

Promoting sound regulation for the Payment Services sector

Introduction

The regulatory framework under the Payment Services Act 2019 (PS Act), which replaced the Money-changing and Remittance Businesses Act and Payment Systems (Oversight) Act, commenced on 28 January 2020. The current payment services regulatory framework recognises the growing convergence across payment activities and expands the Monetary Authority of Singapore's (MAS) regulatory scope to include more types of payment services.

This document summarises the principal regulatory obligations of different types of payment services providers in Singapore.

Regulatory framework

Payment services providers in Singapore are regulated by the MAS. They are subject to requirements under the PS Act, Payment Services Regulations (PS Regulations) and various Notices and Guidelines issued pursuant to the MAS Act and PS Act (Appendix A).



Under this regime, there is a Designation Framework for significant payment systems and a Licensing Framework for payment services providers. The Designation Framework allows MAS to designate significant payment systems and regulate the operators, settlement institutions and participants of these designated payment systems to ensure financial stability as well as to promote efficiency and competition. The Licensing Framework requires a payment services provider to obtain a license for the type of payment service(s) that it intends to provide in Singapore.

Recent Developments

The Payment Services Amendment Act, which was passed on 4 January 2021, seeks to address the inherent risks associated with the developing digital payment tokens area, expanding the scope of the PS Act and imposing additional measures on DPT service providers to mitigate money laundering / terrorism financing risks¹ and ensure the safeguarding of all customer assets. The Amendment Act also broadens the definition of cross-border money transfer service to include facilitating transfers of money between persons in different jurisdictions, where money is not accepted or received by the service provider in Singapore, bringing such service providers under the regulatory ambit of MAS.

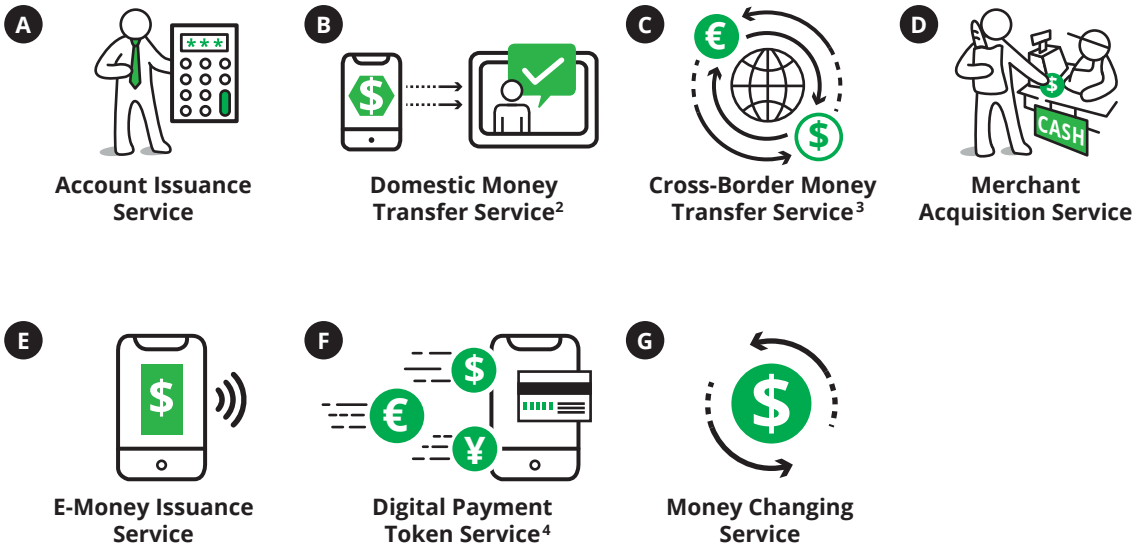
The MAS has clarified its position with respect to the digital assets ecosystem. The MAS continues to support innovation in the overall digital asset ecosystem due to the substantial potential benefits such technology can bring (including efficiency, traceability, convenience and inclusion). Recognising the increased risks associated with digital assets, the MAS has imposed the same stringent anti-money laundering requirements and technology risk management principles on providers of digital asset services as for other financial institutions.

At the same time, the MAS has expressed concerns about the price volatility of cryptocurrencies and has been taking increasingly stronger measures to discourage retail speculation in cryptocurrencies.

Regulatory guidance will continue to evolve in line with the rapidly-changing landscape of this ecosystem.

¹ In alignment, the Financial Services and Markets Act 2022 (passed on 5 April 2022) introduces powers which enable the MAS to impose licensing requirements and ongoing requirements such as anti-money laundering / terrorism financing requirements on Virtual Assets Service Providers ("VASP") of (a) digital payment tokens as defined under the PSA or (b) digital representation of capital markets products as defined under the Securities and Futures Act.

As illustrated below, there are seven regulated payment activities under the PS Act.



Payment service providers involved in any of these activities must hold one of the three licences issued under the PS Act, namely the Major Payment Institution (MPI) Licence, Standard Payment Institution (SPI) Licence or Money Changing (MC) Licence, depending on the combination of activities the entity engages in. Table 1 summarises the principal requirements for each licence type.

² Definition of Domestic Money Transfer Service amended to broaden the scope of protection of the PS Act to consumers who are involved in money transfer transactions with financial institutions.

³ Definition of Cross-Border Money Transfer Service expanded to include any service of arranging for the transmission of money from any country or territory to another country or territory, whether as principal or agent.

⁴ Definition of Digital Payment Token Service expanded to include any account, device or facility that contains digital payment tokens, as well as digital payment token instruments.

Table 1: A summary of the principal requirements for MPI, SPI and MC Licence types

	Major Payment Institution Licence	Standard Payment Institution Licence	Money Changing Licence
Permissible activities	Any combination of the seven defined payment services, without limit	Any combination of the seven defined payment services, not exceeding specified thresholds (see below)	Provide Money Changing Services only
Threshold factors	N.A.	Applicable thresholds: a. S\$3 million average monthly transactions for any payment service ⁵ b. S\$6 million monthly average transactions for two or more payment services ⁶ c. S\$5 million average daily outstanding e-money float (for e-money issuer)	N.A.
Fit and proper requirements	<ul style="list-style-type: none"> The sole-proprietor, partners, or directors and shareholders, CEO and employees must satisfy the fit and proper criteria in accordance with the Guidelines on Fit and Proper Criteria.⁷ MAS' prior approval is required before acquiring 20% control of a payment services licensee. 		
Competency of key individuals	<ul style="list-style-type: none"> The sole-proprietor, partners, or executive directors and CEO are required to have sufficient experience in operating a business in the payment services industry or related areas in the financial services industry. 		
Financial requirements: Base capital	S\$250,000 ⁸	S\$100,000 ⁹	N.A.
Financial requirements: Security deposit	S\$100,000 or S\$200,000 ¹⁰ (cash deposit or bank guarantee)	N.A.	N.A.

⁵ Other than e-money issuance and money-changing services

⁶ Other than e-money issuance and money-changing services

⁷ FSG-G01: Guidelines on Fit and Proper Criteria

⁸ Where the applicant is a foreign company, net head office funds are to be considered instead of base capital. Additionally, the applicant must ensure that it maintains sufficient capital buffer in excess of base capital commensurate with the scale and scope of its business operations.

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¹⁰ Maintain security deposit of S\$100,000 if, over a calendar year, the average of total value of all payment transactions in one month is less than S\$6 million for any one payment service. Otherwise, a security deposit of S\$200,000 is required

	Major Payment Institution Licence	Standard Payment Institution Licence	Money Changing Licence
Legal structure and office space	<ul style="list-style-type: none"> Singapore-incorporated company or a foreign corporation registered in Singapore with permanent place of business or registered office in Singapore. 		<ul style="list-style-type: none"> Money-changing businesses can be operated by Sole-proprietorship, Partnership or Limited Liability Partnership (LLP), Singapore-owned company¹¹ or Foreign-owned company¹² There must be a permanent place of business or registered office in Singapore.
Governance and ownership requirements	<p>Singapore-incorporated company or Singapore branch of a foreign corporation with Board of Directors that should have either:</p> <ul style="list-style-type: none"> At least 1 executive director who is a Singapore Citizen or Singapore Permanent Resident; or At least 1 non-executive director who is a Singapore Citizen or Singapore Permanent Resident and at least 1 executive director who is a Singapore Employment Pass Holder. 		<ul style="list-style-type: none"> Sole-proprietor: Singapore Citizen; Partnership or a Limited Liability Partnership (LLP): a majority of its partners should be Singapore Citizens; For Singapore-owned company: a majority of the Board of Directors of the company should be Singapore Citizens; Foreign-owned company¹³: based on size, track record and reputation The sole proprietor, partners or directors of a company should have a minimum of 1 year's relevant working or business experience on a full-time basis.

¹¹ Where more than 50% of the equity shareholdings should be beneficially owned and effectively controlled by Singapore Citizens

¹² Subject to conditions such as size, track record and reputation of the foreign parent company as well as the adequacy of the its home supervisory authority's regulation and supervision in relation to AML/CFT.

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	Major Payment Institution Licence	Standard Payment Institution Licence	Money Changing Licence
Business conduct	<ul style="list-style-type: none"> Comply with business conduct requirements in the PS Act, the PS Regulations and the Notice on Conduct.¹⁴ Examples of obligations (depending on activities and license-type) include safeguarding of customers' monies, record of transactions, issuance of receipts, adhering to the prescribed time period for transmission of money, display of exchange rate and fees, and notification of business hours. 		
Safeguarding of relevant money	<ul style="list-style-type: none"> Safeguard any relevant money¹⁵ by way of an undertaking from a safeguarding institution, guarantee by a safeguarding institution, depositing the relevant money in a trust account. 	N.A.	N.A.
Additional customer protection requirements in respect of licensee providing digital payment token (DPT) service	<p>The MAS may prescribe user protection measures on DPT service providers*, including:</p> <ul style="list-style-type: none"> Standards, processes and manner of safeguarding of assets (including digital payment tokens) belonging to customers held by the DPT service provider, including in the event of insolvency of DPT token service provider Standards, processes and manner of protecting customer data Exchange of digital payment tokens for Singapore currency 		N.A.
Technology Risk Management¹⁶	<ul style="list-style-type: none"> Establish robust technology risk governance and oversight, with a strong risk culture cultivated by the board of directors and senior management. A sound technology risk management framework should also be established. Strong cyber resilience should be maintained, with IT processes and controls continuously improved to ensure data and IT systems are protected. Technology risk management measures implemented should be commensurate with the level of risk and complexity of services offered, for example in line with potential risks emerging within the evolving digital asset ecosystem. 		
Cyber hygiene	<ul style="list-style-type: none"> Comply with the requirements as set out in the Notice on Cyber Hygiene¹⁷ and put in place appropriate safeguards to protect customer information. Recommendation to understand and apply, where feasible, the Guidelines on Technology Risk Management. 		
Compliance arrangements	<ul style="list-style-type: none"> Establish compliance arrangements that are commensurate with the nature, scale and complexity of its business. This may take the form of an independent compliance function or compliance support from holding company or overseas related entity. 		
Audit arrangements and annual audit requirements	<ul style="list-style-type: none"> Establish adequate independent audit arrangements¹⁸ to regularly assess the adequacy and effectiveness of its procedures, controls, and its compliance with regulatory requirements. Appoint an auditor to carry out an audit of its accounts and transactions as well as compliance with regulations and requirements on an annual basis. An audit report shall be submitted to MAS within 6 months of financial year end under Form 4. 		

* Payment Services (Amendment) Act 2021 - effective date to be announced.

¹⁴ PSN07: Notice on Conduct

¹⁵ Relevant money means any money received from customer which the licensee continues to hold at the end of each business day or held at any time as float (in case of e-money issuance).

¹⁶ Technology Risk Management Guidelines, January 2021.

¹⁷ PSN06: Notice on Cyber Hygiene

¹⁸ The audit arrangements should be commensurate with the scale, nature and complexity of its operations. The audit may be conducted by an internal audit function within the applicant, an independent internal audit team from the head office of the applicant, or outsourced to a third party service provider.

	Major Payment Institution Licence	Standard Payment Institution Licence	Money Changing Licence
Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) requirements	<p>Comply with the AML/CFT requirements as set out in the Notices on the Prevention of Money Laundering and Countering the Financing of Terrorism¹⁹ and Notice on Reporting of Suspicious Activities & Incidents of Fraud²⁰</p> <p>Key requirements under the Notices:</p> <ol style="list-style-type: none"> Identify, assess and understand the ML/TF risks Develop and implement policies, procedures and controls for the effective management of such risks Enhanced measures should be performed where higher ML/TF risks are identified Monitor the implementation of policies, procedures and controls, and enhancing them if necessary Report to MAS upon discovery of any suspicious activities or incidents of fraud 		
Disclosures and communications	<ul style="list-style-type: none"> Licensee must make accurate representation on the scope of its licence and provide the disclosures set out in the Notice on Disclosures and Communications²¹ where applicable to its business. A licensee should also ensure that customers receive timely updates regarding any material changes to the disclosures. Licensees providing digital payment token services should provide customers with information regarding the manner in which they safeguard customer assets including DPTs and DPT instruments, and how they protect customer data.* 		
Periodic returns	<p>Submit periodic regulatory returns in relation to its payment service activities. The requirements are set out in the Notice on Submission of Regulatory Returns.²² Depending on the combination of activities licensed to carry out, a licensee may be subject to one or more reporting requirements under Forms 1 to 7.</p>		<p>Licensee will be subject to reporting requirements under Form 7.</p>
Application and annual licence fees	<p>Application Fee One activity: S\$1,500 Two or more activities: sum of the amounts²³ for the payment services applied for, whichever is higher.</p> <p>Annual Licence Fee One activity: S\$10,000 Two or more activities: sum of the amounts²⁵ for the payment services applied for, whichever is higher</p>	<p>Application Fee One activity: S\$1,000 Two or more activities: sum of the amounts²⁴ for the payment services applied for, whichever is higher.</p> <p>Annual Licence Fee One activity: S\$5,000 Two or more activities: sum of the amounts²⁶ for the payment services applied for, whichever is higher</p>	<p>Application Fee S\$500</p> <p>Annual Licence Fee S\$1,500</p>

* Payment Services (Amendment) Act 2021 - effective date to be announced.

¹⁹ PSN01: Prevention of Money Laundering and Countering the Financing of Terrorism – Specified Payment Services; and/or PSN02: Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service

²⁰ PSN03: Notice on Reporting of Suspicious Activities & Incidents of Fraud

²¹ PSN08: Notice on Disclosures and Communications

²² PSN04: Notice on Submission of Regulatory Returns

²³ Where two or more types of payment services are provided, no fees imposed on account issuance service and reduced fees apply for money-changing service.

²⁴ Where two or more types of payment services are provided, no fees imposed on account issuance service and reduced fees apply for money-changing service.

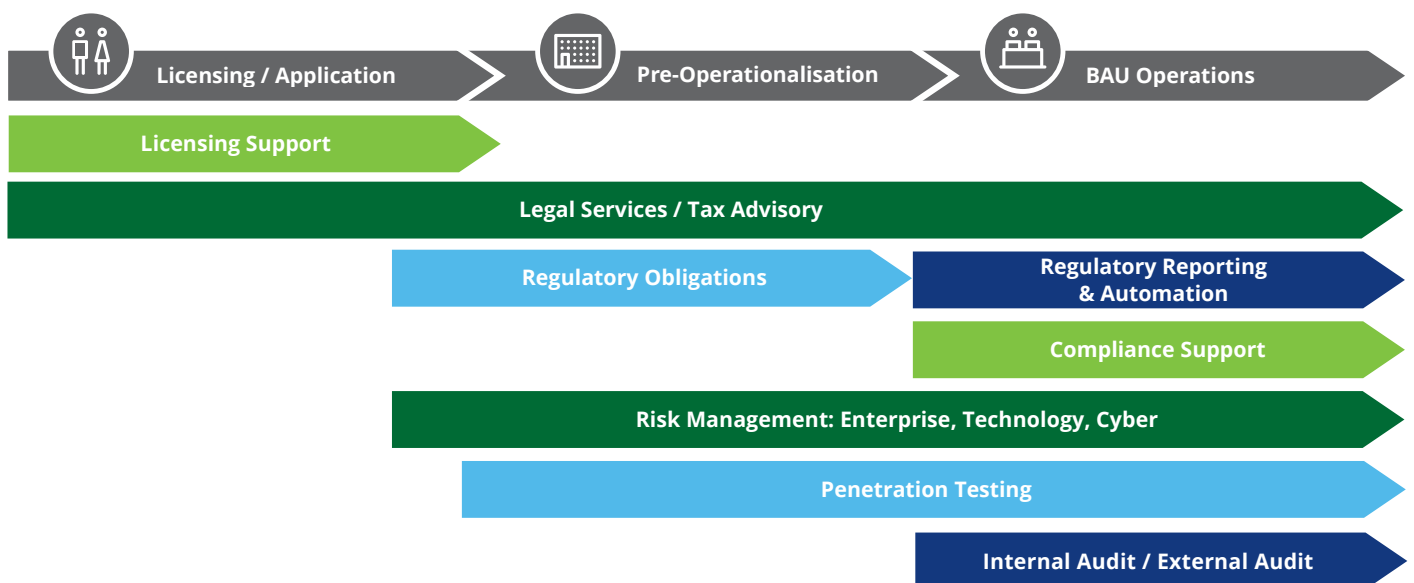
²⁵ Where two or more types of payment services are provided, no fees imposed on account issuance service and reduced fees apply for money-changing service.

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How Deloitte can help



Deloitte offers integrated and customised solutions to address your payment business needs. Our team of dedicated regulatory compliance specialists have significant commercial knowledge and experience, coupled with a deep understanding of industry practices. With our global network of professional resources across different advisory practices, we are able to draw on our subject matter experts to address your various needs across different business operations.



Licensing Support

- Assessing licensing eligibility based on current state of activities and exemptions
- Assisting in preparing license applications and related regulatory submissions



Regulatory Obligations

- Developing comprehensive list of obligations for your entity based on applicable regulations
- Mapping in-scope regulations based on activity-based requirements and related exemptions (if any)



Policy Development and Review

- Performing a targeted review of current policies and procedures
- Assessing adequacy of procedures and identifying areas for enhancement
- Developing policies in line with regulatory expectations and internal operative requirements



Regulatory Reporting & Automation

- Developing and automating regulatory reports
- Reviewing regulatory reports
- Validating reports, computations and systems
- Providing specialist and technical advisory



Compliance Support

- Ongoing compliance support, such as regular compliance monitoring and providing regulatory liaison and automating compliance activities
- Providing compliance training on General Compliance Awareness or specific areas such as AML/ CFT and Transaction Monitoring



Technology Risk Management

- Performing a review and assist in the development of the entity's policies, standards and controls against internationally acknowledged frameworks (e.g. COBIT, ITIL) and MAS TRMG
- Supporting for putting control framework into practice through training and business process change



Cyber Security/Penetration Testing

- Performing compliance review against local cyber regulations such as Cybersecurity Act and Cybersecurity Code of Practice
- Providing vulnerability and penetration testing services for the applications (web/mobile/APIs) and infrastructure



External Audit

- Conducting independent audits assessing adequacy and effectiveness of procedures and internal controls
- Submitting independent auditor's annual report to MAS in prescribed format



Internal Audit

- Assisting with the design and set-up of the internal audit function
- Performing internal audit outsourcing
- Performing internal audit co-sourcing (e.g. subject matter resources)



Legal Services

- Legal opinions required for PS Act licence application involving digital assets, or concerning any points of legal interpretation under PS Act
- Advising on data protection issues
- Advising on competition laws
- Advising on territorial scope of legislation (i.e. private international law points)
- Drafting/ reviewing of agreements



Tax Advisory

- Providing tax structuring and advisory support in connection with transactional, product and operational tax issues
- Performing ongoing tax compliance and filings assistance
- Assisting in applications for tax and other economic incentives
- Providing full coverage support for card issuers, card schemes, merchant acquirers, payment gateways, and other payment services suppliers and including in relation to alternative payment and distributed ledger payment solutions



Enterprise Risk Management

- Designing, enhancing, reviewing or implementing risk management frameworks, policies and procedures, whether at enterprise-level or specific risk-level (e.g. technology, operational, financial) against regulatory expectations and/or industry practices
- Assisting with the definition and embedding of risk appetite and risk culture



Appendix A: List of payment services regulations published by MAS

1. Legislation

Payment Services Act 2019 (effective 28 January 2020)

Payments Services Amendment Act (passed on 4 January 2021), effective date to be announced.

2. Regulations

- Payment Services Regulations 2019
- Payment Services (Exemption for Specified Period) Regulations 2019
- Payment Services (Singapore Dollar Cheque Clearing System and Inter-bank Giro System) Regulations 2019
- Payment Services (Saving and Transitional Provisions) Regulations 2019
- Payment Services (Composition of Offences) Regulations 2019

3. Notices for Payment Services Providers

- PSN01 Prevention of Money Laundering and Countering the Financing of Terrorism - Specified Payment Services
- PSN01AA Prevention of Money Laundering and Countering the Financing of Terrorism - Persons Providing Account Issuances Services who are Exempted under the Payment Services (Exemption for Specified Period) Regulations 2019
- PSN02 Prevention of Money Laundering and Countering the Financing of Terrorism - Digital Payment Token Service
- PSN03 Notice on reporting of suspicious activities and incident of fraud
- PSN04 Notice on Submission of Regulatory Returns
- PSN04A Notice on Submission of Statement of Transactions and Profit/Loss
- PSN05 Technology Risk Management
- PSN06 Cyber Hygiene
- PSN07 Notice on Conduct
- PSN08 Notice on Disclosures and Communications
- PSN09 Notice on Specified Matters and Forms
- PSN10 Prevention of Money Laundering and Countering the Financing of Terrorism - Exempt Payment Service Providers
- Notice FNA-N01 Criteria of Rules of a Designated System

4. Key Guidelines for Payment Service Providers

- Guidelines on Licensing for Payment Service Providers
- Guidelines on Outsourcing
- Guidelines on Fit and Proper Criteria
- Guidelines for E-Payments User Protection
- Guidelines on Risk Management Practices - Technology Risk
- Guidelines to Notice PSN01 on Prevention of Money Laundering and Countering the Financing of Terrorism - Specified Payment Services
- Guidelines to Notice PSN02 on Prevention of Money Laundering and Countering the Financing of Terrorism - Digital Payment Token Service
- Guidelines on Business Continuity Management
- Guidelines on Provision of Digital Payment Token Services to the Public

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