499

		Question 4. <u>Residency requirement for executive directors</u> The residency requirements for all directors should be expanded to allow applicants to more easily appoint Directors. The residency and nationality requirements for Directors in the Payment Services Regulations proposal present an undue burden for payment services companies who wish to bring innovative products to Singapore. We believe it is possible to manage a payments business across jurisdictions, so a local Director structure should not be a minimum requirement. The most efficient Director structure is to mirror the existing requirements to set up a company in Singapore, for example, retaining the allowance for Employment Pass holders to be appointed as a Director. We note, the Ministry of Manpower is responsible for issuing Letters of Consent prior to Director approval for Employment Pass (EP) holders, to ensure all appoints are filled by suitably qualified fit and proper candidates. **Question 6. <u>Safeguarding requirements and security deposit</u>** TransferWise is supports consumer protection measures in the Payment Services Act and Regulations. While the increase in options has helped to ensure that we are able to pick the best possible option to protect both the customer funds, MAS should consider allowing safeguarding options in other mediums besides cash. In the UK and US, institutions are permitted to hold secure, low risk liquid assets, such as government bonds, in place of cash. Paragraph 2.20 of the Payment Services Regulations Consultation Paper states safeguarding may be in the same foreign currency or in Singapore dollars. We urge MAS to allow institutions the operational flexibility to determine the currency used to safeguard customer funds as long as the total of all safeguarding accounts is equivalent to the total customer funds held in Singapore Dollars. The key reason is to mitigate exposure to forex rate movements. If a large percentage of our customers held foreign currency in their balances, we will hold some of our safeguarding in selected non-Singapore Dollar currencies to reduce the risk from market movements. The currencies may not correlate 100% with the currencies of the balances held.
32	US-ASEAN Business Council	**<u>General comments:</u>** General comments: The US-ASEAN Business Council (US-ABC) is the leading voice of the U.S. private sector in promoting mutually

		beneficial trade and investment relationships between the United States and Southeast Asia. US-ABC and our members stand ready to work with the Government of Singapore to further improve the payments services framework and ensure the protection of Singaporean citizens. We hope that our input will be useful to improve the updated PS Act and we would welcome a meeting with MAS to further discuss our comments. **Question 1. <u>Licensing Processes</u>** For the licensing regime, we recommend a more flexible approach to licensing requirements, rather than more rigid stipulations that create an unnecessary burden on entities and stifle innovation and growth. With respect to domestic money transfer services, account issuance services and e-money issuance services, we agree with MAS's intention to provide a 12-month grace period to obtain the proper license. Because the new regulatory regime introduces new obligations for licensed payment service providers, we would like to confirm that the 12-month grace period applies to compliance with the other requirements imposed thereunder in addition to securing the licensing requirements. For cross-border money transfer services, we encourage MAS to reconsider its view that a similar grace period is not required where an entity currently carries on such activities incidentally to its primary business. Current case law does not require a license for such activities. Therefore, it is likely that a number of providers will be unable to immediately comply with associated requirements. The effect will be to unnecessarily force businesses into regulatory non-compliance or artificially limit the number of entities willing to offer foreign payment processing. Even if firms were to proactively apply for the current license, and hence deemed to be licensed under the PS Act, full compliance with the requirements will take some time, so a grace period remains a useful tool to encourage greater business participation. In addition, the PS ACT will force businesses that are not currently required to comply with the Payment Services (Oversight) Act (PSOA) - either because they are not required to or because they have not yet launched their activities - to obtain a PSOA license and then change their practices to comply with the PS Act. For firms, having to meet the requirements to obtain a PSOA license and then having to change their practices to comply with the PS Act is overly burdensome and unnecessarily stifling to new business. As efforts by payment industry stakeholders to comply with PSD2 has recently

		demonstrated in Europe, adaptation to a new regulatory structure is very challenging because it requires multiple stakeholder collaboration and customer education. To ensure a smooth transition that does not create unnecessary interruption to businesses or customers and that allows firms ample time to restructure their businesses to comply with regulatory requirements, we request a significant grace period for all aspects of the new regulation. Furthermore, depending on the scope of the PS Act in its final form, financial institutions may require additional implementation time in order to ensure full compliance. We would like to request the MAS to consult with the industry on specific details of transition periods. We also request the MAS to consider building in discretionary provisions in the regulation to provide for extensions to transition periods, where required. Providing this flexibility at the outset would be instrumental in ensuring robust and sustainable compliance. As MAS develops the specific licensing requirements for each type of payment processing, we encourage it to institute lower-friction AML requirements. Many other jurisdictions focus on risk-based AML programs rather than prescriptive requirements. These regimes allow businesses to be flexible and innovative when developing effective AML solutions that align with their business models. In addition to better-facilitating new business practices and models in this quickly-changing space, risk-based regimes are more beneficial to achieving results because they do not give bad actors a blue print on how to circumvent static controls. Finally, we encourage MAS to consider broader exemptions for gift card requirements for cards with low risk stored value. While we note the definition of "limited purpose e-money" under the PS Act, the scope of such definition (and in particular, "limited network of providers of goods or services") is too narrow and does not consider the possibility of gift cards that may be used to acquire goods and/or services from third party merchants on online marketplaces. For example, in the United States non-reloadable gift cards under a certain dollar threshold (US$2000) and redeemable only for a defined merchant or location or set of merchants or locations, even if unaffiliated, are determined to be low risk. These gift cards do not require the same licensure or AML scrutiny as other gift cards because it is difficult to use these cards to conduct significant money-laundering schemes. Additionally, the tradeoffs between the cost of regulations to the benefits of consumers buying small dollar gifts were too high to impose such friction. Another example is in

		Australia, where gift cards under A$500 and marketed only for gifting purposes are seen as low risk and do not require licensure, KYC, or AML monitoring. In both cases, the U.S. and Australian governments recognized that a requirement to have a customer provide sensitive personal information, such as their government identification number, to purchase a gift for a birthday or wedding was unnecessary, even if the card were to be redeemable at a network of unaffiliated stores rather than a single store. When gift cards are low in dollar amount, are not redeemable for cash and can only be redeemed at a limited number of businesses or locations, even if those businesses are not affiliated, they remain low risk for money-laundering. This means that the burden on customers and businesses of implementing sophisticated AML programs outweighs the benefit of such programs and results in unnecessary friction for customers. **Question 4. <u>Residency requirement for executive directors</u>** We agree with MAS' intent to expand the options for multi-national businesses doing business in Singapore by reducing the citizenship and residency requirements for officers and directors. This will help bring new businesses to Singapore and allow existing businesses to more flexibly expand into other countries that may also have some limited residency and citizenship requirements. We would be grateful if MAS could please confirm if the reference to a "director who is a Singapore citizen or Singapore permanent resident" in draft regulation 7 of the Payment Services (Exemptions for a limited period of time) Regulations would include nominee directors and non-executive directors. We request MAS also consider alignment of residency requirements for the PS Act and the proposed Regulations with the requirements and general practice for other financial services sectors applied in Singapore currently (e.g. in the capital markets area, where there is only a requirement for Singapore residency, which in practice may be fulfilled where the CEO or director holds an employment pass). **Question 6. <u>Safeguarding requirements and security deposit</u>** We appreciate the flexible approach MAS has taken, which gives businesses options to demonstrate appropriate safeguarding and security, such as through a guarantee by a credible financial institution or by creating a segregated bank account for customer funds.

		We request that MAS consider permitting other financial institutions outside of Singapore, institutions that could be considered sufficiently accredited and approved, to act as “safeguarding institutions”, where the relevant money is denominated in non-Singapore dollars. Such an option could be particularly helpful for businesses that may have a significant amount of funds held in another currency by an accredited bank subject to strict regulatory requirements in another jurisdiction. We understand it would be difficult for MAS to broadly allow any financial institution subject to the laws and in good standing in its jurisdiction to become a “safeguarding institution”; however, MAS could consider whether it might also grant case by case approval for licensees that have long standing relationships with well-respected and highly-regulated financial institutions in another jurisdiction. Regarding the currency requirements of safeguarded assets, most major payment institutions manage a variety of currencies and assets to support operational liquidity and make sure that customer liabilities are covered. The requirement to safeguard relevant monies in the same foreign currency or in Singapore dollars could be onerous as it would hamper this process. We therefore request the MAS to reconsider this requirement and allow payment institutions to safeguard relevant monies in major foreign currencies (such as USD) even if they are not denominated in these foreign currencies. We would also like to request the MAS to evaluate the need for a security deposit and to impose this requirement on a case-by-case basis for companies that have taken further steps in safeguarding relevant monies for the customers, such as maintaining additional liquidity against consumer funds. Regarding commingling with proprietary moneys, we note that a licensee must, among other things, not commingle “relevant money” (as defined in the PS Act) with other moneys (except that relevant moneys of all the licensee’s customers may be commingled or deposited in the same trust account). We ask the MAS to consider allowing commingling of relevant moneys and proprietary funds of the licensee or its related corporation ("proprietary moneys"), if there are clear records of funds kept to distinguish between those that relevant moneys and those that are proprietary moneys. In certain jurisdictions, it is possible to set up an account ID within a bank account, identifying the respective portions of funds that belong to the relevant parties. In such cases, there will also be clear communication to, and acknowledgement from the bank of the portion of funds that do not

		belong to the licensee. Funds received by the licensee or its related corporations will include funds that are ultimately due to the merchants (i.e. relevant moneys), and those that are due to the licensee or its related corporations such as commissions, fees, interests earned from the funds kept in the segregated account and profits from currency conversions (i.e. proprietary moneys). Allowing the commingling of relevant moneys and proprietary moneys with clear records maintained would facilitate cost and operational efficiency. Otherwise, in the context of payment service providers who collect on behalf of, and transfer payments to merchants worldwide, several banks accounts would need to be set up, and various funds flows would need to take place to ensure that moneys belonging to the merchants are segregated physically in separate accounts. This would increase operational costs and burdens as not only will banking costs increase from the multiple set up of accounts, transactional costs will also increase for each transfer. Regarding receipt of moneys overseas, where the licensee sets up its funds flow to receive funds from users overseas, its internal set-up may be such as to receive the funds in its foreign (i.e. non-Singapore) bank account from the customers directly, or otherwise through a foreign bank account held by the licensee's foreign related corporation. In these cases, it would not be feasible for the licensee to comply with the trust safeguarding mechanism to deposit the moneys received with a Singapore safeguarding institution, because either (i) it would be using a foreign bank account for the purpose of receiving the moneys from the customers; and/or (ii) it would be its foreign related corporation that receives the moneys from the customers rather than the licensee itself (iii) the funds cannot be transferred to (a Singaporean) bank account within the 24 hours limitation due to currency restrictions or currency valuation dates applicable to certain currencies and/or countries . The licensee does not only keep the funds received with only one financial institution, but worldwide with different financial institutions, which allows it to provide a cost-efficient and effective payment mechanisms for customers who make payments for businesses that the business is acting on behalf of. In these circumstances, we would like to seek clarification from the MAS whether:

		A. The MAS would consider providing an exemption from the safeguarding requirements for moneys received by the licensee overseas; and/or B. The licensee is entitled to treat moneys received (from customers with respect to its Singapore business) by its foreign affiliate as not constituting "relevant money" for the purpose of section 23(14) of the PS Act, such that the licensee need not comply with the safeguarding requirements, unless and until the moneys are transferred to or deposited with the licensee in Singapore, whereupon the licensee will ensure that it complies with the trust safeguarding mechanism. The legal basis for this latter suggestion is that "relevant money" is defined to mean "money… received by a major payment institution", whereas money received from users in this scenario described is received by the licensee's foreign related corporation which will not be the licensee.]; or C. If the aforementioned options are not considered by the MAS, to extend the time limitation within these funds needs to be transferred into a trust account of a Singaporean bank. Regarding foreign safeguarding institutions, we request the MAS to allow licensees to place relevant moneys in accounts maintained with a licensed financial institution outside Singapore. As licensees will be receiving moneys from customers worldwide on behalf of merchants, significant costs will be incurred (e.g. currency conversion costs, banking costs, etc.) if the licensee or other similar service providers are required to transfer funds received from customers that are due to the merchants to a bank account maintained by a licensed financial institution in Singapore. **Question 9. <u>Exemptions</u>** We request that MAS consider a fifth exemption for low risk payment processors. These processors carry on remittance activities only in connection with transactions in goods and services, regardless of whether the payment transaction thresholds for major payment institutions have been exceeded. In other jurisdictions, receiving money for the payment of goods and services is considered lower risk than a standard remittance business. In this case, the consumer is protected because he is entitled to his goods and/or services upon payment by the payment processor, not when the seller received the payment. In addition, the risk of money laundering or terrorism financing is low because the payment processor and seller can each be audited to demonstrate the goods or services were provided in exchange for the funds. To the extent MAS does not agree that

		payment processors can be entirely exempt, we encourage MAS to consider the lower-risk nature of these businesses prior to releasing any AML requirements. We would like to further clarify on the scope of the “commercial agent” exemption under the PS Act and the Regulations ("Commercial Agent Exemption"). It would be useful for MAS to clarify its policy intent with respect to the definition of "commercial agents", and as an extension, how online marketplaces (if relevant at all) fit in the Commercial Agent Exemption. We note in the earlier drafts of the Payment Services Bill (attached in the MAS Consultation Paper on the Proposed Payment Services Bill dated 21 November 2017), "online marketplaces" were excluded from the Commercial Agent Exemption. In other words, commercial agents that are online marketplaces will not be excluded payment service providers. Notably, the exclusion of online marketplace no longer exists in the PS Act. However, we note from the Response to Feedback Received on the Proposed PSB, November 2018 ("Response") that payment services that are related to an entity’s core business will be regulated under the PS Act, and by way of example, online marketplace operators offering payment services to facilitate transactions in the marketplace will be required to hold a licence under the PS Act in order to do so. We would appreciate MAS's clarification on its policy intent, given that the Response appears to suggest that online marketplaces will need to be regulated under the PS Act, whereas the PS Act no longer contains an exclusion of online marketplace for the purpose of the Commercial Agent Exemption. In this regard, we interpret the statement made by the MAS in the Response relating to online marketplace to be made solely in the context of whether payment services that are incidental to a core business would be regulated (i.e. by way of example, an online marketplace that does not qualify as a commercial agent, who provide payment services, will need to be regulated under the PS Act, even if the payment services are incidental to the core business). And it is not intended to mean that all online marketplaces (which is defined very broadly in the earlier drafts of the Payment Services Bill) will not categorically be able to rely on any licensing exemption. We would be grateful for MAS's confirmation so that there is greater clarity on the policy intent. Alternatively, if the MAS does intend to exclude online marketplaces

		from being covered by the Commercial Agent Exemption under the PS Act, we respectfully submit that this should not be the case. If online marketplaces are excluded from this exemption, it would mean that Singapore-based online marketplace operators would become subject to payment services regulations and a licensing regime, as supervised by the Authority. These entities would also be subject to additional regulatory requirements (such as AML/CTF and other requirements) in their day-to-day business that their competitors outside Singapore may not have. Certain other countries have decided not to regulate all forms of online marketplaces. A regulatory review of certain online marketplaces in Europe under the EU's Second Payment Services Directive (PSD2) have resulted in the conclusion that these businesses would be covered by the commercial agent exemption under PSD2. That exemption specifies that PSD2 does not apply to payment transactions from the payer (e.g. the buyer) to the payee (e.g. the seller) through a commercial agent authorised to negotiate or conclude the sale or purchase of goods or services on behalf of the payer or the payee. PSD2 does not regulate online marketplaces per se. As future innovations will likely push more marketplaces online, it should not be the case that the 'onlineness' of a marketplace is the deciding factor that determines whether the commercial agent exemption should apply. We believe that the role that the commercial agent plays should be the deciding factor instead. Not allowing the Commercial Agent Exemption to apply to online marketplaces would result in an inflexible solution and would impose unnecessary regulatory and compliance burdens on certain online marketplaces and may stifle innovation and growth in the sector in Singapore.
33	Victor Looi Yi En	**<u>General comments:</u>** Under Regulation 9 of the Payment Services Regulations (the "PSR"), the proposed period of time before which a licence shall lapse under certain prescribed circumstances is "a continuous period of 6 months" (emphasis added). Accordingly, some licensees may, in order for their licences not to lapse, circumvent the object of Regulation 9 by, for instance: (a) carrying on business in providing a payment service for merely a few days every 6 months;

		(b) in the case of a licensee that is licensed to carry on a business of providing one or more payment services other than digital payment token services, accepting, processing or executing payment transactions for merely a few days every 6 months; or (c) in the case of a licensee that is licensed to carry on a business of providing digital payment token services, providing at least one of the prescribed services for merely a few days every 6 months. To ensure that licensees provide services that they have been authorised to do so for a substantial period of time throughout the duration of the licences, MAS may wish to consider amending Regulations 9(c) and 9(d) as follows: "(c) in the case of a licensee that is licensed to carry on a business of providing one or more payment services other than digital payment token services, if licensee does not accept, process or execute any payment transactions for a continuous period of 6 months, or for a total period of at least 6 months within a continuous period of 12 months (or such longer periods as the Authority may allow), immediately upon the expiry of that the relevant period, unless the Authority otherwise determines; or (d) in the case of a licensee that is licensed to carry on a business of providing digital payment token services, if the licensee fails to provide at least one of the following services– i. accept, process or execute any payment transactions; ii. buy or sell any digital payment token in exchange for any other digital payment token (whether of the same or a different type); iii. facilitate the exchange of any digital payment token in exchange for any digital payment token (whether of the same or a different type), for a continuous period of 6 months, or a total period of at least 6 months within a continuous period of 12 months (or such longer periods as the Authority may allow), immediately upon the expiry of that the relevant period, unless the Authority otherwise determines." (emphasis added). Similarly, Regulation 10(3) may be amended as follows: "(3) A standard payment institution or major payment institution that—

		a) is authorised to provide more than one payment service; b) has ceased to carry on business in providing one or more of the payment services it is authorised to provide (called in this regulation a ceased payment service), but has not ceased to provide every type of payment service it is authorised to provide; and c) has not resumed business in a ceased payment service for a continuous period of 6 months from the date of such cessation of business or has not carried on business in a payment service for a total period of at least 6 months within a continuous period of 12 months, must lodge with the Authority the Form referred to in paragraph 1 to remove every such ceased payment service referred to in sub-paragraph (c), immediately upon the expiry of that period of 6 months or 12 months, as the case may be." (emphasis added). **Question 1. <u>Licensing Processes</u>** While the application fees seem reasonable, it is respectfully submitted that the annual licence fees for standard payment institutions deserve a relook. For instance, under the Schedule to the PSR, an SME seeking a standard payment institution licence to provide an e-money issuance service would have to pay S$5,000 annually, which far exceeds what a large fund with 100 representatives would have to pay for a capital markets services licence in respect of fund management, viz, S$2,000. **Question 5. <u>Minimum financial requirements</u>** Under Regulations 8 and 14 of the PSR, the base capital of a Singapore-incorporated company must not be less than $100,000 or $250,000, while the net head office funds of a foreign company must not be less than $100,000 or $250,000, depending on whether the company is a standard payment institution or major payment institution. MAS may wish to consider raising the minimum financial thresholds imposed on major payment institutions from $250,000 to $400,000 in light of the total value of the transactions that each major payment institution will be handling, wiz: (a) more than $3 million of payment transactions accepted, processed or executed in a month on average; (b) more than $5 million of e-money stored in any payment account

		issued by the institution to a person whom the institution has determined, in one day on average; (c) more than $5 million of e-money issued in Singapore, and stored in any payment account issued by the institution to any person whom the institution has not determined, in one day on average; or (d) more than $5 million of specified e-money issued by the institution in one day, depending on the nature of the institution's business. As highlighted during the Parliamentary debates on the Payment Services Bill, the first of four key risks that the Bill will mitigate is the loss of customer monies. It is therefore vital to ensure that major payment institutions handling transactions or providing services of significant value (which may include customer monies) are in a considerably strong financial position to withstand any headwinds amid a challenging economic climate. That being said, some degree of flexibility ought to be accorded to licensees, especially smaller companies in the nascent stages of growth which may not be able to maintain a base capital above the minimum threshold at all times. For instance, a standard payment institution that has fulfilled the minimum financial requirements since its application for a licence may incur unexpected and significant interim losses in a quarter, thereby resulting in the base capital dipping below $100,000. Even if this licensee's base capital subsequently exceeds $100,000 in the next quarter, the licensee would technically have contravened section 6(12) of the Payment Services Act 2019 (the "PSA"). While there is a "without reasonable cause" element that must be established before a licensee that contravenes section 6(12) shall be found guilty of an offence under section 6(16) of the PSA, it is not entirely clear at this juncture what "without reasonable cause" in the context of section 6(16) constitutes. Therefore, MAS may consider amending Regulations 8 and 14 as follows: "8. The minimum financial requirements prescribed for the purposes of section 6(9)(d) of the Act are as follows: (a) where the applicant applies for a standard payment institution licence — i. if the applicant is incorporated in Singapore, its average base capital over a calendar year is not less than $100,000; or

		ii. if the applicant is a foreign company, its average net head office funds over a calendar year are not less than $100,000; and (b) where the applicant applies for a major payment institution licence — i. if the applicant is incorporated in Singapore, its average base capital over a calendar year is not less than $400,000 $250,000; or (ii) if the applicant is a foreign company, its average net head office funds over a calendar year are not less than $400,000 $250,000." "14. The minimum financial requirements prescribed for the purposes of section 6(12)(a) are as follows: (a) where the applicant applies for a standard payment institution licence — ii. if the applicant is incorporated in Singapore, its average base capital in a calendar year is not less than $100,000; or iii. if the applicant is a foreign company, its average net head office funds over a calendar year are not less than $100,000; and Additionally, MAS' clarification on the factors that would be considered in determining the "without reasonable cause" element would be much appreciated. **Question 6. <u>Safeguarding requirements and security deposit</u>** To mitigate the risk of loss of customers' monies, yet bearing in mind the importance of ensuring that the commercial activities of smaller companies are not unduly hamstrung because of a disproportionate security deposit, MAS may consider amending Regulation 18 as follows: "18. For the purposes of section 22 of the Act, the prescribed amount of security is— (a) $50,000, if the average, over a calendar year, of the total value of all payment transactions that are accepted, processed or executed by the licensee in one month, does not exceed $2 million (or its equivalent in a foreign currency), for any one payment service it provides; (b) $100,000, if the average, over a calendar year, of the total value of all payment transactions that are accepted, processed or executed by

		the licensee in one month, exceeds $2 million (or its equivalent in a foreign currency) but does not exceed $4 6 million (or its equivalent in a foreign currency), for any one payment service it provides; (c) $200,000, if the average, over a calendar year, of the total value of all payment transactions that are accepted, processed or executed by the licensee in one month, exceeds $4 million (or its equivalent in a foreign currency) but does not exceed $6 million (or its equivalent in a foreign currency), for any one payment service it provides; (d) $300,000, if the average, over a calendar year, of the total value of all payment transactions that are accepted, processed or executed by the licensee in one month, exceeds $6 million (or its equivalent in a foreign currency) but does not exceed $8 million (or its equivalent in a foreign currency), for any one payment service it provides; and (e) $400,000, $200,000 in all other cases." (emphasis added). **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** It remains unclear as to why: (a) the duties of a licensee's CEO, directors and partners as set out in Regulation 13 differ from those of an executive officer or a director of an operator or a settlement institution, as the case may be of a designated payment system as set out in Regulation 25; and (b) MAS must have regard to the prescribed duties under Regulation 13, whereas it may take into consideration the prescribed duties in Regulation 25, in determining whether the individual concerned has failed to discharge the duties of his office or employment. In this regard, MAS' clarification would be much appreciated.
34	Visa Worldwide Pte Limited	Respondent wishes to keep entire submission confidential.
35	Wong Partnership LLP	Respondent wishes to keep entire submission confidential.
36	XFERS PTE LTD	**Question 2. <u>Licence fees and application fees</u>** <u>Clarification</u> We kindly request MAS to share how the annual licensing fees were

		derived and what are the proposed costs of administering and supervising the PSA. <u>Proposals</u> Proposal 1: We propose for the annual licensing fees imposed to be decreased substantially with reference to the fees imposed on other regulated financial activities as well as in light of the context of the payment services industry. Proposal 2: Additionally, we propose for licensees to be given fee waivers for the annual licensing fees for additional regulated activities which are intricately-linked to their primary payment activity (such that it can be seen as just 1 "activity"). This is an extension of MAS' recognition that because Account Issuance is almost always linked to the other payment activities, the annual licensing fees for Account Issuance has been waived where the license includes other regulated activities. <u>Overview</u> We find that annual licensing fees are too onerous and are not conducive for innovation in the Fintech sector. Firstly, the proposed annual licensing fees are relatively higher than those of other financial services licenses. Secondly, the fact that there is a requirement to obtain authorisation (and pay the relevant fees) to carry out multiple "activities" all to achieve what is essentially a single payment transaction today, results in double/triple/quadruple charging in the form of annual licensing fees, which surely cannot be in MAS' intention because it further increases the costs of providing digital payment services and would continue to dampen Singapore's push towards digital payments and a "cashless" society. And looking at the context of the industry: a) Startups and SMEs are disproportionately affected by the high fees imposed on them especially with large staff and overhead costs in Singapore and often be making losses. Their ability to innovate, hire talent and pursue opportunities would therefore be hamstrung by additional fees, retarding the growth of Fintech companies in Singapore as a whole. b) Even for larger companies which have branches dedicated to payment services, if their payment services arms are unprofitable or less profitable, it is unlikely that they would

		decide to spend more resources on marketing and developing their payment services, lowering the quality, utility and innovation of payment services offered here. <u>Examples</u> Firstly, we compare the licensing cost of the regulated payment services activities with other financial service licenses. The example of SFA will be taken but other comparisons are made further below. Secondly, we will take a look at a possible area where fee waivers for the annual licensing fees for additional, intricately-linked regulated activities should be applicable. On the first point, licensing fees of CMS licence activities and for Trust Companies are lower: The fees for an MPI would be $10,000 per year for most of the individual regulated activities. The annual fees for individual regulated activities under the SFA do not exceed $8,000 for any individual activity and are more often $2,000 or $4,000 per activity. Hence, simply on these grounds, being licensed for regulated payment services activities is much more expensive than those of the SFA. (Other financial regulations also impose similar or lower fees per regulated activity, in footnotes below.) On the second point, fee waivers for intricately-linked/secondary payment activities would prevent double/triple/quadruple charging in licensing fees to carry out what is essentially a single payment transaction: This cost issue is exacerbated by the unique nature of the payment activities. While companies operating under the SFA are rarely licensed for more than one regulated activity to operate their entire financial service (limiting their regulatory costs to approximately $2,000-$8,000), under the payment services regulations companies will need to be licensed to carry out multiple activities to operate a single business model, multiplying the difference in regulatory fees to enormous proportions. For example, a PSA licensee which wants to allow users to pay merchants with e-money would require: (1) account issuance; (2) domestic money transfer; (3) potentially cross border money transfer to service overseas merchants; (4) e-money issuance; and (5) merchant acquisition activities. This would total to $30,000-$40,000 in annual licensing fees for what is essentially a single payment transaction where the customer's e-money in his/her account is transferred to the merchant account. These fees are tens of times higher than the fees imposed on other financial services companies. In principle, we agree that if a licensee who is a Merchant Acquirer

		offers “Remittance” services distinct from merely merchant payment settlement under their Merchant Acquiring activity, then that licensee should pay the additional licensing fee for the additional regulated activities. However, we hope that MAS can consider granting fee waivers for the examples above where it is intricately-linked to just a single payment transaction/business model. <u>Conclusion</u> The difference in licensing cost is drastic for individual regulated activities and especially when considering the necessity of subscribing to multiple activities under the license. It can easily be close to a 1,000% higher fee charged for payment services companies compared to other financial services intermediaries. This is despite the fact that being licensed for 4 payment services activities does not enable a company to earn from 4 different sources of revenue, but is required for the operation of a single business model, and is why we ask for a waiver of multiple licensing fees. Trust companies, Financial Advisers, and companies dealing in securities, forex or real estate are likely to be far more mature (possess greater assets, revenue and stability) and therefore be in a much stronger position to pay licensing fees. On the other hand, payment services companies are in their infancy and if Singapore wants to create a FinTech Hub, imposing such high fees would merely redirect away capital from investment in growth and development, stunt investor interest and reduce greatly the incentive to start FinTech businesses in Singapore. Securities and Futures Act - $8,000 per year for a minority of licensed activities, a majority of licensed activities are $2,000/4,000 per year - (Appendix 2 of the MAS Guideline CMG-G01 On Licence Applications, Representative Notification and Payment of Fees) Financial Advisers Act - $2,000 with $5 variable cost per registered financial advisor - (Appendix 2 of the MAS Guideline CMG-G01 On Licence Applications, Representative Notification and Payment of Fees) Trust Companies Act - $4,000 per year - Reg 4(2) of Trust Companies Regulations **Question 3. <u>Solicitation</u>**

		We agree with MAS' proposed considerations surrounding solicitation, and we appreciate MAS' clarifying of the factors in determining whether an offer was made in Singapore. **Question 4. <u>Residency requirement for executive directors</u>** We agree with MAS' proposed residency requirements. **Question 5. <u>Minimum financial requirements</u>** <u>Proposal</u> We propose reverting the financial requirement from base capital back to the original paid-up share capital instead, because: 1. The base capital concept unfairly penalises and may not accurately measure the sufficiency of financial resources that certain venture-backed or startup companies may have because of their unique capital/investment structures 2. It is in line with local regulatory landscape for other regulated entities The paid-up share capital requirement will allow for greater innovation & investment structures especially for venture-backed startups, especially when there are other comprehensive safeguarding features under the PSA. <u>Explanation</u> In the context of startups, this base capital requirement is difficult and unduly restricts funding options: 1. Startup funding may be in the form of convertible loans - coupling this with the fact that most startups will be running a loss in the short term to gain market share - this results in the base capital requirement not being able to be maintained. 2. Where the licensee is a subsidiary under a holding company structure, it is common for the holding company and/or related companies to give loans to the licensee for ongoing operations. The base capital requirement would unduly disregard these financial resources that the licensee can tap on for ongoing operations. And if the concern is the security of customer funds, the funds are already well-secured by other means: 1. Customer monies safeguarding measures under Reg 15 and 16 2. Segregation of customer and business funds under Reg 17

		3. Security Deposit under Reg 18 Furthermore, benchmarking to other financial intermediaries, we can see that base capital is not frequently used. Where base capital is used, however, is in situations where customer funds are being exposed to higher degrees of risk and market volatility such as when dealing with securities or fund management under the SFA. The degree of risk that customer funds are exposed to under payment services companies is far lower, and is arguably lower than or at least equal to that of financial advisors and trust companies which also use the paid-up share capital concept. <u>Conclusion</u> We urge the MAS to revert the base capital financial requirements back to paid-up capital because of it being unduly restrictive and onerous in light of how funds are already sufficiently safeguarded as well as in comparison to other regulated financial entities. Financial Advisers Act - Financial requirements are measured in paid-up share capital rather than base capital - (Paragraph 8.1(a) of MAS Guideline FAA-G01 on Criteria for the Grant of a Financial Adviser's License) Trust Companies Act - Trust companies' financial requirements are measured in paid-up share capital rather than base capital - (Reg 11(a) of Trust Companies Regulations) **Question 6. <u>Safeguarding requirements and security deposit</u>** We are heartened that MAS has added additional safeguarding measures as compared to accepting only bank undertakings in the Payment Systems (Oversight) Act. To kickstart and facilitate faster industry adoption of these safeguarding measures amongst the various stakeholders, we have the following 2 proposals: <u>Proposal 1</u> We propose for MAS to consider adding Trust Companies (as licenced by MAS under the Trust Companies Act) as a "safeguarding institution" under proposed Reg 17(14) - such that licensees may fulfil the s.23(2)(c) & s.23(4)(c) requirements by engaging a Trust Company to provide escrow or trust services. <u>Explanation</u> The current options of (1) bank undertaking; (2) financial guarantee;

		(3) trust accounts might be difficult to kickstart - in our previous discussions with various full banks: (1) most were unwilling to give such an undertaking; (2) guarantees won't work because the banks wanted us to pledge the same amount of collateral in fixed deposit, and also because the costs are prohibitive at >1% of the guaranteed amount per year; (3) trust accounts are unduly restrictive as some banks do not offer internet banking transactional access for the trust accounts (this might have changed since the time we last enquired a few years ago). Therefore, having more options for licensees to safeguard funds will allow faster adoption of such safeguarding measures in the initial stages, and over the longer term lead to greater competition in price and service quality. <u>Proposal 2</u> We also propose that MAS release standard form contracts (or at least guidelines) covering the necessary safeguarding contractual language to fulfil Reg 15, 16 or 17. because this will reduce uncertainties both for safeguarding institutions and payment service companies as well as reduce negotiation time and costs for licensees to get started. <u>Explanation</u> This standard form contract would have significant utility in: 1. Streamlining MAS' licence application evaluations because MAS would not have to review and scrutinise each contract between the licensee and the safeguarding institution from scratch - this is especially important in the initial stages when MAS might be receiving a high volume of licence applications. 2. Assuring MAS that its minimum requirements (s.23(3), Reg 15(6) & (7), Reg 16(6) & (7), Reg 17(6)) are being legally provided for between the licensee and the safeguarding institution. 3. Avoiding fragmentation of standards in the arrangements between licensees and the safeguarding institutions. This would reduce the likelihood of different safeguarding institutions offering different licensees vastly different agreements based on the licensees' bargaining power. 4. Setting out the responsibilities of both parties clearly and fairly. This is necessary to keep payment services companies competing on relatively even ground, rather than letting the initial uncertainty of

		the new payment services regulation create widely differing agreements between safeguarding institutions and the licensees. 5. Reducing regulatory hurdles for safeguarding institutions in considering the adoption of such agreements with payment services companies - Safeguarding institutions may be hesitant to make these agreements because of the significant legwork required to draft the appropriate arrangements in accordance with the new PSA and its regulations, slowing down the uptake of such agreements to safekeep customer funds. <u>Conclusion</u> We hope that MAS would consider implementing our 2 proposals to facilitate the transition to the PSA. **Question 9. <u>Exemptions</u>** We appreciate MAS including exemption C (Exemption for certain domestic money transfer service providers). <u>Proposal:</u> In relation to exemption (d) (i.e. Reg 31), we propose that any advertisements published by a person relying on the s.100 exemption should contain a disclaimer (in visible font) that the person is not licenced by MAS and that customers' monies might not be protected by safeguarding measures under the PSA. This is in line with MAS' powers under s.100(2)(d). This would help to clarify to people viewing the advertisement that the exempted entity is not licensed under the PSA, allowing customers to be fully informed when utilising their services. **Question 10. <u>General provisions and other matters</u>[2]** We are disappointed that MAS is retaining the $5,000 e-money load limit and $30,000 transaction limit, and strongly urge MAS to remove these limits. MAS' 19 Nov 2018 Response to feedback received for PSB We refer to paragraph 5.26 of MAS' 19 Nov 2018 response to the

[2] Reference: https://www.hkma.gov.hk/media/eng/doc/key-functions/finanical-infrastructure/Guidelines-on-supervision-of-SVF-licensees_Eng.pdf

		feedback received for the PSB where MAS has given 2 reasons for having such stock & flow caps - please see our responses as follows: 1. "e-money is not covered by deposit insurance": We urge MAS to consider that the s.23 safeguarding measures more than adequately protect customers' money especially since the full amount of e-money will have to be protected under s.23, whereas SDIC deposit insurance only covers up to $75,000. 2. "maintain the distinction between e-money and bank deposits": We urge MAS to consider that Singapore consumers signing up for e-money accounts are already savvy enough to know that an e-money account is not a bank account - it is also an offence under s.5 & s.5A of the Banking Act to use the word "bank" or to represent being associated with a Singapore bank. Additionally, there is already a natural disincentive for users to store large amounts of money long term in their e-money accounts because banks pay out attractive interest to customers (some as high as 2-3% p.a. if salary is credited into that bank account), whereas we are not aware of any e-money issuers in Singapore that offer interest to customers for storing e-money. We urge MAS not to impose such detrimental load/transaction limits that prevent further innovation and use cases for e-money in Singapore. <u>Proposal</u> We strongly urge MAS to: 1. Remove the $30,000 e-money transaction limit and allow licensees to calibrate transaction limits on a risk-based approach, having considered the product risk and consumer risk because a hard limit would severely restrict the features that could be offered to users of an e-wallet, and hamper further innovation in the uses of the e-wallet. 2. Remove the $5,000 e-money load limit on the e-wallet and allow licensees to calibrate the load limits on a risk-based approach, having considered the product risk and consumer risk. <u>Explanation</u> Instead of setting hard limits, it is more practical and effective if businesses were to set the limits themselves based on a risk-based

		approach where MAS would then have the power to request licensees to revise these limits if the business justifications and control measures are considered unsatisfactory. This is precisely the approach used by the Hong Kong Monetary Authority (HKMA) as per paragraph 8.3.3 of the "Guidelines on Supervision of Stored Value Facility Licensees" issued under the Payment Systems and Stored Value Facilities Ordinance. On the other hand, setting fixed (or too low) load limits & transaction limits on e-money would: 1. Limit the potential features and use-cases that e-money could be employed in, reducing the potential of the payment services industry to actually bring about greater efficiency/convenience/utility to users. 2. Following the "80/20 rule", a large proportion of transaction volume and revenue comes from a much smaller base of very active users, users who would be unnecessarily restricted and would have to opt for other payment methods just because they have reached their limits. This regulation would force such users to leave the platform or create more accounts on different platforms to meet their needs, while simultaneously decreasing revenue for payment services companies. 3. Adversely affect the revenue and business models of e-money licensees by limiting the number and amount being transacted - while banks can earn interest income by lending out the depositors' money, e-money licensees are explicitly prohibited from doing the same, and would have to rely on only (predominantly) transaction fees. <u>Examples</u> $30,000 e-money transaction limit is overly restrictive: 1. Some e-wallet users will find this limit unrealistic in relation to their economic purposes. E-wallet users who wish to, for example, use their e-money to transfer their monthly rentals could easily transfer upwards of $30,000 in a year for paying rent, but now be unable to do so. 2. The $30,000 limit will pose a real challenge in developing new business uses and future product features because the more merchants available, the faster users will hit their transaction limits. For instance, a parent in Singapore could use their e-wallet to pay a remittance merchant more than $30,000 annually to cover rent, tuition fees, and daily expenses of their child studying in Australia.

		Additionally, if that same parent uses their e-wallet to purchase other financial products from other FinTech merchants, this will further restrict his use of the e-wallet. Therefore, imposing a statutory numerical ceiling on transaction limits will inhibit innovative solutions to facilitate fast and efficient payment activities, and might even result in e-wallet fragmentation because users will end up signing with multiple e-wallet providers because they've hit their limits on one. $5,000 load limit is overly restrictive: A load limit of $5,000 will be inhibitive for 2 main reasons: 1. Users tend to maintain an e-money balance on e-wallets so that they may efficiently and quickly transfer money to other FinTech platforms for time-sensitive transactions. Such a load limit is likely to inconvenience such users because they have to top up multiple times to gain the same utility. 2. As mentioned above, this limit would curtail the use of e-wallets in facilitating payments to other FinTech merchants because the more merchants acquired, the faster a user will exceed the limit. For example, the parent mentioned in the illustration above would easily maintain a balance of more than $5,000 if he intended to both (1) remit money to his child overseas; and (2) contribute to a new campaign on a crowd-funding platform. <u>Conclusion</u> Hence, it is a severe blow to financial innovation to place such tight restrictions on e-wallets even when the customer money is already subject to such stringent safeguards in s.23 and other business conduct regulations in this PSR. We urge MAS to allow licensees to calibrate their load & transaction limits on a risk-based approach in line with Hong Kong.
37	Zebpay Group	**<u>General comments:</u>** The Zebpay group of companies, as our core business, run Digital Payment Token Exchanges (“DPT Exchanges”) and provide services incidental to those exchanges, in various countries. At this time of writing, one subsidiary (Awlencan Innovations Australia Pty Ltd) is already operating a fully compliant DPT Exchange in Australia, and another subsidiary (Awlencan Innovations Malta Limited) is in the process of obtaining the necessary licenses to operate a DPT Exchange in Malta. In Singapore, another subsidiary (Zebruary Technologies Pte Ltd) provides the account issuance services in

		support of these DPT Exchanges. Depending on the outcome of this consultation phase and the final language of the material Regulations, we may expand the scope of our Singapore operations to include a third DPT Exchange in Singapore. In any event, overarching all these subsidiaries is the parent company, Awlencan Innovations Pte Ltd, which is registered and incorporated in Singapore, and wholly owns all the aforementioned subsidiaries. **Question 6. <u>Safeguarding requirements and security deposit</u>** Our comments on Question 6 pertain to paragraph 19 of the draft Payment Services Regulation ("the Draft Regulations"), which paragraph we presume was intended to safeguard the consumer against the insolvency of the major payment institution: a. It is our understanding that paragraph 19, read together with section 24(1) of the Payment Services Act, would impose certain restrictions on any major payment institution that provides an account issuance service and e-money issuance service, to wit: i. Personal payment accounts issued to Singapore residents cannot hold more than S$ 5,000 in e-money; and ii. The amount of e-money that can be transferred out of a personal payment account issued to a Singapore resident in a given year cannot exceed S$ 30,000. There is some uncertainty as to whether the above restrictions would apply to DPT Exchanges. As a general rule, DPT Exchanges issue e-wallets to their customers, and the balance in each e-wallet originates from funds paid by the customer to the DPT Exchange, which in turn credits the e-wallet by the corresponding amounts. It is arguable that the balances held in such e-wallets might constitute e-money for the purposes of the Act. Cross-referencing the definition of e-money at section 2 of the Act:- ""e-money" means any electronically stored monetary value that — (a) is denominated in any currency, or pegged by its issuer to any currency; b) has been paid for in advance to enable the making of payment transactions through the use of a payment account; (c) is accepted by a person other than its issuer; and

		(d) represents a claim on its issuer, but does not include any deposit accepted in Singapore, from any person in Singapore" i. (contrasted against subparagraph (a) of the definition) - The balance in an e-wallet is certainly an electronically store of value always denominated in a currency (typically the currency of the jurisdiction to which the DPT Exchange hails from); ii. (contrasted against subparagraph (b) of the definition) - To participate in trading on the DPT Exchange's platform, each customer pays funds into their e-wallets in advance for the purpose of making payment for the Digital Payment Tokens they may purchase in the future; iii. (contrasted against subparagraph (c) of the definition) - A service offered by most DPT Exchanges, including ourselves, is that we will match the "buy" orders and "sell" orders of the customers on our platform. When such a trade is executed, the consideration received by the seller takes the form of a corresponding increase in the balance held on their e-wallet. So in any trade where the DPT Exchange itself is not the seller, it is arguable that the sellers on a DPT Exchange accept this unit of value as consideration for the digital payment tokens sold; iv. (contrasted against subparagraph (d) of the definition) The balance on any given e-wallet represents the amount of currency the customer is entitled to claim from the DPT Exchange (less only any applicable fees), and the mechanism of that claim is typically an instruction to the DPT Exchange to transfer the requisite funds to their bank accounts. In that sense, the units of value in any given e-wallet represents a claim against the DPT Exchange. As you can see, there is considerable overlap between the definition of e-money and the practice of DPT Exchanges to hold customer funds in e-wallets. If indeed the latter is an example of the former, then the restrictions set out at paragraph 19 of the Draft Regulations would represent a very serious impediment to our ability to service customers who are Singapore residents, and by extension the viability of operating within Singapore. A more detailed breakdown of those consequences is set out at sub-paragraph 6(f)(i) below. However, what gives us pause from jumping to that conclusion is that we are not at all certain whether paragraph 19 of the Draft

		Regulations was intended to apply to DPT Exchanges in the first place, given the uncertainty over the definition of e-money. We would therefore appreciate it if you could clarify this issue. Specifically: i. At sub-paragraph 6(c)(iii) above, we set out one arguable interpretation of sub-paragraph (c) of the definition of e-money, specifically that pertaining to e-money's "acceptance by a person other than its issuer". In the case of DPT Exchanges, whilst a seller technically accepts an increase in the units of value in his e-wallet as consideration for the Digital Payment Tokens sold, we submit that this acceptance is actually imposed on the seller by the terms of use of the DPT Exchange, and the DPT Exchanges impose this requirement not out of some desire to engender a more widespread acceptance of the system, but merely because it is the most practical method of bookkeeping the changes in customers' respective balances. It is submitted that the intention behind sub-paragraph (c) of the definition of e-money was to include e-money systems where the e-money is being used as a medium of exchange in a wider eco-system of goods and services, and was intended to exclude more enclosed eco-systems where the only goods and services proffered actually come from the issuer of the units of value. In that context, the closed eco-system of a DPT Exchange is more akin to the latter than the former. For that reason, we humbly suggest that you might want to clarify that DPT Exchanges fall outside the scope of sub-paragraph (c) of the definition of e-money; and ii. The definition of e-money in the Act specifically excludes "any deposit accepted in Singapore, from any person in Singapore". One interpretation of this exclusion is that it was meant to exclude deposit-taking activities by banks in Singapore. However, just on the face of the language itself, and as read in the light of section 24(1) of the Act and paragraph 19 of the Draft Regulations, it leads to a very peculiar result. To wit, on the one hand paragraph 19 of the Draft Resolution imposes severe restrictions on the e-wallets of Singapore residents. On the other hand, the exclusion in the definition of e-money removes that restriction for any e-wallet where the funds come from a deposit accepted in Singapore, from a Singapore resident. So, based on the natural language of the exclusion, it would seem that the restrictions imposed by paragraph 19 of the Draft Resolution are confined solely to e-wallets issued to Singapore residents,

		but where the funds therein were accepted overseas. If that is the correct interpretation of the interplay between the Act and the Draft Regulations, then much of the detrimental impact of paragraph 19 of the Draft Regulations vis-a-vis DPT Exchanges is ameliorated. Conversely, we must address the possibility that our suggested interpretations at sub-paragraph 6(e) above do not find favour with you, and so paragraph 19 of the Draft Regulation does actually apply to the e-wallet aspect of a DPT Exchange's business. If that is the case, we humbly suggest that your good offices reconsider its position, and make the necessary amendments to the Draft Regulation to exclude us from its scope. We further humbly suggest that MAS might want to reconsider its position in the light of the following: i. A cap of S$ 5,000 would only allow a customer to purchase less than 1 Bitcoin at current market prices. By contrast, and speaking from our own experience, the vast majority of trades executed on our platform exceed 1 BTC in size. Whilst a customer could theoretically circumvent these restrictions by making small orders and repeatedly crediting or debiting funds into their e-wallets within a business day (in the case of buyers), it is far more likely that the customer will treat this as an unacceptable level of inconvenience, and simply migrate their business to platforms outside of Singapore's jurisdiction. We would then be left with the very unusual consequence that only non-Singapore residents can reasonably trade on a Singapore-based DPT Exchange, while Singapore residents must turn to overseas DPT Exchanges (where the restrictions do not exist, but they will bear the risk that these jurisdictions may not have adequate safeguards); ii. This restriction creates a very unequal playing field. The position of DPT Exchanges are closest by analogy to that of brokers in the FOREX market. Like us, their customer base are investors trading in units of exchange whose prices are in constant flux. Further like us, such brokers typically take in funds from their clients in advance of future trades, and those funds are held in the broker's own account subject to the broker's internal ledger of the extant balance owed to each client. Further like us, fluctuations in the prices of traded currencies mean clients are exposed to a certain amount of risk, only unique to Forex brokers that risk is further compounded by the allowance for margin trading. Yet despite these parallels in our business models, and despite the risks

		that both of our clients take on when investing on our respective platforms, only DPT Exchanges are expected to put up with severe restrictions on the quantum of investments their clients can make; iii. Drawing from the Parliamentary Debates that surrounded the Second Reading of the Payment Services Bill on 14 January 2019, it is not at all clear whether the scope of e-money laws and regulations were intended to be imposed on DPT Exchanges in this way. Specifically, in these debates specific reference was made to this S$5,000 and S$30,000 cap. We have reproduced the relevant exchange between the Honourable Minister for Education (Mr Ong Ye Kung) and the Honourable MP for Bishan-Toa Payoh (Saktiandi Suppat) below: <u>Minister for Education</u> *"… Finally, personal payment accounts will be subject to a stock cap, which is the maximum amount of funds that can be held in a personal payment account at any given time. They will also be subject to an annual flow cap. This is the maximum cumulative amount of yearly outflows from the personal payment account, other than to the user's designated bank accounts. The stock and flow caps were calibrated with due regard to consumer needs and existing industry practices, and will be set initially at $5,000 and $30,000 respectively. These caps will not apply to merchant payment accounts that cater to business uses…"* <u>Saktiandi Suppat</u> *"… Despite the proliferation of online services, it would still be wise to limit the use of e-money to the smaller day-to-day transactions. I note that the prescribed cap on personal stored-value balances are kept at $5,000 and $30,000 respectively for stock and flow caps respectively. Several big players have earlier expressed disagreement with the cap amounts. Alipay, Wirecard and Paypal have said that the caps will slow down the growth of e-payments. And this is understandable as these are reputable companies often dealing with high value goods and services as well as the remittance of large amounts of money and purchase of investment products. Transferwise and Revolut outright raised objections, saying that their business models would be affected.*

		The Minister has said in his speech that these caps will not be applicable to merchant payment accounts that cater to business uses. While I think that this should put to rest some of the concerns expressed by the payment service providers, there are personal accounts that frequently deal with larger figures. Moreover, some companies already have safeguards in place for dealing with higher amounts. Transferwise for example, requires the provision of further document for sending amounts of more than US$10,000 and above, in-line with international wire regulations. *I would like to ask the Minister how the caps were arrived at? I think, while we want to manage the pace of deposit outflows and safeguard financial stability, and limit potential losses we also do not want to stifle businesses. In the near future, I believe we can only expect more businesses to introduce their own apps and payment services. This means transactions will go up in value, and these caps, while adequate now, may become too prohibitive in the future. Are there plans to make exceptions for certain e-payment platforms, or revise the caps on a regular frequency to reflect the growing extent of e-money usage for major transactions in the near future?"* <u>Minister for Education</u> *"As to why they are set at $5,000 and $30,000, these were calibrated after in view of a few considerations. First, most e-money issuers have self-imposed stock caps of less than $1,000. Second, based on data from the last Household Expenditure Survey conducted and after adjusting for annual growth rates, the average monthly and annual household expenditure per household member in the 61st to 80th percentile group, is around $2,000 and $24,000 respectively. The proposed amounts therefore provide sufficient headroom for most individuals, even if they were to pay all their expenses of the month, out of one e-money account.* *Nonetheless, these are initial numbers, and we can review over time. And as suggested by Mr Leon Perera, MAS is also prepared to grant exemptions by way of regulations to facilitate specific customer needs. MAS will soon be consulting on the regulations, and will consider any further industry feedback"* [bolded emphasis added]

		iv. We submit that it is very clear from the above extracts, and in particular the response by the Honourable Minister, that the respective caps of S$5,000 and S$30,000 were drawn up to protect personal payment accounts that would be used by consumers to facilitate their day-to-day expenses. Conversely, the Honourable Saktiandi Suppat MP did slightly extend his query to the usage of personal payment accounts for "the purchase of investment products", but it should be noted that Digital Payment Tokens are not securities within the definition of the Securities and Futures Act (Cap. 289). In any event, even if we assume that the Honourable MP was using the term "investment products" in its wider, more colloquial form, it remains the case that the Honourable Minister did not respond to that aspect of the Honourable MP's query, and so the position remains that Parliament only intended for the caps to apply to personal payment accounts being used for day-to-day expenses, and not e-wallets issued by DPT Exchanges. v. In the light of the foregoing, we humbly request that your good offices amend the language of paragraph 19 of the Draft Regulations such that the prescribed limit does not apply to entities whose e-money issuance services and account issuance services are incidental to their principal business as DPT Exchanges. In conclusion, we humbly request that your good offices to take the necessary action to mitigate the damage that might be caused to DPT Exchanges. We further humbly suggest that this action can take any of the following alternative forms: i. A public clarification from your good offices that the account issuance services of DPT Exchanges fall outside the scope of sub-paragraph (c) of the definition of e-money under the Act; ii. A public clarification that pursuant to the exclusionary language in sub-paragraph (c) of the definition of e-money under the Act, the caps imposed by paragraph 19 of the Draft Resolution would be confined solely to those e-wallets issued to Singapore residents, and the funds therein have been accepted wholly overseas; and/or iii. Amendments are made to the language of paragraph 19 of the Draft Regulations to the effect that the prescribed limit does not apply to entities whose e-money issuance services

		and account issuance services are incidental to their principal business as DPT Exchanges. iv. For the sake of completeness, we would like to state that an increase in the prescribed limits set out in paragraph 19 of the Draft Resolutions, whether specific to DPT Exchanges or more generally, would not be an ideal solution. In the event that prices of Digital Payment Tokens rise, it would be necessary to revisit the size of the prescribed limits, and this may happen repeatedly depending on the volatility of prices. It is therefore our humble view that any of the other approaches which we have set out at sub-paragraph 6(g) above would be a longer term solution
38	Respondent 1	Respondent requested for some comments to be kept confidential. **Question 1. <u>Licensing Processes</u>** For the purposes of determining the time period(s) under Regulations 9 and 10 (Lapsing & Variation of Licences), how does MAS intend to define the term "commence business"? In particular, would the term "commence business" cover partial commencement of payment services, such as pilot trials etc? In a similar vein, what is the definition of "ceased to carry on business in providing" in respect of cessation of payment services? In the absence of Form 1 (or a draft thereof), we seek clarification whether the PSA licensing regime is structured in a manner where: a licensee only needs to apply for a generic licence for the payment service(s) to be provided and upon obtaining the licence, is then allowed to provide multiple payment services so long as the scope of each service falls within the scope of the licensed payment services; or a licensee applies for a generic licence for the payment services, but is further obliged to inform MAS what are the products or services that are being provided under the generic licence for each payment service product offered. Further, depending on the licensing regime above, it is unclear if cessation/commencement applies to payment services as a whole or also applies to payment service products separately. **Question 2. <u>Licence fees and application fees</u>** Are the fees imposed on a per product basis or on a per type-of-payment-service basis? (e.g. if a licensee has two distinct payment

		services that are both domestic money transfer services, would the application fees be S$1,000.00 or S$2,000.00?) **Question 7. <u>Duties of the CEO, directors and partners of the licensee, and audit requirements</u>** <u>Duties of CEO, Directors & Partners</u> Are the obligations under Regulation 13(b) delegable and if so, to what extent are each of the obligations delegable and what is the degree of supervision required by the CEO, directors and partners of the licensee required to discharge these obligations? The wording of Regulation 13(b) appears to impose an additional requirement by the CEO, directors and partners of the licensee to conduct periodic audits to ensure compliance with Regulation 13(b), in addition to the audit under section 37(4)(c) of the PSA. Could we confirm our understanding if this is pertaining to the same audit? Does MAS intend to publish a guideline or code of corporate governance relating to the obligations of the officers, CEO and directors specific to the PSA. If not, are licensed entities expected to draw reference to existing guidelines and code of corporate governance for banks and insurers. <u>Audit</u> While it is clear that the audit obligations in the PSR is distinct from that in the Companies Act, can the PSA audit be carried out alongside the statutory audit and also, whether the PSA audits can be carried out by an auditor who is not the statutory auditor, or MUST the PSA audit be conducted by the appointed statutory auditor?
39	Respondent 2	**Question 6. <u>Safeguarding requirements and security deposit</u>** Are Banks in Singapore (including those incorporated in Singapore or Foreign Banks with Head Office incorporated in other geographies) that are regulated under the authority in Singapore, also considered payment institutions or is the definition of the payment institutions applicable for money changing licensee or Fintech companies providing payment settlement options in Singapore? For the threshold set out for the security deposit, request clarity on what kinds of transactions would be considered in respect of payment transactions per month in respect of payment services? Would there be specific safeguarding requirements if the Bank were to act as Correspondent Bank for cross border transfer of funds / funds in transit?

		Similarly, would there be specific safeguarding requirement where Bank utilises services of other FI's (correspondent Banks) for cross border transfer of funds / funds in transit?
40	Respondent 3	**Question 1. <u>Licensing Processes</u>** Appropriate
41	Respondent 4	**Question 1. <u>Licensing Processes</u>** During the transition period into the new PSA licensing regime, if a remittance license holder is operating a SVF under 30 million, what is the treatment of the licensing position- i.e. Any requirement to notify MAS apart from Form A of the PSOA? Can we continue to offer such during the transaction period? What about if the licensee intends to offer WA SVF, is there any relief during the licensing processing period? **Question 3. <u>Solicitation</u>** Can a licensee enlist the service of a non-licensee holder (e.g. marketing firms) to solicit and refer clients to the licensee? The clients who gets refer to the licensee will undergo CDD/KYC performed by the licensee who will comply to MAS requirement. **Question 5. <u>Minimum financial requirements</u>** MAS has stated a condition that licensee holder shall maintain a paid up share capital of at least SGD 1m at all times. Does the new base capital of SGD250K superseded the current licensing condition or this is an amount that needs to be paid in addition to the current level? **Question 6. <u>Safeguarding requirements and security deposit</u>** Referring to the safeguarding requirement that licensee must at inception and ongoing periodic basis, assess and satisfy itself of the suitability of the safeguarding institution. Does annual due diligence satisfy the requirement of an on-going periodic basis? **Question 10. <u>General provisions and other matters</u>** 1. E-money issuance service license is defined as "issuing e-money where the total float (set out in the PS Act as relevant money) held by the e-money issuer does not exceed S$30 million." What license should remittance licensee holders apply in order to maintain a float of over 30 million?

		2. Based on the restriction imposed on personal payments account of E-money: a) Can a MPI apply for exceptions to maintain personal payment accounts of e-money that exceeds $5000 and to exceed a maximum annual outflow of $30,000? b) What would be the further conditions impose to MPI that applies to such exceptions? c) Will these caps only apply to e-money accounts held by Singapore residents for personal use? **Question 11. <u>Other Regulations</u>** 1. Does the use of block chain technology to facilitate cross border transfer be viewed as a designated payment system entity where it is required to conform to the proposed requirement of MAS? 2. Under the current money changing and remittance act, there is a "7-day rule." Will the PSA enforce the same for all domestic and cross border remittance transactions? To remove regulatory ambiguity, we suggest the guidelines to state clearly that the 7 day rule should not apply when client provides a value date beyond 7 days and the licensee is executing based on client's instructions