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The new Payment Services Bill

December 2018

The new Payment Services Bill (No 48/2019) (the "Bill") was recently submitted for a first reading in the Singapore Parliament on 19 November 2018. The Bill will consolidate the various payments regulations and replace the existing legislation, which primarily comprises the Money-changing and Remittance Businesses Act (Cap 187, 2008 Rev Ed) (the "MCRBA") and the Payment Systems (Oversight) Act (Cap 222A, 2007 Rev Ed) (the "PSOA").

The Bill was introduced to meet the needs of end users in the rapidly changing landscape of payment systems in Singapore. The emergence of payment technologies such as digital tokens and e-wallets, which do not fall neatly within the scope of the existing regime, has created new risks that the Bill intends to mitigate.

The Bill is structured such that there are two parallel regulatory schemes: one allowing the Monetary Authority of Singapore ("MAS") to designate key payment systems, and the other an umbrella licensing regime under which a licensee will only need one licence to carry out one or more regulated activities. Such activities include, among others, account and e-money issuance, and domestic and cross-border money transfers. For example, an e-wallet provider, which holds stored value of less than SGD 30 million in its stored value facility ("SVF"), does not require a licence under the existing regime. However, under the Bill, every e-wallet provider will be required to obtain either a Standard Payment Institution Licence or Major Payment Institution Licence. The extent of the regulations applicable to a licensee will be tailored depending on the nature of its regulated activities and the attendant risks (e.g. risks relating to money laundering and terrorism financing, user protection, interoperability, and technology). MAS has mentioned that companies will have between a six to 12 month grace period to adjust to the new framework and apply for the relevant licence.

Please see the following summary of the proposed changes.

Any comments or queries?

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No.	Matter	Current regime	Proposed new regime
1	Regulated entities/ activities	Different legislation covering different activities: MCRBA regulates money changing and outbound remittance businesses, while PSOA regulates the provision of SVFs.	One regime covering an expanded scope of activities under the Bill, including: • money changing • issuance and operation of a payment account • domestic and cross-border money transfers (including both inbound and outbound remittances) • processing payments for merchants in Singapore • issuing "e-money" for payments to third parties. E-money is any pre-paid electronically stored monetary value that is pegged to a currency; and • dealing in or facilitating the exchange of "digital payment tokens" (ie cryptocurrency).
2	Licensing/approval	Separate licence or approval to carry out each of the following regulated activities: • **money changing business**: requires a licence under section 5 of the MCRBA • **remittance business**: requires a licence under section 7 of the MCRBA, and • **SVF holders**: Widely accepted SVFs which hold stored value in excess of SGD 30 million require MAS approval under the PSOA.	Streamlined approach where only one of the following licences is necessary to carry out one or more of the regulated activities: • Money-changing Licence: required if licensee carries out money-changing only • Standard Payment Institution Licence: required if licensee carries out one or more regulated activities (unless the sole activity is money-changing only) but does not meet the thresholds for a Major Payment Institution Licence • Major Payment Institution Licence: required if licensee carries out: – e-money issuance, where the average daily value in a calendar year of all e-money stored for Singapore residents or issued exceeds SGD 5 million, or – any other payment services, where the average monthly value in a calendar year of all payment transactions exceeds: (A) SGD 3 million for any one payment service; or (B) SGD 6 million for any two or more payment services.
Obligations of licence holders			
3	Place of business	Licensed money changing and remittance businesses must have a permanent place of business. No residency requirements for other payment activities.	Every licensee must have: (a) a permanent place of business, or (b) a registered office in Singapore, where it must keep books of all its payment transactions. A representative of the licensee must be present during prescribed hours to address any customer queries or complaints. A licensee that provides money-changing and/or cross-border money transfer services must obtain MAS' approval to carry out such services at any place other than its permanent place of business.
4	Ongoing obligations	No ongoing notification or reporting obligations.	Every licensee is required to notify MAS in specified circumstances, including: • proceedings initiated against the licensee • any event that materially impedes the licensee's operations • insolvency, and • changes in its board of directors or CEO. Every licensee is required to submit to MAS periodic reports relating to its business.
5	Lending and withdrawal restrictions	No lending or withdrawal restrictions.	All licensees are prohibited from carrying on a business of lending money to individuals in Singapore. Every e-money issuer is additionally restricted from certain activities reserved for deposit-taking businesses, such as lending customer money to third parties or using such money to materially finance its business. Issuers of e-money accounts may not allow Singapore residents to withdraw e-money in exchange for Singapore currency.

No.	Matter	Current regime	Proposed new regime
6	Auditor	Only money changing and remittance business are required to appoint an auditor.	Enhanced requirement for every licensee to appoint an auditor.
7	Credit and security requirements	Only remittance businesses are required to maintain with MAS a security for the due performance of its obligations to its customers. Widely accepted SVFs which hold stored value in excess of SGD 30 million must safeguard the stored value in their respective SVFs by obtaining an undertaking from a bank approved by MAS to be fully liable for the value stored.	Broader requirement for all licensees holding a Major Payment Institution Licence to maintain a security with MAS. Every Major Payment Institution that provides domestic or cross-border money transfer services, merchant acquisition services, or e-money issuance is required to safeguard customer money. But more safeguarding options are available (i.e. either an undertaking from any full bank in Singapore, or a trust account deposit).
8	Protection of personal accounts	No specific protections.	Enhanced protection of personal payment accounts of Singapore residents. Every Major Payment Institution Licence holder that issues such accounts is required to cap the e-money stored and transacted in such accounts.
Designated Payment Systems			
9	Designated Payment Systems ("DPS")	DPS are designated by MAS under the PSOA (eg SGD and USD Cheque Clearing Systems, GIRO, FAST, NETS). The criteria for designation as a DPS is whether MAS is satisfied that a disruption in such payment system could disrupt Singapore's financial system or affect public confidence.	Expanded criteria to designate a DPS, including whether such payment systems can cause significant impact to the financial system of Singapore, and also where it is necessary to ensure efficiency or competitiveness of the operation of payment systems in Singapore.

Electronic payment and financial service technologies are here to stay. By introducing the Bill, Singapore has taken a significant step toward creating a strong regulatory framework that it hopes will give both consumers and merchants alike the confidence and sense of security to use these emerging technologies. In turn, the willingness to adopt such technologies may lead to further development and growth of the e-payments industry in Singapore.

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