

The Payment Services Act – An overview

THE TIMELINE

The Payment Services Bill ("**PSB**") (available [here](#)) was passed on 14 January 2019, following the issuance of a Consultation Paper in November 2017 (available [here](#)), and first and second reading in Parliament on 19 November 2018 and 14 January 2019 respectively.

Our earlier updates on the Consultation Paper and the Bill can be accessed [here](#) and [here](#).

The PSB is described as 'a necessary price in Singapore's smart nation journey' and is expected to come into force by the end of the year.

THE AIM

Currently, payment services are regulated by the Monetary Authority of Singapore ("**MAS**") under the Payment Systems (Oversight) Act ("**PS(O)A**") and the Money-changing and Remittance Businesses Act ("**MCRBA**"). However, in light of the developments in the payment services landscape which create uncertainty in the regulatory scope of the PS(O)A and MCRBA and present new risks to be addressed, it is timely for a new regulatory framework for payment services to be put in place.

Once commenced, the Payment Services Act ("**PSA**") will provide a forward-looking and flexible framework for the regulation of payment service providers in Singapore by streamlining payment services under a single legislative framework by combining the PS(O)A and the MCRBA.

The PSA will also enhance the scope of regulated activities by taking into account developments in payment services; take a risk-based approach, and calibrate regulations according to the risks

posed by the various regulated activities by adopting a modular regulatory regime.

THE FRAMEWORK

The PSA comprises two parallel regulatory frameworks:

- a **licensing framework** for payment service providers; and
- a **designation framework** for significant payment systems.

THE FEATURES

What type of services are regulated?

Seven payment services will be regulated by the PSA:

- account issuance
- domestic money transfer
- cross border money transfer
- merchant acquisition
- electronic money ("**e-money**") issuance
- digital payment token
- money-changing

What type of licence is required?

An entity ("**licensee**") will need a licence to provide these payment services, unless the entity is exempt, or the activity is excluded from the scope of the PSA.

There will be three types of licences:

- Money-Changing
- Standard Payment Institution
- Major Payment Institution

An entity will require a Major Payment Institution licence if it intends to provide payment services in excess of any of the following payment transaction thresholds:

- Any licensable activity where the average, over a calendar year, of the total value of all payment transactions that it accepted, processed or executed in one month exceeds S\$3 million; or
- 2 or more licensable activities where the average, over a calendar year, of the total value of all payment transactions that it accepted, processed or executed in one month exceeds S\$6 million.

The above thresholds do not apply to any money-changing service and any account issuance service where each account issued stores e-money.

A licensee may only conduct the payment services that it is approved to conduct in its licence. Any intended change in payment services

will require the approval of MAS for a variation of the licence.

What are the minimum capital requirements?

All licensees (except money-changing licensees) must satisfy minimum capital requirements on an initial and on-going basis.

The minimum capital requirement for Major Payment Institutions is S\$250,000 whilst that for Standard Payment Institutions is S\$100,000.

What are the risk-mitigating measures?

The risk-mitigating measures imposed will depend on the type of service provided by the licensee. Specifically, MAS seeks to address the following key risks in retail payment services:

- money lending/terrorist financing;
- user protection;
- interoperability; and
- technology risk.

If you would like information and/or assistance on the above or any other area of law, you may wish to contact the partner at WongPartnership that you normally deal with or the following partner:



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