

Client Alert

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Commencement of Payment Services Act and regulations, notices

Following an extensive consultation process for regulating payment services and activities, the Monetary Authority of Singapore (**MAS**) recently announced that the [Payment Services Act 2019 \(PS Act\)](#) will commence on 28 January 2020 (**Commencement Date**), except for sections 111 (Amendment of Credit Bureau Act 2016), 113 (Amendment of Financial Holding Companies Act 2013) and 114 (Amendment of Insolvency, Restructuring and Dissolution Act 2018).

The following related Payment Services Regulations (**PS Regulations**), notices and guidelines will also come into force on the same Commencement Date:

- [Payment Services Regulations 2019](#);
- [Payment Services \(Composition of Offences\) Regulations 2019](#);
- Payment Services (Singapore Dollar Cheque Clearing System and Inter-bank GIRO System) Regulations 2019
- [PS N01 Notice on Prevention Of Money Laundering And Countering The Financing Of Terrorism – Holders Of Payment Services Licence \(Specified Payment Services\) \(PSN01\)](#)
- PSN01A Notice on AML/CFT requirements to facilitate transition of existing stored value facility holders
- [PSN02 Notice on Prevention Of Money Laundering And Countering The Financing Of Terrorism – Holders Of Payment Service Licence \(Digital Payment Token Service\) \(PSN02\)](#)
- PSN03 Notice on reporting of suspicious activities and incidents of fraud
- PSN04A Notice on submission of statement of transactions and profit/loss
- PSN05 Notice on technology risk management
- PSN07 Notice on conduct
- PSN08 Notice on disclosures and communications
- PSN09 Notice on specified matters and forms
- PSN10 Notice to exempt payment service providers on prevention of money laundering and countering the financing of terrorism
- Amendments to E-payments user protection guidelines
- Amendments to FSG-G01 Guidelines on fit and proper criteria



Savings, transitional provisions and exemptions

These regulations to introduce exemption periods and provide for transitional periods to the current licensing regime under the Money-changing and Remittance Businesses Act (**MCRBA**) and the Payment Systems (Oversight) Act (**PS(O)A**) will also come into effect on the Commencement Date:

- Payment Services (Exemption for Specified Period) Regulations 2019; and
- Payment Services (Saving and Transitional Provisions) Regulations 2019,

with the following effect:

Types of payment services and activities	Exemption: basis and period
current providers of: <ul style="list-style-type: none">• account issuance service,• domestic money transfer service, or• merchant acquisition service	The relevant service provider is exempted from the requirement to hold the required PS Act licence for 12 months (or until it applies for a licence) if: <ul style="list-style-type: none">• it is in business before the commencement date; and• informs MAS of the date it commenced this business within 30 days of the Commencement Date
current providers of cross-border money transfer services	Where a provider is not currently holding a remittance or moneychanger's licence under the MCRBA licences, it is exempted from the requirement to hold the required PS Act licence for 12 months (or until it applies for a licence) if it: <ul style="list-style-type: none">• carries on a business of receiving any money from outside Singapore for, or arranging for the receipt of any money from outside Singapore by, a person in Singapore; and• informs MAS of the date it commenced this business



Types of payment services and activities	Exemption: basis and period
	within 30 days of the Commencement Date.
current providers of e-money issuance services	<p>Where a provider is not currently a holder of a stored value facility approved under the PS(O)A, it is exempted from the requirement to hold the required PS Act licence for 12 months (or until it applies for a licence) if it:</p> <ul style="list-style-type: none">• receives money from customers in respect of the person's business of providing the e-money issuance service, which does not at any time exceed S\$30 million (or its equivalent in a foreign currency); and• informs MAS of the date it commenced this business within 30 days of the Commencement Date.
current providers of digital payment token services (DPTS)	A DPTS provider is exempted from the requirement to hold the required PS Act licence for 6 months (or until it applies for a licence) if it informs MAS of the date it commenced this business within 30 days of the Commencement Date:

Type of payment service and activity	MCRBA transitional and savings
a person licensed as a remittance business under the MCRBA	<p>for the transitional period starting on the Commencement Date and ending on 27 January 2021:</p> <ul style="list-style-type: none">• moneys that were paid into a customers' account before the Commencement Date into any customers' account maintained by the remittance business will continue to be subject to the



	<p>same requirements to be kept separately, and in particular, to restrictions against:</p> <ul style="list-style-type: none">○ withdrawal; and○ attachment, sequestration or levy for any debt, <ul style="list-style-type: none">● all customer moneys received for remittance purposes must be paid directly into the customer's account no later than the next business day following the day on which the moneys were received.
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Forthcoming effective dates

After the Commencement Date, the following Notices and amended guidelines are expected to come into force:

Effective Date	Notice/Guideline
6 August 2020	PSN06 Notice on cyber hygiene
5 September 2020	Further amendments to e-payments user protection guidelines
1 January 2021	PSN04 Notice on submission of regulatory returns

Revocation of Payment Systems (Oversight) Act and the Money-changing and Remittance Businesses Act regulations and notices

Given that the PS Act will supersede both the Payment Systems (Oversight) Act and the MCRBA, the notices and regulations made under the superseded Acts will also be revoked on the Commencement Date by the following:

- Payment Services (Exemption for Specified Period) Regulations 2019;
- Payment Systems (Oversight) (Revocation) Order 2019;
- Payment Systems (Oversight) (Exemption) (Revocation) Regulations 2019;



- Payment Systems (Oversight) (Revocation) Regulations 2019;
- Money-changing and Remittance Businesses (Cancellation) Notification 2019; and
- Money-changing and Remittance Businesses (Revocation) Regulations 2019.

Further clarifications, revisions and amendments

Following the latest round of consultation exercises for the following:

- PS Regulations;
- PSN01 and PSN02; and
- other notices and guidelines,

MAS has considered the responses received and has issued the following clarifications, as well as proposed new guidelines and the next round of revisions and amendments:

Regulation, Notice, Guideline	MAS response
PS Regulations: Licensing processes	To allow sufficient time to prepare submissions, MAS will shortly publish, ahead of the Commencement Date: <ul style="list-style-type: none">• the application form for the grant of a licence; and• the form for notification of provision of payment services (for purposes of exemption from holding a licence for the specified grace period)
PS Regulations: Solicitation	MAS will amend the Notice on disclosures and communications (PSN08) to require that licensees and exempt payment service providers ensure that third parties soliciting payments business for them disclose the information that the licensees and exempt payment service providers are required to disclose under PSN08. MAS also clarified that clarify that, where a regulated entity follows up on enquiries from customers on services provided by the regulated entity's related company overseas, this action in and of itself does not constitute breach of the prohibition against solicitation.



Regulation, Notice, Guideline	MAS response
PS Regulations: Safeguarding funds in transit	<p>Where section 23 of the PS Act requires merchant acquirers which are Major Payment Institutions (MPIs) to safeguard funds in transit owed to both merchants in Singapore and as merchants overseas if the contract between the merchant acquirer and the merchant is concluded in Singapore, MAS has taken into consideration the costs and difficulties faced by payment service providers in safeguarding funds in transit owed to foreign merchants. MAS will exempt any MPI providing merchant acquisition service from the safeguarding requirement in section 23 where:</p> <ul style="list-style-type: none">• the relevant money is owed to foreign merchants;• the foreign merchant is one that does not carry on business in Singapore, and is not incorporated, formed or registered in Singapore; and• the MPI has informed all foreign merchants in writing to mitigate the risk that foreign merchants may expect their money to be safeguarded under the PS Act. <p>MAS additionally clarified that "relevant money" as defined in section 23(14) of the PS Act does not include credit extended by the merchant acquirer to the merchant before the merchant acquirer receives money from or on account of the merchant, from the merchant's customer.</p>
PS Regulations: Duties of the CEO, directors and partners of the licensee, and audit requirements	<p>MAS will be removing regulation 13 from the PS Regulations. MAS will setting out in a separate guideline the criteria MAS will take into account in determining whether or not a CEO, director and partner of a licensee has failed to discharge the duties of the individual's office or employment. The guideline will cover the duties of the employees, CEO, directors and partners and will not differentiate between whether the individual is a local or foreigner.</p> <p>With regard to the fit and proper requirements for all other employees of licensees, MAS will subsequently provide more guidance to the industry in the near future.</p>

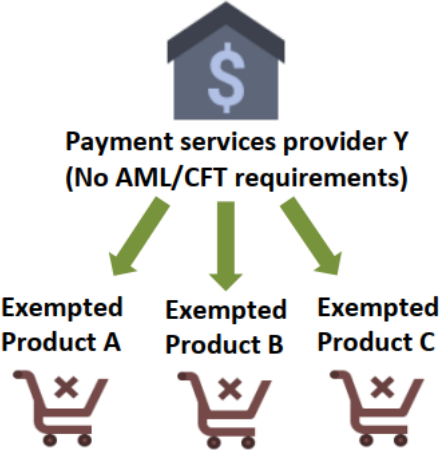


Regulation, Notice, Guideline	MAS response
PS Regulations: Submissions of auditors' report and report on the business of operating the designated payment system	Regulation 22 on annual account filing requirements will be removed from the PS Regulations and MAS will set it out in guidelines on the criteria MAS will take into account in determining whether or not a CEO or director of an operator of a designated payment system, has failed to discharge the reporting duties.
PS Regulations: Exemption for domestic money transfer service	<p>The exemption intended to right-size regulations for core domestic money transfer service providers with incidental cross border money transfer services will also apply to domestic money transfer service providers which only facilitates the domestic leg of a cross border money transfer on behalf of a customer of the cross-border money transfer services, where the cross-border money transfer services is provided by:</p> <ul style="list-style-type: none">• a person who is exempted from holding a SPI licence as it only carries on a cross-border money transfer service business with low money laundering and terrorism financing risks; or• an exempt payment service provider (such as a bank or finance company).
PS Regulations: Stock cap and annual flow cap	<p>While MAS will retain the stock and flow caps at S\$5,000 and S\$30,000 respectively, MAS will accordingly introduce the following exemptions in recognition of some customer's need to make large and regular transfers overseas, and some payment institutions offering competitive e-wallet solutions for such transfers:</p> <ul style="list-style-type: none">• Flow cap exemption: A licensee will be permitted to exclude from the annual flow cap computation, transfers from a customer's personal payment account to his own overseas personal bank deposit account; and• Stock cap exemption: A licensee will be able to hold balances in personal payment accounts exceeding the SGD 5,000 stock cap, provided all sums above SGD 5,000 are transferred out



Regulation, Notice, Guideline	MAS response
	of the personal payment account by the end of the day.
PSN01: exempted product and an exempted entity	<p>Where a Licensee offers customers one or more specified payment services under the same terms and conditions as part of its business, MAS has set out the differences in AML/CFT requirements between an exempted product and an exempted entity.</p> <p>exempted product:</p> <div data-bbox="808 814 1263 1291" data-label="Diagram"><p>The diagram illustrates the relationship between a licensee and its products. At the top is a house icon with a dollar sign, labeled 'Licensee X (AML/CFT requirements apply)'. Three green arrows point downwards from this icon to three shopping cart icons below. The first cart is labeled 'Exempted Product A (no CDD)' and has a red 'X' on it. The second and third carts are labeled 'Product B' and 'Product C' respectively.</p></div> <p>MAS will not require Licensees to comply with the CDD-related AML/CFT measures within PSN01 only with regard to these exempted products in recognition of the low-risks posed by such exempted products. However:</p> <ul style="list-style-type: none">• the exempted product must comply with the relevant PSN01 low risk criteria on an on-going basis; and• the Licensee offering any exempted product will have to demonstrate that it has in place processes and procedures to verify and ensure that the exempted product(s) meet the low-risk criteria on an on-going basis.



Regulation, Notice, Guideline	MAS response
	<p>exempted entity:</p>  <p>A payment service provider that offers only exempted products:</p> <ul style="list-style-type: none"> would not be subject to the AML/CFT requirements in the PS Notices and would be exempt from the requirement to hold a standard payment institution licence under the PS Act.
<p>PSN02: to adopt FATF Guidance on a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers</p>	<p>MAS will implement enhanced FATF standards for DPTS providers, to prevent regulatory arbitrage and preserve Singapore's standing as a well regulated jurisdiction. MAS will amend the PS Act and PS Notices to scope in the service providers that conduct any of the following activities for AML/CFT requirements:</p> <ul style="list-style-type: none"> transfer of DPTs; and provision of custodian wallets for or on behalf of customers
<p>PSN01 and PSN02: Correspondent Account Services revisions</p>	<p>Both PSN01 and PSN02 will be revised to exclude the application of correspondent account services requirements when a payment services provider engages the services of a financial institution that is operating in Singapore. Correspondent Account Services requirements will only apply when they engage:</p>



Regulation, Notice, Guideline	MAS response
	<ul style="list-style-type: none">• a non-bank financial institution (including all PS Act Licensees) operating in Singapore; or• a financial institution operating outside Singapore.
PSN02: guidelines on Wire Transfer Requirements for DPT Services	MAS will issue guidelines to PS Notice 02 to provide further clarification on supervisory expectations on the conduct of value transfers. For example, on "reasonable measures", MAS expects customer identification and verification measures to be adopted that are commensurate to the ML/TF risks posed.
PSN04: Notice on submission of regulatory returns	<p>To address concerns that the new reporting requirements are a substantial step-up from the current Notice 3003 obligations, MAS will delay the effective date of PSN04 from six months from the Commencement Date to begin on 1 January 2021 instead for the following:</p> <ul style="list-style-type: none">• approved holders of widely accepted stored value facilities under the PS(O)A; and• holders of remittance licences and money-changer's licences under the MCRBA, in respect of any e-money issuance service, cross-border money transfer service, and money-changing service respectively.
PSN04: Data to be reported	MAS will amend PSN04 to improve the quality of data to be reported.
PSN07: Conduct requirements	<p>MAS agrees that it may not be practical for receipts to be issued for every transaction involving corporate customers, and will amend PSN07 as follows:</p> <ul style="list-style-type: none">• licensees need only issue receipts where the customer is an individual or sole-proprietor, or where the customer requests a receipt; and• licensees will be allowed to issue monthly statements or other receipts on a consolidated basis.



Regulation, Notice, Guideline	MAS response
	The requirements to display exchange rates will be amended to apply only when the licensee or exempt payment service provider offers an exchange rate. The requirements will take into account transactions involving currency conversion where the exchange rate is not available at the point of transaction and is provided by a third party.
PSN08: Disclosures and communications	MAS will amend PSN08 to require that licensees and exempt payment service providers ensure that third parties soliciting payments business on their behalf provide the necessary activity-specific disclosures.
E-payments User Protection Guidelines	MAS is revising the E-payments User Protection Guidelines applicable to relevant MPIs and exempt payment service providers, and will delay the effective date from the initially proposed six months after the Commencement Date, to nine months after the publication of the revised guidelines.

Preparatory steps

As a member of the [Payments Regulatory Evaluation Programme](#) panel set up jointly by MAS and the Singapore Academy of Law, we would be happy to assist you in meeting your compliance needs.

All entities with activities requiring licensing under the PS Act should now prepare for licence applications or consider whether they qualify for the relevant exemptions (where appropriate), taking note of application deadlines and any applicable transition periods.

Do note the following key deadlines in the Payment Services (Exemption for Specified Period) Regulations 2019:

Deadline	
27 February 2020	Applicable to: Persons carrying on a business of providing certain payment services are exempted from holding a licence under the PS Act for a prescribed grace period subject to certain conditions. Action required:



	These persons must inform MAS of the date on which they had commenced the business of providing the payment service within 30 days after the Commencement Date.
28 July 2020	Applicable to: DPTS providers carrying on a business of providing a digital payment token service. Effect: The grace period for DPTS providers ends six months from the Commencement Date.
28 January 2021	Applicable to: Payment service providers carrying on a business of providing certain other payment services (other than a DPTS). Effect: The grace period for DPTS providers ends one year from the Commencement Date

Background to the PS Act

Please refer to our past client alerts for more background on the PS Act and the related regulations:

- [MAS Consults on Proposed AML/CFT Notices for Licensed Payment Services Providers;](#)
- [MAS Consults on Proposed Payment Services Regulations;](#)
- [Second Update: Payment Services Bill in Singapore passed in Parliament;](#)
- [Updated Guidance on MAS Approach to Digital Tokens;](#)
- [Update: Payment Services Bill introduced in Parliament;](#)
- [The Proposed Payment Services Bill and How It Might Affect You;](#) and
- [MAS Consults on Proposed Payment Services Bill.](#)